The small-scale industry sector has emerged over five decades as a highly vibrant and dynamic sector of the Indian economy. Today, this sector accounts for about 95% of industrial units and is contributing about 40% of value addition in the manufacturing sector, nearly 80% of manufacturing employment and about 35% of exports (both direct and indirect). More than 34 lakh units are spread all over the country producing over 750 items and providing employment to more than 192 lakh persons.

**Definition of SSI**

The official definition of SSI in India was first evolved in 1950 in terms of the size of gross investment in fixed assets (plant and machinery, land, building etc.) as well as in terms of the strength of the workforce in the unit concerned. This criterion underwent several changes over a period of time. In the late fifties, a shift from a workforce-based definition to an investment-based definition was affected. In 1966, the original amount invested in plant and machinery was adopted as the sole norm for defining a unit small-scale or otherwise. Other concepts, namely ancillary and tiny were introduced in 1960 and 1977 respectively. Industry related/business-oriented service enterprises were classified for the first time as Small-scale Service Establishments (SSSEs) in 1985 and later in 1991 redefined as Small-scale Service and Business (industry related) Enterprises (SSSBES). The government in 1988
defined the term Women Entrepreneur's Enterprise indicating 51% equity held by women, the same was modified in 1991.

Classifications of SSI

This sector covers a wide spectrum with two clearly identifiable segments, i.e., modern small-scale industries, including tiny units and power looms and traditional industries like Khadi and Village Industries, Handlooms, Handicrafts Sericulture and Coir industry. Both the segments have their own special characteristics in terms of capital/labour intensity, location, orientation, manufacturing process and skill requirements. Chart 1.1 shows the classification of SSI

Chart No. 1.1

Classification of SSI in India

Small-scale Industries

- Traditional
  - Power Looms
    - Khadi
      - Village industries
        - Handlooms
    - Small scale
  - Export oriented
    - Ancillaries
- Modern
  - With power
    - Without power
Traditional Industries

Traditional Industries include:

1) Khadi and Village Industries
2) Handlooms Without power
3) Handicrafts
4) Coir
5) Sericulture

Modern Units

1) Small-scale industrial undertakings
2) Export oriented SSI units
3) Ancillary industrial undertakings
4) Small-scale service and business enterprises
5) Power looms.
According to the third SSI census 62.13% of the units were engaged in manufacturing/assembling/processing, 7.54% in repairs and maintenance and 30.33% in service activities. Of the total SSI units 97.8% were tiny units, 0.67% were export-oriented units.

**Different Segments of SSI**

**Small-Scale Industrial Undertaking (SSI)**

Following the Abid Hussain Committee (1997) Recommendation, the Government of India raised the ceiling on investment in plant and machinery for SSI and ancillary undertaking to Rs. 3 Crore. This definition of SSI and ancillary undertaking has since been revised as per the government order dated 24 December 1999. According to the order the industrial undertaking in which the investment in plant and machinery, whether held on ownership terms or on lease/hire purchase basis does not exceed Rs. 1 crore is regarded as small-scale industrial undertakings.

**Ancillary Industrial Undertaking (ANC)**

An Industrial undertaking which is engaged in or is proposed to be engaged in the manufacture or production of parts, components, subassemblies, tooling or intermediates or the rendering of services is termed as ancillary undertaking. The ancillary undertaking is required to supply not less than 50% of its production or services, as the case may be the one or more other industrial undertakings. The investment in plant and machinery, whether held on an ownership basis or on lease or on hire purchase, should not exceed F.s. 1 crore.
**Tiny Enterprise:**

A unit is treated as tiny enterprise where the investment in plant and machinery does not exceed Rs. 25 lakh, irrespective of the location of the unit.

**Women Entrepreneurs' Enterprise:**

A Women Entrepreneurs' Enterprise is termed as an SSI unit/industry related service or business enterprise managed by one or more women entrepreneurs in proprietary concerns or in which she/they individually or jointly have a share capital of not less than 51% as partners/shareholders/directors of private limited company members of a co-operative society.

**Small-scale Service and Business (Industry Related) Enterprise (SSSBE):**

An industry related service/business enterprise with investment up to Rs. 5 lakh in fixed assets, excluding land and building is treated as an SSSBE.

**Export Oriented Unit (EOU)**

A unit with an obligation to export at least 30% of its annual production by the end of the third year of commencement of production and having an investment ceiling as prescribed for small-scale undertakings, i.e. up to Rs. 1 crore in plant and machinery is termed as an export oriented SSI unit.

The definitional criteria of SSI are closely linked with the question of ownership, since SSI units cannot either be controlled or owned or be a subsidiary of any other industrial undertaking. This suggests that in the case of proprietary / partnership firms, the combined investment of all the units set up by the same
proprietor / partners should not exceed the total investment limit fixed for an SSI unit. The equity investment by other companies in SSI should not exceed 24% of the total equity.

**SCENARIO OF SMALL-SCALE INDUSTRIES: GLOBAL**

The role of small-scale enterprises is significant in many countries. The flexibility to adapt to the environment is markedly pronounced in the small business as compared to large business. Hall to two thirds of business all over the world is small and medium enterprises, which have traditionally been known for the agility of their response to changing environment. 1 According to Singer "even in terms of productivity small industries (less than 100 employees) produce about 90% of the average industrial output per person in the United States and about 85% in the United Kingdom". 2 Japanese businesses in the small manufacturing sector is attributed to its long term planning for structured changes and efficient allocation of resources in the economy. 3 Japan known for its unique style in management has developed an integrated system of subcontracting, whereby the small producers stand to benefit from large volumes of marked potential. United Kingdom considers the small firms are crucial to the development of the country. These firms are regarded as breeding ground for new entrepreneurial talent and new ideas with inbuilt flexibility to adapt to dynamic business environment. Over the last 20 years there has been marked increase in the number of small business in the economy of the U.K. From 1980-1993 the number of small firms grew around 8 lakh, the vast majority of registered business is small. 96% of the firms have less than 20 employees. Firms with less than 100 employees account for 50% of employment. 4
In Europe, Italy stands out with its efforts at providing for free play of private initiative and motivation in the medium to cottage industries. Italy's system is characterized by the industrial districts system where small enterprises are coordinated by single sector production. Products are highly competitive and have high quality precision. A Canadian government document states that small owner managed firms are a mainstay of employment in cities and towns across the country. They supply goods and services essential to consumer and other business and they demonstrate the innovation and entrepreneurship from which successful entrepreneurs must spring. A study of the small-scale sector's contribution in Taiwan's economy demonstrates that the small business sector acts as an entrepreneurial growth engine in economic development. Korea and Indonesia have of late started focusing more attention on the growth of the SSI by reserving items for exclusive production by the sector.

