SMALL SCALE INDUSTRIES IN INDIA – GROWTH AND DEVELOPMENT
CHAPTER – II

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"Cottage and small industries have a very important role in the national economy offering as they do scope for individual village or co-operative enterprises and means for rehabilitation of displaced persons (Government of India, 1948). These industries are particularly suited for the better utilization of local resources and for the achievements of local self-sufficiency in respect of certain types of essential consumer goods."

"The development of small-scale industries is an integral part of the overall economic, social and industrial development of a country (Subramani, 1995)." "They provide immediate large scale employment, they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilization of resources of capital and skill which might otherwise remain unutilised. Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country (Planning Commission, 1956)."

The basic objectives underlying the development of small and medium scale industries are the increase in the supply of manufactured goods, the promotion of capital formation, the development of indigenous entrepreneurial
talents and skills and the creation of employment opportunities. In addition, they include such socio-economic goals as the decentralization as dispersal of manufacturing activities from the metropolitan to the non-metropolitan and rural areas, the reduction of regional economic imbalances within a country and diffusion of entrepreneurial and managerial abilities and skills as well as of technology throughout the country. "Economic development with emphasis on small industries is known for its potential to generate more employment opportunities. Yet another major advantage of the small-scale industrialization in the economic development is its suitability in decentralized economic development (Arunkumar, 1996). The importance of the sector has been well recognized for its contribution towards employment, exports and promotion of industrial dispersal (Iriray, 1999).

Vepa (1983) suggests that investment of Rs.1 million in a small-scale unit normally provides employment for 173 persons while employment for the same number in large industrial unit requires an investment of Rs.5.31 million." "Capital required per employee in small-scale sector is Rs.2018 as against Rs.17,753 in large sector (ASI, 1992-93)." Hence, in a capital deficient country like India, small-scale industries provide the best alternative for solving the problem of mounting labour unemployment.

Small-scale industries are a very suitable tool in achieving the national economic objective of dispersal of industrial activity to rural areas as they require less capital, involve simple technology and help in using the local resources. This way small-scale sector can help in fulfilling one of the important objectives set out
in the Directive Principles of State Policy, which stipulates economic
decentralization in the country.

"The value added per rupee of fixed investment in small unit is 0.96 as
against 0.41 in large unit. Production per unit of investment in small-scale units is
estimated to be 5.60 as against 1.80 in large sector (Vepa, 1983)."

"The small scale industries have accounted for more than 55 percentage
industrial production while using only 9 percent of imported raw material (Ahmad,
1987)." Thus small-scale industries help in saving foreign exchange in addition to
earning a good amount of foreign exchange through exports.

The above economic advantage of small scale industries have naturally led
the government to evolve suitable policies to sustain and promote this vital sector
as an integral part of the overall economic policy of the Country.

Definition of Small Scale Industries

"A unit employing less than 50 person’s if using power, and less than 100
persons without the use of power and with capital assets not exceeding Rs.5 lakhs”
(Ministry of Commerce and Industry, GOI, 1955).

As the tempo of the development of small-scale industries picked up it was
felt that the employment criterion was coming in the way of promotion of
programmes for the small-scale sector. The revised definition put forward by the
Ministry of Commerce and Industries (1960) maintained: “Small scale industries
will include all industrial units with a capital investment of not more than Rs.5 lakhs irrespective of the number of persons employed.”

The capital investment for the purpose of the definition, meant investment in such fixed assets as land, building, machinery and equipments, when units functioned in rented premises the capital valuation of such building was to be taken into account in assessing the prescribed limit of Rs.5 lakhs.

Then the Ministry of Industry (1966) redefined in 1966 as “Small scale industries include all industrial units with a capital investment of not more than Rs.7.5 lakhs irrespective of the number of persons employed. Capital investment for this purpose will mean investment in plant and machinery only”.

The Small Scale Industries Board had discussed the question of revising the definition at its 32nd meeting in November 1974. Redefinition of small-scale industries units and ancillary units was made by the Board.

i) Small Scale Industries

“Undertaking having investment in fixed assets in plant and machinery not exceeding Rs.10 lakhs” are small scale Industries and “Undertaking having investments in fixed assets in plant and machinery not exceeding Rs.15 lakhs are ancillary Industries.

Small Scale Industries units were agitating since 1975 for an increase in the investment limit of Rs.10 lakhs, which would not be sufficient to buy half the plant, and equipment, which they could buy when the limit was raised in 1974.
The Government was taken on boosting their development and ensure their
growth. Hence, the investment limit was raised as under: in 1980.

The limit of investment in tiny units was raised from Rs.1 lakh to Rs.2 lakhs. The limit of investment in small-scale industries units was raised from Rs.10 lakhs to Rs.20 lakhs, and the limit of investment in the ancillary units was raised from Rs.15 lakhs to Rs.25 lakhs. Definition of 1985: Government enhanced the investment limit as under: “The limit of investment in small scale industries units was raised to Rs.35 lakhs, and the limits of investment in ancillary units was raised to Rs.45 lakhs.”

Definition of 1991

“The tiny units are those units where the investments in plant and machinery is less than Rs.5 lakhs irrespective of the location of the units, the small scale industries units are those units where the investment in plant and machinery is raised from Rs.35 lakhs to Rs.60 lakhs and the investment limit for ancillary units is increased from Rs.45 lakhs to Rs.75 lakhs.

Small Scale Industries Under Industrial Policy Declaration

The achievements of the small-scale sector are primarily due to the active policy support and comprehensive programme of assistance launched by the government of India.
Policies constitute the framework or guidelines for appropriate decisions at varied levels. They generally consist of statement that affect the working of a sector of the economy. The working of SSIs, too, is moulded by number of policies, which are the base for effective development.


The resolution of 1948 gave an important place to SSIs. And took the necessary steps for the protection and promotion of SSIs. The government of India sought to solve the problems, providing some provisions for SSIs growth. such as: 1) The provision of raw materials, (2) Cheap power: means state government have been providing concessions and subsidy of varying amount in the supply of electricity to SSI units. (3) Technical advice, (4) Marketing benefits for products and (5) To create necessary machinery for the purpose.

Impact of all these policy provisions have encouraged the growth of SSI units. In 1950-51, No of units increased to 0.16 lakhs, with employment generation of 7.00 lakhs persons. And investment and production increased to Rs.120 crores and Rs. 615 crores respectively. Export was rose to Rs.40 crores, with share in total exports about 5.2 percent.

The Industrial Policy Resolution of SSIs – 1956:

After adoption of the industrial policy 1948 and number of development had taken place in the country. The Industrial Policy Resolution 1956 reiterated the desirable features of small Industry. Resolution an attempt was made to rephrase Industrial policy in the light of the changes that had taken place in the
Intermediate period of eight years. The objectives of economic policy now was to establish a socialistic pattern of society.  

**The Industrial Policy Resolution –1956 Provisions for SSIs**

1) Supporting SSIs by restricting the volume of production in the large-scale sector, by differential taxation or by direct subsidies.
2) Measures designed for financial to improve the competitive strength of small-scale producer.
3) Techniques of production constantly improving on modernization.
4) Technical (like, Tool rooms, product design) and Financial (like low interest, convenient installments) assistance.
5) Establishment of industrial estates: The programme of industrial estates was started in 1957. For providing suitable workshops, locational requirements, proper product design, technical improvements, etc to SSI units.
6) Supporting SSIs by rural community workshops
7) By extension of cheap power, and.
8) Supporting SSIs by the organisation of industrial. Cooperatives.

This programme of industrial development will make demands on the country’s resource of technical and managerial personnel. The resolution recognised the important locational factors like, the availability of raw materials, cheap power, Transport facilities etc.

