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Emergence & Evolution of Small Scale Units: A Journey of Eighties

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Abstract
The living standard of people among different countries vary considerably. Generally industrialized countries are termed as developed countries and the agriculturally pre dominated ones are referred as developing countries. Developing nations have normally traditional and conventional techniques to use whereas developed nations go for technological upgradation and expertise. Present study puts its focus on what type of growth pattern our small scale and tiny sector had in a period of industrial revolution

Keywords: Developed, Developing, Growth, Industrialization, Upgradation

The president of World Bank once pointed out that around 40% people in developing countries live in absolute poverty. Their life is so degraded by disease illiteracy. malnutrition and hunger that the attainment of basic necessities seems to be attained difficult in near future. Agriculture supplies certain indispensable primary requisites- food for the population, raw material for industries and surplus for exports. No country, which aspires to be self-supporting can do without agriculture. At the same time no a nation has become rich through agriculture alone. With the growth of civilization and the multiplication of human waste, the opportunities associated with manufacturing industries have increased in importance and are found to be more remunerative. Industrialization has become a necessity. With this background, industrial revolution in India started after getting independence.

Need of Study

Village and small industries in their different concepts are an integral and continuing elements in the economic structure and in the scheme of national planning. The primary object of developing small industries in rural areas is to generate better employment opportunities, raise standard of livings and bring about a more balanced and integrated economy. The prevailing scarcity of capital for the promotion of large scale industries and lack of technical development favors the growth of small scale and tiny industries. Besides, the setting up of small but efficient units of production at suitable locations throughout the country would reduce the cost of transport involved in the haulage of raw materials on the one hand and provide employment to scattered unskilled population on the other. The low purchasing power of the masses tend to restrict the market and the scale of production in certain spheres and thus makes sense for arrival of small, tiny units. These are essential for providing subsidiary or alternate occupations as well as for utilization of local raw materials.

Structural Classification

Small scale industries nay be classified in terms of their growth pattern under three broad categories:

1. Some industries are started on a small scale level but likely to develop into medium size units within a short time. These are normally capital intensive and are generally in corporate sector in the form of private or public limited companies. These have more of borrowed capital than owned and are normally professionally managed. Some of the industries that come under this group are, the manufacturers of biscuits, pens, grinding wheels, automobile spares etc.
2. Under second category are those units which started on a small scale basis and are likely to remain so even after a long period, in view of the specialized nature of demand for their products. Though special type of instruments and equipment are required, yet they don't need any large scale investments. Generally, they are organized as non-corporate concerns, partnership firms, proprietary or joint family concerns. Managerial concerns of these units are normally addressed by owners. Their financial resources are normally blocked in holding stock or in giving short term credit to their customers. Units producing aggarbaties, nut bolts, wire nails etc. come under this category.
3. The third category covers concerns which began as cottage industries but later transformed to feeder units of small scale industries. This group forms the smallest segment among this category. Such concerns are mostly organized as proprietary concerns, Borrowed capital is relatively insignificant and availability of institutional finance negligible. Being more labor intensive, the tangible assets of these units are limited. Their management of things as well as maintenance of records is very much conventional. Units producing toys, sweets, springs etc. come under this category.

Industrial Policy Bank

Development of small scale, village and cottage industries has been the objective of government since independence. Although their importance was underlined in the industrial policy resolution of 1948 and 1956, a positive policy was announced only in 1978. This was the first time that government had laid greater stress on the small scale industrial sector than any other sector. This policy of 1978 did not survive for long time and finally was merged with policy of 1980. The historic general election of 1980 brought the Congress Party back to the power with a thumping majority. The new government announced its industrial policy on 23rd July 1980. This policy was aimed at optimum utilization of installed capacity and expansion of industries. The motive was to benefit the common man by making available goods at cheaper prices, larger employment generation, development of infrastructural facilities and providing much needed support for agriculture and agro based small industries. In that scenario investment limits have been raised for definitional purposes as under:

For small scale units from Rs 10 lakhs to Rs 20 lakhs

For ancillaries from Rs 15 lakhs to Rs 25 lakhs

For tiny units from Rs 1 lakh to Rs 2 Lakhs

This enhancement was done to cover the rise in prices of machinery and equipment as well as to stop falsification of accounts, which was leading to arrival of benami units.