China has a predominant small industry sector contributing to the national economy and is said to continue to rely on Mao's aphorism of walking on two legs- "one small and the other large". The achievement of Germany in the SSI sector can be attributed to the move towards decentralisation of activities by large number of enterprises, small as optimum size for new products, and liberalisation of economic activities. Germany keeps up her long tradition of craft system in the manufacturing field. Heterogeneity rather than homogeneity is the specialty of small enterprise system in Germany. SMEs share in leading Asian economies in terms of the number of establishments, employment, output and exports is summarized in Table No:3.4. It can be observed that SMEs account for the overwhelming %age both in establishment and employment. While the share of SMEs in terms of number of establishments is by
far the largest, the contribution to SMEs in terms of output and exports is more
diverse in Asian economies

SCENARIO OF SMALL-SCALE INDUSTRIES IN INDIA

Small-scale sector is recognized as an instrument of social transformation enlarging
employment opportunities and broadcasting entrepreneurship. It occupies a place of
importance in the economy of all labour surplus countries

Small-Scale Industry under Five Year Plans

The small-scale industrial sector has played a vital role in shaping the destiny
of the nation since independence It has emerged as a highly vibrant and dynamic
sector of Indian economy. In fact, it is one of the success stories of modern India.  
The onset of planning era in 1951 saw the village and small-scale industries sector
being recognized as an important tool for employment generation and balanced
regional development. In view of this, plan outlays for this sector also rose
phenomenally over the years. The state of affairs, in which small-scale industries were
at that time, is well described in the plan document: "There have been hardly any
considered and coordinated programmes of development of technical improvement
and a great deal of small industry has grown up without much direction and assistance
from the government".  

In the First Five Year Plan (1951-1956) it was outlined that the supply of the basic
raw materials should be assured, a sphere of production ear-marked and perhaps a
small chess enforced on large-scale industry with a view to reducing the difference in
the cost of production or merely with the object of providing funds for improving the
efficiency and organisation of small-scale units. From the experience of the first five-year plan, it was recognised that satisfactory arrangements for meeting the required amount of finance have a vital role to play in the development programmes for small industries.

The Second Five Year Plan (1956-61) stressed the need for a "coordinated policy based on close collaboration between the Reserve Bank of India, the State Bank of India, State Financial Corporation and Central Co-operative Bank". During the Second Five Year Plan period as many as 60 industrial estates were established. Certain items were reserved for exclusive production in small-scale sector.

During the Third Five Year Plan (1961-1966) Small-Scale Industries Board (SSIB) constituted a working group to formulate a plan for the development of small-scale industries. Intensive development of these industries was taken up in selected areas known as "rural industries projects". Among other developments in the field of small-scale industries proposed in this plan reference may be made to the proposed development of depots for stocking raw materials, which are in short supply, to be made available to small units with a view to assisting in the fuller utilization of existing capacity. It was also proposed to set-up an industrial design institute and about more than 300 new industrial estates (apart from 60 already established) of various sizes and types during the third plan period.

The Fourth Five Year Plan (1969-1974) document stated as follows "The main aims of the development programmes for small-scale industries was fuller utilization of the capacity already established, intensive development of selected industries including ancillaries and industrial co-operatives and subject to criteria of feasibility, promotion
of industries in semi urban, rural and backward areas” 13 During this period, the Administrative Reforms Commission made several recommendations for the development of small-scale sector. Stress was laid on training and common service facilities, quality marketing and credit facilities.

The **Fifth Five Year Plan (1974-1979)** stressed the development of different small industries so as to remove poverty, generate employment and reduce inequalities. The broad strategy proposed to be followed in the Fifth Plan was to entail a considerable enlargement of the development programmes for providing assistance and facilities in various forms to these industries. 14 Some of the important measures proposed to be initiated were:

a) Package and consultancy service

b) Technical employment and research

c) Dispersal of industries.

It was decided to expand the activities of Central Small Industries Organization, National Small Industries Corporation, Small Industry Extension Training Institute and Small Industry Service Institutes to facilitate the small industry sector. It was emphasized that small-scale entrepreneurs should get all facilities under the same roof. Accordingly setting up of District Industries Centre was recommended for the development and growth of small-scale and village industries.

The **Sixth Five Year Plan (1980-1985)** for India has emphasized the shift from industrial development through publicly owned large industrial units to assist for the expansion of small-scale private industries units. 15 The objectives of this plan were
to improve the levels of production and earnings of artisans by upgrading their skills and technologies, creation of additional employment opportunities on a dispersed and decentralised basis, establishment of wider entrepreneurial base by providing training and package of incentives, creation of a viable structure of the village and small industries sector so as to progressively reduce the role of subsidies and to expand efforts in export promotion.

