CHAPTER-III

THE GROWTH OF SMALL SCALE INDUSTRIES IN THE POST-INDEPENDENCE SCENARIO - POLICIES AND PROGRAMMES
CHAPTER - III

THE GROWTH OF SMALL SCALE INDUSTRIES IN THE POST-INDEPENDENCE SCENARIO - POLICIES AND PROGRAMMES

3.1. INTRODUCTION

The term 'growth' of Small Scale Industries signifies augmentation of already existing Small Scale Industries. There were village and small industries in our country even earlier to our independence. These were the main second source of livelihood to large section of the population. The agriculture was the main source of income for majority section of the rural population.

India has made good dent of progress in setting up of Small Scale Industries even prior to the Independence as already stated in the previous Chapter. It is pertinent to analyze the specific emphasis made in the era of Constitutionalism for the growth of the Small Scale Sector in the country, which was the popular slogan in the policies of the government in the post-independent scenario. And at the same time one important factor also cannot be ignored namely, the
concentration on the front of industrialization in the country during the same period. Industrialization has a major role to play in the economic development of a country. It is simply because material riches and industries go together which has been amply demonstrated by the industrially developed countries of the world. It is the responsibility of the States as well as the individuals, singly and collectively, for the development taking into account the need for fuller responsibility for human rights... The State should provide facilities and opportunities to ensure development and to eliminate all obstacles to development by appropriate economic and social reforms so as to eradicate all social injustice. These principles are imbedded as integral part of our Constitution in the Directive Principles. Therefore, the Directive Principles now stand elevated to inalienable fundamental human rights. Social and economic democracy is the foundation for stable political democracy.¹

3. 2. CONSTITUTION OF INDIA AND SMALL SCALE INDUSTRY

The founding fathers of the Constitution, cognizant of the reality of life wisely engrafted the Fundamental Rights and Directive Principles.

¹ Air India Statutory Corporation v. United Labour Union. AIR 1997 SC 645. (667)
Principles in Parts III and IV for a democratic way of life to every one in Bharat Republic. The State under Article 38 is enjoined to promote the welfare of the people by securing and protecting as effectively as it may, a social order in which justice, social, economic and political shall inform all the institutions of the national life and to minimize the inequalities in income and endeavour to eliminate inequalities in status, facilities and opportunities, not only amongst individuals but also amongst groups of people residing in different areas or engaged in different vocations.

Article 39 (a) provides that the State shall direct its policies towards securing the citizens, men and women equally, the right to an adequate means of livelihood; clause (d) provides for equal pay for equal work for both men and women; clause (e) provides to secure the health and strength of workers.

Article 41 provides that the State shall within the limits of its economic capacity and development; make effective provision for securing the right to work, to education and to public assistance in

\[ \text{id.at 658.} \]
cases of unemployment, old age, sickness and disablement, and in other cases of underserved want.

Article 43 provides that the State shall endeavour to secure, by suitable legislation or economic organization or in any other way, to all workers, agricultural, industrial or otherwise, work, a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities and, in particular, the State shall endeavour to promote cottage industries on an individual or co-operative basis in rural areas.

The poor, the workman and common man can secure and realize economic and social freedom only through the right to work and right to adequate means of livelihood, to just and humane conditions of work, to a living wage, a decent standard of life, education and leisure. To them, these are fundamental facets of life.³

The 42nd Constitution (Amendment) Act, 1976, brought explicitly in the Preamble Socialist and Secular concepts in Sovereign

³ ld.at 658.
Democratic Republic of Bharat with effect from January 3, 1977. The Preamble was held as part of the Constitution in *Kesavananda Bharati v. State of Kerala*.4

The acceptance of a Socialist pattern of society and the Directive Principles of State Policy and the concept of Planned Development backed by the Constitutional guarantees has given a fill up to the cause of the exploited labour. Social justice has been held to be fundamental right in *Consumer Education and Research Center v. Union of India*.5 "Socialism" brought into the Preamble and its sweep was elaborately considered by the Supreme Court in several cases. It was held that the meaning of the word "socialism" in the Preamble of the Constitution was expressly brought in the Constitution to establish an egalitarian social order through rule of law as its basic structure.6

4 AIR 1973 SC 1461.
5 1995 3 SCC 42.
In *Minerva Mills v. Union of India*\(^7\) the Constitution Bench had considered the meaning of the "socialism" to crystallize a socialistic State securing to its people socio-economic justice by interplay of the Fundamental Rights and Directive Principles. In *Nakara v. Union of India*\(^8\) the Constitution Bench had held that the democratic socialism achieves socio-economic revolution to end poverty, ignorance, disease and inequality of opportunity. The basic framework of socialism was held to provide a decent standard of life to the working people and especially to provide security from cradle to grave. The less assured person should be assured a decent minimum standard of life to prevent exploitation in any form, equitable distribution of national cake and to push the disadvantage to the upper ladder of life.

It was further held that the Preamble directs the centers of power, the Legislative, Executive and Judiciary, to strive to shift up from a wholly feudal exploited slave society to a vibrant, throbbing socialist welfare society which is a long march; but during the journey to the fulfillment of goal, every State action, whenever taken, must be

\(^7\) AIR 1980 SC 1789.
\(^8\) AIR 1983 SC 130.
directed and must be so interpreted as to take the society towards that goal.  

Dr. V.K.R.V. Rao, the eminent economists of India in his “Indian Socialism – retrospective and prospective” has stated that equitable distribution of the income and maximization of the production is the object of socialism under the Constitution to solve the problems of unemployment, low income and mass poverty and to bring about a significant improvement in the national standard of living.

Social justice is the comprehensive form to remove social imbalances by law, harmonizing the rival claims or the interests of different groups and sections in the social structure or individuals by means of which alone it would be possible to build up a welfare State. The idea of economic justice is to make equality of status meaningful and the life worth living at its best removing inequality of opportunity and of status social, economic and political.

