

# CHAPTER III

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IN ABROAD AND IN INDIA**

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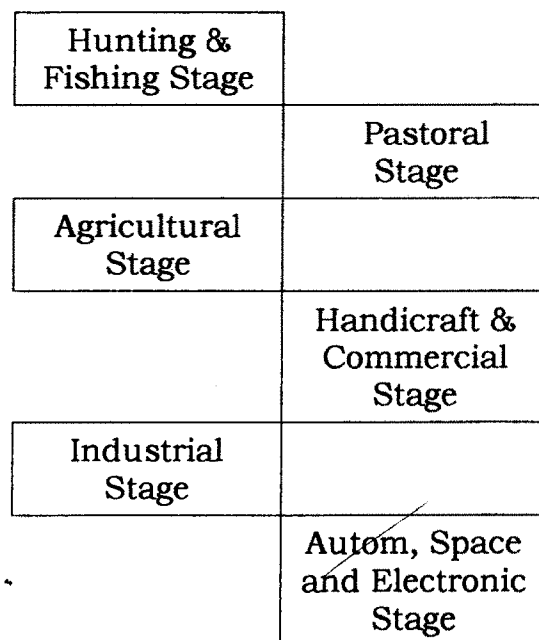
## CHAPTER - II

### DEVELOPMENT OF SSI IN ABROAD AND IN INDIA

#### II.1 Origin of Economic Activities

There are various stages through which the economic organisation of society has passed since the earliest times.

Economic Organisation of Society can be described as under :



#### II.2 Small Scale Units in United Kingdom

There has been the major growth of employment/service sector which currently provided well over half the output and two third of employment, small scale being predominant major support organisations for small business approaches in UK are as under.

- (A) Central government industrial training and development ministers in the UK.
- (B) Manpower Service Commission
- (C) Department of Industry
- (D) Department of Environment
- Local government industrial development office
  - Development Corporation
  - Industrial Estate Corporation
  - Bank
  - Employees Federations
  - Trade Federations
  - Chamber of Commerce and Trade
  - Community Development Organisation (Enterprise agency)
  - Business Support Services/Organisation for quality standards in UK

The following sources of help/device are available in the fields of innovations, production, marketing, purchase, supply and quality.

- A) Department of Trade & Industry (DIT)
- B) National Vocational Qualification (NVQ)
- C) Training and Enterprise Council (TEC)
- D) Business Standards Institutions (BSIs)

The other quality control assisting organisations are :

- National Accreditation Council for Certification Bodies (NACCB)
- Association of British Certification Bodies (ABCB)
- British Quality Foundation (BQF)
- Institute of Quality Assurance (IQA)
- National Quality Information Centre (NQIC)<sup>1</sup>

### **Services to Small Business in the UK and India**

In UK banks are providing all type of facilities including business profile, business plans, market report, information about market demand etc. The main measures taken for the promotion of small scale sector in India are :

- A) Priority Sector Lending
- B) Fiscal Concession in the form of excise reliefs
- C) Uniform policy framework for the entire spectrum of SSIs
- D) Reservation of products for exclusive manufacture of SSI sector
- E) Price and purchase preference to products manufactured by small tiny and women organisation.

The UK government policy in relation to small firms focuses on three areas :

- 1) Creating a favourable economic climate.
- 2) Reducing bureaucratic burdens on business.
- 3) Providing direct assistance only where required.<sup>2</sup>

We may realise properly the actual position of employment in UK's small units from Table No. II.2 and Table No. II.3, which reveals that there was 77% increase in self employment between 1979 and 1990, about 99% of stock of business in the UK are "SMALL".

Between 1987 and 1989 over half a million jobs were created by firms employing less than 20 people.