As the result of this impact No of units grew for about 0.37 lakhs, employment generation has changed to 14.00 lakhs from 7.00 lakhs in 1960-61. And investment and production were rose to Rs. 235 crores respectively, in the period of 1950-51 to 1960-61. But export it decreased to Rs.15 crores from Rs 40 crores with slight change in share of total exports about 6.5 perfect from 5.2 percent.
The Industrial Policy Resolution of SSIs - 1977:

The Resolution 1977 was primarily directed towards removing the distortions of the past, so that the goals of faster economic development can be achieved within a timebound programme. The silent features of the policy were:
1) The main thrust of the policy 1977 was on an effective promotion of cottage and small Industries dispersed in rural areas and small towns. Than whatever can be produced by small and cottage industries must only be so produced. For this purpose, the list of industries, which would be exclusively reserved for the SSI sector, had been significantly expanded and included more than 504 items against about 180 items reserved for this sector in the past.

Resolution 1977, Government classified SSIs into i) Cottage and household industries which provide considerable amount of Self employment; ii) Tiny industries sector involving investment in industrial units in machinery and equipment upto Rs.11 lake and situated in towns with, a population of less than 50,000; iii) Small scale Industries comprising industrial units with investment in fixed capital upto Rs.10 lakhs and case of ancillaries upto Rs.15 lakha.

The Industrial Policy Resolution 1977 provisions for SSIs: 16

1) As against the prevailing list of 180 items, the government extended the list to included 807 items by may 1978 for being exclusively produced by the SSIs sector;

2) In each district, a District Industries Center Set up in 1st may 1979. It acts as the central coordinating agency for development of industries in the district, and to provide all service and support required by the small-scale and village industries under a single roof.
3) Aspecially created special wing of the IDBI was to look after credit need of small and cottage industries and co-ordinate the entire set of credit facilities offered by different financial agencies to these industries;

4) There was to be wide spread application of appropriate technology in the case of small scale and cottage industries with a view to improve productivity and income of people engaged in those industries.

Impact of all these changing provisions scenario of Resolution 1977, has effects on tremendous growth of SSIs sector. As the result of this impact, No of units greatly increased to 8.5 lakhs from 0.37 lakhs in 1979-80 with enormous change of employment about 67.00 lakhs from 14.00 lakhs in same year.

Amazing Change took place in investment and production growth. While investment and production were rose to Rs. 5540 crores and Rs. 21635 crores from Rs. 235 crores and 1280 crores respectively. Export was immensely changed to Rs. 1226 crores from Rs. 15 crores with in share of total export about of 19.1 percent.


The Resolution 1980 primarily seeks to harmonise the growth of SSI sector with that in the large and medium sector. This policy statement had the broad socio economic objectives. The Policy statement says It will be Government’s endeavor to reverse the trends of the last three years towards creating artificial divisions between the small and large industry under the misconception that these interest are essentially conflicting. The base of objectives the Resolution has set out some provisions for SSI sector, as follows:
1) IPR of 1980 is that it redefined small tiny and ancillary units by raising the investment limit. In case of 1) tiny units from Rs.1 lakhs to Rs.2 lakhs; 2) Small scale units from Rs. 10 lakhs to Rs. 20 lakhs; and 3) ancillaries from 15 lakhs to Rs. 25 lakhs.

2) In provisions of marketing support to the decentralized sectors and the reservation of items for SSIs small continue to be in fore in the interests of the growth of SSIs.

3) It has been proposed to help modernization of SSI units.

4) It has been proposed to promote the concept of economic federalism with the setting up of a few nucleus plants in each district identified as industrially backward to generate as many ancillaries and small industries as possible.

5) The Govt. would evolve a system of coordination to ensure the flow of credit to the growing units in the decentralized sector at the right time and an appropriate term.

6) It is proposed to build up buffer stocks of essential material with are scarce.

7) Greater emphasis will be laid on bringing the benefits of the latest R&D to the small units.

Impact of all these changing provisions pattern has brought remarkable change in growth of SSI units. Adoption of these new provisions, No of units rose to 13.55 lakhs with employment and production of 96.00 lakhs persons in 1985-86. And Investment and production increased to Rs. 9585 crores and Rs.
61228 crores from Rs. 5540 crores and Rs. 21365 crores respectively. Export
was rose to Rs. 2769 with share in total export about 21.7 percent.

The Industrial Policy Resolution of SSIs – 1991:

SSI units under the new Industrial policy of 1991 have given the
following benefits; As per 1991.

1) Investment ceiling on plant and machinery is SSI units has been raised
from Rs. 35 lakhs to Rs. 60 lakhs.

2) Ancillary units shall have investment ceiling of Rs. 75 lakhs as against
Rs. 45 lakhs fixed earlier;

3) SSI units can set up investment in plant and machinery upto Rs. 75 lakhs
if they undertake to export at least 30 percent of their annual production
by the third year of their common cement; of production.

4) The list of 836 SSI units reserved for exclusive production has been
raised by another 100 units;

5) Small Industrial Development Bank of India has been setup ;

6) Agro – based Industries to be promoted ;

7) Tiny Sector investment limit has been raised to Rs. 5 lakhs; and

8) Greater attention to be given for the marketing of products of rural and
cottage industries.

Impact of these new policy provisions have Changed SSI units growth
impressively. No of units increased to 27.24 lakhs from 13.55 lakhs in 1995-96
with employment generation of 152.6 lakhs persons. Investment and
production were rose to Rs. 26726 crores and Rs. 356213 crores respectively.
Export of SSIs was increased to Rs. 36470 crores from Rs. 2769 crores, with Share in total exports about 34.3 percent.

ABID HUSSAIN COMMITTEE REPORT ON SSI

To address the need for reforms in the existing policies and design new policies for small enterprises development which will facilitate the growth of viable and efficient enterprise that can adjust to technological change and remain internationally Competitive, Government had constituted an expert committee on Small and medium Enterprises on 31st December, 1995 under the chairmanship of Sire Abide Hussein. The committee has submitted its report to the government on 27th January 1997 embodying a set of recommendations for policy directives for future growth and performance of small enterprises.

Major Recommendations

1) Abolition of reservation and transitional arrangement of Rs. 500 crores per annum (for five years) for rehabilitation of units affected by dereservation.

2) Raising investment ceiling of small and tiny units to Rs. 300 lakhs and Rs.25 lakhs, respectively, from the present limit of Rs. 60 lakhs and Rs. 5 lakhs.

3) Earmarking 70 per cent of priority sector credit going to SSI sector for tiny sector.

4) Corporation of Government Extension Agencies: SIDO has set up several extension agencies such as tool rooms, SISIs. Entrepreneurship
institutions. These were setup in the past, but are now facing competition from private sector. These government institutions running with old technologies need to be corporatised.

5) Separate law for small enterprises.

6) Focus on clusters as model of future growth.

7) Restructuring of District Industries Centers to make them more promotional rather than regulatory. DICs should be redesigned as autonomous District Enterprise Promotion Agencies with participation from business associations, government agencies, banks, etc.

8) Restructuring of state financial Corporation and small Industries Development Corporation by Industrial Development Bank of India and emphasis on composite loaning.

9) Excise incentives for graduating SSI and tiny units and raising exemption limit for SSI sector as a whole permitting exemption on production under other's brand name.

10) Financial arrangements for exporting units. Creation of a fund to assist exporting SSIs.

11) Financing for technology up-gradation and concessional finance for modernization and technology up-gradation.

Action taken on Committee's Report

The following action has been taken on the recommendations of the Abid Hussain Committee Report.
1. **Abolition of Reservation**

The Committee in its report has recommended for total abolition of reservation. The issue of total de-reservation has been considered by the Advisory Committee on Reservation constituted under the Industries (Development & Regulation) Act. The committee was of the view that the complete de-reservation is not desirable at this stage, as it would affect quite a large number of units and may be done in a phased manner. Based on the recommendation of the Committee, Government had de-reserved 15 items in April 1997. Dereservation of agricultural implements/tools has been announced in the Union Budget Speech 1998-99.