9 Id. at 131.
10 Supra n. 1 at 668.
The above stated judicial pronouncements clearly establish that the economic justice shall become a reality for all sectors of the industry. Further the Constitution provides that the Legislature of a State may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats, at the appropriate level, with respect to-

(i) the preparation of plans for economic development and social justice; and

(ii) the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule.\(^\text{12}\)

A mention in the Entry 8 and 9 of the Eleventh Schedule is found in favour of Small Scale Industries, including food processing.

\(^{12}\) See Art. 243G of the Constitution of India.
industries, and Khadi, village and cottage industries respectively. Similar kinds of powers and authorities have been conferred on the Municipalities.

The emphasis in this perspective was already found in the Industrial Policy Resolution of the Government immediately after the Independence.

3.3. INDUSTRIAL POLICY RESOLUTIONS

A special emphasis in favour of the Small Scale Industries had been made in the Industrial Policy statement of the Government of India in April, 1948 and had been liberalized since then. In view of the urgent need for utilizing the country's massive manpower in both the rural and the urban areas, the government laid a special emphasis for the growth of Small Scale Industries in their Industries Policy Statements announced in 1956 and 1977. In the Industrial Policy Statement of July 1980 also, the importance of developing SSI was reiterated and several incentives were given to such industries. The

---

13 See 11th Schedule of the Constitution of India.
14 See Art. 243W and 12th Schedule of the Constitution of India.
Industrial Policy of 1990 listed several measures for the development of SSI and some important following policy measures are emphasized, namely.

(i) Items to be reserved for exclusive manufacture in the SSI;

(ii) A new scheme of central investment subsidy exclusively for the SSI in rural as well as backward areas capable of generating higher employment at lower capital cost has to be drawn and implemented;

(iii) Programmes of modernization and technological upgradation of SSI to improve their competitive strength to be implemented. A number of technology centers, tool-rooms, process and product development centers, testing centers, etc, need to be set up under the Technology Development Centers in the Small Industries Development Organization;
(iv) The Small Industry Development Bank of India and other commercial banks as well as financial institutions must be channelized on need-based and to see higher flow of credit, both by way of term loan and by working capital;

(v) Bureaucratic controls to be reduced to eliminate unnecessary interference. Procedures would be simplified so that the small scale units are not required to submit a large number of returns and face an army of inspectors;

(vi) To assist large number of artisans working with Khadi and Village Industries Commission and Khadi and Village Industries Boards, specially Marketing Organizations at the Centre and State levels to be created to assist rural artisans in marketing their products and also in supply of raw materials. Besides, providing concessional credit, training facilities and consultancy to groups of artisans; and
(vii) In agro-based industries, growers will be encouraged to set up processing units within the frame work of cooperative societies or similar institutional frame work. These units should receive high priority in credit allocation from financial institutions.15

3.4. PLANNED ECONOMIC DEVELOPMENT AND SMALL SCALE INDUSTRY

The central objective of planning in India has been to initiate a process of rapid development, which will raise living standards and open out to the new opportunities for a richer and more varied life. The task is not merely one of reaching any fixed or static point such as doubling of living standards, but of generating a dynamism in the economy, which will lift it continually to higher levels of material well-being and of intellectual and cultural attainments. The Planners believe that elimination of poverty cannot obviously, be achieved merely by redistributing existing wealth.

The labour and employment policies in India like all other social policies emanate from these basic aims and are essentially directed towards the well defined goals of a welfare State and the socialist pattern of society. These policies seek to provide, in the framework of democratic planning, for a balanced emphasis on increase in production and employment and the attainment of economic equality and social justice.16

The Plans have stressed, in particular, that the benefits should accrue more to the relatively less privileged classes of society, and that there should be a progressive reduction in the concentration of incomes, wealth and economic power.

3. 4. 1. FIRST FIVE YEAR PLAN (1951-56)

This Plan emphasized that there was no accepted line of demarcation between Cottage and Small Scale Industries since both types of industries denoted such industrial units which were not required to be registered under the Factories Act, 1948. The Plan

had made a specified allocation of Rs 15 crores from the Central and Rs 12 crores from the State for the development of small and cottage industries. However, a larger sum of Rs 43.95 crores was altogether spent during this Plan period. The broad objective of the policy was to provide a field within which the cottage industry may be able to operate without being hampered by competition from large scale industry. Further the specific emphasis were made in the following respect, namely. -

(i) Reservation of spheres of production exclusively for the SSI;
(ii) Rigidness in the expansion of the capacity of large-scale industry;
(iii) Imposition of a cess on the products of large scale industry;
(iv) Arrangements for the supply of raw materials; and
(v) Co-ordination of research, training, etc.
As a result of this pronouncement, four regional small industries service institutes were set-up with a number of branch units for the purpose of providing technical services, advice and assistance during the Plan period. The Central Small Industries Organization was also set-up for marketing of the products of SSI.17

3. 4. 2. SECOND FIVE YEAR PLAN (1956-61)

In the Second Five Year Plan, the government aimed to implement as far as possible the basic recommendations of the Karve Committee (1955) regarding the avoidance of technological unemployment and attempted to provide as large a measure of increased employment as possible in traditional industries.18 The Second Industrial Policy of 1956 was also announced during this Plan period and hence compatible with this Policy the State aimed to ensure that the decentralized sector acquired sufficient viability and competitive strength so as to be self supporting and self-reliant. However, in this Plan the term SSI enshrined all units or establishments having a capital investment of less than 5 lakh rupees

17 Supra n.15 at 57.
18 Ibid.
and employing less than 50 persons when using power. During the course of this Plan, Rs 191.19 crores was spent by the government for the development of these industries wherein the private sector investment accounted for Rs 175 crores.¹⁹

