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Modern Small Business Enterprises



This Business House, created by an entrepreneur, Suresh B Hundre, of Polyhydron Private Limited, Karnataka, is modern in all respects and ready to face challenges by small business enterprises.

"Small opportunities are often the beginning of great enterprises."

—Demosthenes

Learning Objectives

- To understand the role and importance of small-scale industry (SSI)
- To present the impact of globalisation and the WTO on SSI
- To introduce concepts and definitions of SSI
- To illustrate government policy and development of the small-scale sector in India
- To trace the growth and performance of SSIs in India
- To analyse the findings of third All India Census of SSI sector
- To understand small and medium enterprises in other countries
- To understand the problems and prospects of SSIs

ROLE OF SMALL-SCALE INDUSTRIES

Today, the small-scale industry (SSI) constitutes a very important segment of the Indian economy. Credit for the development of this sector is due primarily to the vision of former Prime Minister Jawaharlal Nehru who sought to develop core industry and put in supporting sectors in the form of small-sector enterprises. The small-scale sector has emerged as a dynamic and vibrant sector of the economy. It is a well-recognised fact that a vibrant small-scale sector holds the key to economic prosperity in an economy like India, characterised by abundant labour supply, unemployment and underemployment, capital scarcity, growing modern large industrial sector providing scope for ancillarisation and so on. The sector has grown phenomenally during the past five decades besides playing a vital role in fulfilling India's socio-economic objectives. The number of small-scale units has increased from an estimated 8.74 lakh in 1980–81 to 32.25 lakh in 1999–2000. In fact, the small-scale sector accounts for about 35 per cent of the country's industrial production, 40 per cent of exports and 60 per cent of employment opportunities. Over ten years have passed since the process of liberalisation and globalisation have affected the fortunes of Indian small-scale enterprises (SSE).

SNAPSHOT

Role of SSI

- ◆ Dynamic and vibrant sector of the economy
- ◆ Prominent role in socio-economic transformation of the country
- ◆ Accounts for 35 per cent of industrial production, 40 per cent of exports and 60 per cent of employment opportunities

The small-scale industry (SSI) sector has, over the past six decades, acquired a prominent place in the socio-economic development in the country. The sector has exhibited positive growth trends even during the periods when other sectors of the economy experienced either negative or nominal growth. Various policy initiatives undertaken by the government, whether by way of incentives or protection, have helped the sector in acquiring the status of a major contributor in the growth process. In fact, though the SSI sector has demonstrated its strengths, the basic accent of the small-scale industrial policy has been defensive, aiming to insulate the sector from the dynamics of competitive growth.



Refer annual report of SIDBI for the text on role and importance of SSI in India.

The process of liberalisation and economic reforms, since 1991, while creating tremendous opportunities for the growth of SSIs, have, however, thrown up new challenges for the sector. In the changing scenario, building competitive strengths, introducing technol-

ogy upgradation and quality improvement are vital issues which need to be addressed in order to build the capability to withstand emerging pressures and ensure sustained growth. Also, the sector needs to reposition itself if it has to meet expanding demands for ancillary items, subcontracting and job work from other industrial units, requiring higher standards of quality, economies of scale, and strict delivery schedules.

Box 1.1 The Importance of Small-scale Industries

- ◆ Provide increased employment through labour-intensive process.
- ◆ Require lower gestation period.
- ◆ Easy to set up in rural and backward areas.
- ◆ Need small/local market.
- ◆ Encourage growth of local entrepreneurship.
- ◆ Create a decentralised pattern of ownership.
- ◆ Foster diversification of economic activities.
- ◆ Introduce new products particularly to cater to local needs.
- ◆ Influence the standard of living of local people.
- ◆ Provide equitable dispersal of industries throughout rural and backward areas.

DISCUSSION FORUM



- ◆ Discuss in small groups role and importance of SSIs.
- ◆ Explain the contribution of the SSI in the socio-economic transformation of the country.

Impact of Globalisation on SSI in India

As discussed earlier, even before the introduction of economic reforms in 1991 following the inevitable globalisation, the SSI sector was somewhat overprotected. The hope that the infant would grow into an adult who could be freed to face competition has been completely belied. The small-scale industry never had a strong desire to grow to medium and large scale because of the benefits of protection given to it. Many of the policies also discouraged the growth of small-scale units into large ones and had a stunting effect on manufacturing, employment and output growth. With globalisation, the SSIs are now more exposed to severe competition both from the large-scale sector—domestic and foreign—and from MNCs.

The poor growth rate in the SSI sector during the post-liberalisation period can be attributed to various factors such as the new policies of the government towards liberalisation and globalisation without ensuring the interests or priority of the sector. Left to the mercy of lending institutions and promotional agencies whose main agenda is to serve big units and multinationals, the SSI sector has suffered deterioration in the quality of its output, industrial sickness, and retrograde growth.

The problems of SSIs in the liberalised environment are multidimensional—delay in implementation of projects, inadequate availability of finance and credit, expensive mode of communication, marketing problems, cheap and low-quality products, delay in payment, technological obsolescence, imperfect knowledge of market condition, lack of infrastructure facilities, and deficient managerial and technical skills, to name some.

Now, world over, business environment is changing fast. Globalisation, whether understood in a limited way in terms of multilateral trade liberalisation or in the broader sense of increasing internationalisation of production, distribution and so on, has resulted in the opening up of markets, leading to intense competition. For instance, the World Trade Organisation (WTO) regulates multilateral trade requiring its member countries to remove import quotas, restrictions and reduce import tariffs. India was also asked to remove quantitative restrictions on imports by 2001 and all export subsidies by 2003. As a result, every single individual enterprise in India, small or large, whether exporting or serving the domestic market, has to face competition. The process was initiated for small-scale units by placing 586 of the 812 reserved items on the Open General Licence (OGL) list of imports. This opens up the possibility of direct competition in the domestic market with the imports of high-quality goods from developed countries.

Competition in the domestic market has further intensified with the arrival of multinational companies as the restrictions on foreign direct investments have been removed. The 1990s witnessed the entry of many multinational companies in areas such as automobiles and electronics.

In the changed environment, the SSI sector needs to integrate itself with the overall domestic economy and global markets by gearing itself to greater interdependence by networking and subcontracting. To meet the present as well as future requirements of the sector and the national economy satisfactorily, the policies and projects for the SSI sector will have to be effective and growth oriented so as to achieve competitiveness, collective approach, and capacity to upgrade.

In order to protect, support, and promote small enterprises as also to help them become self-supporting, a number of protective and promotional measures have been undertaken by the Central Government.

The promotional measures cover the following.

- ◆ Industrial extension services
- ◆ Institutional support in respect of credit facilities
- ◆ Provision of developed sites for construction of sheds
- ◆ Provision of training facilities

- ◆ Supply of machinery on hire-purchase terms
- ◆ Assistance for domestic marketing as well as exports
- ◆ Special incentive for setting up enterprises in backward areas and elsewhere
- ◆ Technical consultancy and financial assistance for technological upgradation.

While most of the institutional support services and some incentives are provided by the Central Government, others are offered in varying degrees by the state governments for attracting investments and promoting small industries with a view to enhancing industrial production and generating employment in their respective States.

Impact of the WTO on SSIs

The emerging challenges to the small-scale sector are due to the impact of the agreements under the WTO to which India is a signatory along with 134 member countries. The setting up of the WTO in 1995 has altered the framework of international trade towards non-distortive, market-oriented policies. This is in keeping with the policy shift that occurred worldwide since the early 1980s in favour of free market forces and a tilt away from State regulation/intervention in economic activity. This is expected to lead to an expansion in the volume of international trade and changes in the pattern of commodity flows. The main outcome of WTO-stipulated requirements will be brought about through reduction in export subsidies, greater market access, removal of non-tariff barriers and reduction in tariffs.

SNAPSHOT

Impact of Globalisation and the WTO on SSI

- ◆ Tighter patent laws through regulation of intellectual property rights under the TRIPS Agreement
- ◆ Worldwide market and opportunity to export
- ◆ Intensified competition in the domestic market
- ◆ Import of high quality goods

There will also be tighter patent laws through regulation of intellectual property rights under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement which lays down what is to be patented (both products and processes), for what duration (20 years instead of the present 7 years under India's 1970 Patent Law), and on what terms.

The responses by trading countries and the reframing of domestic economic policies, which will result from the impact of the WTO and the repercussions on the global economy of all these changes, are highly uncertain as they involve several unforeseeable factors. However, there are certain indications of the shape of future trade patterns.

Increased market access to imports (of around 3 per cent of domestic production to be raised to 5 per cent) will mean opening up the domestic market to large flows of imports. The removal of Quantitative Restrictions (QRs) on imports has been speeded up and imports of these items will soon be freed from all restrictions as announced in the recent EXIM policy.

Increased market access under the WTO requirements will also mean that our industries can compete for export markets in both developed and developing countries. But the expected surge in our exports can come about only if the SSI sector is restructured to meet the demands of global competitiveness, which is the key to the future of small industries in the present context.

WTO: Pros and Cons

Policy literature on general impact of the WTO and its agreements on SSIs are not different from its implications to industry in general because they comprise a major part of the Indian industry. Even though extensive information on the WTO is available, studies which associate the WTO with SSIs in India are few in number and limited in scope. As mentioned earlier, SSIs contribute about 54 per cent of non-traditional and 10 per cent of traditional product exports (taken together, about 35 per cent of total exports) of our country. However, SSIs have to face threats and also avail opportunities owing to the WTO and its agreements. The main opportunities of the WTO are classified into three. Firstly, national treatment (or MFN) for exportable items across the countries all over the world, with better market access through the Internet. Second, enlightened entrepreneurs have greater opportunities to benefit from their comparative advantages due to lowering of tariffs and dismantling of other restrictions. Finally, industries that are in constant touch with the government, which in turn negotiates in their best interests in the on-going dialogue with the WTO, are going to benefit (Laghu Udyog, 2003).