Amount allotted for SSI units during five year plans (Table 1.1)

Year	Plan	Amount (Rs. In Crores)
1951-56	First Plan	5.20
1956-61	Second Plan	56.00

1961-66	Third Plan	113.60
1966-69	Annual Plans	53.48
1969-74	Fourth Plan	96.19
1974-78	Fifth Plan	221.74
1978-80	Annual Plan	104.81
1980-85	Sixth Plan	616.10
1985-90	Seventh Plan	1120.51

(Source: Planning Commission India)

Outcomes

The industrial policy of 1980 although emphasized on the growth of SSI units, yet in spite of its impressive records, some distortions have been noted in the growth of small scale sector. Measures taken to develop new industries in rural areas particularly based on local resources have not yielded significant results, corporate credit facilities in the semi urban and rural areas have remained comparatively inadequate and infrastructure so poor to attract any new venture. The broad socio economic objective of this policy had been set out as optimum utilization of the installed capacity, maximizing production and achieving higher employment generation, correction of regional imbalances through a preferential development of industrially backward areas, strengthening of the agriculture base by according a preferential treatment to agro based industries and promoting optimum inter-sectoral relationship, faster promotion of export oriented and import substitution industries, promoting economic federalism with an equitable spread of investment and the dispersal of returns among widely spread very tiny but growing units in rural as well as urban areas and consumer protection against high prices and bad quality. An important pragmatic change was to raise the investment limits of tiny units. Special emphasis in this policy was given to the establishment of 'Nucleus Plant' in the backward districts around which a program of ancillarisation was to be developed.

The role of SSI had assumed added importance during the seventh plan as it was completely focused on the twin objectives of employment and productivity. The potential of direct employment generation is much higher in SSI units as compared to medium and large, as these are labor intensive units. Moreover supply of input credits and risk capital also helped to enhance its productivity and competitiveness. The document further suggested that as this sector encompasses a number of products consumed in large volume by small scale sector are reserved for production by them such as agricultural pump sets, diesel engines, electric motors etc. This plan also laid down on importance of upgradation of technology in SSI units by strengthening and creating tooling & workshop facilities for development of proto type designs, new products and processes, revamping of the organizational structure, promotion of the dispersal of industries to the less developed areas and imparting of higher levels of training.

Sick Units

The criteria which generally determine sickness in large scale industries are equally applicable to small units, According to Reserve bank," such units require a comprehensive rehabilitation program and intensive care over a period of time and they should be distinguished from those which show evidence of incipient sickness, calling for a close watch and preventive remedial action on the part of the bank." A sick unit is a unit which is not healthy and as such is not able to generate reasonable return on capital. It depends for its survival on frequent infusion of external funds.

The problem of sickness among SSI units had a regional dimension in India. In the western region, sickness predominated in the textile industry whereas in the northern, it was sugar. Eastern region was facing disequilibrium in engineering industry and in southern it was forestry.

Sick units in small scale sector (December 1985) (Table 1.2)

States	No. of units	Amount Outstanding (Rs. in crores)
Andhra Pradesh	9694	62.80
Assam	5683	7.80
Bihar	8570	48.95
Gujarat	4045	75.03
Haryana	1500	25.12
Himachal Pradesh	413	3.24
Jammu &Kashmir	1382	6.28
Karnataka	5705	77.61
Kerala	2378	45.97
Maharashtra	8587	187.32
Madhya Pradesh	7843	31.37
Orrisa	5299	29.49
Punjab	1345	21.69
Rajasthan	5964	29.22
TamilNadu	15171	107.71
Uttar Pradesh	12036	81.69
West Bengal	18620	142.52
Nagaland	7	0.02
Manipur	669	0.41
Meghalya	141	0.10
Mizoram	2	0.01
Tripura	245	0.79

(Source: Reserve Bank of India)

Suggestions

Realizing the need for identifying areas in the small scale sector where better technology is required, the govt. of India had set up a committee under the chairmanship of G.B.Navalkar to suggest suitable measures. After submission of its report, a program of modernization was submitted by development commissioner, SSI to the Finance committee. A Number of organizations such as Small Industries Development Organization, National small Industries Corporation, Agro Financial Organization, Technical Consultancy Organization of IDBI, Bureau of Indian Standards etc. came into existence. These all organizations were aimed to provide some basic amenities such as services of common facility centers, training and stipend of entrepreneurs, providing infrastructural facilities and assisting them to secure loans. Development of alternative sources of energy in small scale sector was a commendable step taken in this direction. New strategies were developed for the growth of backward regions and reduction of regional disparities. Policies were made for enhancement of capacities and capabilities of infrastructural sector such as power, transport, communication, ports etc. Focus was on more judicious use of our natural resources supply.

"Little by little, a little becomes a lot"- Tanzian Proverb

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