But during the period 1955-56 to 1960-61, production of cloths by handlooms and power looms was estimated to be 2013 million metres. In the same manner the number of handlooms increased from 7 lakhs in 1956 to 13 lakhs in 1960. The export of handloom clothes was also emphasized during the Plan period and hence during the last three years of this Plan period, the average annual exports has been raised to 360 lakhs gaz cloths. The expected production of khadi at the end of this Plan has been about 800 lakhs gaz. Ambar charakha was also popularized during this Plan period and hence its production increased from 19 lakhs gaz in 1956-57 to 260 lakhs gaz in 1960-61. Ambar charakha amounting to 3,78,309 gaz was also distributed at concessional rates upto June, 1961 enabling employment opportunities to several persons.²⁰

¹⁹ Id. at 58.
²⁰ Id.
Besides, the Small Scale Service Institutes were set up in all States and about 42 extension centers were established in association with the village and SSI in different parts of the country. About 60 industrial estates comprising 700 small factories, were set up, though in all 120 new industrial estates were sanctioned for the Plan period. The extension of rural electrification and availability of cheap power at low price were expected to help considerably towards the fulfillment of these objectives. In the mean time, the policy of protection of village and SSI by means of reservation on the volume of production in the large scale sector and by differential taxation or by direct subsidies was continued.21

3. 4. 3. THIRD FIVE YEAR PLAN (1961-66)

Under this Plan, the main objectives for implementing the programmes for village and small scale industries were:

(i) to improve the productivity of the worker and reduce production cost by placing relatively

greater emphasis on positive forms of assistance such as improvement of skill, supply of technical advice, better equipment and credit etc.;

(ii) to reduce progressively by the role of subsidies, sales rebates and sheltered markets;

(iii) to promote the growth of industries in rural areas and small towns;

(iv) to promote the development of SSI as ancillaries to large industries; and

(v) to organize artisans and craftsmen on co-operative lines.\(^{22}\)

However, during this Plan period a total outlay of Rs.264 crores was estimated whereas actual expenditure has been to the tune of Rs 240.76 crores. Investment in the private sector has been estimated at Rs 275 crores.\(^{23}\)

In this way, on the basis of the total expenditure increased during this Plan period on the development of SSI including the investment from private sources, it was estimated that part-time and

\(^{22}\) Supra n.15 at 59.

\(^{23}\) Ibid.
fuller employment was provided for about 8 million persons and additional whole-time employment for about 6.3 lakh persons. During the period 1960 to 1965, production of cloth by the handlooms and power looms was estimated to have increased from 2013 millions meters to 3056 million meters, khadi from 59 million meters to 90 million meters and raw silk from 1.50 million Kgs. to 2.15 million Kgs.24

Besides the new items taken up in the Small Scale Sector, a step up in production of as much as 25-30 per cent has been recorded in several SSI particularly foot-wear and other leather products, bicycles and spare parts, sewing machines and parts, electric fans and motors, machine tools, hand tools, paints and varnish and soap. Upto the end of 1965 nearly 1 lakh Small Scale units had been registered on an optional basis with the States Industries Directorates, as compared to about 3,700 units at the beginning of 1962. Since the inception of the scheme in 1957 for supplying machines on hire-purchase terms to Small Industries, nearly 16000 machines valued at Rs 24.37 crores, were delivered by the National Small Industries Corporation up to 1965-66. By march 1965, 154 industrial estates had

24 Ibid.
started functioning providing accommodation in about 3135 sheds to 2585 units, with an annual out turn of about Rs 60 crores worth of products and providing employment to nearly 46000 persons. The value of purchases by the Central Government departments from the SSI had increased from Rs 6.5 crores in 1960-61 to Rs 21.94 crores in 1965-66. Information about the exports of the products of SSI was not separately available, although there was evidence that this sector has made significant contribution in several lines. For certain commodities in this sector for which separate information was available, there was a sizable increase in the exports. The value of the exports of handicrafts, coir, handlooms and silk products increased from about Rs 25 crores in 1960-61 to about Rs 54 crores in 1965-66.25

The number of industrial cooperative societies increased from 7105 with a membership of 0.8 million in 1951 to about 46,800 with a membership of 3 million in 1963-64. Including the co operatives engaged in khadi and village industries and also Industrial Co operative Banks, the total number of industrial co operatives in 1964-65 was estimated at about 51000 with a membership of 3.2 million. In

25 Id.at 60.
pursuance of the recommendations of the Rural Industries Planning Committee, which was constituted in April 1962, 45 rural industries projects have been taken up in selected rural areas. As a result of it, nearly 1450 new units had been set up in these project areas up to 1964-65.26

Under Annual Plans, 1966-69, the actual investment in the development of SSI and cottage industries had been Rs 132.55 crores and consequently the production of clothes under handloom sector increased to 360 crore meters in 1968-69.27

3. 4. 4. FOURTH FIVE YEAR PLAN (1969-74)

One of the main objectives of Small Scale Industries programme has been to protect such industries from the competition from Large Scale industries. The Plan while admitting the fact cautioned the government in the following words:

26 Id.
"The operation of the industrial licensing system has not been effective in preventing competition from the large industries and in providing the required degree of initial protection. Nor it has been possible to prevent concentration of industries in large cities and town."28

Besides, within the frame work of the then prevailing Industrial Policy Resolution, the following aims were intended to be pursued so that over a period the entire sector becomes economically viable. They include:

(i) to promote decentralized growth of industries;
(ii) to raise the earnings of those engaged in Small Scale industries by providing positive forms of assistance for improving their skills and productivity; and
(iii) to organize artisans and craftsmen on co-operative lines.29

However, a total out-lay of Rs 370 crores in the public sector has been suggested for the development of Village and Small Scale