India has a real chance of becoming a superpower in the services sector, particularly IT. It has already captured about 25 per cent of world exports. In contrast, SSIs have to face competition by way of cheap imports from different countries due to the removal of Quantitative Restrictions (QRs) on imports and lowering of tariffs. As a result, every single individual enterprise, small or big, whether exporting or serving the domestic market, has to face competition. In addition, OGL opens up the possibility of direct competition in the domestic market with the import of high quality goods from developed countries and cheap products from less-developed countries. Subsequently, entry of multinational companies has intensified competition in the domestic market. However, Indian SSIs are not in a position to compete with others due to inherent weaknesses like poor quality goods, costly credit, weak infrastructure, traditional technology, inflexible labour laws, lack of information and international exposure, and ineffective associations. Further, the export market will become tougher because of competition among developing countries with similar comparative advantages.



Visit www.banknetindia.com and www.laghu-udyog.com to learn more about the impact of WTO on SSI in India.

To overcome the above uncertainty, the WTO agreement suggests ways by which some of the adverse consequences could be neutralised. These are the use of Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Agreement on Trade-Related Investment Measures (TRIMS), and

stringent hygienic, environmental, and labour standards. In addition, these agreements themselves provide certain inbuilt safety mechanisms like anti-dumping, countervailing and safeguard measures. Further, strict vigilance at the ports of entry is required to ensure that imported goods are as per quality standards invoiced and carry the name of the manufacturer and the maximum retail price. The WTO prevents subsidies, which directly affect competition of the product. It helps activities of common interest, which act indirectly as subsidy to the enterprise.

DISCUSSION FORUM



- ◆ Explain the role of the SSI sector in Indian economy.
- ◆ Discuss in small groups the impact of globalisation.
- ◆ Discuss the pros and cons of the WTO.

CONCEPTS AND DEFINITIONS OF SSI

Small-scale Industrial Unit (SSI): An industrial unit in which investment in fixed assets in plant and machinery, whether held on ownership terms or by hire purchase, does not exceed Rs 100 lakh as on March 31, 2001, is to be treated as a small-scale industrial unit.

Ancillary Unit: This is a sub-class of SSIs. An industrial undertaking which is engaged or is proposed to be engaged in (i) the manufacture of parts, components, sub-assemblies, toolings or intermediates; or (ii) rendering of services, or supplying or rendering not less than 50 per cent of its production or its total services, as the case may be, to other units for production of other articles and whose investment in fixed assets in plant and machinery, whether held on ownership terms or on lease or on hire purchase, does not exceed Rs 1 crore as on March 31, 2001, is to be treated as an ancillary enterprise.

Export-oriented Unit (EOU): An industrial undertaking in which the investment in fixed assets in plant and machinery, whether held on ownership terms, or on lease, or by hire purchase, does not exceed Rs 100 lakh and has an obligation to export 30 per cent of production.

Tiny Unit: The investment limit in plant and machinery in respect of tiny enterprises is Rs 25 lakh irrespective of the location of the unit.

Women entrepreneurs: A small-scale industrial unit/industry related service or business enterprise, managed by one or more women entrepreneurs in proprietary concerns, or in which she/they individually or jointly have a share capital of not less than 51 per cent as partners/shareholders/directors of private limited company/members of cooperative society.



Refer annual report of Ministry of Small-scale Industries, Government of India for definitions of Small-scale Industries.

Small-scale Service and Business (industry-related) Enterprises (SSSBs): Industry-related service and business-related enterprises with investment in fixed assets, excluding land and building, up to Rs 10 lakh, irrespective of location as on March 31, 2001, are to be

treated as SSSBs. The illustrative list of services (effective as on March 31, 2001) covered under the definition of SSSBs is given below.

- ◆ Advertising agencies
- ◆ Marketing consultancy
- ◆ Industrial consultancy
- ◆ Equipment rental and leasing
- ◆ Typing centres

- ◆ Photocopying centres
- ◆ Industrial photography
- ◆ Industrial R&D laboratories
- ◆ Industrial testing laboratories
- ◆ Desktop publishing
- ◆ Internet browsing/setting up of cyber cafes
- ◆ Auto repair, services and garages
- ◆ Documentary films on themes like family planning, social forestry, energy conservation and commercial advertising
- ◆ Laboratories engaged in testing of raw materials, finished products
- ◆ "Servicing industry" undertakings engaged in maintenance, repair, testing or electronic/electrical equipment/instruments, that is, measuring/control instruments, servicing of all types of vehicles and machinery of any description including televisions, tape recorders, VCRs, radios, transformers, motors, watches, and so on.
- ◆ Laundry and dry cleaning
- ◆ X-ray clinic
- ◆ Tailoring
- ◆ Servicing of agriculture farm equipment, for example, tractors, pumps, rigs, boring machines, and so on
- ◆ Weigh bridge
- ◆ Photographic laboratory
- ◆ Blue printing and enlargement of drawing/design facilities
- ◆ ISD/STD booths
- ◆ Teleprinter/fax services
- ◆ Subcontracting exchanges (SCXs) established by industry associations
- ◆ EDP institutes established by voluntary associations/non-governmental organisations
- ◆ Coloured or black and white studios equipped with processing laboratory
- ◆ Ropeways in hilly areas
- ◆ Installation and operation of cable TV network
- ◆ Operating EPABX under franchise
- ◆ Beauty parlours and creches

Activities not recognised as SSIs and SSSBEs: The following activities are not recognised as SSIs and SSSBEs.

- ◆ Transportation
- ◆ Storage (except cold storage)
- ◆ Retail/wholesale trade establishments
- ◆ General merchandise stores
- ◆ Sale outlets for industrial components

- ◆ Health services including pathological laboratories
- ◆ Legal services
- ◆ Educational services
- ◆ Social services
- ◆ Hotels

Calculation of the Value of the Plant and Machinery

For the purpose of calculating the value of plant and machinery, the original price paid thereof, irrespective of whether the plant and machinery are new or second-hand, shall be taken into account. In general, for being regarded as a tiny or small-scale or ancillary industrial undertaking, the Government of India has issued the following guidelines.

(a) In calculating the value of plant and machinery, the following shall be excluded.

1. The cost of equipment such as tools, jigs, dies, moulds and spare parts for maintenance and the cost of consumable stores
2. The cost of installation of plant and machinery
3. The cost of research and development (R&D) equipment and pollution control equipment
4. The cost of power-generating sets, extra transformers, and so on, installed by the undertaking as per the regulations of the State Electricity Board
5. The bank charges and service charges paid to the National Small Industries Corporation or the State Small Industries Corporation
6. The cost involved in procurement or installation of cables, wiring, bus bars, electrical control panels which are not mounted on individual machines, oil circuit breakers/miniature circuit breakers, and so on, which are necessarily to be used for providing electrical power to the plant and machinery/safety measures
7. The cost of gas producer plant
8. Transportation charges (excluding taxes, for example, sales tax, excise tax, and others) for indigenous machinery from the place of manufacturing to the site of the factory
9. Charges paid for technical know-how for erection of plant and machinery
10. Cost of such storage tanks which store raw materials and finished products only and are not linked with the manufacturing process
11. Cost of fire-fighting equipment.

(b) In the case of imported machinery, the following shall be included in calculating the value.

1. Import duty (excluding miscellaneous expenses such as transportation from the port to the site of the factory, demurrage paid at the port)
2. Shipping charges
3. Customs clearance charges
4. Sales tax.

Table 1.1 Investment Ceiling for Small-Scale Industries (December 1999)

Type of SSI unit	Investment limit	Remarks
Small-scale industry	Rs 10 million	Historical cost of plant and machinery
Ancillary	Rs 10 million	At least 50 per cent of its output should go to other industrial undertaking
Export oriented	Rs 10 million	Obligation to export 30 per cent of production
Tiny enterprise	Rs 2.5 million	No location limits
Women enterprise	Rs 10 million	51 per cent equity holding by women
Service and business enterprise	Rs 0.5 million	No location limits

DISCUSSION FORUM



- ◆ Differentiate the investment ceiling limits of the following units:
(a) SSI (b) Ancillary (c) Export Oriented (d) Tiny Enterprises (e) Service and Business Enterprises (f) Women Enterprises
- ◆ List the various services covered under the small-scale service and business enterprises.

GOVERNMENT POLICY AND DEVELOPMENT OF THE SMALL-SCALE SECTOR IN INDIA

India's concern and support for small-scale enterprises has focused excessively on the small-scale industry. This can, perhaps, be traced back to Mahatma Gandhi's special concern for handicrafts and village-based industries. Various measures taken by the Central and State governments, for the development of the SSI have included product reservations, fiscal concessions, preferential allocation of credit and interest subsidy in a credit-rationing framework, extension of business and technical services, preference in government procurement, marketing assistance including export promotion by institutions such as National Small Industries Corporation, Small Industries Development Organisation, Handicrafts and Handloom Promotion Corporation, and Khadi and Village Industries Commission, as also promotion of ancillarisation, and so on.

Administratively, India's SSI sector is divided into seven industry groups.

Traditional Sector

1. Handicrafts
2. Handlooms
3. Khadi, village and cottage industries
4. Coir
5. Sericulture

Modern Sector

6. Powerlooms
7. Residual small-scale industries

The first five sectors are collectively called the traditional sector and the last two are known as the modern sector. The eligibility of SSI firms to take advantage of the various incentives offered depends on the definition of SSI used. Whereas most

TABLE 1.2 Evolution on Investment Limits for Small-scale Industries

Year	Investment limit	Additional condition
1950	Up to Rs 0.5 million in fixed assets	Less than 50 to 100 persons with or without power
1960	Up to Rs 0.5 million in fixed assets	No condition
1966	Up to Rs 0.75 million in plant and machinery	No condition
1975	Up to Rs 1 million in plant and machinery	No condition
1980	Up to Rs 2 million in plant and machinery	No condition
1985	Up to Rs 3.5 million in plant and machinery	No condition
1991	Up to Rs 6 million in plant and machinery	No condition
1997	Up to Rs 30 million in plant and machinery	No condition
1999	Up to Rs 10 million in plant and machinery	No condition

countries define SSEs in terms of employment levels, the Indian definition has been based largely on the cumulative amount of investment in plant and machinery. These investment limits have been periodically revised upwards (Table 1.2).

Industrial Policy 1991

The industrial policy measures announced in 1991 laid special emphasis on promotion and strengthening of small, tiny, and village industries. Besides affecting changes in investment limits and equity participation up to 24 per cent by other undertakings, a new scheme of integrated infrastructure development for SSIs with the participation of State government and financial institutions was initiated. The policy also proposed to encourage and support industry associations to establish counselling and common testing facilities, and to pursue a reoriented programme of modernisation and technological upgradation aimed at improving productivity, efficiency, and cost effectiveness in the small scale sector.