2. **Raising of investment limit**

The Committee had recommended for increasing the investment limit for SSIs to Rs. 300 lakhs and for tiny units to Rs. 25 lakhs from the present limit of Rs.60 lakhs and Rs. 5 lakhs, respectively. The Government has already decided for increasing the investment limit vide Notification No. 857 10th December 1997 and Order dated 24th December 1997, respectively.

3. **Earmarking of Priority Sector Credit for SSIs**

The Government have decided to raise the investment limit for SSIs from Rs.60 lakhs to Rs. 300 lakhs and for tiny units from Rs. 5 lakhs to Rs.25 lakhs. In order to ensure that credit is available to all segments of SSI sector, it has been decided that out of the funds normally available to SSI sector, 40 per cent will be reserved for units with investment in plant and machinery up to Rs. 5 lakhs, 20 per cent for units with investment between Rs.
5 lakhs and Rs. 25 lakhs and the remaining 40 per cent for the other units. Reserve Bank of India has issued instructions to all banks.

4. **Enhancing the limit of composite loan**

The limit of Rs. 50,000 for composite loan has been increased to Rs. 2 lakhs from September 1997. This limit has further been enhanced to Rs. 5 lakhs by the Reserve Bank of India in August 1998.

The Govt. has been taken action on committee's Report, but dereservation of item do not much affect on SSIs growth. Further, the development of SSI units up to mark 200-2001, go across the well performance. No of units increased to 35.00 lakhs from 27.24 lakhs with employment generation about 190.00 lakhs persons in 2000-2001. Investment and production were increased to Rs. 45000 crores and Rs. 625000 crores respectively. And Export of SSI units was Rs. 548000 crores with share in total exports about 35.00 per cent.

Many provisions mentioned above, were provided, in every industrial policies, for development of SSIs; viz., Financial incentives Marketing facilities. Setting up of industrial development institutions, Product reservation policy & Technical upgradation, etc. theses provisions have encouraged entrepreneurs to develop the SSIs. Because of impact of these incentives many development time to time have took place in SSIs. Table No.II.1 Shows progress of small-scale sector since 1950-51, in terms of No. Units, Investment, employment generation and export etc.
Table No.II.1 Progress of Small Scale Sector Since 1950-51.

<table>
<thead>
<tr>
<th>Year</th>
<th>No.of units (Lakhs)</th>
<th>Employment No. (Lakhs)</th>
<th>Investment (Rs. in crores)</th>
<th>Production at current prices (crores)</th>
<th>Export (Rs. crores)</th>
<th>STE* (Per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>0.16</td>
<td>7.00</td>
<td>120</td>
<td>615</td>
<td>40</td>
<td>5.2</td>
</tr>
<tr>
<td>1960-61</td>
<td>0.37(131.25)</td>
<td>14.00(100.00)</td>
<td>235(95.83)</td>
<td>1280(108.13)</td>
<td>15(62.5)</td>
<td>6.5</td>
</tr>
<tr>
<td>1979-80</td>
<td>8.5 (219.72)</td>
<td>67.00 (378.57)</td>
<td>5540 (225.74)</td>
<td>21635 (1590.23)</td>
<td>1226 (807.33)</td>
<td>19.1</td>
</tr>
<tr>
<td>1985-86</td>
<td>13.55(148.1)</td>
<td>96.00(109.25)</td>
<td>9585(199.15)</td>
<td>61228(456.6)</td>
<td>2769(68.66)</td>
<td>25.4</td>
</tr>
<tr>
<td>1995-96</td>
<td>27.24(100.03)</td>
<td>152.6(58.95)</td>
<td>26726(178.83)</td>
<td>356213(481.78)</td>
<td>36470(121.7)</td>
<td>34.3</td>
</tr>
<tr>
<td>2000-01</td>
<td>35.00(28.48)</td>
<td>190.00(24.50)</td>
<td>45000(68.37)</td>
<td>625000(75.45)</td>
<td>54800(50.26)</td>
<td>35.00</td>
</tr>
</tbody>
</table>

Source: Government of India Five year plan Documents P.C.

Note: Figures in parentheses indicate percentage increase over the previous year.

* STE – Share in total Exports

It is evident from Table No.II.1 that the growth of SSTs was very speedy after the implement of Industrial policies. After 1948 i.e from 1950-51 to 1960-61, they grew for about 0.37 lakhs. In the period, 1979-80 and 1985-86, their number increased from 8.5 lakhs to 13.55 lakhs In the period after, i.e from 1995-96 to 2000-2001, it rose from 27.34 lakhs to 35.00 lakhs.

SSIs also caused great changes in the employment generation. It was 7.00 lakhs in 1950-51, It creased to 14.00 lakhs in the period 1960-61. But, it rose to 96.00 lakhs, from 67.00 lakhs in the period 1979-80 and 1985-86. In the period 1995-96 to 2000-2001 it increased from 152.6 lakhs to 190.00 lakhs.

There was an amazing change in capital investment. Because, in the first two period. i.e. from 1950-51 to 1960-61 it increased from Rs.120 crores to Rs. 235 crores, in the period after wards, in the period of 1979-80,and 1985-86, increase was to Rs. 9585 lakhs from Rs. 5540 lakhs. But there was a great
change in the third period i.e. increase was from Rs. 26726 crores to 45000 crores.

On the production front SSIs proved more progress. It means that it increased to Rs. 61228 crores, from Rs. 21635 crores in the period 1979-80 to 1985-86, which was only Rs. 615 crores to Rs. 1280 crores in the period 1950-51 to 1960-61. In the period afterwards, their progress becoming further increased, it increased Rs. 356213 crores to Rs. 625000 crores, in the period from 1995-96 to 2000-2001.

In Export also, SSIs put an important step. Because, the SSIs sector which had not so much importance, in the first two periods, did much progress in the period afterwards. It means that it decreased to Rs. 15 crores, from Rs. 40 crores, in the period 1950-51 to 1960-61. But in the period, 1979-80 to 1985-86, it showed the improvement. But in the period 1995-96 to 2000-01, it did considerable progress. It means that it increased to Rs. 54800 crores from Rs. 36470 crores in this period. It did considerable achievement in export share percentage also.

Thus, SSIs development has been changed into an important sector of the Indian economy, showing a greatly considerable achievement.
During the First Five Year Plan [1951-55], the boards were established in order to formulate programmes for the development of small-scale industries. Further, the principle of "common production programme" was accepted and certain spheres of production for large industries on the one hand and small-scale industries on the other, were exclusively reserved.

Considerable importance was attached to making provision for adequate finance for the development of village and small-scale industries. Outlay for the small-scale industries was kept at Rs.5.2 crores in the first plan.

Thus the First Plan provided necessary policy and infrastructural support for industries development. However, the progress was not much due to meagre investment and also due to the fact that primary importance was given to the development of agriculture, power and transport. Moreover, sufficient entrepreneurship and skilled manpower were lacking.

During the second Five Year Plan (1956-61), the total outlay on small-scale industries in the Second Plan was Rs.187 crores. A number of new programmes were organised and steps were initiated to provide a more assured market for the products of some of the industries. Reservation of the production of certain varieties of cloth and certain types of agricultural implements, prohibition of further expansion in certain large scale industries like vegetable oils, rice milling, leather footwear, matches, etc. and laying down of separate targets of production for the small scale and the large scale sectors. Certain industries like bicycles and
sewing machines were some of the steps taken during the plan period. In order to encourage the promotion of small-scale industries, 60 industrial estates were established. Besides, small industrial service institutes were set up in all the States followed subsequently by 42 extension centres.

The thrust of the third Five Year Plan (1961-66) was on the promotion of basic capital and producer goods industries with special emphasis on machine building industries (Kuchel, 1976)\textsuperscript{20}. Regarding the promotion of small and village industries, the third Five Year Plan attempted to increase labour productivity. It also made available institutional finance, subsidies, sale rebates, sheltered market, encouraged the spread of small industries to rural areas and small towns made small industries progressively ancillaries the large industry and organised artisans and craftsman on cooperative basis (Uppal, 1955)\textsuperscript{21}. The outlay for industrial development during this Plan was Rs.241 crores.