29 Supra n.15 at 61.
industries during the Plan period. But the proposed provision of Rs. 370 crores was exclusive of the total out-lays made for the development of these industries in the programmes for community development, rehabilitation of displaced persons and development of special areas. Further about Rs. 400 crores were expected to be invested from private sectors. Thus, a total outlay of about Rs. 800 crores was set to be available for Small Scale Industries under this Plan. At the end of the Plan period, total number of units increased to 4.16 lakhs, production increased to Rs 7200 crores, employment increased to 39.7 lakhs and export increased to Rs. 393 crores. In this way it can be said that Small Scale and Cottage industry showed a remarkable progress during this Plan period.30

3. 4. 5. FIFTH FIVE YEAR PLAN (1974-79)

Under this Plan the principal objectives of the programme for the development of different industries in order to facilitate the removal of poverty and create employment opportunities and improvement in

30 Id.
the skill of the artisans were projected. The broad strategy for the development of these industries was namely:

(i) to develop and promote entrepreneurship and provide a package of consultancy services so as to generate maximum opportunities for employment;

(ii) to facilitate fuller utilization of the skills and equipment for persons already employed in different Small Scale Industries;

(iii) to progressively improve the production techniques of these industries so as to bring them to a viable level; and

(iv) to promote these industries in selected growth centers, in semi-urban and urban areas including backward areas.31

The Fifth Five Year Plan rightly mentioned that a significantly large number of persons already dependent on traditional industries

31 Id. at 62.
like handloom, sericulture, coir, Khadi and village industries are below the poverty line. Therefore, the principal objective of the programme for the development of different Small Industries in the Fifth Plan were to facilitate the attainment of some of the major tasks for the removal of poverty and inequality in consumption standards of these persons through creation of large scale opportunities for fuller and additional productive employment and improvement of their skills so as to improve their level of earnings.\textsuperscript{32}

With this end in view, the draft Fifth Five Year Plan allocated a sum of Rs 610 crores for Village and Small Scale Industries in the public sector. The revised Fifth Five Year Plan reduced this allocation to Rs 510 crores. The estimated expenditure during 1974-78 on Village and Small Scale Industries aggregated to Rs 388 crores. As a result of it, production of cloth in the decentralized sector increased to 4100 million metres in 1977-78, 2300 million metres from handlooms, and 1800 million metres from powerlooms. Between 1974-75 and 1977-78 exports of handicrafts rose from Rs 194 crores to Rs 440

\textsuperscript{32} Fifth Five Year Plan (New Delhi: Government of India, Planning Commission, 1974-79) at 164.
crores. Similarly, the production of Small Scale industries increased from Rs 538 crores in 1974-75 to Rs 1000 crores in 1977-78.\textsuperscript{33}

It may be noted that the target of decentralized production of cloth was not achieved. However, other targets were more or less fulfilled.

3. 4. 6. SIXTH FIVE YEAR PLAN (1980-85)

This plan mentioned in a very categorical manner that promotion of Village and SSI continues to be an important element in the national development strategy because of its very favourable capital out put ratio and high employment intensity.

With this end in view, the Plan laid down the objectives namely:

(i) improvement in the levels of production and earning, particularly of the artisans, through measures like up-gradation of skills and technologies and producer - oriented marketing;

\textsuperscript{33} Supra n.15 at 63.
(ii) creation of additional employment opportunities on a dispersed and decentralized basis;

(iii) significant contribution to growth in the manufacturing sector through, inter alia, full utilization of existing installed capacities;

(iv) establishment of a wider entrepreneurial base through appropriate training and package of incentives;

(v) creation of viable structure of village and small scale industries sector so as to progressively reduce the role of subsidies; and

(vi) expanded efforts in export promotion.34

Targets of production, employment and exports for Village and SSI laid down for the Sixth Plan is given in the below shown Table-I

34Sixth Five Year Plan (New Delhi: Government of India, Planning Commission, 1980-85) at 211.
### TABLE – I

**Targets for output, Employment and Exports for Different Village and Small Scale Industries in the Sixth Plan (1980-85)**

<table>
<thead>
<tr>
<th>Industries</th>
<th>Output (Rs.crores)</th>
<th>Employment (Lakh persons)</th>
<th>Exports (Rs.Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Traditional Industries</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Khadi &amp; Handloom</td>
<td>1838</td>
<td>2660</td>
<td>72.7</td>
</tr>
<tr>
<td>2. Village Industries</td>
<td>314</td>
<td>1000</td>
<td>18.2</td>
</tr>
<tr>
<td>3. Sericulture</td>
<td>131</td>
<td>245</td>
<td>16.0</td>
</tr>
<tr>
<td>4. Handicrafts</td>
<td>2050</td>
<td>3200</td>
<td>20.3</td>
</tr>
<tr>
<td>5. Coir</td>
<td>86</td>
<td>122</td>
<td>5.6</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>4419</td>
<td>7227</td>
<td>132.8</td>
</tr>
<tr>
<td><strong>B. Modern Small Industry</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Small Scale Industries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Powerlooms</td>
<td>21635</td>
<td>32873</td>
<td>67.0</td>
</tr>
<tr>
<td></td>
<td>3250</td>
<td>4100</td>
<td>11.0</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>24885</td>
<td>36973</td>
<td>78.0</td>
</tr>
<tr>
<td><strong>C. Others</strong></td>
<td>4206</td>
<td>5053</td>
<td>25.0</td>
</tr>
<tr>
<td><strong>Total (A+B+C)</strong></td>
<td>33510</td>
<td>49235</td>
<td>235.8</td>
</tr>
</tbody>
</table>