Policy Initiatives Since 1999

The emerging economic scenario in the changed, liberalised, and competitive economic environment necessitated structural and fundamental changes in the policy framework, causing a shift in focus from protection to promotion. In the post-reforms

SNAPSHOT

- ◆ Administratively, India's SSI sector is divided into seven industry groups
- ◆ **Traditional Sector:** Handicrafts, Handlooms, Khadi, Village and Cottage Industries, Coir and Sericulture.
Modern Sector: Power looms and residual SSI
- ◆ Indian definition of SSE based largely on cumulative amount of investment in plant and machinery whose limits have been periodically revised upwards
- ◆ Emerging liberalised and competitive economic environment necessitated structural and fundamental changes in the policy framework, causing a shift in focus from protection to promotion

period, the government took a number of steps including partial de-reservation, change in investment limits, facilities for foreign participation, establishment of growth centres, export promotion, marketing assistance, incentives for quality improvements, and so on. The more important steps among these are given below.

- ◆ To better focus the attention on the problems of the SSI sector, a new Ministry of Small-scale Industries and Agro and Rural Industries was created on October 14, 1999. The ministry announced an Agenda for the Millennium policy.
- ◆ A new Credit Insurance Scheme was announced in the Budget 1999–2000 for SSI security to banks and to improve the flow of investment credit to SSI units, particularly export-oriented and tiny units.
- ◆ Banks on the basis of 20 per cent of their annual turnover determine the working capital limit for SSI units. The turnover limit for this purpose has been enhanced from Rs 4 crore to Rs 5 crore.
- ◆ A national programme to boost rural industrialisation has been announced, with a mission to set up 100 rural clusters every year.

Box 1.2 Policy Initiatives on SSI Sector in 2003-04

- ◆ 75 items reserved for exclusive manufacture in the SSI sector consisting of chemicals and their products, leather and leather products, laboratory reagents etc. were dereserved in June 2003.
- ◆ Selective enhancement of investment in plant and machinery from Rs 1 crore to Rs 5 crore carried out in respect of 13 items in stationery sector and 10 items in the drugs and pharmaceutical sector from June 5, 2003.
- ◆ The Union budget 2003-04 announced that banks would provide credit to the SSI sector within an interest rate band of 2 per cent above and below Prime Lending Rate (PLR). All public sector banks have adopted this norm.
- ◆ The composite loan limit for SSI units was enhanced from Rs 25 lakh to Rs 50 lakh.
- ◆ In its mid-term review of Monetary and Credit Policy 2003–04, the RBI announced that banks may enhance the limit of dispensation of collateral requirements for loans from the existing Rs 15 lakh to Rs 25 lakh on the basis of good track record and financial position of the units.
- ◆ The lower limit of Rs 5 lakh on loans covered under the Credit Guarantee Scheme has been removed. All loans up to Rs 25 lakh made eligible for guarantee cover under the Credit Guarantee Scheme.
- ◆ 417 SSI specialised bank branches made operational throughout the country.
- ◆ The final results of third All India Census of Small-scale Industries were released on January 17, 2004.
- ◆ In the first phase, 60 clusters were identified (July, 2003) for focused development, by including their credit requirements in the respective State Credit Plans.
- ◆ Setting up of a Small and Medium Enterprises Fund (SMEF) of Rs 10,000 crore under SIDBI, to inter alia, address the problems of inadequacy of financial resources at highly competitive rates for small-scale sector.
- ◆ Laghu Uddyami Credit Card scheme liberalised with enhanced credit limit of Rs 10 lakh (up from Rs 2 lakh) for borrowers with satisfactory track records.

To coordinate the latest development with regard to the WTO, a cell has been set up in the office of the Development Commissioner, to prepare policies for the SSI in tune with WTO agreements and organise WTO sensitisation seminars, workshops, and so on.

Steps are being taken to accelerate the programme of SSI branches to ensure that every district and SSI cluster within a district is served by at least one specialised SSI bank branch. Furthermore, to improve the quality of banking services, SSI branches are being asked to obtain ISO certification.

To further help SSI entrepreneurs, the National Equity Fund Scheme was introduced under which equity support is provided for projects up to a limit of Rs 15 lakh, which may be further raised to Rs 25 lakh.



Visit www.smallindustryindia.com for a full text on a Comprehensive Policy Package for the small-scale and tiny sector as announced on August 30 and 31, 2000.

The single window scheme of Small Industries Development Bank of India is also being extended to all districts. Thus, under the new policy, emphasis has been laid on development of small-scale sector by providing different facilities instead

of providing different types of protection. A Comprehensive Policy Package for small-scale and tiny sector as announced on August 30 and 31, 2000 is given in Appendix 1.1.

DISCUSSION FORUM



- ◆ Name the seven industry groups of the SSI sector.
- ◆ Trace the evolution of investment limits in fixed assets for the SSI since 1950.
- ◆ Explain a shift in focus from protection to promotion policy initiatives since 1991 for the SSI sector.

GROWTH AND PERFORMANCE OF SMALL SCALE INDUSTRIES IN INDIA

Pre- and Post-liberalisation Periods

Since the beginning of planning in 1950–51, as discussed earlier, considerable efforts have been made for the development of small-scale industries in view of their potential for creating employment. Performance of the SSI sector in India during 1980s and 1990s is shown in Table 1.3 and Table 1.4.



Visit www.ssi.nic.in for policy framework for SSI sector.

The level of output by the SSIs went up from Rs 28,060 crore in 1980–81 to Rs 5,78,470 crore by the end of 1999–2000, showing an increase of nearly 20 times over a period of 20 years. Exports have also gone up by nearly 40 times over a period of two

decades. The contribution of SSI in exports was high during the period, especially up to the year 1995. The trend reversed during the period 1995–2000 when the growth rate recorded a declining trend.

TABLE 1.3 Performance of SSI Units during the 1980s

Year	No. of units (lakh)	Production (Rs Cr.)	Employment (lakh)	Exports (Rs Cr.)
1980-81	8.74	28,060	71	1643
1981-82	9.62 (10.07)	32,600 (16.18)	75 (5.63)	2,070 (25.99)
1982-83	10.55 (9.67)	35,000 (7.36)	79 (5.33)	2,095 (1.21)
1983-84	115. (9)	41,300 (18)	84 (6.33)	2,350 (12.17)
1984-85	12.42 (8)	50,520 (22.32)	90 (7.14)	2,563 (9.06)
1985-86	13.56 (9.18)	61,228 (21.2)	96 (6.67)	2,785 (8.66)
1986-87	14.64 (7.96)	72,259 (18)	101 (5.21)	3,631 (30.38)
1987-88	15.86 (8.33)	87,300 (20.83)	107 (6.94)	4,373 (20.44)
1988-89	17.12 (7.94)	1,06,400 (21.88)	113 (5.61)	5,490 (25.54)
1989-90	18.26 (6.66)	1,32,320 (24.36)	120 (6219)	7,626 (39.91)
Average growth rate	836	18.9	6	19.15

Source: Antony, Valsamma (2002), "The Prospects and Growth of SSIs in India: An Overview", *Southern Economist*, 41.1.
Note: Figures in brackets show the percentage increase over the previous year.

TABLE 1.4 Performance of Small-scale Industries during the 1990s

Year	No. of units (lakh)	Production (Rs Cr.)	Employment (lakh)	Exports (Rs Cr.)
1991-92	20.82	178699	130	13883
1992-93	22.35 (7.35)	2,09,300 (17.12)	134 (3)	17,785 (28)
1993-94	23.84 (6.67)	2,41,648 (15.46)	139 (3.7)	22,764 (28)
1994-95	25.71 (7.8)	2,93,990 (21.67)	146.56 (5.4)	29,068 (27.6)
1995-96	27.20 (5.8)	3,56,213 (21)	152.61 (4.1)	36,470 (25.5)
1996-97	28.57 (5)	4,12,636 (15.8)	160 (4.8)	39,248 (7.6)
1997-98	30.14 (5.5)	4,65,171 (12.7)	167.20 (4.5)	43,946 (12)
1998-99	31.21 (3.6)	5,38,357 (15.7)	172 (2.9)	49,481 (12.6)
1999-2000	32.25 (3.3)	5,78,470 (9.7)	178 (4.0)	53,975 (10.2)
Average	5.63	16.14	4.05	18.93

Source: *Economic Survey*, Government of India 2000-2001.

Note: Figures in brackets show the increase over the previous year.

The growth rate in employment in the SSI sector over the years had been on the decline. An all-time decrease was seen between 1995 and 2000.

It would also be worthwhile to look at the progress of the SSI sector in the post-liberalisation period compared to that of the 1980s. The increase in production and exports was more impressive than that of the number of units and employment. A stagnation or reversal of trend is noticeable in the performance of the SSI industries after 1995 in creation of employment as well as in the number of units set up.

TABLE 1.5 Comparative Performance of SSIs in Terms of Average Growth Rates

Areas of performance	Average growth rates (%)	
	1980-1990	1991-2000
No. of units	8.6	5.63
Production	19.9	16.14
Employment	6	4.05
Export	19.15	18.93

A comparison between the growth rates in the performance level of the SSIs between the two periods (Table 1.5) indicates wide disparities. The pace of growth during the 1990s was relatively lower compared to that of the pre-liberalisation period.