The seventh Five Year Plan (1985-1990) laid stress on technology upgradation, increased ancillarisation, design and testing facilities and comprehensive marketing support to small-scale industries. During the Seventh Plan the policy would aim at rationalization of fiscal regime to ensure the rapid growth of village and small-scale industries. Infrastructure facilities would be strengthened at various levels. Adoption of modern management and technique will be encouraged. Development and dissemination of appropriate technology to reduce drudgery, improve productivity and quality and lessen the dependence on subsidies would receive due emphasis. The overall objective is to improve the intensity of employment income quality of products and level of living of artisans. During the Seventh Plan the number of items reserved for exclusive manufacture in small sector was increased to 847. Items reserved for exclusive purchase from small industries stood at 409.

In the eighth Five Year Plan (1992-1997) the following measures were proposed for the development of small-scale industries

a) Timely and adequate availability of credit.

b) Technological upgradation through tool room and training institutes.
c) Growth centres to encourage dispersal of industries and establishment of functional industrial estates

d) Integrated infrastructure development centres for tiny units in rural and backward areas.

e) Incentives for the development of village/household industries including Khadi and Village Enterprises, Handlooms, Handicrafts, Sericulture etc...

f) Continuation of reservations and subsidies.

The overall thrust of the eighth plan will be to ensure that small-scale sector should result in the generation of an entrepreneurial revolution in the community as a whole in addition to serve as a source of productive employment. 17

According to the Ninth Five Year Plan (1997-2002) the major problems faced by the SSI sector are:

1) Inadequate flow of credit

2) Use of obsolete technology in machinery and equipment.

3) Poor quality standards and

4) Inadequate infrastructure facilities.

In order to increase the flow of credit, the government has started setting up specialised branches of banks exclusively meant for providing credit to SSIs. For the purpose of improving the technology of SSIs, SIDBI has already set up a technology development and modernization fund with a corpus of Rs.200 crores. The government
has also set. Technology Trust Fund with contribution from state governments and industry associations for the transfer and acquisitions of the latest technologies. Under the scheme of Integrated Infrastructure Development Centres (IIDCs) infrastructure facilities are being developed in backward rural areas. To help the SSI sector, the government has taken a number of policy initiatives like allowing 24% of equity participation in large and medium SSI units. With a view to provide technological support and training to the small-scale sector, tool rooms with German, Danish and Italian assistance are being set up at Indoor, Ahmedabad, Bhubneshwar, Jarnshedpur and Aurangabad. The credit provided to the SSI sector by the financial institutions is considered credit to ‘priority sector’.  

GROWTH OF SMALL-SCALE INDUSTRY IN INDIA

Small-scale units, though small, can undoubtedly serve the economy in a big way. The small-scale industrial sector has played a vital role in shaping the destiny of the nation since independence. From the days of Mahatma Gandhi the small industry movement has been largely regarded as a vehicle for up-lifting the weaker sections of the population. After independence, when the problem of regional imbalances began to appear, small industry was considered as the natural vehicle for redressing such imbalances. More recently written the problem of unemployment has began to take an acute form, the ability of small industry to provide job at a comparatively lower cost has made it an attractive pattern of economic development for the planners and administrators. The range of products of SSI is so wide that there is hardly any product we see around in our day-to-day life, which is not produced either directly or indirectly by the SSI sector. It manufacture: more than 7500 products.
The small industries covering a wide spectrum of industries in small tiny and cottage sector occupy an important position in the planned development of the Indian economy and have grown to be the most vital sector of our nation. The small-scale sector has emerged as a dynamic vibrant sector of the Indian economy. The sector amounts for 40% of the industrial production, 33% of total exports and employs about 192 lakh persons in about 34.40 lakh SSI units in the country. The sector acts as a nursery for the development of entrepreneurial talent. It caters to the sophisticated requirements of consumers at the upper income level and advanced technological requirements of industries both in India and abroad.

**Growth Trends**

Economic growth slowed from an annual average of 9.6 per cent in 2006-07 to 8.7% in 2007-08 (Table No: – 1.1) Offsetting strong growth in services was a slowdown in industrial growth and a marked decline in agricultural performance.

**Table No- 1.1**

**Growth Rate in Indian Industry**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2006-07 (CAGR)</th>
<th>2007-08 (CAGR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP at Factor Cost</td>
<td>9.6</td>
<td>8.7</td>
</tr>
<tr>
<td>1. Mining &amp; Quarrying</td>
<td>5.7</td>
<td>3.4</td>
</tr>
<tr>
<td>2. Manufacturing</td>
<td>12.0</td>
<td>9.4</td>
</tr>
<tr>
<td>3. Electricity, Gas and Power</td>
<td>6.0</td>
<td>7.8</td>
</tr>
<tr>
<td>4. Constructors</td>
<td>12.0</td>
<td>9.6</td>
</tr>
<tr>
<td>1. Trade, hotels, transport communicators</td>
<td>11.8</td>
<td>12.1</td>
</tr>
<tr>
<td>2. Financing, Insurance, Real Estate and other services</td>
<td>13.9</td>
<td>11.7</td>
</tr>
<tr>
<td>3. Community, Social and Professional services</td>
<td>6.9</td>
<td>7.0</td>
</tr>
</tbody>
</table>

**Source: The Hindu Survey of Industry (2008)**
Overall, India’s economy performed well in the 1980s, and even better after the reforms of early 1990s. GDP growth accelerated from only 3.5 % a year in 1960s and 1970s to nearly 7 % a year between 1992–93 and 1996–97. Growth was led by industry and services in the 1980s and by services in the 1990s. Importantly, structural reforms stimulated industrial and services growth and investment in the early 1990s (India’s Sustaining Reforms and Reducing Poverty, 2003 : 2). The industrial sector grew 7.6 % a year, and manufacturing 9.8 per cent a year, in real terms from 1992–93 to 1996–97. Private investment in industry grew by 20.1 % a year in real terms over the same period. But, the momentum slowed in the second half of the decade, with industrial growth averaging only 4.5 per cent a year and manufacturing growth only 3.8 per cent during 1997–98 to 2001–02. Growth in private investment in industry actually fall 3.4 % a year during 1997–98 to 2000–01. The manufacturing sector in India accounts for only 16.8 % of GDP, compared with 35 % in China and 25–35 % in the South East Asian countries. Importantly, No significant increase in India’s penetration of world markets in industrial products has been observed over the decade, with the share of non-agricultural exports in world exports of the same commodities increasing only marginally from 0.5 % in 1990–91 to 0.55 % in 2000–01. Even so, India has achieved a prominent position in global services, today accounting for 1.4 per cent of global exports in services (India’s Sustaining Reforms and Reducing Poverty, 2003 : 56).