**Table No. II.2**

**No. of self employed as a percentage of the workforce in the UK**

<b>Years</b>	<b>% of workforce</b>
1911	12.8
1951	7.2
1965	6.5
1975	7.7
1985	9.4
1990	11.7

Source : Journal of SEDME, Vol. XXIV, No.2 June, 1997

**Table No. II.3**

**Percentage of people employed per size of firm in UK**

<b>Employees</b>	<b>1979</b>	<b>1986</b>
1-2	6.6	9.7
3-5	5.9	8.9
6-10	6.7	7.3
11-19	7.6	10.1
20-49	6.9	6.7
50-99	5.3	6.9
100-199	10.2	9.9
200-499	8.1	11.9
500-999	7.5	10.5
1000+	35.3	18.2

Source : Journal of SEDME, Vol. XXIV, No.2, June, 1997

### **II.3 A Historical Perspective**

The series of the events beginning in the fifteenth century i.e. five revolutions we can discussed. These events form only historical perspective. These events were brought about by the pursuit of ideas and opportunities by individuals and societies to achieve their selected goals.

#### **1. Commercial Revolution**

The beginning of the fifteenth century represented a change in the volume and variety of trade as well as the length and extension of trade routes. These changes were brought about by number of factors including population growth, the consolidation of populations into countries or nations states and availability of economic surpluses.

#### **2. An Agricultural Revolution**

The revolutionary improvements in agriculture included selected breeding of livestock, crop rotation and seed selection to produce larger crops. The existence of cities depends on the existence of economic surpluses to feed, cloth and provide shelter for non-agricultural urban population.

### **3. Scientific Revolution**

The scientific revolution marked the beginning of new era of thoughts. Unbridled by church doctrine, individuals such as Newton, Descartes, Harvey and Bacon brought forth views on science, mathematics, anatomy and philosophy. The synthesis of old and new knowledge and helpful, even exuberant attitude on the part of society resulted in great strides in scientific inquiry and a new intellectual awakening.

### **4. The Religious-Political Revolution**

This revolution is known as reformation marked the end of church dominance over European society and the emergence of political institutions. Though, greatly influenced by church doctrine, the new political arrangements did not act solely as an agency of the church.

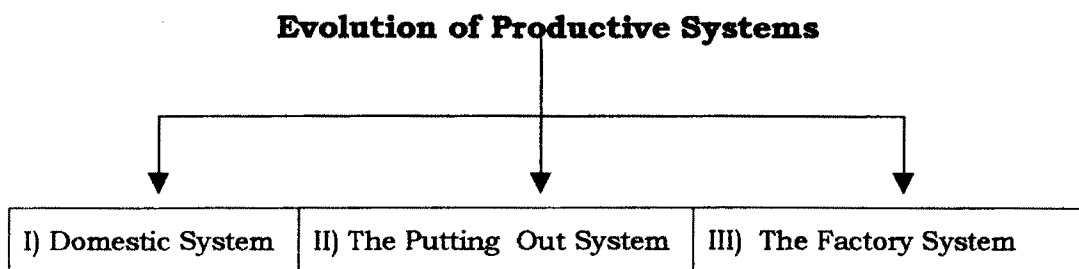
### **5. The Industrial Revolution**

The industrial revolution began in England in the middle of the eighteenth century and it spread to the United States a century later. It was distinguished by the concentration of workers, materials, equipment and management in factory buildings, constructed specifically for production, centralised,



control of resources, the clear distinction between employer and workers and employment of mechanical power.

The industrial revolution in England during 18<sup>th</sup> century transformed the dominantly agrarian society into commercial industrial one.



### **I The Domestic System**

As name implies, a family production efforts carried out in the home. The dominant product other than those products produced and consumed by family members. The output, representing the economic surplus over immediate family needs required little investment and was labour intensive. The quantity of output was small as compared with today's standards and deplorable in quality.

The managerial functions of planning, organising, controlling, supervising and staffing were carried out in an informal manner by family elders as need was recognised.

The domestic system was more important because it provided domestic employment.

## **II. Putting Out System**

The putting out system corrected the domestic systems major faults of non uniformity of output undependable supply and highly variable prices. The putting out system succeeded in increasing the dependability of supply and uniformity output but failed in terms of resource control.