**Source:** Datta and Sundram, *Indian economy*, (1984) at 556
However, the Sixth Plan allocated a sum of Rs 1,780 crores for Village and Small Industries. But the actual estimated outlay worked out to be Rs 1,952 crores for 1980-85. This sector, however, received 1.8 per cent of the total outlay. A review of the progress of the Sixth Plan reveals that production in this sector has increased from Rs 33,538 crores in 1979-80 to Rs 65,730 crores in 1984-85 and exports from Rs 2,281 crores in 1979-80 to Rs 4,558 crores in 1984-85. With regard to employment, it has increased from 234 lakhs persons in 1979-80 to 315 lakhs persons in 1984-85. Whereas the output target was exceeded in money terms, the employment target could not be achieved, but there was a shortfall to the extent of 11 lakhs persons.\textsuperscript{35}

The Sixth Plan envisaged that total employment generated by Village and Small industries will reach 326 lakhs persons, while the Powerlooms have exceeded the targets set for the terminal year of the Sixth Plan. The Small Industries have achieved the targets in terms of

\textsuperscript{35} Id.at 66
out put, employment and exports. The performance of handicrafts has been satisfactory.36

3. 4. 7. SEVENTH FIVE YEAR PLAN (1985-90)

The Plan laid down the following objectives for Village and SSI:

(i) to assist in the growth and widespread dispersal of industries;

(ii) to increase the level of earnings of artisans;

(iii) to ensure regular supply of goods and services through the use of local skills and resources; and

(iv) to develop entrepreneurship in combination with improved methods of production.37

However, the strategy for achieving the above objectives would constitute the following:

36 Id.
(i) improve productivity, ensure quality, reduce costs and restructure production-mix through upgradation of technology and modernization;

(ii) optimize utilisation of existing capacities through supply of adequate inputs including credit, power and raw materials etc.

(iii) expand share of village and small industries products in the domestic markets through publicity, standardisation, market support and increased participation in Government purchase programme;

(iv) Strengthen the programmes of anciliarisation to establish and improve linkages between large and small industries leading to harmonious growth of the total industrial sector;

(v) Promote specialization in production and export-oriented industries; and
(vi) Strengthen and enlarge skill profile and entrepreneurial base and management practices to increase opportunities for self-employment.\textsuperscript{38}

The Plan has made a provision of Rs 2752 crores for Village and Small Industries which was 1.5 per cent of the total out lay. Out of this, Khadi and Village industries account for Rs 636 crores, Handlooms Rs 512 crores, Sericulture Rs. 310 crores, SSI, including industrial estates Rs.1,121 crores, handicrafts Rs 123 crores, Powerlooms Rs.12 crores and Coir Rs 39 crores. Any way, Village and Small industries can be broadly grouped under two heads-Traditional industries and Modern industries.\textsuperscript{39}

It may be noted that the out put of traditional industries was expected to rise from Rs 7,726 crores to Rs 11,760 crores i.e., an increase of 52 per cent during the Seventh Plan. With this, employment generation was calculated to increase from 165 lakh to 217 lakh i.e., an increase of 32 per cent. Handlooms and handicrafts have emerged as the principal foreign exchange earners and

\textsuperscript{38} supra n.15 at 67.

\textsuperscript{39} Id.
traditional village industries were expected to earn 3,304 crores by way of foreign exchange in 1989-90 as against Rs 2,208 crores in 1984-85.

In the modern industries sector of SSI production was targeted to increase from Rs 50,520 crores to Rs 80,220 crores i.e., by 59 per cent during the seventh plan. Employment, however, could correspondingly grow from 90 lakhs to 119 lakhs i.e., by 32 per cent. These industries used modern technology and produced a large variety of goods ranging from wage goods to most basic sophisticated electronic items.40

Employment in this sector was expected to grow from 315 lakhs to 440 lakhs. In other words, this sector promised a large scope for absorbing the surplus labour power in the country during the seventh plan period. It was also expected to be a good foreign exchange earnings and were likely to rise from Rs 4558 crores in 1984-85 to Rs 7444 crores in 1989-90.41

40 Id.at 70.
41 Id.
So far as the development of SSI during the Plan period was concerned, it continued to perform well despite the adverse conditions prevailing during the last few years. According to estimates provided by the Development Commissioner, SSIs, the number of small scale units increased from 13.53 lakhs in 1985-86 to 14.57 lakhs in 1986-87, showing an increase of 7.7 per cent. But the number of small scale units increased from 14.76 lakhs (revised) in 1986-87 to 15.92 lakhs in 1987-88, showing an increase of 8 per cent. These units produced goods and services valued at Rs 72,250 crores in 1986-87; thus showing an increase of 18 per cent over the production valued at Rs 61,223 crores during the preceding year.\(^{42}\)

But these units produced goods and services worth Rs 85,700 crores in 1987-88, thus showing an increase of about 18.6 per cent in nominal terms over production valued at Rs 72,250 crores during the preceding year. Employment in the sector also increased from 96 lakhs persons in 1986-87, there by, registering an increase of 5.6 per cent. But employment in the sector also increased from 101.40 lakhs persons in 1986-87 to 107.00 lakhs persons in 1987-88, marking an

\(^{42}\) Supra.n.37 at 32.
increase of 5.5 per cent. Besides, there has been impressive progress in the scheme for providing self employment to educated unemployed youths which was launched in 1983-84 in 1986-87, the number of beneficiaries was 2.19 lakhs with sanctions from banks amounting to Rs 455.12 crores. But during 1987-88, against a target of 1.25 lakhs 1.20 lakh cases were sanctioned by the banks. A target of 2.5 lakh had been fixed for 1988-89. Besides, under the modified scheme of self-employment the beneficiaries for industrial and service ventures also included those who passed out from the industrial training institutes apart from matriculates and above. The loan limit for industrial ventures was Rs 35000, for service ventures Rs 25000 and for business ventures Rs 15000. However, the subsidy level in all types of ventures was fixed at 25 per cent. Income ceiling of Rs 10,000 per family per annum had been fixed as the criterion for determining eligibility under this scheme. In particular, 30 percent of the total sanctions had been reserved for scheduled castes and tribes.43

With regard to total exports from this sector, in 1985-86 was estimated at Rs 2785 crores and showed an increase of 7.9 per cent

43 Supra n.15 at 71.
over the previous year and thus the share of small scale sector in India's total export was 25.3 per cent during the same period, i.e., 1985-86. But exports from Small Scale Sector during the year 1986-87 amounted to Rs 3648 crores and accounted for a share of about 29 per cent in total direct exports from the country during the year.