The cumulative number of units as per Small Industry Development Organization estimates from 1974 onwards is given Table No1.2
Table No: 1.2

Number of SSI Units in India from 1974 to 2008

<table>
<thead>
<tr>
<th>Year (as at end-March)</th>
<th>Cumulative number of units (Lakh)</th>
<th>Year (as at end-March)</th>
<th>Cumulative number of units (Lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974</td>
<td>4.2</td>
<td>1992</td>
<td>20.8</td>
</tr>
<tr>
<td>1975</td>
<td>5</td>
<td>1993</td>
<td>22.5</td>
</tr>
<tr>
<td>1976</td>
<td>5.5</td>
<td>1994</td>
<td>23.9</td>
</tr>
<tr>
<td>1977</td>
<td>5.9</td>
<td>1995</td>
<td>25.7</td>
</tr>
<tr>
<td>1978</td>
<td>6.7</td>
<td>1996</td>
<td>27.2</td>
</tr>
<tr>
<td>1979</td>
<td>7.3</td>
<td>1997</td>
<td>28.6</td>
</tr>
<tr>
<td>1980</td>
<td>8.1</td>
<td>1998</td>
<td>30.1</td>
</tr>
<tr>
<td>1981</td>
<td>8.7</td>
<td>1999</td>
<td>31.21</td>
</tr>
<tr>
<td>1982</td>
<td>9.6</td>
<td>2000</td>
<td>32.25</td>
</tr>
<tr>
<td>1983</td>
<td>10.6</td>
<td>2001</td>
<td>33.7</td>
</tr>
<tr>
<td>1984</td>
<td>11.6</td>
<td>2002</td>
<td>34.4</td>
</tr>
<tr>
<td>1985</td>
<td>12.4</td>
<td>2003</td>
<td>35.8</td>
</tr>
<tr>
<td>1986</td>
<td>12.5</td>
<td>2004</td>
<td>36.9</td>
</tr>
<tr>
<td>1987</td>
<td>14.6</td>
<td>2005</td>
<td>38.5</td>
</tr>
<tr>
<td>1988</td>
<td>15.8</td>
<td>2006</td>
<td>39.9</td>
</tr>
<tr>
<td>1989</td>
<td>17.1</td>
<td>2007</td>
<td>41.5</td>
</tr>
<tr>
<td>1990</td>
<td>18.2</td>
<td>2008</td>
<td>42.9</td>
</tr>
<tr>
<td>1991</td>
<td>19.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: DC (SSI), Ministry of SSI, A&RI.

The number of units in India during 1974 was only 4.2-lakh units, this increased to 34.40 lakh units during the year 2002. There has been more than eight times increase in the number of units in India during this period. Graph 1.1 shows the trend in the growth rate of number of units. From the chart it can be seen that, there is an average annual growth of 1.13 lakh units per year.
The growth rate in the number of units is above 5% up to 1995-96 in the year 94-95 witnessed well above 7%. The high growth rate slipped to 4.88% in 1996-97. The year 1997-98 has been a turnaround in favour of a high rate of growth of 5.5% as compared to 4.88% in the previous year. The growth period was, however short lived as the sector started showing signs of downturn by 1998-99 and this came down to 2.08% at the end of the period under study. The average annual growth rate in number of units is 4.97%.
Ownership Pattern:-

Table No: 1.3

<table>
<thead>
<tr>
<th>Type of Organization</th>
<th>Registered SSI sector</th>
<th>Un registered SSI sector</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Enterprises Total</td>
<td>Percentage to Total</td>
</tr>
<tr>
<td>Proprietary</td>
<td>675779</td>
<td>90.09</td>
</tr>
<tr>
<td>Partnership</td>
<td>47683</td>
<td>6.36</td>
</tr>
<tr>
<td>Pvt. Company</td>
<td>15917</td>
<td>2.12</td>
</tr>
<tr>
<td>Co-operatives</td>
<td>2355</td>
<td>0.31</td>
</tr>
<tr>
<td>Others</td>
<td>8388</td>
<td>1.12</td>
</tr>
</tbody>
</table>

Source: Quick results, third all India census report of small-scale industries (2007-08)

In the registered SSI sector majority (90.09 percentage) are proprietary concerns and partnership concerns rank second. Number of units in the co-operative sector is least (0.31 %). In the unregistered sector also majority (97.2 %) are proprietary concerns. Here also there are only few units in the co-operative sector.