The Fourth Five Year Plan (1969-74)\textsuperscript{22} main objectives were to correct imbalances arising out of the previous plans and bring about maximum utilization of capacities, increase capacities to levels required for present and future developments and adopt policy to encourage investments in order to promote wide spread industrialization.

In this plan, the estimated outlay in the public sector for village and small industries worked out to be Rs.251 crores and the total amount of investment in the private sector exceeded the target of Rs.560 crores envisaged in the fourth plan.
The Fifth Five Year Plan (1974-79) added some more details to the formulation made earlier and declared eradication of poverty, providing minimum standard of living as principal objectives during this period. It has rightly mentioned, “A significantly large number of persons already dependent traditional industries like handloom, agriculture, coir, khadi and village industries are living below the poverty line. Therefore, the principal objectives of the programme for the development of different small industries in the Fifth Plan are to be facilitate the removal of poverty and inequality in consumption standards of these persons through certain of large scale opportunities for fuller and additional productive employment and improvement of their skills so as to improve their level of earning.”23 During the Fifth Plan, an outlay of Rs.7,362 crores was provided for the development of industrial and mineral sector. The outlay for large and medium industries was Rs.6,852 crores and for village and small-scale industries, Rs.510 crores. However, the actual expenditure on the development of small-scale industries was Rs.592.5 crores.

According to Sixth Plan (1980-85) “Promotion of village and SSI will continue to be an important element in the national development strategy, particularly, because of its favourable capital output ratio and huge employment intensity.”24 The Sixth Plan allocated a sum of Rs.1780 crores for village and SSI. The actual expenditure amounted to Rs.1945 crores.

The Seventh Five Year Plan (1985-90) aims at “up gradation of technology to improve the competitiveness of SSI by strengthening or creation of tooling and workshop facilities for the development of proto-type design, new products and
revamp the organizational structure\textsuperscript{25}. Ancilliarization was given greater emphasis. Steps were taken to profile design development and testing facilities to clusters of units. Quality marketing facilities were strengthened. More items of mass consumption were brought under quality control inspection to protect consumer interests. Research support, training and testing facilities for central organization were strengthened and extended with increased investment of the State governments. Emphasis was laid down giving integrated and comprehensive marketing support to small units through marketing counselling, research and social studies and participation in trade fairs and exhibitions. The outlay for industrial development during this Plan was Rs.2752.7 crores, whereas the actual expenditure amounted to Rs.3249 crores.

**The Eighth Five Year Plan [1992-97]**

The development of village and small-scale industries, Eighth Plan clearly states “One of the priority areas of the Eighth Plan is generation of adequate employment to achieve near-full employment level by the turn of this century\textsuperscript{26}. To achieve this, it has given great emphasis on the growth of small-scale industries by proposing to initiate lot of incentives, both fiscal and non-fiscal, which is as follows\textsuperscript{27}:

**Credit**

Credit continues to be crucial for the establishment and expansion of small industries. In percentage terms, advances to the small-scale sector were 15.7 per cent of the total bank advances in March 1991. It is proposed to increase the share
of credit available to the SSI sector from commercial banks from the present 16.18 per cent per annum. But if adjustment is made for the money illusion, then growth of credit works out to be 8.8 per cent per annum (at 1984-85 prices). It would be necessary to increase the share of credit available to SSI sector from commercial banks from the 16 per cent to 18 per cent. With the establishments of SIDBI certain new initiatives like sanction of composite loans under single window concept, concessional loans to State Corporations for infrastructural development and provision of factoring services have been introduced.

**Up-gradation of technology**

The Eighth Plan proposes to lay great emphasis on the up-gradation of technology by establishment of tool rooms and provision of training facilities, state intervention in improving the quality will be confined to the establishment of tool rooms and assistance in the establishment of testing facilities. The operation of testing facilities should be the responsibility of the industry.

Moreover, it is proposed to entrust National Small Industries Corporation [NSIC] with a job of collection, documentation and storing information on technology, conducting studies and preparing technology guidelines, assessing the need for establishment of tool rooms, testing centres, etc. Provision of technology, inputs import of samples from abroad, assimilation of technology, assisting entrepreneurship in obtaining suitable know-how from indigenous sources, coordinating with organizations engaged in technology development and its transfer.
Prevention of sickness

According to the All India Census of SSI Units, with 1988-89 as the base year, registered working SSI and closed units as on 1988 were 3,82,368 and 1989 5,01,390, respectively. This is indicative of extensive sickness in the small-scale sector. This results in lacking of resource in the form of bank loans, materials, equipment and loss of employment. To prevent incipient sickness, the Eighth Plan proposes to ensure proper monitoring of the project and quality consultancy, particularly in technology by SFC’s and commercial banks.

Marketing

Marketing is one of the intractable problems of the SSI sector. Eighth plan states in a very forthright manner “Technological obsolescence is high in small industries. To improve marketability, there is a need to induct better and appropriate technology”. Marketing assistance through small industries corporations, NSIC, etc. has been able to cover only a very small fraction of turnover in this sector. So there is a proposal to industry association to form marketing organizations, which besides marketing will go into the quality aspects of products.

Growth Centres

The growth centre approach has been already accepted as a suitable measure for industrial dispersal and is under implementation in large and medium industries sector. During the Eighth Plan establishment of 70 growth centres has
been envisaged. It is proposed to earmark a certain percentage of developed industrial area for SSI. Besides the growth centres, integrated infrastructure development centres for tiny units in rural and backward areas would be set up involving the Centre, State Government and industry associations.

**The Ninth Five Year Plan [1997-2002]**

The Ninth Plan acknowledges “Small-scale sector has a considerable potential for generating employment. It also contributes a substantial part of the value added in manufacturing and to the country’s exports. It is for these reasons that the small-scale sector needs “greater focus in terms of investment and technology up-gradation, infrastructural support, marketing and credit facilities, testing, quality certification and training facilities.” The main highlights of the strategy for small-scale units in the Ninth Plan will be;

1) Incentives and support will be provided to small scale units to facilitate their growth and it will be ensured that foreign investment does not displace such industries;

2) The investment limit for small-scale units will have to be revised to make withstand emerging competition*.

3) The list of items reserved for small scale sector will be reviewed with a view to achieve the benefits of economies of scale, technological up-gradation, export capabilities, etc.”**

---

* As stated earlier, this has already been done. The investment limit for small-scale and ancillary units was raised to Rs.3 crore in February 1997, while the investment limit forting units has been hiked to Rs.25 lakhs.
4) Credit flow to small scale units will be augmented;

5) Technological up-gradation in the case of SSI, handloom, power looms, coir, handicrafts, wool etc. will receive special attention;

6) The Khadi and Village Industries Commission will be organizationally and financially strengthened to be able to generate more job opportunities under the 2-million jobs programme in Khadi and Village Industries;

7) New institutional mechanism will have to be involved for augmenting credit flow to informal and rural sector; and

8) Special steps will be undertaken for the promotion of sericulture, wool industry and food processing industry.

Achievement of Small Scale Industries: Planwise Progress

The planning in India was initiated in 1951. Since then, responding to the priority given by the government for the growth of SSIs, the SSIs sector has done an impressive progress. The following table (Table No.II.2) shows the planwise progress the SSIs.