Performance of Small-scale Industries in India

The SSI sector continues to remain an important sector of the economy with a noteworthy contribution to GDP, industrial production, employment generation and exports. The performance of the small-scale sector based on the final results of the third All India Census of SSIs, 2004, is given in Table 1.6. As per the Census of registered and unregistered units held for the year 2001-02, there were 105.21 lakh SSI units in the country, out of which 13.75 lakh were registered working units and 91.46 lakh unregistered units. Their contribution to production was Rs 2,82,270 crore and 249.09 lakh persons to employment. It is estimated that during 2003-04, the number of SSI units has increased to 115.22 lakh from 110.10 lakh in the previous year, registering a growth of 4.7 per cent. The value of production at current prices by the SSI units also increased to Rs 3,48,059 crore from Rs 3,11,993 crore during

TABLE 1.6 Overall Performance of Small-scale Sector in India

Year	Number of units (lakh)	Production (Rs Crore)		Employment (lakh)	Exports (Rs Crore)
		(at current prices)	(at constant prices)		
1994-95	79.60	1,22,210	1,09,116	191.40	29,068
1995-96	82.84	148,290	1,21,649	197.93	36,470
1996-97	86.21	1,68,413	1,35,380	205.86	39,248
1997-98	89.71	1,89,178	1,47,824	213.16	44,442
1998-99	93.36	2,12,901	1,59,407	220.55	48,979
1999-2000	97.15	2,34,255	1,70,709	229.10	54,200
2000-01	101.10	2,61,289	1,84,428	239.09	69,797
2001-02	105.21	2,82,270	1,95,613	249.09	71,244
2002-03	110.10	3,11,993	2,10,636	261.38	86,013
2003-04	115.22	3,48,059	2,26,392	273.97	NA

Source: Ministry of SSI, Third All India Census on SSI (Constant prices 1993-94)

2002–03. The sector is estimated to have grown at the rate of 7.5 per cent at constant prices over the previous year. Employment is estimated to have increased to 273.97 lakh persons from 261.38 lakh persons in the previous year.

Share of Small-scale Industrial Units in Total Exports

With the growing trend towards liberalisation and globalisation, export is one of the focus areas of SSI units. Since 1950, policy framework indicated the need for increased exports to meet the import requirements over a period of time; the SSI share in total exports has been increasing. As can be seen from Table 1.7, the overall percentage of SSI units in total exports was 9.6 per cent. The percentage recorded a high of 26.5 per cent exports in 1981–82. The same percentage touched a peak level of 31.5 per cent in 1991–92 and 36.4 per cent in 1993–94. The share of SSI sector in total exports was 35.2 per cent in 1994–95, 34.3 per cent in 1995–96, 33.4 per cent in 1996–97, 35.2 per cent in 1997–98 and 34.6 per cent in 1998–99. During 1971–72, the total exports were Rs 1,608 crore of which the share of the SSI sector was Rs 155 crore. The total all-India export during 1998–99 increased to Rs 1,41,603.5 crore and the share of the SSI sector was Rs 48,979.2 crore. The overall performance of the SSI sector in total exports was fairly satisfactory. The late entry of MNCs and large companies in the area reserved for the SSI sector has given a big jolt to the sector.

The commodity-wise export of major products by SSI units has also been increasing over a period of time. As can be concluded from Table 1.8, among the non-traditional goods, the readymade garments exports increased from Rs 5,654.2 crore in 1991–92 to Rs 22,209 crore in 1998–99. The finished leather products exports increased from Rs 2,547 crore in 1991–92 to Rs 3,438.5 crore in 1998–99. The basic chemicals, pharmaceuticals and cosmetics exports of the SSI sector increased from Rs 1,936.2 crore in 1991–92 to Rs 3,427 crore in 1998–99. The share of the non-traditional sector, which was Rs 13,287.7 crore in 1991–92, increased to Rs 45,890.4 crore in 1998–99. Among the traditional commodities, cashew kernel exports increased from Rs 537.2 crore in 1991–92 to Rs 1,613.2 crore in 1998–99. The spices exports increased from Rs 36.2 crore in 1991–92 to Rs 1,406.4 crore in 1998–99. Exports by SSI units (listed as “lac” under “Traditional Products” in Table 1.7), which stood at Rs 27.4 crore in 1991–92, increased to Rs 69.3 crore in 1998–99. The above analysis indicated that non-traditional products accounted for the major share of the export of SSI units as compared to the traditional product exports.

The overall analysis of growth and development of entrepreneurship in India indicates that in different States, the number of units promoted by entrepreneurs is increasing manifold. Their contribution in the overall production, employment, investment, and exports had a multiplier impact on the different sectors. Various factors had affected the performance of entrepreneurship over a period of time. The government changed its policy to give a boost to entrepreneurship in the country. Risky projects are being promoted and financed by venture funds. With the advent of an era of liberalisation and globalisation, small-scale entrepreneurs are facing acute competition. With the coming in force of the WTO agreement on April 1, 2001, the SSI units have to face challenge from MNCs and other large-scale units. Budding

TABLE 1.7 Share of Small-scale Industries in Total Exports

Year	Total exports (Rs Crore)	%age increase	Exports from small-scale sector (Rs Crore)	%age increase	%age share of SSI
1971-72	1,608.0	—	155.0	—	9.6
1972-73	1,971.0	22.6	305.8	97.3	15.5
1973-74	2,523.4	28.0	393.2	28.6	15.6
1974-75	3,332.9	32.1	540.7	37.5	16.2
1975-76	4,042.3	21.3	532.1	(-)1.6	13.2
1976-77	5,142.3	27.2	765.8	43.9	14.9
1977-78	5,484.3	6.7	844.8	10.3	15.4
1978-79	5,726.3	4.4	1,069.2	26.6	18.7
1979-80	6,458.8	12.8	1,226.3	14.7	19.0
1980-81	6,710.7	3.9	1,643.2	34.0	24.5
1981-82	7,805.9	16.3	2,070.6	26.0	26.5
1982-83	8,907.8	14.1	2,045.0	(-)1.2	23.0
1983-84	9,872.1	10.8	2,164.0	5.8	21.9
1984-85	11,493.7	16.4	2,540.8	17.4	22.1
1985-86	10,894.6	(-)5.2	2,769.1	9.0	25.4
1986-87	12,566.6	15.3	3,643.7	31.6	29.0
1987-88	15,741.2	25.3	4,373.0	20.0	27.8
1988-89	20,295.2	28.9	5,489.6	25.5	27.0
1989-90	27,681.5	36.4	7,625.7	38.9	27.5
1990-91	32,553.3	17.6	9,664.1	26.7	29.7
1991-92	44,041.8	35.3	13,883.4	43.7	31.5
1992-93	53,350.5	21.1	17,784.8	28.1	33.3
1993-94	69,547.0	30.4	25,307.1	42.3	36.4
1994-95	82,674.1	18.9	29,068.2	14.9	35.2
1995-96	10,6,464.9	28.8	36,470.2	25.5	34.3
1996-97	11,7,525.0	10.4	39,248.5	7.6	33.4
1997-98	12,6,286.0	7.5	4,442.2	13.2	35.2
1998-99	1,41,603.5	12.1	48,979.2	10.2	34.6

Source: Government of India, *Handbook of Industrial Statistics, 2000*
Product-wise Exports of Small Scale Industrial Sector

TABLE 1.8 Commodity-wise Export of Small-scale Industrial Units

(Rs Cr)

S.No.	Product groups	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Non-traditional (A)									
1.	Engineering Goods	1,390	1,950	2,056	2,325	3,025	3,390	4,400	4,815
2.	Basic Chemicals, Pharmaceuticals and Cosmetics	1,936.2	1,992.8	2,432.8	2,676.2	3,002.5	4,331.2	6,502	3,427
3.	Chemical and Allied Products	150	119	174.4	237.7	250	353.4	480	484.9
4.	Plastic Products	80	175.4	267	356.1	265	714.6	985	957.1
5.	Finished Leather and Leather Products	2,547	2,954	3,311.5	4,400.5	4,910.5	3,200	3,262.6	3,438.5
6.	Marine Products	519.8	506.8	609.6	664.5	624.3	953	2692.1	1204.6
7.	Processed Foods	603.9	840.5	1716	1761.7	5158.8	4868.6	4620.2	6253.1
8.	Woolen Garments and Knitwears	123.6	208.1	300.2	319.8	896.1	863.4	1353.1	1589.9
9.	Sports Goods	76.5	93.6	132.2	179.9	207.5	217.5	240.7	247.8
10.	Readymade Garments	5,654.2	7,956.7	11,771	13,240	14,807	16,729	16,551	22,209
11.	Rayon Synthetic Products	14.3	15.7	1,163.3	1,416.9	1,686.2	1,613.3	1,365.4	720
12.	Processed Tobacco, Snuff and Bidi	187.4	240.1	193.7	111.8	237.6	520.3	358.4	543.5
	Non-traditional Total (A)	13,288	17,053	24,137	27,690	35,067	37,755	42,810	45,890
Traditional Products (B)									
13.	Cashew Kernel Cashew Nut Sheet liquid	537.2	642.5	1027.6	1244.3	1230.2	1283	1427	1613.2
14.	Lac	27.4	51.5	88.6	72.8	98.7	92.9	64.4	69.3
15.	Spices, Spice Oils, Oleoresins	36.2	38.2	54	60.7	74.3	118	140.8	1406.4
	Traditional Total (B)	600.7	732.2	1170.2	1377.8	1403.2	1493.9	1632	3088.8
	Total (A + B)	13,883	17,785	25,307	29,068	36,470	39,249	4,442	48,979

Source: Government of India, *Handbook of Industrial Statistics, 2000*

entrepreneurs will have to follow a strategic management approach in the starting, working and management of their units. This study intends to examine the managerial performance of the SSI units, socio-economic profile of the entrepreneurs, analysis of policy perspective of the government, problems in the promotion of SSI units, and entrepreneurship development. The study will help policy-makers, researchers, government, financial institutions and all those concerned with the development of industrial entrepreneurship in the country to build a policy perspective in this regard.

DISCUSSION FORUM



- ◆ Analyse the performance of SSI in India in terms of (a) GDP (b) Employment potential (c) Production (d) Exports
- ◆ Compare the export potential of SSI with the total exports.

THIRD ALL INDIA CENSUS OF SSI SECTOR

The main highlights of the third Census of Small-scale Industries are classified under the following headings and are given below.

1. Registered SSI Sector
2. Unregistered SSI Sector
3. Total SSI Sector
4. Sickness in SSI Sector



Visit <http://indiabudget.nic.in> for the performance of SSI sector in India



Visit www.smenetwork.net and www.smallindustryindia.com for complete report on, the Third All India Census on SSI's

In the third census, the units permanently registered up to March 31, 2001 were covered on complete enumeration basis. A total of 22,62,401 units were surveyed. Out of these, 13,74,974 units were found to be working and the remaining 8,87,427 units were found to be closed. Thus, the number of working units works out to be 60.77 per cent and those of closed 39.23 per cent. The dispersal of working and closed units in rural and urban areas is given in Fig 1.1. Table 1.9 and Fig 1.2 show sector-wise distribution of registered working and closed units.