Industry Group wise Distribution of SSI Units
## Table No:-1.4

### Statewise Estimates of SSI Units

<table>
<thead>
<tr>
<th>States/Units</th>
<th>Number of Investment Rs</th>
<th>Employment (Million)</th>
<th>Fixed Employment (Numbers)</th>
<th>Investment (Rs.000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.Andhra Pradesh</td>
<td>132.79</td>
<td>837.21</td>
<td>16395</td>
<td>6.3</td>
</tr>
<tr>
<td>B. Arunachal Pradesh</td>
<td>4.6</td>
<td>20.66</td>
<td>7406</td>
<td>5</td>
</tr>
<tr>
<td>A.Assam</td>
<td>29.83</td>
<td>146.22</td>
<td>14821</td>
<td>4.9</td>
</tr>
<tr>
<td>A.Bihar</td>
<td>291.17</td>
<td>473.63</td>
<td>8105</td>
<td>1.6</td>
</tr>
<tr>
<td>B.Goa</td>
<td>5.76</td>
<td>39.43</td>
<td>2191</td>
<td>6.8</td>
</tr>
<tr>
<td>A. Gujarat</td>
<td>156.73</td>
<td>862.93</td>
<td>55119</td>
<td>5.5</td>
</tr>
<tr>
<td>A.Hariyana</td>
<td>89.5</td>
<td>504.14</td>
<td>15182</td>
<td>5.6</td>
</tr>
<tr>
<td>B.Himachal Pradesh</td>
<td>27.25</td>
<td>114.49</td>
<td>5643</td>
<td>4.2</td>
</tr>
<tr>
<td>B. Jammu &amp; Kashmir</td>
<td>26.1</td>
<td>113.22</td>
<td>NA</td>
<td>4.3</td>
</tr>
<tr>
<td>A. Karnataka</td>
<td>208.58</td>
<td>1017.2</td>
<td>38512</td>
<td>4.9</td>
</tr>
<tr>
<td>A.Kerala</td>
<td>177.38</td>
<td>819.28</td>
<td>26303</td>
<td>4.6</td>
</tr>
<tr>
<td>A.Madhya Pradesh</td>
<td>286.43</td>
<td>675.87</td>
<td>13509</td>
<td>2.4</td>
</tr>
<tr>
<td>A.Maharashtra</td>
<td>234.94</td>
<td>1562.6</td>
<td>226016</td>
<td>6.7</td>
</tr>
<tr>
<td>B.Manipur</td>
<td>6.09</td>
<td>30.28</td>
<td>375</td>
<td>5</td>
</tr>
<tr>
<td>B.Meghalaya</td>
<td>3.27</td>
<td>18.59</td>
<td>247</td>
<td>5.7</td>
</tr>
<tr>
<td>B.Mizoram</td>
<td>3.9</td>
<td>23.46</td>
<td>580</td>
<td>6</td>
</tr>
<tr>
<td>B.Nagaland</td>
<td>0.78</td>
<td>3.9</td>
<td>NA</td>
<td>5</td>
</tr>
<tr>
<td>A.Orissa</td>
<td>32.44</td>
<td>214.07</td>
<td>8702</td>
<td>6.6</td>
</tr>
<tr>
<td>A.Panjab</td>
<td>197.34</td>
<td>854</td>
<td>34050</td>
<td>4.3</td>
</tr>
<tr>
<td>A.Rajasthan</td>
<td>94.26</td>
<td>402.87</td>
<td>24390</td>
<td>4.3</td>
</tr>
<tr>
<td>B.Sikkim</td>
<td>0.3</td>
<td>2.9</td>
<td>161</td>
<td>9.7</td>
</tr>
<tr>
<td>A.Tamil Nadu</td>
<td>324.63</td>
<td>2921.64</td>
<td>77910</td>
<td>9</td>
</tr>
<tr>
<td>B.Tripura</td>
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<tr>
<td>A. Uttar Pradesh</td>
<td>357.96</td>
<td>1469.18</td>
<td>34880</td>
<td>4.1</td>
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<td>A. West Bengal</td>
<td>167.13</td>
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</tbody>
</table>

Source: SIDBI Report on Small-Scale industries-(2009)

### INTRODUCTION OF ORGANIC INDUSTRY

In recent years, global awareness of health and environmental issues in agriculture has been spreading rapidly, especially in the developed countries of EU, USA and Japan. As a result, quality and sustainability in production of crops have
become the prime concerns in agriculture development. The quantum of organic food consumption is significant in value terms, but it still accounts for less than two percent share of total food consumption in most of these developed countries.

**CURRENT SCENARIO OF WORLD ORGANIC MARKET**

It is estimated that worldwide sale of organic food products have expanded by 7-9 per cent. The demand in some of the well-developed countries is going up by 15-20 per cent per annum. The world market which was only US$ 12 billion in 1997 increased to US$ 31 billion in 2006. The annual growth rate of organic products is about 20-30% per year.

![Map of organic crop production worldwide](image)

Although production of organic crops is increasing across the globe, sales are currently concentrated in the industrialized parts of the world. North America and Western Europe comprise the bulk of global revenues; however, consumer interest is growing in other regions as well.
Graph No 1.2

Distribution of global organic land by continent

![Pie chart showing distribution of global organic land by continent](image)

Source: SOEL& FiBL Survey 2007

Organic Market: Key Characteristics

The key characteristics of the world organic market are:

i) Strong market growth.

ii) Growth in world exports of organic products from tropical origin.

iii) Price premium and consumer behaviour.

iv) Distribution channels.

The price premium on most organic products range from 35 - 100 per cent. Super Markets in the developed countries are the fastest growing distribution channel for organic products. Large multinational companies are also increasingly offering
products that have their own organic line. Expectations are that the organic market will grow to a much higher level in the coming years.

Major products that are likely to offer better opportunities and dominate organic exports from developing countries include the following:

- Plantation commodities (Tea, Coffee, Spices) = 30%
- Non tropical fruits and vegetables = 33%
- Tropical fruits and vegetables = 10%
- Cereals and pulses = 14%
- Meat/Poultry/fish = 8%
- Others (Cotton/nuts/oilseeds) = 5%

Export Market

India has already made inroad into the world organic market in certain key sectors such as tea, coffee, spices, fruits and vegetables (mainly semi processed pineapple, frozen and dried banana), cotton, cereal (mainly basmati rice), dried nuts, oilseeds, sesame, pulses and sugar (cane).

Organic products are mainly exported to the following countries:

Europe : Netherlands, United Kingdom, Germany, Belgium, Sweden, Switzerland, France, Italy, Spain

North America : USA, Canada
Middle East Asia : Saudi Arabia, UAE

Asia : Japan, Singapore Australia, New Zealand

Africa : South Africa

• The current (2008), Status of organic export from India is as below:

  • Total Production : 119656 tons + 1657000 nos. of seedling and cuttings + 264000 litre of effective microorganism

  • Total Quantity exported : 6792 tons

  • Total value of quantity : Rs.7123 lakh exported

  • Total area under certified : 2508826 ha (This includes wild herb organic cultivation collection from forest area of MP and UP of 2432500 ha).