Government had also introduced a wide range of policies and programmes to support the development of the small scale sector during the Plan period. To this end, an extensive institutional support network had been created. These included assistance in marketing through Small Industries Development Corporations of the states, provision of consultancy services, training, common facility services, entrepreneurship training, etc. Apart from infrastructure support to the small scale sector, Government also pursued a policy of according protection and purchase preference to the Small Scale Sector. The total number of items reserved for exclusive manufacture in Small Scale Sector stood at 835 at the end of January, 1989. Under the government stores purchase programmes 409 items have been reserved for exclusive purchase from small scale sector, while 13
items were reserved for purchase up to 75 per cent and 28 items for purchase up to 50 per cent.\textsuperscript{44}

The other significant policy change during the Seventh Plan period was related to definition of "ancillary industrial undertaking". The proportion of output which a unit must supply to the other industrial undertakings in order to be classified as an ancillary unit had been reduced from 50 per cent to 30 per cent provided its investment in fixed assets in plant and machinery never exceeded Rs 45 lakhs.\textsuperscript{45}

At the end of the Seventh Plan Period, SSI accounted for nearly 35 per cent of the gross value of output in the manufacturing sector and over 40 per cent of the total exports from the country. It also provided employment opportunities to around 12 million people.

3. 4. 8. EIGHTH FIVE-YEAR PLAN (1992-97)

During this Plan period a policy package for small, tiny and village industries had been announced with the primary objective of

\textsuperscript{44} Id. at 72.
\textsuperscript{45} Id.
imparting more vitality and growth impetus to this sector. The ceiling of investment in the case of "Tiny" enterprises had been raised to Rs. 5 lakhs. Locational restrictions on setting up of these enterprises had been removed and their scope had been enlarged to include all industry related service and business enterprises. Further, equity participation, not exceeding 24 per cent, by other industrial undertakings including that by foreign collaborators in the small scale sector had been permitted with a view to encourage modernization and technological upgradation. Other salient features of this Policy pertain to the setting up of a monitoring agency to ensure that the genuine credit needs of this sector are fully met; review of all statutes, regulations and procedures and their modification to ensure that their operation does not militate against the interests of the small and village enterprises; encouraging industry associations to establish quality counseling and common testing facilities; sub-contracting exchanges and expansion of entrepreneurship development programme and further liberalisation of schemes of National Equity Fund and single Window Loans, etc.  


47 Id.
This Plan aimed at a growth rate of 5.6 per cent, while greater emphasis was laid on private initiative in industrial development. One of the areas of priority of this Plan was generation of adequate employment to achieve near full employment level. Several activities pertaining to this sector like processing of agricultural produce in rural areas, sericulture and allied activities had been identified as critical goals in priority sectors. Advances from commercial banks to the Small Scale Sector as on 23rd March, 1990 was Rs. 15,543 crores as against Rs. 6,766 crores at the end of June, 1985. This increased to Rs. 17,151 crores at the time of commencement of this Plan period.48

However, it can be noticed that during this Plan period the State concentration made a shift to the liberalization process there by opening the doors for foreign direct investment into the native soil. This has turned to be a new mile stone in the history of industrialization process of the country, wherein the native industries were confronted with many adverse encounters. In this context the

48 Id.at 64.
survival of the SSI was new challenge not only to the entrepreneurs but also to the State.

3. 5.9. NINTH FIVE YEAR PLAN (1997-2002)

This Plan period witnessed a virtual confrontation between the native capital and the State in view of the new political economy environment in the country. The labour unrest followed by the closure of majority industrial undertakings was order during this era. This Plan made no special mention about these adversities, which in fact might have created an adverse environment for the very survival of the SSI in the country. The Plan in a causal way made various new initiatives to strengthen the SSI units through technology upgradation, modernization, in order to encourage them to enhance quality, introducing new management practices providing access to markets and other key inputs, increasing the availability of credit from the financial institutions and banks against materials supplied, etc, keeping minutely the implications of the WTO regime, the aspects relating to
removal of Quantitative Restrictions, reducing the list of items reserved for the sector, etc.\footnote{See,\textit{Ninth Five Year Plan} (New Delhi: Government of India, Planning Commission, 1997-02).}

Two new schemes—the credit guarantee fund and credit linked capital subsidy scheme were introduced. Adequate availability of modern infrastructure facilities was sought to be ensured by setting up Integrated Infrastructure Development Centers.

In the handloom sector, greater emphasis was laid on the increasing market oriented production and value addition through design in puts and availability of hank yarn at mill gate prices. Power looms were included under the promotion schemes and computer aided design and computer aided manufacturing centers, etc. In the handicraft sectors, the promotional scheme focused on training and skill upgradation, design and technology improvement, supply of quality tools, strengthening of organizational support by setting up institutions like, Institute of Carpet Technology, Bamboo Craft
Development Institute, etc. was taken up. New schemes were introduced both for handicrafts and handlooms.\textsuperscript{50}

This period witnessed the shift of employment patterns in the country, i.e. causalization, feminization and contractualization there by reduced the aspects of tenured employment in the large industrial sector resulting in large scale job losses in the country. This in fact had made the way for the organized labour pushing themselves for the job opportunities in the other sectors of the economy.