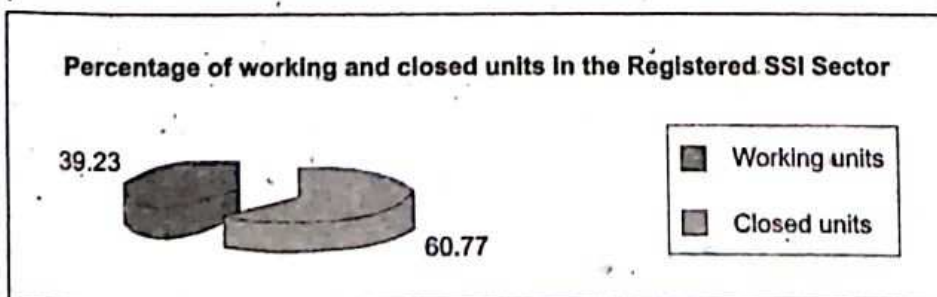


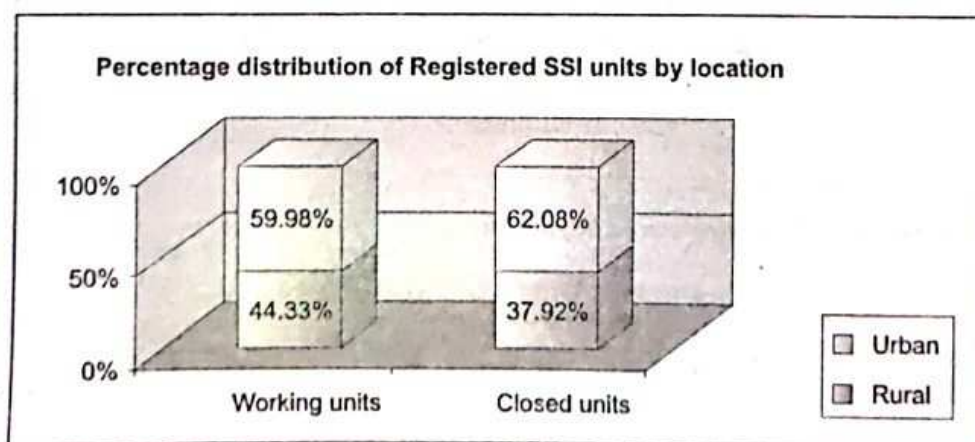
Figure 1.1 ■ Percentage of Working and Closed Units in the Registered SSI Sector

Box 1.3 Registered SSI sector

- ◆ All the SSI units permanently registered up to March 31 2001, numbering 22,62,401, were surveyed on a complete enumeration basis. Of these 13,74,974 units (61 %) were found to be working and 8,87,427 units (39 %) were found to be closed.
- ◆ Of the 13,74,974 working units, 9,01,291 were SSIs and 4,73,683 were SSSBEs. Thus, the proportion of SSIs was 65.55 per cent. About 5.08 per cent of the SSI units were ancillary units. The proportion of units operating in rural areas was 44.33 %.
- ◆ In terms of the number of working units, six states, viz., Tamil Nadu (13.09 %), Uttar Pradesh (11.85 %), Kerala (10.69 %), Gujarat (10.08 %), Karnataka (8.04 %), and Madhya Pradesh (7.41 %), had a share of 61.16 %.
- ◆ With regard to closed units, six States, viz., Tamil Nadu (14.33 %), Uttar Pradesh (13.78 %), Punjab (9.32 %), Kerala (8.43 %), Madhya Pradesh (7.4 %), and Maharashtra (6.11 %) had a share of 59.37 %.
- ◆ The per unit employment was 4.48. The employment per Rs 1 lakh investment in fixed assets was 0.67.
- ◆ The rice milling industry topped the list in terms of gross output. In terms of exports, the textile garments and clothing accessories industry was on top.
- ◆ Compared to the Second Census, the Third Census brought out some structural changes in the registered SSI sector. While the proportion of working units remained the same, by and large, the domination of SSIs among the working units has been reduced considerably from 96 % to 66 %. This is mainly due to an increase in the number of units engaged in services. The per unit employment has gone down from 6.29 to 4.48. The per unit fixed investment has gone up from Rs 1.60 lakh to Rs 6.68 lakh. This could be due to technological upgradation.

TABLE 1.9 Sector-wise Distribution of Working and Closed Units

	Rural	Urban	Total
Working units	44.33 %	55.67 %	100.00 %
Closed units	37.92 %	62.08 %	100.00 %
Total	41.82 %	58.18 %	100.00 %

**Figure 1.2** ■ Percentage Distribution of Registered SSI Units by Location

Box 1.4 Unregistered SSI Sector

- ◆ This sector was surveyed using a two-stage stratified sampling design. Out of the 9,94,357 villages and urban blocks, 19,579 villages and urban blocks were surveyed to identify the units of unregistered SSI sector. Out of these, information was complete received in respect of 19,278 villages and urban blocks. In these villages and urban blocks, the enumerators selected 1,68,665 unregistered SSI units for survey, but they could actually survey 1,67,665 units.
- ◆ The size of the unregistered SSI sector is estimated to be 91,46,216. Of these, only 38.75 % were SSIs and the rest were SSSBEs.
- ◆ The reasons for non-registration were elicited in the Third Census. Interestingly, 53.13 % of the units informed that they were not aware of the provision for registration, while 39.86 % of the units indicated that they were not interested.
- ◆ About 45.38 % of the units were engaged in services while 36.12 % were engaged in manufacturing and the remaining 18.5 % in repair/maintenance.
- ◆ The maximum number of unregistered SSI units (16.89 %) were located in Uttar Pradesh. Other States with a high concentration of unregistered SSI units were Andhra Pradesh, West Bengal, Maharashtra, Madhya Pradesh, Tamil Nadu, Karnataka, Bihar, Rajasthan and Gujarat.
- ◆ About 96.9 % were proprietary units and 1.13 % partnership units.
- ◆ The average employment was 2.05 and the employment generated per Rs 1 lakh fixed investment was 3 persons.
- ◆ About 10.13 % of the units were women enterprises and the socially backward classes managed 57 % of the units.

Box 1.5 Total SSI sector

- ◆ The size of the total SSI sector is estimated to be over one crore (1,05,21,190). About 42.26% of these units were SSIs, the rest were SSSBEs. The number of ancillaries among SSIs was 2.98%.
- ◆ About 47.22% of the units were located in Uttar Pradesh, Andhra Pradesh, Maharashtra, Madhya Pradesh and Tamil Nadu.
- ◆ The services sector emerged as the dominant component in the total SSI sector with a share of 44% of the units.
- ◆ Although registration is voluntary in the SSI sector, the registered SSI sector was found to be the cream of the total SSI sector. In terms of size, it was only 13%, but in terms of investment its share was 59 % and it contributed to 59% of the total production.
- ◆ About 95.8% of the units were of the proprietary type of ownership. Entrepreneurs belonging to socially backward classes managed about 56% of the units.
- ◆ The percentage of women enterprises was 10.11%. The percentage of enterprises actually managed by women was 9.46%.
- ◆ The percentage of women employees was 13.31%. The employees belonging to socially backward classes was to the tune of 57.45%.

TABLE 1.10 Summary Results of Third Census Reference Period 2001-02

Characteristics	Registered SSI Sector	Unregd. Sector	Total SSI Sector
1. Size of the sector			
2. No. of rural units	13,74,974	91,46,216	1,05,21,190
3. No. of SSIs	6,09,537 (44.33%)	51,98,822 (56.8%)	58,08,359 (55%)
4. No. of SSSBEs	9,01,291 (65.55%)	35,44,577 (38.75%)	44,45,868 (42.26%)
5. No. of ancillary units (% age of no. of SSIs)	4,73,683 (34.45%)	56,01,639 (61.25%)	60,75,322 (57.74%)
6. No. of tiny units among SSIs	45,797 (5.08%)	86,516 (2.44%)	1,32,313 (2.98%)
7. No. of women enterprises	8,82,496 (97.9%)	35,43,091 (99.9%)	44,25,587 (99.5%)
8. Nature of activity			
Manufacturing/Assembling/ Processing	1,37,534 (10%)	9,26,187 (10.13%)	10,63,721 (10.11%)
Repairing & Maintenance	8,72,449 (63.45%)	33,03,366 (36.12%)	41,75,815 (39.69%)
Services	28,843 (2.10%)	16,92,663 (18.50%)	17,21,500 (16.36%)
9. Type of organisation			
Proprietary	4,73,682 (34.45%)	41,50,187 (45.38%)	46,23,869 (43.95%)
Partnership	12,21,702 (88.85%)	88,62,548 (96.9%)	1,00,84,250 (95.8%)
Pvt. Company	99,190 (7.21%)	1,03,662 (1.13%)	2,02,852 (1.9%)
Cooperatives	33,284 (2.42%)	38,153 (0.42%)	71,437 (0.68%)
Others	4,715 (0.34%)	9,854 (0.11%)	14,569 (0.14%)
10. No. of units managed by			
SC	16,083 (1.17%)	1,31,999 (1.44%)	1,48,082 (1.41%)
ST	1,07,934 (7.85%)	9,43,969 (10.32%)	10,51,903 (10%)
OBC	48,560 (3.53%)	4,74,271 (5.19%)	5,22,831 (4.97%)
Others	5,29,406 (38.50%)	38,11,372 (41.67%)	43,40,778 (41.26%)
11. No. of units managed by women	6,89,074 (50.12%)	39,16,604 (42.82%)	46,05,678 (43.8%)
	1,14,361 (8.32%)	8,80,780 (8.37%)	9,95,141 (9.46%)

Contd.

