CHAPTER - VII

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CONCLUSION AND SUGGESTIONS

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VII.1 Conclusions

Present study deals with the study of Small Scale Industrial policies in India. A significant feature of Indian economy since Independence is rapid growth of small scale industry. It plays pivotal role in industrial production, employment generation and exports. growth, redistributive justice, alleviation of poverty, human development and self reliance have remained more or less unchanged in India's development strategy since introduction of planning in the country since 1951. For achieving these goals in the early years, the strategies entailed larger investment in SSI units and infrastructural development, sound and broad based industrial growth regulation and licensing of private sector, import restrictions and limitation of foreign investment etc.

However, in fact, they are facing numberous problems. The Government, Central and State have taken a number of measures to solve the age old problems. The Union Government has set up number of agencies, to faster the development of village and small scale sector and credit facilities are made available to these industries through numberous financial institutions.

All small scale industries had capital investment of less than Rs. 5 lakhs. In 1966, the SSIs were defined as undertakings with a fixed capital investment of less than Rs. 75 lakh and ancillaries with fixed capital investment of Rs. 10 lakhs. Under 1980s industrial policy statement this limit was further increased to Rs. 20 lakhs in case of SSIs and Rs. 25 lakhs in case of ancillary units. In case of tiny units investment limit has been raised from Rs. 1 lakh to Rs. 2 lakhs.

According to Industrial Policy 1990, investment limit for SSIs has been raised from Rs. 35 lakhs to Rs. 60 lakhs for ancillary units, but this limit further increased in 1997 from Rs. 60/75 lakhs to Rs. 3 crores for SSIs and ancillary units and from Rs. 5 lakhs to Rs. 25 lakhs for tiny units.

This increasing trend of investment shows the increasing significance of SSI units in Indian economy.

The economic perspective of history since man's earliest abode on this plannet gives us a scientific attitude towards the present conditions and problems. It clarifies the idea that the development in production have not taken place in a haphazard manner but that they have depended upon the economic organisation of society. We can see that the present small scale industry had developed through many stages. The series of the events beginning in the fifteenth century and continuing to the present were in great part responsible for shaping our modern world. There are five revolutions, they are as under :

1) Commercial Revolution
2) Agricultural Revolution
3) Scientific Revolution
4) Religious Political Revolution
5) Industrial Revolution

All these are inter-related. In ancient period of India, the industries were mostly of cottage and small scale type which closely associated with agricultural and domestic needs. The traditional small industries are highly labour incentive, while the modern small scale units make use of highly sophisticated machinery and equipment.

Small scale industrial policies has been adopted by Indian Governments from time to time. In first Industrial Policy of 1948, SSIs were neglected. Through Government recognised its important role in the economy, yet no special attention was given. But the Industrial Policy Statement of 1956 stated that the State would support to cottage and small scale enterprises by restricting volume of production in the large scale sector by differential taxation or by direct subsidies. Industrial Policy Statement, 1977 emphasised on development of SSIs and was classified into three categories viz. cottage and household industries, tiny sector and small scale industries. The purpose of the classification was to specially design policy measures for each category. As against 180 items in list of reservation operating earlier, the Government expanded it further to 807 items by 1978. The Government set up in each district an agency called "District Industries Centres" (DICs). To serve focal point of development for SSI units and the separate wing of the IDBI was exclusively dealing with the credit requirements of SSIs. Now there is a separate Bank for SSI which is known as Small Industries Development Bank of India. The Janta Government's Industrial Policy failed to impose a ban on multinationals or Indian big business to produce ordinary items like bread, biscuits, toffees, footwear, leather products, etc. which should have been legitimately reserved for the small sector. The Industrial Policy 1980 redefined the small units by increasing investment limit and to prompt industries in rural areas. 1980's policy emphasised handlooms, handicrafts and Khadi and other village industries.