3. 4. 10. TENTH FIVE YEAR PLAN (2002-2007)

This Plan had been formulated in the context of doubling per capita income in the country within ten years, and also of creating 100 million employment opportunities during this period. The Approach Paper had proposed that the Tenth Plan should aim at an indicative target of 8 per cent average GDP growth for the period 2002-07 as the...
first step towards achieving the ultimate aim of doubling per capita income by 2012.51

It was observed by the Planning Commission in the report of this Plan period that the Small Scale Sector plays an important role in economic development and contributes significantly to industrial output, employment and export. However, the sector is burdened with maintenance of an unmanageable number of forms and registers under different labour laws. The approach during the Tenth Plan was to exempt the sector from the rigour of the various labour laws and make it vibrant and efficient and also to sustain themselves from the pressure induced by the liberalization process where in the cheaper products from other countries have flooded in the domestic market.52

The enforcement of various labour laws pertaining to SSI units falls under the jurisdiction of the State Governments. It was observed in the report that the entire onus of compliance in furnishing the returns and the pressure of inspections falls on the entrepreneur and most of

51 Tenth Five Year Plan (New Delhi: Government of India, Planning Commission, 2002-07) at 595.
52 Id.
the entrepreneurs could face difficulty in meeting these statutory requirements. Therefore it was suggested that the present system might be replaced by a system of self-certification wherein the return submitted under various labour laws by SSI units may be treated as prima-facie compliance. However, it is painful to note that this Plan was non-committal with regard to the adverse environment confronted by the SSI in the country.

3. 4. 11. ELEVENTH FIVE YEAR PLAN (2007-2012)

The Eleventh Five Year approach paper indicates that there is considerable evidence that the industrial sector has gained strength in many ways over the past fifteen years as a consequence of liberalizing industrial controls and the gradual integration with the world economy. It observes that the dispersed and decentralized SSI poses a special challenge and opportunity to our policy makers. It touches the lives of the weaker and unorganized sections of the society with more than half of those employed being women, minorities, and the marginalized. Fifty seven per cent of the SSI units are owner-run enterprises with one person. They account for 32 per cent of the workforce and 29 per
cent of the value added in non-agricultural private unincorporated enterprises. Infusion of appropriate technology, design skills, modern marketing capacity building and easier access to credit can make this sector an expanding base for self-sustaining employment and wealth generation and also foster a culture of creative and competitive industry. It was suggested that Agro-food processing, sericulture and other village enterprises can check rural-migration by gainfully employing people in villages. This will also take pressure off agriculture.53

Several Ministries, Departments and Institutions deal with activities falling within the domain of the SSI, and have a variety of schemes to support the SSI. However, the benefits accrue to only a small fraction of SSI as only 13% are registered. In this Plan it was suggested to adopt a dual strategy to ensure that the unregistered SSI and units outside the cooperative fold are encouraged to get themselves registered and are also able to benefit from government schemes, pending registration. In fact, the provision of voluntary filing of enterprise memoranda by SSI in the new Micro, Small and Medium

53 Eleventh Five Year Plan (New Delhi: Government of India, Planning Commission,2007-12) at 33.
Enterprises Development Act, 2006 is a step in that direction and should be implemented energetically. This Plan has two kinds of schemes for this sector, one focusing on the lives of the small firm workers, artisans, and crafts people and the other on their livelihoods.\textsuperscript{54}

It is pertinent to note that the Plan made a mention of the plight of the workers employed in SSI, who in fact come under one of the constituents of the total unorganized sector workers population in the Country and work under totally exploited working conditions without any social security protection. Perhaps the Planners are cognizant of the ongoing efforts in the Government circle to bring a protective welfare legislation to mitigate the hardships confronted by these workers over the decades. The emphasis in the Plan appears to be mere theoretical postulations rather a pragmatic approach in this regard.

\textsuperscript{54} Id.at 34.
3.4.12. AN ANALYSIS OF THE PROJECTIONS

A review of the total pronouncements and targets achieved by the country under the planned economic development regime as far as SSI are concerned, the capital intensity and the growth rate of employment has certainly shown an upward trend, which is clearly emphasized in the Tables shown below. However, an important observation comes into the main stream, namely whether the entire concentration of the State as far as the SSI are concerned under the planned economic development regime resulted only in respect of some regions in the country or has it spread evenly to whole of the country is a question to be analyzed in the course of this research, which bears vital links to the conclusions to be drawn at the end.
TABLE - II