"Out of the 836 items previously reserved for the small scale sector, 14 items were de-reserved in 1997-98 budget. If Abid Hussain Committee's recommendations are accepted, more de-reservations will follow in coming years."
Table. No.II.2 Table Showing the Progress made by SSI under Different Plans

<table>
<thead>
<tr>
<th>End of Plan</th>
<th>No of units (in lakhs)</th>
<th>Value of output (Crore Rs.)</th>
<th>Average value of production (Lakh Rs.)</th>
<th>No. of persons employed (Lakhs)</th>
<th>Average no. of Employee per unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Plan</td>
<td>0.16</td>
<td>40</td>
<td>5.25</td>
<td>NA</td>
<td>-</td>
</tr>
<tr>
<td>II Plan</td>
<td>0.36 (125)</td>
<td>1170 (28.25)</td>
<td>2.69</td>
<td>10.61</td>
<td>31</td>
</tr>
<tr>
<td>III Plan</td>
<td>1.32 (266)</td>
<td>1969 (68.29)</td>
<td>1.49</td>
<td>13.52 (27.43)</td>
<td>11</td>
</tr>
<tr>
<td>Annual Plan</td>
<td>1.99 (50.73)</td>
<td>8918 (98.98)</td>
<td>1.97</td>
<td>29.30 (116.72)</td>
<td>15</td>
</tr>
<tr>
<td>IV Plan</td>
<td>3.18 (59.18)</td>
<td>6500 (65.90)</td>
<td>2.04</td>
<td>41.40 (41.30)</td>
<td>13</td>
</tr>
<tr>
<td>V Plan</td>
<td>8.00 (151.60)</td>
<td>20,934 (222.06)</td>
<td>2.62</td>
<td>69.10 (66.91)</td>
<td>9</td>
</tr>
<tr>
<td>VI Plan</td>
<td>12.82 (60.25)</td>
<td>505.20 (141.33)</td>
<td>4.00</td>
<td>90.00 (30.25)</td>
<td>7</td>
</tr>
<tr>
<td>VII Plan</td>
<td>18.27 (42.51)</td>
<td>13232 (84.28)</td>
<td>7.24</td>
<td>119.60 (32.89)</td>
<td>7</td>
</tr>
<tr>
<td>VIII Plan</td>
<td>28.60 (56.54)</td>
<td>13221 (83.13)</td>
<td>4.62</td>
<td>160.00 (33.77)</td>
<td>6</td>
</tr>
<tr>
<td>IX Plan</td>
<td>35.00 (22.37) E.P.</td>
<td>16777 (89.66)</td>
<td>4.79</td>
<td>190.00 (18.75)</td>
<td>6</td>
</tr>
</tbody>
</table>

Note: 1. Figure in parentheses indicate percentage increase over the previous year
2. NA= Not Available

2. SIDO Relevant annual reports
3. RBI Report on currency and finance – 1990-91
   E= Estimated. P = Provisional

It is evident from table. No. II.2 that the No. of SSIs was 0.16 lakhs by the end of the First Plan going up to 35.00 lakhs by the end of the Ninth plan, registering a massive increase of 114 times.

The value of output of the SSIs sector which was Rs. 40 Crores at the end of the First plan increased amazingly to Rs. 16777 crores by the Ninth plan end. Since the initiation of planning, the output of the SSIs sector
increased phenomenally. But Surprisingly, the average value of production per unit, which was Rs. 5.25 lakhs during the First plan drastically, dropped down to Rs. 4.79 laksh during the Ninth plan. This clearly shows that the remarkable increase in output is largely attributable to proliferation in the number of units.

On the employment front, the SSIs sector observed 10.61 lakhs person by the end of the second plan which shot up to 190.00 lakhs during the ninth plan. But, average employment per unit plunged by down from 31 in the second plan to Just 6 in the Ninth plan, indicating the sector has been steering towards the modernisation and away from labour intensity.

On the whole, the analysis indicates that, there has been a remarkable progress in the SSIs sector since planning began.
Growth of Small Scale Industries in India.

The SSIs sector has emerged as a dynamic and vibrant sector of the Indian economy in recent years. There are over 31.75 lakh SSI units in the country. In 1998-99, this sector accounted for about 40 percent of the gross value of the output in the manufacturing sector and about 45 percent of the total exports of the country. They provided employment at over 175.2 lakh persons, which is second only to agriculture. A sustained growth in all these aspects since mid seventies is a remarkable feature of the SSI sector's performance during the last two decades. An idea of overall growth of this sector since 1973-74 can be obtained from Table.No.II.3

Table No.II.3: Overall Growth of SSI Sector since 1973-74

<table>
<thead>
<tr>
<th>Year</th>
<th>No.of units (Lakhs)</th>
<th>Employment No. (Lakhs)</th>
<th>Investment (Rs. crores)</th>
<th>Production at current prices (Rs.crores)</th>
<th>Export (Rs. Crores)</th>
<th>Share in total exports (Per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-74</td>
<td>4.16</td>
<td>39.7</td>
<td>22.96</td>
<td>7200</td>
<td>393</td>
<td>15.6</td>
</tr>
<tr>
<td>1974-75</td>
<td>4.98 (19.71)</td>
<td>40.4 (1.76)</td>
<td>2697 (0.04)</td>
<td>9200 (27.77)</td>
<td>541 (37.65)</td>
<td>16.3</td>
</tr>
<tr>
<td>1975-76</td>
<td>5.46 (9.63)</td>
<td>45.9 (13.61)</td>
<td>3204 (18.79)</td>
<td>11000 (19.56)</td>
<td>532 (-1.66)</td>
<td>13.2</td>
</tr>
<tr>
<td>1979-80</td>
<td>8.5 (55.67)</td>
<td>67.00 (45.96)</td>
<td>5540 (72.90)</td>
<td>21635 (96.68)</td>
<td>1226 (22.04)</td>
<td>19.1</td>
</tr>
<tr>
<td>1980-81</td>
<td>8.74 (2.82)</td>
<td>71.00 (5.27)</td>
<td>5850 (5.59)</td>
<td>28060 (29.69)</td>
<td>1643 (34.01)</td>
<td>24.5</td>
</tr>
<tr>
<td>1981-82</td>
<td>9.62 (10.06)</td>
<td>75.00 (5.63)</td>
<td>6280 (7.35)</td>
<td>32600 (16.17)</td>
<td>2071 (26.04)</td>
<td>26.5</td>
</tr>
<tr>
<td>1982-83</td>
<td>10.59 (10.10)</td>
<td>79.00 (5.33)</td>
<td>6000 (-4.45)</td>
<td>35000 (7.36)</td>
<td>2045 (-1.25)</td>
<td>23.2</td>
</tr>
<tr>
<td>1983-84</td>
<td>11.58 (9.34)</td>
<td>84.1 (6.45)</td>
<td>7360 (22.66)</td>
<td>41620 (18.91)</td>
<td>2164 (4.54)</td>
<td>22.1</td>
</tr>
<tr>
<td>1984-85</td>
<td>12.42 (7.25)</td>
<td>90.00 (7.01)</td>
<td>8380 (13.85)</td>
<td>50520 (21.38)</td>
<td>2553 (17.97)</td>
<td>21.7</td>
</tr>
<tr>
<td>1985-86</td>
<td>13.55 (9.09)</td>
<td>96.00 (6.66)</td>
<td>9585 (14.37)</td>
<td>61228 (21.19)</td>
<td>2769 (8.46)</td>
<td>25.4</td>
</tr>
<tr>
<td>1986-87</td>
<td>14.76 (8.92)</td>
<td>101.4 (5.62)</td>
<td>10975 (14.50)</td>
<td>72250 (18.00)</td>
<td>3617 (30.62)</td>
<td>29.3</td>
</tr>
</tbody>
</table>

(Contd...)
LOCATION MAP OF KARNATAKA STATE IN INDIA.
Table No.II.3: (Contd....)