12. Main source of power			
No power needed	3,60,611 (26.23%)	38,55,035 (42.15%)	42,15,646 (40%)
Coal	28,841 (2.10%)	2,95,165 (3.23%)	3,24,006 (3.1%)
Oil	40,401 (2.94%)	5,55,416 (6.07%)	5,95,817 (5.66%)
LPG	7,222 (0.53%)	55,237 (0.60%)	62,459 (0.59%)
Electricity	8,99,657 (65.43%)	40,25,262 (44.01%)	49,24,919 (46.8%)
Non-conventional energy	7,142 (0.52%)	60,539 (0.66%)	67,681 (0.64%)
Traditional energy/Firewood	31,100 (2.26%)	2,99,562 (3.28%)	3,30,662 (3.14%)
13. No. of units having outstanding loan as on March 31, 2002	2,76,333 (20.1%)	5,01,306 (5.48%)	7,77,639 (7.39%)
14. No. of units having outstanding loan with institutional sources as on March 31, 2002	1,96,137 (14.26%)	2,82,267 (3.09%)	4,78,404 (4.55%)
15. No. of sick units (with erosion of networth by more than 50 % or delay in repayment of institutional loan by more than 12 months)	46,431 (3.38%)	58,338 (0.64%)	1,04,769 (1%)
16. No. of incipient sick units (decline in gross output over three consecutive years)	1,58,023 (11.5%)	5,92,899 (6.48%)	7,50,922 (7.14%)
17. No. of sick units as per RBI criteria, i.e., those that are sick among units having outstanding loan with institutional sources	38,403 (19.6%)	46,887 (16.61%)	85,290 (17.8%)
18. No. of sick/ incipient sick units (with erosion of net worth by more than 50 % or delay in repayment of institutional loan by more than 12 months or decline in gross output over three consecutive years)	1,92,328 (13.98%)	6,30,568 (6.89%)	8,22,896 (7.82%)
19. Reasons for sickness/incipient sickness			
Lack of demand	1,11,508 (58%)	4,35,121 (69%)	5,46,629 (66%)
Shortage of working capital	1,09,844 (57%)	2,69,648 (43%)	3,79,492 (46%)
Non-availability of raw material	23,493 (12%)	76,029 (12%)	99,522 (12%)

Contd.

Power shortage	33,099 (17%)	77,345 (12%)	1,10,444 (13%)
Labour problems	12,182 (6%)	26,282 (4%)	38,464 (5%)
Marketing problems	70,202 (37%)	2,24,002 (36%)	2,94,204 (36%)
Equipment problems	16,995 (9%)	76,038 (12%)	93,033 (11%)
Management problems	9,124 (5%)	21,088 (3%)	30,212 (4%)
20. Per unit employment	4.48	2.05	2.37
21. Total employment	61,63,479	1,87,69,284	2,49,32,763
22. Per unit original value of Plant & Machinery (in Rs lakh)	2.21	0.27	0.52
23. Total original value of Plant & Machinery (in Rs lakh)	30,32,868	24,56,492	54,89,360
24. Per unit fixed investment (in Rs lakh)	6.68	0.68	1.47
25. Total fixed investment (in Rs lakh)	91,79,207	62,55,660	1,54,34,867
26. Per unit Gross Output (in Rs lakh)	14.78	0.86	2.68
27. Total Gross Output (in Rs lakh)	2,03,25,462	79,01,536	2,82,26,998
28. No. of exporting units	7,344	43,262	50,606
29. Value of exports (in Rs lakh)	12,30,826	1,89,130	14,19,956
30. Employment per Rs one lakh investment	0.67	3.00	1.62
31. Units maintaining accounts	4,04,672 (29.43%)	5,98,533 (6.54%)	10,03,005 (9.53%)
32. No. of economic activities as per National Industrial Classification 1998, pursued in SSI sector	672	619	672
33. No. of products/ services as per ASICC produced/ rendered in SSI sector	5,983	2,680	6,003
34. No. of reserved products (as per the reserve list effective on March 31, 2001) produced in SSI sector	877	382	878

Unregistered SSI sector All unregistered SSIs and unregistered SSSBEs constitute the unregistered SSI sector. SSIs and SSSBEs that are temporarily registered on or before March 31, 2001, as also units that are temporarily or permanently registered after March 31, 2001, till the date of survey (Third All India Census on SSI) will be treated as unregistered for the purpose of this survey.

TABLE 1.11 Details of Units Covered

Registered SSI Sector	
Total no. of units surveyed	22,62,401
Number of working units	13,74,974 (61%)
Number of closed units	8,87,427 (39%)
Unregistered SSI Sector	
No. of villages/urban blocks surveyed	19,579
No. of villages/ urban blocks for which data was received	19,278 (98%)
No. of unregd. SSIs/ SSSBEs selected for survey	1,68,654
No. of unregd. SSIs/ SSSBEs actually surveyed	1,67,665 (99%)
Estimated no. of units w.r.t. reasons for non-registration	
Not aware of the provisions for registration	53.13%
Not interested	39.86%
Complicated procedures	3.87%
Local laws/ regulations do not permit	1.76%
Clearance not available from Municipality etc	1.38%

TABLE 1.12 Comparison of the Third Census with Second Census (Registered SSI Sector)

S.No.	Indicator	2nd Census (1987-88)	3rd Census (2001-02)
1.	Percentage of Working Units	62.75	60.77
2.	Percentage of Working Units in rural areas	42.20	44.33
3.	Percentage of Working Units that are		
	SSIs	96.24	65.55
	Ancillaries	0.52	5.08
	SSSBEs	3.24	34.45
4.	Percentage of Proprietorship Working Units	80.48	88.85
5.	Percentage of Proprietorship Working Units engaged in Manufacturing/Assembly/Processing	65.42	63.45
6.	Percentage of Working Units that are owned/managed by		
	SCs	6.84	7.85
	STs	1.70	3.53
	Women	7.69	8.32
7.	Per Working Unit Fixed Investment (Rs lakh)	1.60	6.68
8.	Per Working Unit Investment (Original) in P&M (Rs lakh)	0.95	2.21
9.	Per Working Unit production (Rs lakh)	7.38	14.78
10.	Per Working Unit Employment (number)	6.29	4.48
11.	Employment per Rs one lakh of investment in Fixed Assets	3.94	0.67
12.	Production/Employment (Rs lakh)	0.04	3.30

DISCUSSION FORUM



- ◆ Discuss in small groups, the findings of Third All India Census on SSIs in India held for the year 2001-02.

SMALL AND MEDIUM ENTERPRISES (SME) IN OTHER COUNTRIES

There is a growing recognition worldwide that small and medium enterprises (SMEs) have an important role to play in the present context given their greater resource-use efficiency, capacity for employment generation, technological innovation, promoting inter-sectoral linkages, raising exports and developing entrepreneurial skills. Their locational flexibility is an important advantage in reducing regional imbalances. The future of SMEs is of major policy concern given their strategic importance in any discussion of reshaping the industrial sector. This is more so in the case of India, which has one of the longest history of government support to the small-scale industrial sector since independence compared to most developing countries.

International SME Network (INSME)—Background

In the Bologna Charter on SME policies adopted in June 2000, ministers and representatives of governments of countries participating in the first OECD Ministerial Conference on SMEs welcomed Italy's offer to finance and promote a

feasibility study, including a need assessment, to define the potential design and development of an International Network for SMEs (INSME).

The INSME is designed to work as a hub of networks and structures of services aimed at strengthening and enhancing the dissemination and quality of information, service supply, and partnership opportunities for SMEs. The INSME should pursue these objectives mainly through the creation and the use

of an Internet portal. This portal will aim at networking service providers with their users, since the existing service providers at the international, national and regional level do not often interact with their customers and with each other sufficiently.

By means of an appropriate management unit, the INSME should also contribute to attain the following objectives:

- (a) Enabling SMEs to benefit from globalisation by connecting, extending, and maximising the use of the existing networks for SMEs operating on a geographical, sectoral, and functional basis, thus improving the quantity, quality, and updating of products, information and services available online, and promoting internationalisation and possible integration and coordination, by taking advantage of the advancements in information and communication technologies;

SNAPSHOT

Small and Medium Enterprise (SME)

- ◆ International SME network (INSME) is a hub of networks and structure of services among members.
- ◆ Definition of an SME varies from one country to another.

- (b) Strengthening the coordination among the networks for SMEs and for the intermediary bodies supporting SMEs already operating at local level, in order to improve and to better qualify their supply as well as to make information and services more accessible to those countries and geographical areas that are less familiar with SME issues; and
- (c) Promoting the development of new networks for SMEs and for their intermediaries, the creation of new web sites and Internet portals, with a multiplier effect, especially in countries where they are lacking.

Following the Bologna Conference, the Italian Ministry of Industry, with the support of the Institute for Industrial Promotion (IPI), has promoted the setting up of a specific international Steering Group for the INSME feasibility study (INSME SG). This Steering Group was established in July 2000 in order to benefit from the support by interested countries and international bodies in identifying the objectives and the scope of the feasibility study, receive inputs from the private sector in this regard, and work on the road map for the carrying out the feasibility study.

Composition of INSME Steering Group

The INSME Steering Group was set up in July 2000 on a voluntary basis. It is made up of representatives from the Italian government and from the OECD, co-organisers of the Bologna Conference, as well as of those countries and organisations which attended the conference and manifested their interest in the INSME feasibility study and in its aftermath.

An Italian representative appointed directly by the Italian Minister of Industry chairs the Group and its work is coordinated by IPI, which provides the secretariat of the Group. SG members have the following specifications.

- (a) Be a member of a national public administration (ministry or agency) or of an international organisation or NGO concerned with SME policy issues
- (b) Be an expert in networks for SMEs and/or intermediary bodies supporting SMEs
- (c) Be an expert in Internet applications, in planning and managing Internet portals.

So far, 41 countries, 17 international organisations and 9 networks/intermediaries have joined the Group, whose composition remains open and flexible. Further participation from other OECD and non-OECD countries and from international organisations and NGOs interested in the Bologna process are welcome any time. India is a member country and the SENET project works closely with INSME. Table 1.13 lists the members of the INSME steering group.