Employment Potentiality Trend Set by the Small Scale Industry

<table>
<thead>
<tr>
<th>S. No</th>
<th>Corresponding Year</th>
<th>Employment in lakhs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1973-74</td>
<td>39.7</td>
</tr>
<tr>
<td>2</td>
<td>1974-75</td>
<td>40.4</td>
</tr>
<tr>
<td>3</td>
<td>1975-76</td>
<td>45.9</td>
</tr>
<tr>
<td>4</td>
<td>1976-77</td>
<td>49.8</td>
</tr>
<tr>
<td>5</td>
<td>1977-78</td>
<td>54.0</td>
</tr>
<tr>
<td>6</td>
<td>1978-79</td>
<td>63.8</td>
</tr>
<tr>
<td>7</td>
<td>1979-80</td>
<td>67.0</td>
</tr>
<tr>
<td>8</td>
<td>1980-81</td>
<td>71.0</td>
</tr>
<tr>
<td>9</td>
<td>1982-83</td>
<td>75.0</td>
</tr>
<tr>
<td>10</td>
<td>1983-84</td>
<td>84.2</td>
</tr>
<tr>
<td>11</td>
<td>1984-85</td>
<td>79.0</td>
</tr>
<tr>
<td>12</td>
<td>1985-86</td>
<td>90.0</td>
</tr>
<tr>
<td>13</td>
<td>1986-87</td>
<td>96.0</td>
</tr>
<tr>
<td>14</td>
<td>1987-88</td>
<td>101.40</td>
</tr>
<tr>
<td>15</td>
<td>1988-89</td>
<td>107.00</td>
</tr>
<tr>
<td>16</td>
<td>1989-90</td>
<td>119.6</td>
</tr>
<tr>
<td>17</td>
<td>1990-91</td>
<td>125.3</td>
</tr>
<tr>
<td>18</td>
<td>1990-91</td>
<td>158.34</td>
</tr>
<tr>
<td>19</td>
<td>1991-92</td>
<td>165.99</td>
</tr>
<tr>
<td>Year</td>
<td>Productivity</td>
<td>Year</td>
</tr>
<tr>
<td>--------</td>
<td>--------------</td>
<td>--------</td>
</tr>
<tr>
<td>1992-93</td>
<td>174.83</td>
<td>1993-94</td>
</tr>
<tr>
<td>1994-95</td>
<td>191.40</td>
<td>1995-96</td>
</tr>
<tr>
<td>1996-97</td>
<td>205.86</td>
<td>1997-98</td>
</tr>
<tr>
<td>1998-99</td>
<td>220.55</td>
<td>1999-00</td>
</tr>
<tr>
<td>2000-01</td>
<td>238.73</td>
<td>2001-02</td>
</tr>
<tr>
<td>2002-03</td>
<td>260.21</td>
<td>2003-04</td>
</tr>
<tr>
<td>2004-05</td>
<td>282.57</td>
<td>2005-06</td>
</tr>
</tbody>
</table>

Source: Development Commissioner (SSI) Ministry of Industry, 2001

Further Table III indicate the trend of the growth the Small Scale Sector from the period of the commencement of liberalization process till to the period of its peak and the corresponding figures relate to the total investment, production, employment potentiality and exports of the products produced. It is evident from the table-III that the number of SSI stood at 67.87 lakh in 1990-91 and this number
rose to 123.42 lakh in 2005-06. As far as the output of SSI is concerned, it was Rs.78,802 crore in 1990-91 and those rose considerably to Rs. 4,76,201 crore in 2005-06. The SSI units employed 158.34 lakh people in 1990-91 and this number rose to 294.91 lakh people in 2005-06. The total exports of the SSI products increased from Rs. 9,664 crore in 1990-91 to Rs. 1,24,417 crore in 2004-05.

However, it is appreciable that the higher judiciary in spite of changing perceptions of the global and country's political economy, had worked in tandem with executive in providing encouraging opportunities for the SSI in their venture, be it in the sphere of financial, infrastructure and other facilities on priority basis.55

---

### TABLE III

Performance of Small Scale Industries – Production, Employment and Exports

<table>
<thead>
<tr>
<th>Year</th>
<th>Total SSI Units in Lakhs</th>
<th>Fixed Investment in Rs. Crores</th>
<th>Production in Rs. Crores</th>
<th>Employment in Lakhs</th>
<th>Exports in Crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>67.87</td>
<td>93555</td>
<td>78802</td>
<td>158.34</td>
<td>9664</td>
</tr>
<tr>
<td>1991-92</td>
<td>70.63</td>
<td>100351</td>
<td>80615</td>
<td>165.99</td>
<td>13883</td>
</tr>
<tr>
<td>1992-93</td>
<td>73.51</td>
<td>109623</td>
<td>84413</td>
<td>174.83</td>
<td>17784</td>
</tr>
<tr>
<td>1993-94</td>
<td>76.49</td>
<td>115795</td>
<td>98796</td>
<td>182.64</td>
<td>25307</td>
</tr>
<tr>
<td>1994-95</td>
<td>79.60</td>
<td>123790</td>
<td>122154</td>
<td>191.40</td>
<td>29060</td>
</tr>
<tr>
<td>1995-96</td>
<td>82.84</td>
<td>125750</td>
<td>147712</td>
<td>197.93</td>
<td>36470</td>
</tr>
<tr>
<td>1996-97</td>
<td>86.21</td>
<td>130560</td>
<td>167805</td>
<td>205.86</td>
<td>39248</td>
</tr>
<tr>
<td>1997-98</td>
<td>89.71</td>
<td>133242</td>
<td>187217</td>
<td>213.16</td>
<td>44442</td>
</tr>
<tr>
<td>1998-99</td>
<td>93.36</td>
<td>135482</td>
<td>210454</td>
<td>220.55</td>
<td>48979</td>
</tr>
<tr>
<td>1999-00</td>
<td>97.15</td>
<td>139982</td>
<td>233760</td>
<td>229.10</td>
<td>54200</td>
</tr>
<tr>
<td>2000-01</td>
<td>101.1</td>
<td>146845</td>
<td>261297</td>
<td>238.73</td>
<td>69797</td>
</tr>
<tr>
<td>2001-02</td>
<td>105.21</td>
<td>154349</td>
<td>282270</td>
<td>249.33</td>
<td>71244</td>
</tr>
<tr>
<td>2002-03</td>
<td>109.49</td>
<td>162317</td>
<td>311952</td>
<td>260.21</td>
<td>86013</td>
</tr>
<tr>
<td>2003-04</td>
<td>113.95</td>
<td>170219</td>
<td>357733</td>
<td>271.42</td>
<td>97644</td>
</tr>
<tr>
<td>2004-05</td>
<td>118.59</td>
<td>178699</td>
<td>418263</td>
<td>282.57</td>
<td>124417</td>
</tr>
<tr>
<td>2005-06</td>
<td>123.42</td>
<td>181113</td>
<td>476201</td>
<td>294.91</td>
<td>154418</td>
</tr>
</tbody>
</table>

**SOURCE:** Ministry of Small Scale Industries, Annual Report 2005-06, and 1990-91 to 2004-05, Data related to 2005-06 from Development Commissioner, SSI