## **III. The Factory System**

It sought to correct the faults of putting out system. Early attempts to bring together the factors of production under one roof were only marginally successful until the introduction of power driven machines.

During the second half of 18<sup>th</sup> century a number of events occurred in England that changed the English society and ultimately western civilization.<sup>3</sup>

### **II.4 Development and Pattern of Industrialisation from Ancient period of India**

Industries in ancient India enjoyed a boomish period. The finished products produced by Indian industries glutted the markets of the civilised world and dominated the international

scene. These industries were mostly of cottage and small scale type. Rural industries which were closely associated with agricultural and domestic needs were mostly indigenous. But in urban and suburban areas the industries were highly developed in which trained and skilled workers and artisans would work at the output of high artisans value.

Specially during Mughal period, the 17<sup>th</sup> and 18<sup>th</sup> centuries, India was the industrial workshop of the world and the handicrafts were highly organised and integrated cottage industries. Here we can mention the following cities with their products.

- A) Delhi** : Cotton cloths, mostly dyed in various colours and stuffs carved chitas.
- B) Lahore** : Fine white cloths, coloured silk cloths in embroidery carpet, woolen goods, bows and arrows, tents, saddles, swords, boots and shoes.
- C) Agra** : White cloths, silk stuffs, lace, gold and silver embroideries on turbans and other kinds of cloths.
- D) Patana** : Silk and cotton goods, shields, artistic pottery and salt petre.
- E) Banaras** : Muslins, silk stuffs of various kinds, gold and silver embroideries, belts and turbans.

- F)   Dacca** : Finest and richest muslins, with borders of gold and silver and coloured silk.
- G)   Ahamedabad** : Gold and silver cloths, flowered silks, gold and silver work jewellery.
- H)   Shrinagar** : Shawls and carpets, beds, ink boxes, trays, boxes and wooden spoons.

After arrival of British Rule in India and also after establishment of East India Company the small scale and cottage industries had received a step motherly treatment and had been made to disintegrate.

Organisation of industries in British period can be studied under two heads :

- A)   Rural Industry
- B)   Urban Industry

**A)   Rural Industry**

Most of the rural industry was carried on the cottages of workers. They served mostly local needs i.e. they manufactured utility goods such as the earthen wares, coarse cloth, baskets etc.

**B) Urban Industry**

The urban industries were more compact and closely organised. They served wider foreign markets i.e. the silk and woolen fabrics, calicoes, gold and silver wares and were organised in the guilds or by middlemen who made advances to the craftsmen.

The industry in fine woven cloths enjoyed market in the islands of East Indies on the African coasts and in England.

**Causes of decline of early industries in India**

There are many causes of decline of early industries as below :

- I) Impact of Industrial Revolution : Industrial revolution in England started during the second half of 18<sup>th</sup> century and was almost in full swing by the first quarters of the 19<sup>th</sup> century.
- II) Treating India as a colony : The industrial development in India was prevented or deliberately slowed down by the British empire.
- III) Prohibitory duties on Indian goods : The extension of British Rule in India and economic policy of Government aggravated the decay of indigenous industries.

- IV) High handedness of the comp-any agents
- V) Abolition of East India Company monopoly of trade.
- VI) Specialisation of Indian Economy.

## **II.5 Evolution of Modern Industry**

The evolution of modern industry was taken place in the following manner; the modern industrial enterprise in India developed after 1850, though the beginning had been made towards the end of the 18<sup>th</sup> century when the European planters began the manufacture of indigo. The new industrial activities took two forms.

### **I. Plantation**

The plantation industry was the first to be introduced into India. Till the middle of 19<sup>th</sup> century the European took very little interest in factory industry in India. It might have been due to the restrictions placed on Englishmen for acquiring land permanently in India, the trading monopoly of the company till 1833, and the lack of internal communications. By the second half of the 19<sup>th</sup> century all factors handicapping the establishment of industries lost their force.