  • Number of items exported : 31 Nos.

The channels adopted for the export of organic products are mainly through export companies.

**Organic Market-in-India**

Organic farming in India is experiencing a real boom, when considering the number of farmers turning to organic practices. A large number of farmer groups, companies, NGOs, developmental agencies and government bodies promote organic farming in one way or the other. Although the organic market is rapidly growing, the
Indian organic sector is still scattered and its development lags far behind its actual potential.

- **Domestic Market**

  The domestic market for organic products is yet to realize its potential. The products available in the domestic market in organic quality are rice, wheat, tea, coffee, pulses, fruit, spices and vegetables. Wholesalers/traders and Super Markets play major roles in the distribution of organic products.

  **Distribution of organic products takes place as follows:**

  Producer

  Wholesalers/ Super Own Market

  Traders Market Stall

  Consumer

  Most organic production originates from small farmers. Wholesalers/traders account for a 60% share in the distribution of organic products. Large organized producers distribute their products through super markets as well as through self-owned stalls. Navdanya, Dubden Green (Delhi), Sresta Natural Bio products, 24 Letters Mantra, Hyderabad etc. are some key important market agencies of organic produce in India.

  **Limitations of Organic Market in India**

  i) **Constraints Faced by Organic Sector**
A number of constraints have been identified in the marketing of organic produce are as follows:

- Inadequate knowledge of the package of practices for organic production. Technologies are available only for a limited number of crops.
- Farmers do not know where to sell the organic production and consumers do not know where to get genuine organic product. Market is limited and supply is inconsistent.
- Apathy of farmers to grow crops organically because of the low demand in domestic markets and non-realization of premium prices.
- Most farmers cannot distinguish organically grown items and the prices to be charged.

- Lack of consumer awareness on the benefit of organic produce.

- The quality supply is not ensured.

- The cost towards certification is fairly high. Farmer experiences difficulties in reaching certification agencies.

- Logistic of slow shipment for exporting Indian organic products.

- Time consuming and complicated paper work while dealing with export authorities.

- Inadequate efforts to develop domestic market.
ii) Strategy for Market Improvement

Steps for creating domestic market:

- Development of crop-specific/location-specific organic package of practices that give details of the type of seed, variety, cultivation practices, nutrition, plant-protecting measures, harvesting stage etc.

- Development of rural market or 'haat' like Ryot Bazar (Andhra Pradesh) or Uzhavar Shanthai (Tamil Nadu) or 'Apni Mandi' where the arrangement for farmers-to-consumers direct selling can be made to ensure realization of a premium price.

- Development of home-delivery system.

- Registration of consumers wanting supply of organic foods.

- Marketing of organic produce in a vehicle near peoples gatherings.

- Marketing of organic products through Khadi Board outlets.

- Involvement of some NGOs like Naturopathy Centres, Yoga Centres, Rotary Clubs, Lions Clubs, Ladies Associations, Religious Growers (ISKON, Jain Communities, Sindhi Communities for publicity education etc.).

- Development of Tourist villages.

- Formation of associations of organic producers and consumers.

- Adequate publicity and training.
A country has to embark upon industrialization for quickening the pace of economic development. The net value of output per person is higher in industry than in agriculture due to the greater scope for internal as well as external economies. Jawaharlal Nehru correctly expressed the need when he said, “Real progress must ultimately depend upon industrialization. The planners and visionaries have looked upon industrialisation as the main vehicle for improving the living standards of the people. In the beginning of this century, M. Visvesvaraya opined, "industrialize or perish."

The objectives of industrialisation are:

To promote economic development and increase income levels, to increase employment and remove unemployment, to strengthen foreign trade, to stimulate the development of other sectors, to develop strategic industries and to safeguard defensive requirements. Scholars and economists from the time immemorial have recognized the importance of industrialisation as a means for achieving rapid growth and prosperity. Elaborate discussion on the role of industry in fostering development is found in Kautiya’s Arthashastra. Industrialisation on the whole plays an important role in the development of underdeveloped countries. In a developing country like India the small-scale sector occupies an important place in the industrialisation. In addition to national programmes, governmental, non-governmental and international organisations working in developing countries also consider small enterprise promotion to be an important component of industrialisation and employment creation.
Small business enjoys a tradition of infinite variety and solid achievement. Small business flourished in almost all the ancient cultures. The Arabs, Babilonian, Egyptians, Jew, Greek and Romans excelled at it.

In a resource scarce and labour surplus economy, Small-scale Industries (SSI) have been recognised as an important tool of economic growth because of its capability to provide large-scale employment at low level of capital investment and also for contributing towards dispersed development. Rajiv Gandhi correctly expressed the need for the development of small-scale sector in his speech delivered at the National Convocation on small-scale industry, which was organised by the Federation of Associations of Small Industries of India in New Delhi on Sept. 17, 1986. He said, "Small-scale sector is one of the main legs of our Industrial development". V.P. Singh at the concluding session of National Development Council meeting on June 19, 1990 also expressed the need for development of small-scale sector by saying “It is the small scale sector which has given a large volume of employment and also boosted our exports." Mahatma Gandhi once said. "The poor of the world cannot be helped by mass production, only by the production by the masses if large number of producers were to exist for wider markets, the entities that produce necessarily be small. It is only the earth that is large. All else is small."

The small-scale industries are assigned a top place in our country's industrial development programme for the following reasons:

1. In India shortage of capital is a chronic problem and it has to be employed as efficiently as possible to expand the employment opportunities. A given amount of capital invested in a small-scale unit provides more employment than the same amount in a large undertaking. The first All India Census of small-scale industrial
units made in 1973-74 revealed that Rupee one lakh investment in fixed assets generated employment to 16 to 20 persons as against only persons in the large-scale sector.