<table>
<thead>
<tr>
<th>Year</th>
<th>No.of units (Lakhs)</th>
<th>Employment No. (Lakhs)</th>
<th>Investment (Rs. crores)</th>
<th>Production at current prices (Rs. crores)</th>
<th>Export (Rs. Crores)</th>
<th>Share in total exports (Per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987-88</td>
<td>15.76(6.77)</td>
<td>117.00(5.52)</td>
<td>12621(14.99)</td>
<td>87300(20.83)</td>
<td>4345(20.12)</td>
<td>28.8</td>
</tr>
<tr>
<td>1988-89</td>
<td>17.12(8.62)</td>
<td>103.00(-3.73)</td>
<td>15229(20.66)</td>
<td>106875(22.42)</td>
<td>5681(30.74)</td>
<td>28.1</td>
</tr>
<tr>
<td>1989-90</td>
<td>18.27(6.71)</td>
<td>119.60(18.05)</td>
<td>18196(19.48)</td>
<td>132320(23.80)</td>
<td>7990(40.64)</td>
<td>28.9</td>
</tr>
<tr>
<td>1990-91</td>
<td>19.38(6.07)</td>
<td>124.3(3.92)</td>
<td>19302(6.07)</td>
<td>155340(17.39)</td>
<td>9100(13.89)</td>
<td>28.2</td>
</tr>
<tr>
<td>1991-92</td>
<td>20.82(7.43)</td>
<td>129.8(4.42)</td>
<td>20438(5.88)</td>
<td>178699(15.03)</td>
<td>13883(52.56)</td>
<td>31.5</td>
</tr>
<tr>
<td>1992-93</td>
<td>22.46(7.87)</td>
<td>134.1(3.31)</td>
<td>21816(6.74)</td>
<td>209300(17.12)</td>
<td>17785(28.10)</td>
<td>33.1</td>
</tr>
<tr>
<td>1993-94</td>
<td>23.85(6.18)</td>
<td>139.4(3.95)</td>
<td>22934(5.12)</td>
<td>241648(15.45)</td>
<td>25307(42.29)</td>
<td>36.3</td>
</tr>
<tr>
<td>1994-95</td>
<td>25.71(7.79)</td>
<td>146.6(5.12)</td>
<td>24874(8.45)</td>
<td>293990(21.66)</td>
<td>2906(14.86)</td>
<td>35.2</td>
</tr>
<tr>
<td>1995-96</td>
<td>27.24(5.95)</td>
<td>152.6(4.09)</td>
<td>26726(7.44)</td>
<td>356213(21.16)</td>
<td>36470(25.46)</td>
<td>34.3</td>
</tr>
<tr>
<td>1996-97</td>
<td>28.60(4.99)</td>
<td>160.00(4.84)</td>
<td>30250(13.18)</td>
<td>412640(18.64)</td>
<td>39250(7.62)</td>
<td>33.4</td>
</tr>
<tr>
<td>1997-98</td>
<td>30.10(5.24)</td>
<td>167.5(4.68)</td>
<td>33455(10.59)</td>
<td>465275(12.75)</td>
<td>44442(13.22)</td>
<td>33.0</td>
</tr>
<tr>
<td>1998-99</td>
<td>31.75(5.48)</td>
<td>175.2(4.59)</td>
<td>36216(8.25)</td>
<td>527515(13.37)</td>
<td>48979(10.20)</td>
<td>34.2</td>
</tr>
<tr>
<td>1999-2000 (E)</td>
<td>33.50(5.51)</td>
<td>182.00(3.88)</td>
<td>40000(10.44)</td>
<td>587225(11.31)</td>
<td>48500(-9.79)</td>
<td>34.5</td>
</tr>
<tr>
<td>2000-2001(P)</td>
<td>35.00(4.47)</td>
<td>190.00(4.39)</td>
<td>45000(12.5)</td>
<td>625000(6.43)</td>
<td>54800(12.98)</td>
<td>35.0</td>
</tr>
</tbody>
</table>

E = Estimated  P= Provisional


Note: Figures in parentheses indicate percentage increase over the previous year.

It is clear from the table No. II.3 that, the number of small scale units stood at 4.16 lakhs in 1973-74 and this rose 33.50 lakhs in 1999-2000. With a average growth rate of 8.00 percent. As far as employment of small scale units increased from 39.7 lakhs in 1973-74 to 182.00 lakhs in 1999-2000.
Similarly, Investment in SSIs sector also has recorded an impressive growth. In 1973-74 the total investment in the SSIs was Rs. 2296 crores which increased to Rs. 45000 crores in 1999-2000. Total value of output of the SSIs sector at the current prices was Rs. 7200 crores in 1973-74 which increased to Rs 5,87,225 crores in 1999-2000.

In addition, the SSIs sector experienced a marked progress with respect to its total value of exports and this had been making a sizable contribution to the country’s export. The total value of the SSIs exports which was Rs. 393 crores in 1973-74 increased to Rs. 48500 crores by 1999-2000.

It is evident that, the growth and contribution of the SSIs sector to the Indian economy is sizable and significant indifferent dimensions.
A] PRODUCTION OF SSI

A sizable contribution of 40 per cent of production in SSI sector in the country's manufacturing sector speaks itself of the potential of the sector. The sector has maintained a consistent growth in production at current prices and constant prices [at 1990-91].

B] EMPLOYMENT GENERATION

Employment is the function of growth. A sustained high growth of SSI is expected to bring the sustained high employment. Dispersed all over the country, the SSI sector has been a major vehicle for employment generation. As is clear from the Table-II.2, employment increased from 129.8 lakhs in 1991-92 to 171.58 lakhs in 1998-99. The sector which has been second largest employment generator next to agriculture has achieved successfully the targets during the Eight plan.

Table-II.4 Employment Generation in SSI Sector

<table>
<thead>
<tr>
<th>Year</th>
<th>Target [Lakh Nos.]</th>
<th>Growth Rate</th>
<th>Achievement [Lakh Nos.]</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93</td>
<td>128.0</td>
<td>2.3</td>
<td>134.06</td>
<td>3.28</td>
</tr>
<tr>
<td>1993-94</td>
<td>133.0</td>
<td>3.2</td>
<td>139.38</td>
<td>3.97</td>
</tr>
<tr>
<td>1994-95</td>
<td>138.6</td>
<td>4.2</td>
<td>146.56</td>
<td>5.15</td>
</tr>
<tr>
<td>1995-96</td>
<td>144.4</td>
<td>4.2</td>
<td>152.60</td>
<td>4.13</td>
</tr>
<tr>
<td>1996-97</td>
<td>150.5</td>
<td>4.2</td>
<td>160.00</td>
<td>4.88</td>
</tr>
</tbody>
</table>

Source: Eighth Five Year Plan Draft.
Eight plan projection of employment generation envisaged an increase in employment from 128.0 lakh persons in 1992-93 to 150.5 lakh persons in 1996-97, i.e., an increase of 22.5 lakh persons by the terminal year of the Eighth plan. Employment target of 150.5 lakhs set for 1996-97 has been achieved fully.

C] EXPORT

Exports from the SSI Sector have been growing at an annual rate of about 22.5 per cent per annum at current prices in rupee terms since 1991-92. The export growth performance of this sector from 1991-92 is presented in Table-II.3.

Table-II.5. Growth of SSI Exports in All India Exports

<table>
<thead>
<tr>
<th>Year</th>
<th>All India exports [Total exports] [Rs.Crores]</th>
<th>SSI Exports [Rs.Crores]</th>
<th>Share of SSI [%]</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>44,040</td>
<td>13,883</td>
<td>31.5 [43.7]</td>
</tr>
<tr>
<td>1992-93</td>
<td>53,688</td>
<td>17,785</td>
<td>33.1 [28.1]</td>
</tr>
<tr>
<td>1993-94</td>
<td>69,547</td>
<td>25,307</td>
<td>36.4 [42.3]</td>
</tr>
<tr>
<td>1994-95</td>
<td>82,674</td>
<td>29,068</td>
<td>35.1 [14.9]</td>
</tr>
<tr>
<td>1995-96</td>
<td>1,06,356</td>
<td>36,470</td>
<td>34.2 [25.9]</td>
</tr>
<tr>
<td>1996-97</td>
<td>1,18,817</td>
<td>39,249</td>
<td>33.4 [7.6]</td>
</tr>
<tr>
<td>1997-98</td>
<td>1,26,286</td>
<td>44,442</td>
<td>35.2 [13.2]</td>
</tr>
<tr>
<td>1998-99 [E]</td>
<td>1,41,604</td>
<td>49,481*</td>
<td>34.9 [11.3]</td>
</tr>
</tbody>
</table>

E=Estimated.
*Subject to change based on final figures emerging from Export Promotion Council.
Note: Figures in the parentheses indicate the increase over previous year.
Source: Total Exports-Economic Surveys, various issues and SSI Exports- O/o., DC[SSI]
The small-scale industrial sector's performance is still more impressive in exports. Exports earnings from this sector rose from Rs.13,883 crores in 1991-92 to Rs.49,481 crores or about 34.9 per cent of total exports of the country in 1998-99. These statistics bear witness to prodigious growth of the small industry. The share of the small-scale sector in manufacturing exports is about 40 per cent.