The policy changes adaptation since 1990 were special thrust on market mechanism and competition which are known as 'New Economic Policy' (NEP). Its main feature of this policy are liberalisation, participation and globalisation. This includes policy measures where the Government reduces its role in various economic activities. But the policy regarding the protection of small scale industries remained on paper as the large scale units through back door entry took these benefits. The policy of controls resulted into Permit/License Raj and the productive energies were wasted in seeking permission and satisfying bureaucrats. The relative change in market capitalization of large companies is the result of changing competitiveness in the Indian industries. The dominance of the multinational companies has resulted in marginalization of Indian firms. Moreover, these large Indian houses have further marginalized the SSIs units. The industrial slow down and on slaught of MNCs and large industries have taken the heavy toll on the SSI units. Even in the post liberalisation era the SSI are facing the problems of discriminatory treatment. The SSI units are compelled to pay heavy excise duty, as they are not allowed to benefit from MODVAT. The revision of the investment limit for the SSI to Rs. 3 crores by the government from Rs. 60 lakhs in 1997 has resulted into difficulty in getting the loans from the financial institutions. The Small Industries Development Bank (SIDBI) is funding the big units only. Another important problem faced by the SSI units is the delay in payment from the large units. The Abid Hussain Committee on Small and Medium Scale Industries recommended the dereservation of 15 items including ice creams, biscuits and synthetic syrups. The dereservation of items will result in expansion of large units in these areas and marginalization of the SSI units. The request of the SSI association to consider more excise exemptions, simplifications in maintaining the excise records, higher depreciation on computer related equipments and removal of Permit/Licences and Inspection Raj were given deaf ear by the Government.

The maximum investment made by Governemnt for SSI units under Five Year Plan has been changed by each plan. The trend of amount provided for SSIs through Five Year Plans was increased from 2.1% in first plan to 4.0% in Second Plan, which was higher provision of SSIs. Further, it was decreased in Third and Fourth Plans from 2.81% to 1.9% and continuously declined upto Sixth Plan by 1.5%. This declining trend represents that Government has not given satisfactory financial support to SSIs through Five Year Plans since Independence as it was practically required.

Table VII.27

Actual Outlay for SSIs in Five Year Plant : At a Glance

No.	Plans	Actual expenditure (Rs. in crores)	% of the total outlay
1	First Five Year Plan	0042	2.1
2	Second Five Year Plan	0187	4.0
3	Third Five Year Plan	0241	2.8
4	Three Annual Plans	0126	1.9
5	Fourth Five Year Plan	0243	1.5
6	Fifth Five Year Plan	-592	1.5
7	Sixth Five Year Plan	1952	1.8
8	Seventh Five Year Plan	2752	1.5
9	Eight Five Year Plan	7094	1.4

But in fact, small enterprises are presently seriously handicapped in comparison with larger units by an inequitable allocation system for scarce raw materials and imported components, lack of provision of credit and finance, low technical skill and management ability and lack of marketing contracts. It is therefore, essential to develop an overall approach to remove these disabilities so as to strengthen their competitive position. The major problem faced by SSIs is the sickness among small units. Government has been made assistance from time to time, but it has not been adequate to remove present disabilities of SSIs. For the purpose Government adopted financial assistance through financial institutions viz. IDBI, IFCI, ICICI, SIDBI, SFCs and SIDCs etc. Apart from the fact that there has been considerable increase in the volume of loans sanctioned and the amount disbursed by the term lending institutions, there is noticeable rising scale of financial assistance rendered by them to SSIs to projects in backward districts and to new/small enterpreneurs. In long term, the flow of credit by both banks and SFCs is critically dependent on availability of infrastructure and support services for SSIs. Thus, it is essential policies and programmes to augment the flow of credit as also to reduce disparity.

VII.2 Suggestions

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The experience of New Economic Policy shows that it has primarily catered to the interests of the multinationals and large industrial houses. The so called competition advantages to consumer are to be materialized. The small scale industries with employment potential are facing the crisis and identity. Given this NEP there is à need for some corrective measures in the following directions :

I) The opening of economy for multinationals in all areas is harmfull. The principle of selectivity should be followed.

II) The NEP has lost its human face. The National Renewal Fund established for retraining and rehabilitation of surplus workers has not worked to satisfaction. A proper Social Security Scheme and massive employment generation programme is the need of the time.

III) The NEP helped in shedding out the draconian out dated laws and regulations. However, it should not be ignored that the World Bank Report of 1999 admitted the fact that policy measures suggested by it were erroneous in the last 50 years. It emphasises the need to review and make suitable changes in the policy accepted by India.

IV) No policy with any kind of pressure be pursued if it is determined to the interest of the workers at large and leading to massive unemployment and inequality.

A change of policies from protectionism to liberalisation has helped large Indian Industry and multinationals to enter in areas reserved for SSIs. This extreme path should be avoided since this has done more harm than good. The country should move to a middle path and permit selective liberalisation with necessary safeguards for small scale sector.