2. Indian economy is agrarian in nature. The increasing labour force in rural areas could not be absorbed in agriculture. Small-scale industries provide employment without affecting main occupation in agriculture.

3. India aims at achieving a socialistic pattern of society, which imparts equitable distribution of wealth and reduction in the concentration of economic power. Income generated in a large number of small enterprises dispersed more widely and a large population derives its benefit. This is due to widespread ownership and decentralised location of 'small-scale units. Balanced regional growth is a socio economic requirement for all round development of the Nation; large industries have a tendency to cluster around big cities. It creates economic and social evils like pollution, slums, and shortage of civic facilities. It can be eliminated by setting up SSI units in underdeveloped areas and by providing employment to local people.

4. In the case of small-scale units the gestation period is lesser than large-scale industrial units. SSI units are less dependent on imported machinery and raw materials. They usually use locally available raw materials.

5. Small industries seem to specialize in certain spheres of industrial production. There are many economic activities, which are not suited to large-scale enterprises, but the SSI units specialize in such activities. An efficient small industry sector can substantially enhance the efficiency of large factories by relieving them of the necessity of making certain operations, which for some reason or the other, the smaller unit can provide at a lower cost.
6. On technical grounds also small-scale industries are favorable. Harrison stated that the cheapest and quickest way of spreading appropriate technology widely is to encourage small-scale enterprises. From all these it is clear that the small-scale sector and its development in a developing economy like India is essential. Hence, this sector is awarded a special consideration and proper relevance to our economy.

**SIGNIFICANCE OF THE STUDY**

In the development dynamic of Indian economy, the small-scale sector, which covers a wide spectrum of industries, occupies an important place. It has undoubtedly grown into one of the most vital sectors of our economy. The small-scale sector including small, tiny and cottage industries with a total strength of forty lakh units plays a vital role in the economy. It not only provides immediate employment on a large-scale but also acts as a tool for ensuring a more equitable distribution of income as well as an effective vehicle for mobilisation of resources including capital and entrepreneurship, which would otherwise remain unutilised. According to the Economic Survey 2001-02 the small-scale sector has played a very important role in the socio economic development of the country during the past 50 years. It has significantly contributed to the overall growth in terms of Gross Domestic Product (GDP), employment generation and exports. The performance of the small-scale sector therefore has a direct impact on the growth of the overall economy. 

Maharashtra is a region where the employment problem is most acute and the development of small-scale industry occupies importance for solving the unemployment problem and for achieving economic growth. The third All-India Census of small-scale industries has identified Maharashtra as the state accounting for around one fourth of the country's sick small-scale industrial units. One of the main
reason for sickness is shortage of finance. The small-scale industrial sector confronts several problems despite its strategic importance in industrialization and its immense potential for employment generation. The problem, which continues to be a big hurdle for the development of the sector, is lack of timely and adequate credit. Tamil Nadu had the highest share among the southern states in cumulative disbursements from all-India financial institutions at 7.7 % up to 2000-01 followed by Andhra Pradesh and Karnataka, which were almost equal at 6.3 %. Maharashtra got a mere 1.5 % of all-India financial institutions disbursements. The institutional finance assumes considerable importance in the developing countries because of low capital formation, ill organised capital market, gaps between the need and supply of finance in small industrial units.

**PRINCIPAL OBJECTIVES OF THE STUDY**

1. To assess the performance of small scale Industries

2. To study the structure of Organic Fertilizer units and socio economic profile of the entrepreneurs of such units.

3. To determine the nature and form of available assistance.

4. To assess the role of various organizations in development of Organic Fertilizer Industry.

5. To evaluate the promotional and developmental activities of related Organic Industries.
6. To study the problems of organic fertilizer industries and to suggest the suitable remedies to overcome them.

**RESEARCH METHODOLOGY:**

The research methodology of study is both exploratory and descriptive. While using this methodology only relevant dynamics are used in the research design.

**Selection of Sample Units**

ORGANIC FERTILIZER INDUSTRIAL units in the selected districts were divided into three Districts. The Units, which are registered under the Small Scale Industry in selected districts by simple random sampling technique and Convenient Sampling technique. Units financed by other agencies are selected from the list obtained from the District Industries Centres of the selected districts.

**COLLECTION OF DATA**

Both primary and secondary data were used for the study.

**Primary data:**

Primary data required for the study have been collected from small-scale units by using structured interview schedule. Relevant information has been collected by holding discussions with various officials of SSI. The draft interview schedule designed for the purpose was first tested by conducting a pilot survey among a sample of 10 units, which had availed financial assistance. The interview schedule was
restructured and finalized after making necessary alterations on the basis of the experience and feedback obtained in the pilot study. The collected data have been consolidated using district wise, organization wise and investment level wise classification.

**Secondary Data:**

The secondary data have been collected from the following sources. SIDBI report on small industries sector, Annual reports of SIDBI, Publications of Ministry of Small-scale industries and Agro & rural industries. Statistical statements relating to small-scale sector published by National Institute of Small Industry Extension Training (NSIET), IDBI Reports on Development Banking, various publications of SIDBI, Report of the study group on development of small-scale enterprises, Plan documents of both central and state governments, Study Report of Planning Board and Department of Economics and Statistics, academic studies conducted in related fields in different Universities, books and journal dealing with the subject. Units and their association were tested by using the Chi-square test. The difficulty experienced in obtaining loan, causes for committing default, causes for postponement of modernization and reasons for dissatisfaction were analyzed by using the ranking method. Graphs were also used to indicate the trend of essential variables.