IMPORTANT INSTITUTIONAL SET UP OF CENTRAL GOVERNMENT

Small Industries Development Organization [SIDO]

Formerly known as the Central Small Industries Organization, SIDO is the nodal agency that advises the Ministry of Industry in formulating policies and programmes for the development of small industry. The main functions of the SIDO are: Coordination, Industrial development, Industrial extension service etc.

The SIDO maintains liaison with the state governments to monitor the implementation of the programmes at the field in addition to over the package of services rendered by Small Industries Service Institute [SISI] at the field level. The SIDO has the following organizations under its supervision: Small Industries Institute [27], Branch Service Institute [31], Extension Centres [38], Regional Testing Centres [4], Process-cum-Product Development Centres [3], Footwear Training Centres [2], Production Centres [4], Field Testing Stations [2] and Workshops [74].
Small Industries Service Institute

Small Industries Service Institute provides the services: like i) Technical and managerial counselling to SSI units, ii) Organization of training camps-technical and management subjects, iii) Conducting of entrepreneurship development programmes to entrepreneurs, iv) Providing of common facility services and vocational training in workshop attached to service institute, v) Conducting of techno-economic surveys for selected areas and industries, vi) Identification of potential for ancillary development, vii) Preparing of study reports for modernization programmes, viii) Organising of seminars, workshop and industry clinics for the benefit of entrepreneurs and ix) Providing of backup support for the directorates of industry at the state level and district Industry Centres at district level.

The small industries service institute has wide spectrum of tasks to perform, which includes technological management and administrative aspects.

The National Small Industry Corporation

The National small Industry Corporation was set up in 1955 for providing the following specific assistance to SSI units: (i) Supply of machinery on hire/purchase basis, (ii) ensuring greater share for SSI units in the government purchases programme, (iii) distribution of raw materials, scarce components and parts, (iv) general marketing assistance.
In addition to these major institutions working for the promotion of SSI units, there are some other which significantly aid the small industry, viz., the National institute of design [NIOD], the Institute of Packaging, the Trade Development Authority [TDA], the Indian Standards Institution [ISI], the National Research Development Corporation [NRDC], the National Productivity Council [NPC], etc.

**ASSISTANCE PROGRAMMES FOR SMALL SCALE INDUSTRIES IN INDIA**

The Government (Central and State) has initiated a few assistance programmes for the promotions of SSI in India. The more important of these measures are:

**Industrial Estates**

Under this scheme suitable workshop are provided for small-scale industries. These workshops are provided with transport facilities and common services equipments. The workshop are made available at subsidised rates, supply of electricity and communication facilities are made available for SSI units set up in these estate. The programme of industrial estates was started with Okhla Industries Estate in 1957 and it was extended rapidly and according to the "Sixth plan [1980-85], by march 1979, there were 662 completed industrial estates where in 13,467 SSI units were functioning, accounting for an annual production of about Rs.636 crores and providing employment to about 2.2 lakh persons."
The programme however could not run smoothly and problems of higher rents after 5 years subsidy period, lack of good roads and slacking of other facilities were experienced.

"Industrial estates alone cannot create industry. An integrated approach to industry is necessary combining preliminary analysis of industrial opportunities in an area, proper attention to locational requirements, improvements of transportation facilities, proper product design, technical improvements, raw materials supply, managerial and labour training and finance. In combination with these other elements industrial estates can be useful tool for industrial development. But it is not a magic world. To launch industrial estates in the absence of these other factors is, therefore likely to be futile and wasteful".

Reservation Programme

In order to promote and protect the SSIs against competition from large companies, SSIs have been given exclusive right to manufacture specific products reserved for them. The reservation policy was initiated in 1967 with 47 items, which subsequently covered 807 items in 1978. The policy acquired statutory backing under Industries [Development And Regulation] Act, 1984. The Act stipulates to constitute an Advisory Committee to review the reserved items.

The Reservation Policy aims to:

- Ensure bulk of increased production of consumer goods in the small-scale sector.
• Expand employment opportunities through setting up of SSIs.

836 items are reserved for production by the SSI sector. The policy of reservation is not consistent with the current trade reforms, which have liberalised imports. A large number of items produced by SSIs are not reserved and also a large number of reserved items is not being produced by the SSIs at all. The opportunity cost of reservation is very high as the important sectors like light engineering, food preservation, garments etc., are unable to grow and be globally competitive. It is therefore imperative that SSI reservation be removed so that adequate new investment and technology upgradation takes place (Gitanjali, 1997). Considering this, the expert group has recommended a complete abolition of reservation.

836 items were reserved for exclusive manufacture in SSI sector. However, 15 items have been dereserved vide Notification No. 298 dated the 3rd April 1997. At present, 821 items are reserved for exclusive production in the SSI sector. The Finance Minister, in his budget speech of 1998-99, has announced dereservation of agricultural implements. However, a notification is yet to be issued to give effect to the announcement. There is no regulation or restriction on marketing the reserved items by large industries.

Marketing Assistance Programme

For providing marketing support to SSIs, Government Stores Purchase Programme in the form of reservation of products for exclusive purchase from small scale sector and Price Preference Programme are two major instruments. The
programmes provide for reservation of certain products for exclusive purchase by Government departments from small-scale sector and price preference up to 15 per cent in case of selected items. As per revised list, 358 items are reserved at present for purchase from small-scale sector (1998-99). Under the Policy of Price Preference, 15 per cent benefit is available to SSIs to compensate them on account of non-availability of economies of scale, poor resource base, and poor access to raw material as compared to large scale sector.

**Technical Assistance**

Technical guidance and counselling to small industry is provided by Small Industries Development Organization [SIDO] through the Small Industry Service Institute, branch institutes, extension centres and affiliate institutes. The Government has been seized of the necessity for technology up-gradation and has set up several Tool Rooms, Product-cum-Process Development Centres, Regional Testing Centres, Technology Trust Fund and Workshops. The SIDO has undertaken modernization in select industries. This programme involves modernization of management techniques including attitude and skills. Other features of this programme are related to product design, modernization of machinery and equipment and of technology and the identification of relevant low cost technology.

**Financial Assistance**

The financial assistance is vital to these small-scale industrial units as credit availability to small-scale industrial units is one of the perennial problems. SSI
units need credit both for fixed assets and for working capital. The working capital is provided to SSIs by commercial banks, cooperative banks and regional rural banks whereas the term loan needs are catered by State Financial Corporations, Small Industrial Development Corporations, National Small Industries Corporation and NABARD. A recent study conducted by the Office of the Development Commissioner [Small Scale Industry] has revealed that not more than 14 per cent of SSI units avail bank finance. RBI has issued guidelines to banks to meet 20 per cent output as working capital and the limit of loan has been raised through Union Budget 1999-2000 up to Rs.5 crores. Working capital through single window scheme has also been raised to Rs.5 lakhs. It is essential to have a comprehensive credit scheme targeted at SSI exporters.