The ongoing work of the INSME Secretariat, hosted by IPI, aims at establishing INSME as a formal community of political and technical stakeholders, taking the form of a non-profit association at the international level, focused on innovation and technology transfer services. The association will launch an open, multi-action political dialogue in this area, to encourage the sharing of knowledge, expertise and methodologies as well as to promote new transregional and transnational activities,

TABLE 1.13 Members of the INSME Steering Group

<i>Countries</i>	<i>International Organisations and NGOs</i>	<i>Networks and Intermediaries</i>
1. Algeria	1. Development Gateway	1. CEGETEC(Uruguay)
2. Argentina	2. Devnet	2. Cyprus Institute of Technology
3. Australia	3. Inter-American Development Bank (IADB)	3. FISME (India)
4. Austria	4. IKED	4. Galicia e-commerce Leveraging Centre (Spain)
5. Brazil	5. OECD	5. MEDEF (France)
6. Canada	6. PECC	6. SARETEK (Spain)
7. Chile	7. UNCTAD	7. SBC (Korea)
8. Chinese Taipei	8. UNIDO	8. UMIS-SMEA (Croatia)
9. Czech republic	9. WIPO	9. Walloon Business House for Europe (Belgium)
10. Egypt	10. World Bank	
11. Finland		
12. France		
13. Germany		
14. Greece		
15. Hungary		
16. India		
17. Israel		
18. Italy		
19. Japan		
20. Mexico		
21. Morocco		
22. New Zealand		
23. Pakistan		
24. Poland		
25. Portugal		
26. Republic of Korea		
27. Romania		
28. Russia		
29. South Africa		
30. Spain		
31. Sweden		
32. Switzerland		
33. Tunisia		
34. Turkey		
35. Vietnam		
Observers		
1. Denmark		
2. Luxembourg		
3. Mauritius		
4. Paraguay		
5. Syria		
6. United Kingdom		

projects, and financing programmes specifically targeted to intermediaries and/or their networks. Moreover, from an operational point of view, INSME aims to strengthen linkages, cooperation and partnerships in this field to maximise the mutual benefits among the members of the community, and contribute to specialising, integrating, to the final benefit of SMEs.



Visit www.gin.sme.ne.jp for getting information on SMEs in various countries.

By taking advantage of the use of ICT, INSME will act as an information hub, a facilitator and catalyst of existing, relevant intermediaries and their networks promoting the launch of new projects, developing synergies and economies of

scale. The network has taken the form of a non-profit legal entity such as an international association from 2004.

Definitions of SMEs in Various Countries

Definitions of what constitutes a SME vary from one country to another. In many European countries, they are defined as independent firms with fewer than 250 employees. In Japan, a SME can have as many as 300 employees, according to official definitions, and in the United States 500. Common to all countries, however, is the vital role SMEs play in job creation. In the European Union, such firms provide employment for more than 70 million people, or two-thirds of all EU jobs. In Japan, such firms provide 78 per cent of jobs.

In the Indian context, we have so far not defined medium enterprises clearly. What is neither small nor large is being loosely defined as medium. Further, enterprise encompasses businesses, services and industries. In the broadband of 'small', the discussion extends to medium as well. Another possible connotation for the SMEs is the small manufacturing enterprises.

In India there exists no definition of SMEs. What prevails here is only the concept of small-scale, ancillary, and tiny industry which are related to the historic value of the investment in plant and machinery. In other countries, SMEs are defined on the basis of quantitative and qualitative elements, such as the number of workers employed and/or annual turnover or the level of fixed investment. However, employment is an omnipresent criterion for determining the size of the unit in these countries. The official definitions of Small and Medium Enterprises used in various countries are given in Appendix 1.2.

DISCUSSION FORUM



- ◆ Discuss the role of International SME Network in promoting SMEs across the globe.
- ◆ Compare the definition of Small-scale Industries in India with the definitions of SMEs in other countries. What are the main distinguishing features?

PROBLEMS FOR SMALL-SCALE INDUSTRIES

We may divide the problems of small industries into two groups—external and internal. External problems are those which result from factors beyond the control of the industrialist, such as the availability of power and other infrastructure facilities required for the smooth running of small-scale industries. Internal problems are those which are not influenced by external forces and relate to organisation, structure, production channel, distribution channel, technical know-how, training, industrial relations, inadequacy of management, and so on. However, the two kinds of problems are not mutually exclusive; they are co-related.

The problems of industries, whether in the small-scale sector or in the organised sector, are almost identical. However, the organised industry being financially very strong and its resources large, it can face its problems more effectively. Given its weak financial structure, the resources of the small sector are limited. The large sector can employ trained and experienced managers; in the small industry, the proprietor or the partners, or if the unit is a company, its director or directors, have to take care of all the problems on their own. The large sector can influence raw material suppliers, customers and, at times, even the government in framing its policies, but the small entrepreneur is helpless in this respect. The latter, therefore, has to look after the entire spectrum of problems despite the great limitations under which he functions. The problems faced by the small-scale industries is given in Box 1.7 and Box 1.8.

Box 1.7 External and Internal Problems Faced by Small-scale Industries

<i>Internal</i>	<i>External</i>
(i) Choice of idea	(i) Infrastructure
(ii) Feeble structure	(a) Location
(iii) Faulty planning	(b) Power
(iv) Poor project implementation	(c) Water
(v) Poor management	(d) Post Office and so on
(vi) Poor production	(e) Communication
(vii) Quality	(ii) Financial
(viii) Marketing	(a) Capital
(ix) Inadequate finance	(b) Working capital
(x) Labour problems	(c) Long-term funds
(xi) Capacity utilisation	(d) Recovery
(xii) Lack of vertical and horizontal integration	(iii) Marketing
(xiii) Inadequate training in skills	(iv) Taxation
(xiv) Poor and loose organisation	(v) Raw Material
(xv) Lack of strategies	(vi) Industrial and financial regulations
	(vii) Inspections
	(viii) Technology
	(ix) Policy
	(x) Competitive and volatile environment

Box 1.8 Problems Faced by Small-scale Industries

- ◆ Difficulty in obtaining credit from commercial banks because of their general inability to provide security.
- ◆ Inability to offer liberal credit terms in the sale of their products.
- ◆ Absence of management expertise. Often managed by one person who performs a number of functions usually with no formal training.
- ◆ Difficulty in competing with imported products due to high production costs.
- ◆ Competition from other local entrepreneurs in the same line of business competing for the limited local market.
- ◆ Difficulty in obtaining industrial land in towns and cities. The shortage of industrial land is giving rise to more and more backward operations.
- ◆ Under capitalisation.
- ◆ Difficulty in identifying appropriate technology and technical assistance.
- ◆ The manner in which both the needs of the economy and linkage with the existing industry can best be served.
- ◆ Bureaucratic red tape and regulations.
- ◆ Surveys of material and human resources of the countries are not available to identify the regions or areas for the development of small-scale and medium-scale industrial enterprises.
- ◆ Identification of industrial projects for development.
- ◆ Project preparation and evaluation.
- ◆ Financial or credit support and investment promotion.
- ◆ Consultancy and counselling services.
- ◆ Technology development and applications such as the designing of prototype machines for products identified according to country resources and requirements.
- ◆ Development of infrastructure of various kinds in the appropriate areas.
- ◆ Entrepreneurship development.
- ◆ Industrial training and skill formation.
- ◆ Linkages between large industries and small industries and the creation of subcontracting facilities at the national, regional, and international levels.
- ◆ Quality control and testing facilities.
- ◆ Market promotion, both domestic and export.
- ◆ Procurement of raw materials and equipment.
- ◆ Scientific and industrial research; information collection and dissemination on technology, markets and so on.
- ◆ Identification of and assistance to enterprises, which are experiencing difficulties.
- ◆ Management and reorganisation or restructuring of small- and/or medium-scale enterprises through various schemes.
- ◆ Productivity increases through modernisation.

Contd.

- ◆ Incentive measures, by industry and by area.
- ◆ Local initiative.
- ◆ Creation of institutions and changes in prevailing institutional arrangements.
- ◆ Regional and International technical and financial assistance.
- ◆ Cooperation among developing countries.

PROSPECTS OF THE SMALL-SCALE INDUSTRIES IN A FREE ECONOMY

The small-scale industries occupy a very important position in any economy. Traditionally, they produce certain specialised items over which they enjoy virtual monopoly because of the skill and expertise developed over the years. Many items



Visit www.lubindia.org to learn more about the problems and prospects of SSI in India.

produced in the small-scale sector are also used as raw materials in the large-scale industry. Thus, small-scale industries contribute to large-scale production in no small measure. In a controlled economy, the small-scale industries are protected

from competition from the large-scale sector by means of subsidies, grants, monetary incentives from the government, reservation of certain items of production in the small-scale sector, and so on. In a free economy, however, the small-scale industrial sector is not insulated from competition from the large-scale sector for their survival and growth; they have to face competition from the large-scale sector with their own ingenuity and resources. For this purpose, they will have to take effective measures in the following areas.

Quality control

The products of large-scale industries are of high quality and precision. In a free economy, the products of the small-scale industry can compete with those of the large-scale sector only if the high quality is maintained. To meet the competition from the large-scale sector, small-scale industries should get a good share of the export market where high-quality products are essential. It would thus be necessary for small-scale industrial units to introduce quality control measures. If necessary, they can enlist the assistance of reputed outside agencies in this regard. In a competitive environment where low-cost quality output is necessary, the choice of technology assumes great importance. In a free economy, small-scale units would have to select such technology from the available alternatives which would generate cost-efficient and high-quality optimal output. In order to ensure this, small-scale entrepreneurs should preferably have a technical background or, at least, an understanding of the technical processes involved in production.

Marketing Arrangements

Many small-scale units have perished because of their inability to sell what they produced. This happened because of lack of proper marketing arrangements. In a free economy, inadequate marketing arrangements would only accelerate the downfall of

small-scale units, as they would have to counter competition from the large-scale sector, which enjoys a ready market for its products. The small-scale units need to conduct systematic and continuous market research and arrange to tie up with prospective buyers in order that their products may be readily sold.

Advertisement

The products of the large-scale sector are widely advertised on TV, radio and newspapers and are well known. Since small-scale industrial units suffer from resource inadequacy, most of them cannot advertise their products on the mass media. As a result, the products of the small-scale units remain largely unfamiliar to the public and the units find it very difficult to attain their sales goals. But in a free economy, where the small-scale units will have to thrive by competing with the large-scale sector, the former must adequately publicise their products. Some funds need to be set aside for this purpose. Although initially the profits may be low, such publicity expenditure will serve the cause of future profitability.