(c) **Method of Compilation/ Tabulation:**

After completing a primary data collection of organic fertilizer industry. The next is an attempt to evaluate accomplishment of Employee/ Worker, their problems and
their suggestions for the effective management of organic fertilizer industries. The methodology of descriptive study may cover

SCOPE AND LIMITATIONS OF THE STUDY

SCOPE OF THE STUDY:-

1) GEOGRAPHICAL SCOPE:

The study is confirmed to the State of Maharashtra State. Maharashtra is overall having 35 Districts, Looking to growth in number of organic fertilizer industries (OFI). State of Maharashtra is divided into five revenue division.

- West Maharashtra
- Marathwada
- Vidharba (Amaravati and Nagpur Division)
- Kakan
- North Maharashtra

The survey is conducted in selected study area, however, the study was confined at micro-variables, by concentrating on different reputed Organic fertilizer industries located in Maharashtra at the different places decided by sampling method.

2) TEMPORAL SCOPE: -

The reference period for the study was kept different purposes as below:
(i) While collecting the information on the organic fertilizer industry under primary survey, the period of study is covered by last five years i.e. 2003 to 2008.

(ii) To study was confined to ten selected industrial units.

3) OPERATIONAL SCOPE: -

State of Maharashtra is divided into Seven revenues division i.e West Maharashtra, Marathwada, Vidharba (Amaravati and Nagpur Division), Kokan and North Maharashtra. West Maharashtra is having 6 Districts, Marathwada 8, kokan 5, Vidharbha 11 North Maharashtra also. This study is confined only to those organic industries who are register under the Small scale Industries act.

- Pune
- Ahmednagar
- Nashik

The study of small-scale industries has always been a subject of wide interest and various interpretations. But the scope of the present study is restricted to those units, which fall under small-scale sector as defined under the Industries Development and Regulation Act of the Government of India (1999).-A small-scale unit is defined as "a unit engaged in manufacturing, repairing, processing and reservation of goods having investment in plant and machinery at an original cost not exceeding Rs: 1 crore". 
LIMITATIONS OF THE STUDY

The study concentrates on its promotional and developmental activities, operational and financial performance, nature and form of assistance, form and structure and impact made in the development of Organic Fertilizer Industry are also included in the purview of the present study.

HYPOTHESES TESTED

1. Among the financial institutions at the national level, SIDBI has a significant share in industrial financing.
2. The socio economic profile of the entrepreneurs of aided units is similar to other unaided units.

PRESENTATION OF THE STUDY

The Present study is presented in the following chapter scheme.

Chapter 1 Introduction
The first chapter is the introductory and describes the introduction of the study, statement of the problem. It also outlines the scope, objectives, hypothesis, sample design, data collection methods, and tools of data analysis, the period and limitations of the study.

Chapter 2 Review of literature.
Chapter two presents the review of different studies on SSI and Organic Industry conducted in India and Maharashtra.
Chapter 3  Profile of Organic Fertilizer Industry

Chapter three presents the profile of organic industry. Different requirements like manpower, machinery, capita, raw material.

Chapter 4  Institutional framework and Organic Fertilizer Industry

Chapter four presents the different supportive organization available to promote this segment.

Chapter 5  Promotion and performance of Organic fertilizer Industries.

Chapter five deals with the process of formation of organic industry. Factors to be considered while selection of unit. Different requirements and permissions required of different authorities and performance of organic industry.

Chapter 6  Data collection and analysis

Chapter six presents the detail analysis of data collected through field survey.

Chapter 7  Summary, Conclusions & suggestions

Chapter seven present the summary of work done, conclusions and various suggestions for the improvement of organic industry.

CONCLUDING REMARK

Thus the major conclusions and Suggestion of the study are as follows

In the course of the study a large number of drawbacks, shortcomings and problems have come to light. The researcher likes to give the following
recommendations for solving then problems. This will help in remolding and reshaping the policies and techniques of operations of the Banks and Organic Industry.

1. More composite loans should be provided to the SSI units, so that the entire requirement of small units is met by single documentation, security and charge creation process. This facility should be extended to all SSI units requiring loans.

2. In order to avoid delay and red tapism the powers of the competent authorities for sanctioning of loan should be enhanced liberally. The expenses to be incurred by the borrower should also reduce.

3. Rate of interest on borrowing by SSI units should be further reduced to bring them on a par with those prevailing in other countries. This will improve the efficiency and performance of units in the international market and home market.

4. Necessary steps are to be taken to reduce the number of installments in releasing the sanctioned amount.

5. Keeping in view the rising price of land, cost incurred for the construction of building and purchase of machinery the limits of loan under various schemes that are being operated by Units should be suitably increased from time to time.

6. Necessary steps are to be taken to avoid the delay caused due to procedural requirements in sanctioning loan. So as to ensure that the projects are implemented in proper time.

7. It has been observed that the banks still believes in security-oriented approach in advancing loans. The most important difficulty faced by the sample units is the difficulty in furnishing security Banks should evolve a need based instead of security based financing policy for assisting the SSI sector.
8. In the event of default the Bank should provide required help to the defaulted units to survive instead of initiating legal proceedings or other hard steps.

9. The changed economic scenario, in the post liberalization phase, SSI units have great weakness in marketing. So it is felt that, there is need to provide more marketing assistance programme to SSI.

10. It has been observed that the Banks and other Institutions charge penalty in case of earlier closing. Necessary steps are to be taken to avoid this penalty.

11. Objectives of the promotion and development programmes can be achieved only if the SSI units are informed about it. So steps should be taken to make the people aware by conducting programmes in association with the SSI entrepreneurs associations in the industrial estates.

A country has to embark upon industrialization for quickening the pace of economic development. The net value of output per person is higher in industry than in agriculture due to the greater scope for internal as well as external economies. Jawaharlal Nehru correctly expressed the need when he said, “Real progress must ultimately depend upon industrialization. The planners and visionaries have looked upon industrialisation as the main vehicle for improving the living standards of the people. In the beginning of this century, M.Viswesvaraya opined, "industrialize or perish"
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