**Credit Guarantee Scheme**

RBI evolved a Credit Guarantee Scheme for SSIs in 1960. It has been in force since 1960 under which an automatic guarantee up to 75 per cent is provided to all advances made to small units by the financial institutions. This scheme is now operated by Deposit Insurance and Credit Guarantee Corporation of India, which are fully owned subsidiary of IDBI. IDBI set up a Small Industry Development Fund in 1986 to fund specialized programmes for small industries. ""Not only working capital, but even advances for the creation of fixed capital are covered under the scheme of which loans sanctioned on the basis of guarantee aggregated to Rs.7.6 crores in 1961-62, Rs.163 crores in 1968-69 and Rs.16,826 crores at the end of March 1990. This shows the steady increase in the flow of institutional credit to SSI sector (RBI, 1995-96).""31
FISCAL INCENTIVES TO SMALL SCALE INDUSTRIAL UNITS

Tax benefits are given to SSI units. Following are the various areas of tax benefits and concessions given to these units: (i) Income Tax, (ii) Excise Duty, (iii) Central and State Sales Tax, (iv) Electricity Duty, and (v) Octroi. A brief description of these concessions and incentives for promoting the SSIs is made hereunder.

Income tax concessions

1) Under Section 80-1A, the benefits of tax holiday will apply to small-scale industrial undertaking for an initial five assessment years to a tune of 100 per cent of the profits derived.

2) Under Section 80 HHA, a newly established SSI unit located in backward area is allowed a deduction of 20 per cent on its profits and gains under certain conditions.

3) Amortisation of certain preliminary expenses under Section 35D, Indian companies and resident persons are allowed deductions for specified expenditure. The aggregate amount of expenditure allowed to be deducted is limited to 1/10th of the total cost of the project.

4) Expenditure incurred on the acquisition of patent rights and copyright rights: Under Section 35A, any expenditure incurred on the acquisition of a patent right or copyright used for business shall be allowed as deduction in 14 equal instalments over a period of 14
previous years commencing from the previous year in which the expenditure is incurred.

5) Under Section 36, the amount of interest paid in respect of capital borrowed for the purpose of business or professionals is allowed as deduction.

6) The income of an institution established as a trust or society for the purpose of development of khadi and village industries [not for profit] from the production, sale or marketing of khadi or products of village industries are exempt under Section 23B.

7) Income of khadi and village industries/boards established in a State by or under a State or Provincial Act for the development of khadi or village industries in the State is fully exempt under Section 23BB.

8) Profits of newly established industrial undertakings in free trade zone will not be included in the total income of the assesses for any five consecutive years falling within a time frame of 8 years beginning with the assessment year relevant to the previous year in which the industrial undertaking begins to manufacture or produce articles, under Section 10A.

9) Any profits or gains derived by an assessee from newly established 100 per cent export oriented undertaking will not be included in the total income of the assessee under Section 10B.
Exemption under Central Sales Tax Act, 1956.

The parliament is empowered to levy sales tax on sales in the course of export. However, in order to boost India's exports, the government has exempted export sales from levy of Central Sales Tax Act also. The export sales contemplated to be exempt have been defined under Section 5 of the CST Act. However, certain dealers selling goods locally to foreigner tourists against foreign exchange have also been claiming such sales as "deemed export". Such sales are not eligible for exemption and are taxable under the local Act, since being local sales.

Registration

For claiming exemption from sales tax, the exporter has to get himself registered with the sales tax authorities. The exporter is required to produce documentary evidence of the goods exported at the time of sales tax assessment. The deduction for the purpose of exports made out of the country shall be allowed on furnishing of the following documents:

i) Export invoices.

ii) Bill of Landing/Air Cargo bill duly stamped by the custom authorities. Besides, the books of accounts, etc. shall also be scrutinized by the assessing official.

iii) Reimbursement of CST to EOU's and EPZ/FTZ/STP/EHTP Units.
The Export Oriented Units [EOUs] and units in Export Processing Zone [EPZ], Free Trade Zone [FTZ], Electronic Hardware Technology Park [EHTP] and Software Technology Park [STP] are entitled to full reimbursement of Central Sales Tax paid by them on the purchases made by them from the Domestic Tariff Area [DTA] to be utilized for export production on the following terms and conditions.

i) The supplies from DTA to EOU/EPZ/FTZ/EHTP/STP units must be utilized by them for production of goods meant for export and/or utilized for export production and may include raw material, components, consumable, packing material, capital goods, spares, material handling equipments, etc. on which Central Sales Tax has been actually paid by the EOU/EPZ/FTZ/EHTP/STP units.

ii) While dealing with the application for reimbursement of CST, the Development Commissioner or the designated officer of EHTP/STP shall see inter-alia, whether the purchase are essential for the production of goods meant for export and/or to be utilized for export production by the units.

**Excise concessions to small scale industrial units**

The Government of India has introduced an excise duty concession scheme for SSI units through its Notification No.1/993 CE to give these units the tax benefits. The features of this exemption are as under.
A unit which is not registered as SSI may clear up to Rs.30 lakhs worth of goods during April 1, 1993 to March 31, 1994 without payment of duty but after filling a declaration with the department. "Registered units having turnover of less than Rs.3 crores in previous year are eligible for exemption or concessional rate of duty in the current year on different production slabs. Full exemption from excise duty has been raised from Rs.30 lakhs fixed 12 years back to Rs.50 lakhs in the Union Budget 1998-99. A flat rate of duty is liveable @ 5 per cent advalorem on the clearances between Rs.50-100 lakhs. No MODVAT is available to SSIs if they opt for payment of flat rate of duty. In case SSI units opt for MODVAT benefit, they are required to pay a concessional rate of duty @ 60 per cent of normal duty on the clearance up to Rs.50 lakhs and 80 per cent of normal duty for clearances between Rs.50-100 lakhs. However, MODVAT has been restricted to 95 per cent in Budget 1998-99 (Singh, 1998)."32

Concessions of power tariffs to SSI units

State governments have been providing concessions and subsidy of varying amount in the supply of electricity to SSI units. The subsidy on electricity tariff for a period of 3 to 5 years is granted according to use and on certain terms and conditions. Certain types of SSI units are selected for this benefit by the respective State governments. Generally, such of the SSI units whose power requirements constitute a major item of production cost are given this benefit. The type of product produced is also taken into consideration while granting this subsidy.
India embarked in 1971 on a massive programme of entrepreneurship development, particularly, among educated youth and specially those trained in technical subjects or commercial skills. The objective of the programme is to identify persons with entrepreneurial quality, to motivate them and to train them through structural training coverage so as to enable them to set up their SSI/Tiny units with assistance available from different agencies. SIDO through the network of Small Industry Service Institute [SISIs] has been the pioneer in conducting such EDPs for various target groups. These courses generally have a duration of 4 to 6 weeks. Product oriented courses such as hosiery, food products, leather products, herbal cosmetics, electronics, etc. have found to be useful by the trainees.

Entrepreneurship training is now conducted by a network of institutes, viz., National Institute for Entrepreneurship and Small Business Development [NIESBUD], the National Institute of Small Industry Extension Training [NISIET], Small Industries Service Institute [SISI], etc.

CONCLUSION

Small scale industries sector has a very important role in the national economy. So, government is offering a variety of concessions and incentives for encouraging SSI units development in the country. Over the years, the coverage of backward areas for offering incentives and concessions has also increased resulting in thinly spread of benefits in the backward areas. Of the number of facilities and concessions, only few concessions have been commonly availed by the
entrepreneurs. The incentives and concessions offered to the industries of backward areas can work as a catalyst by providing necessary infrastructural facilities for developing the backward area. Further, to effectively cater to the requirements of the SSI, it is necessary to introduce graded incentives system which will have to take into consideration the level of development achieved by a region.

Thus, to overcome glaring imbalance in the development of industries between regions in the country, there is a need to develop a more rational policy frame which will ensure due share to the SSI in the flow of facilities, concessions and incentives by the government.
REFERENCES


10 The Ministry of Commerce and Industries, Letter No. 1. SSI (A) (136) 57, dated 18th March 1959.


15 Ibid.


27 Ibid.


29 Planning Commission, Sixth Five Year Plan (1980-85) Vol-II, Draft