Recovery of Receivables

The funds of many small-scale industrial units are blocked in receivables. As a result, recycling of funds is affected and production suffers. In a competitive environment, it must be ensured that receivable dues are realised without delay. The small-scale units will have to make special effort to collect their dues for their growth. They may have to utilise the services of factoring companies for the purpose.

Professionalism in Management

Many small-scale industrial units have suffered an account of proprietary management. Barring very tiny and small units, management of small-scale industries has become complex. Hence, small-scale industrial units must be managed by professional managers in order to compete successfully with the large-scale sector, which is professionally managed.

Inventory Control

Proper inventory control is an essential prerequisite for optimum production of an industrial unit. Yet, a large number of small-scale units remain unaware of this requirement. As a result, they have to remain content with a sub-optimal level of production that affects their profitability adversely. It is, therefore, imperative that small-scale units familiarise themselves with inventory control techniques and introduce them at work, particularly in the context of competition in a free economy from the large-scale sector where modern inventory control techniques are widely adopted. Many small-scale units have become sick from neglecting the above-mentioned areas. The other causes of sickness of small-scale industries are mainly as given below.

- ◆ Diversion of funds
- ◆ Dissension among partners
- ◆ Shortage of power

- ◆ Technological obsolescence
- ◆ Overdependence on purchases by government

The small-scale units need to scrutinise these areas properly to guard against sickness. India is now largely a free-enterprise economy. Despite a liberalised economy, the small-scale sector in India is performing well. The policies of the government are also directed towards the growth of the small-scale industries. The government has since enhanced the investment limit in plant and machinery from Rs 60 lakh (Rs 75 lakh for ancillaries and exporting SSIs) to a common limit of Rs 1 crore. This would encourage modernisation of the existing small-scale industries with the adoption of appropriate new technologies in the sector and stimulate the growth of new small-scale units. The government is also keen to provide adequate institutional credit to the small scale sector by ensuring that working capital limits of these units are fixed by the financial institutions at a minimum of 20 per cent of their projected turnover, as prescribed by the Nayak Committee. The government plans to educate the small-scale entrepreneurs about economies of scale, arrange for upgradation of skills and technologies and strengthen export capabilities for the promotion of small-scale industries. In India, the small-scale industries are, therefore, poised for growth and development provided they adopt the above strategies to overcome competition from the large-scale sector. The prospects of small-scale industries in a free economy are quite encouraging provided the government plays a supportive role and adequate measures are taken to meet the challenges posed up by the large-scale sector.

Opportunities

By its less capital intensive and high labour absorption nature, the SSI sector has made significant contributions to employment generation and also to rural industrialisation. This sector is ideally suited to build on the strengths of India's traditional skills and knowledge, by an infusion of technology, capital, and innovative marketing practices. This is the opportune time to set up projects in the small-scale sector. It may be said that the outlook is positive, indeed promising, given some safeguards. This expectation is based on an essential feature of the Indian industry and demand structure. The diversity in production systems and demand structures will ensure long term coexistence of many layers of demand for consumer products/technologies/processes. There will be flourishing and well grounded markets for the same product/process, differentiated by quality, value addition, and sophistication. This characteristic of the Indian economy will allow complementary existence for various diverse types of units. The promotional and protective policies of the government have ensured the presence of this sector in a wide range of products, particularly consumer goods. However, the bugbear of the sector has been the inadequacies in capital, technology, and marketing. The process of liberalisation coupled with government support will, therefore, attract the infusion of just these in the sector. The small industry sector has performed exceedingly well and enabled India to achieve a wide measure of industrial growth and diversification.

DISCUSSION FORUM



- ◆ Discuss in small groups the external and internal problems faced by SSIs.
- ◆ Explain the prospects for small business enterprises.

SUMMARY

- ◆ The small-scale industry sector has, over the past six decades, acquired a prominent place in the socio-economic development of the country. The sector has exhibited positive growth trends even during periods when other sectors of the economy experienced either negative or nominal growth.
- ◆ Various policy initiatives undertaken by the government, whether by way of incentives or protection, have helped the sector in acquiring the status of a major contributor in the growth process. In fact, though the SSI sector has demonstrated its strengths, the basic accent of small-scale industrial policy has been defensive, aiming to insulate the sector from the dynamics of competitive growth.
- ◆ The process of liberalisation and economic reforms, since 1991, while creating tremendous opportunities for the growth of SSIs, has, however thrown up new challenges to the sector.
- ◆ According to the Third SSI Census, the size of the total SSI sector is estimated to be over 1 crore (1,05,21,190). About 42.26 per cent of these units were SSIs; the rest were SSSBEs. The percentage of ancillaries among the SSIs was 2.98.
- ◆ In India there exists no definition of Small & Medium Enterprises (SMEs). What prevails here is only the concept of small-scale, ancillary and tiny industry which are related to the historic value of the investment in plant and machinery. In other countries, SMEs are defined on the basis of both quantitative and qualitative elements, such as the number of workers employed and/or annual turnover or the level of fixed investment. However, employment is an omnipresent criterion for determining the size of the unit in these countries.
- ◆ The problems of small industries may be divided into two groups—external and internal. External problems are those which result from factors beyond the control of the industrialist such as the availability of power and other infrastructure facilities required for the smooth running of small-scale industries. Internal problems are those which are not influenced by external forces.
- ◆ In the changed environment, the SSI sector needs to integrate itself with the overall domestic economy and global markets by gearing itself to greater interdependence by networking and subcontracting. To satisfactorily meet the present as well as future requirements of the sector and the national economy, the policies and projects for the SSI sector will have to be effective and growth oriented so as to achieve competitiveness, collective approach, and capacity to upgrade.



KEY WORDS

- ◆ Small-scale Industry (SSI)
- ◆ Globalisation
- ◆ World Trade Organization (WTO)
- ◆ General Agreement on Tariff and Trade (GATT)

- ◆ International Monetary Fund (IMF)
- ◆ International Trade Organisation (ITO)
- ◆ Quantitative Restrictions (QR)
- ◆ Trade Related Investment Measures (TRIMS)
- ◆ Trade Related Aspects of Intellectual Property Rights (TRIPS)
- ◆ Registered SSI
- ◆ Unregistered SSI
- ◆ Small-scale Service and Business Enterprises (SSSBEs)
- ◆ Tiny unit
- ◆ Women entrepreneur
- ◆ Ancillary unit
- ◆ Export-Oriented Unit (EOU)
- ◆ Handicrafts
- ◆ Handloom
- ◆ Khadi, Village and Cottage Industries
- ◆ Coir
- ◆ Sericulture
- ◆ Powerloom
- ◆ Industrial policy
- ◆ Sick unit
- ◆ Third All India Census
- ◆ Small and Medium Enterprises (SME)
- ◆ International Network of SME (INSME)



EXERCISES

Activity 1.1 Group Assignment

Divide the class into small groups consisting of 5–7 members. Each group should visit the local Small-scale Industry, study the problems of the enterprise and prepare 20-minute power point presentation on the problems faced by the enterprise. All the groups have to make the presentation in front of the panel consisting of three professors of your institute. After all the presentations are over, the panel has to decide the winner group and the first and second runner-up.

Request your professors to lend their supervision to this exercise.

Activity 1.2 Report Writing

Study the Second and Third All India Census on SSI and prepare a comparative analysis of the results of the survey. Prepare a brief report containing the gist of the results.



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14. Reports of Central Statistical Organisation, GOI.
15. Reports of State Directorate of Industries, Govt. of Karnataka.
16. SIDBI Annual Reports.
17. Sri Kumar, Jayalakshmi (2001). "Gearing up to Meet Challenges: Dereservation and Small-Scale Industries", *Management Accountant*, 36.12: 915-916.

18. Thyagarajan, G. (1998). Brainstorming on Identification of Technology Needs of Small and Medium Enterprises in Developing Countries (with focus on India), COSTED, Chennai, June 1-2.



Websites

1. www.lubindia.org

Trade-wise, sector-wise or state-wise a number of small organisations are operating in the country to serve the cause of small-scale industries. However, a well-knit, well-disciplined organisation equipped to solve the economic problems and the one, which can create an effective lobby to promote SSIs, is still wanting.

New trends are emerging in the national economy in sympathy with the shifting dimensions of the global economy. The developed countries (which have almost reached a saturation point in their economic growth) are fiddling with the idea of economic domination of the underdeveloped or developing countries. While this phenomenon could be viewed as a desperate attempt on their part for their own survival, it is the duty of nationally conscious Indian entrepreneurs to contribute their mite to bring about a qualitative change in the economy. Keeping such noble sentiments in mind, a few chosen captains of our small-scale units, committed to organise the small-scale sector on a firm footing, have founded the Laghu Udyog Bharati.

2. www.ssi.nic.in

The Ministry of Small-scale Industries and Agro and Rural Industries (SSI and ARI) was created on October 14, 1999, as a nodal ministry for formulating policy, promotion, development and protection of small-scale industries in India. The ministry was bifurcated into the Ministry of Small-scale Industries and Ministry of Agro and Rural Industries on September 1, 2001. The Ministry of Small-scale Industries is the nodal ministry for the formulation of policy, promotion, development and protection of small-scale industries in India.

The Ministry of Small-scale Industries designs and implements the policies through its field organisations for the promotion and growth of small-scale industries. The ministry also performs the functions of policy advocacy on behalf of the small-scale industries sector with other ministries/departments.

The implementation of the policies and various programmes/schemes for providing infrastructure and support services to small enterprises is undertaken through its Attached Office, namely, Small Industry Development Organisation (SIDO) and the public sector undertaking—National Small Industries Corporation Ltd. (NSIC).

3. www.laghu-udyog.com

It is the official web portal of the SSI in India which gives access to committee reports, priced publications, RBI circulars and overview of SSI, definition of SSI, performance, statistics, and census.

4. www.techsmall.com

- ◆ The website has been sponsored by the Small Industries Development Bank of India (SIDBI).

- ◆ Technical guidance provided by United Nations—Asian Pacific Centre for Transfer of Technology (UN-APCTT).
- ◆ The database created with support from the Office of DC (SSI), Ministry of SSI and ARI, GOI.

5. <http://www.gin.sme.ne.jp>

Global information network of SMEs. This home page will provide access to information on SMEs (Small and Medium Enterprises) all over the world, including Japan, U.S.A., Canada, France, Germany, Italy, U.K., and the European Commission.