## II. Cotton Textile Industry

Real unsatisfactory progress in the factory industry cotton and jute flourished. An analysis of the forces helping the industrial evolution upto world war, may be made as follows :

- A) The distinction of capitalistic urban handicrafts and village artisans industry paved the way for the transformation of India into a single economic unit.
- B) Growth of the great mercantile centers was one of the important contributions of British Rule.
- C) The introduction of English language in 1835 in the education system helped in the training of a large number of young Indians in modern scientific subjects which were necessary for gaining the technical knowledge required for industries and also in business organisation and management on western lines.
- D) The abolition of Monopoly of the East India Company in 1833 provided a big opportunity for English merchants to develop trade and industry in India. Foreign capital and the enterprise flowed into

plantations and monopolistic industries like jute and railways.

- E) The improvement of the oceanic and inland transport system encouraged the establishment of factories in country by providing facilities for procuring machines and silk from foreign countries.
- F) The progress of industrial enterprise was profusely influenced by the political developments in India and broad.

Swadeshi movement in the first decade of 20<sup>th</sup> century made the countrymen conscious of their industrial backwardness. But the development of industries in India was not slow but also lopsided in its character. The results of industries upto World War I were disappointing.<sup>5</sup>

#### **G] International Planning Team**

In 1954, the team of experts have observed that rate of development of small industries in India. The team has based its proposals and recommendations on systematic approach and not on its overall problem viz. raw materials supply, product design techniques and equipment, trade education, marketing and



distribution. Most of the recommendations of the team have been implemented by the Government of India.

#### **H] Japanese Team on Small Scale Industries**

Japanese team of five men visited India in 1959 for study of SSIs and submitted its report in 1960. The team recommended systematic mechanisation and modernisation of small scale industries and expansion of technical, financial and other facilities. The team had praised the industrial estate scheme as unique in India and suggested the establishment of a Technical Committee in each State.

#### **I] Indian Productivity Team on Small Industries**

The team on small scale industries visited four countries, namely, the U. S. A. , West Germany, Sweden and Japan and submitted its report in 1960.

Firstly, it recommended that legislative measures which were in force in the U.S.A. and Japan should be considered by SSIs Board to see to what extent they could be adopted to suit Indian conditions.

Secondly, Government's policy of encouraging small scale units should be brought adequately to the notice of large units in the private sector.

Thirdly, it suggested that the Government should study in detail the actual working of the Small Business Programme in the U.S.A., for adoption to Indian condition.<sup>6</sup>

## **II.6 Growth of S.S.I.s in India**

The attached Table No. II.4 reveals the growth of the small scale units during 1990-91 to 1997-98.

The phenomenal growth in small scale industries sector is partly due to the encouragement, support and guidance given by government. What the government has done to promote the decentralised sector and what are its problems are issues worth examining.

The diagrams No.II 1 and No. II2 drawn on the basis of data (Table No. II.4 and II.5) relatively shows that the number of small scale units, the volume and range of products manufactured, the employment provided and the value of exports by these industries have grown substantially during the last decade.

The average annual growth rate of employment in the small scale sector for the period of 1980-81 to 1990-91 works out to be 5.8% and that of production to be 18.6% whereas the growth rate of employment is commendable and strengthens the belief that the absorption of surplus labour can really took place in the small

scale sector. The high growth rate of 18.6 percent exaggerates the achievements since figures of production are at current prices and thus they conceal the inflationary rise in production.

**Table No. II.4**

**Small Scale Industries Development in terms of No. of Units, Production, Employment and Exports during 1990-91 to 1997-98**

Years	No. of Units million nos. (%)	Production Rs. million (%)	Employment million nos. (%)	Exports Rs. million (%)
1990-91	1.95 (9.83)	1553400 (6.72)	12.53 (10.85)	96640 (4.49)
1991-92	2.08 (10.49)	1786990 (7.73)	12.98 (11.24)	138830 (6.45)
1992-93	2.25 (11.35)	2093000 (9.04)	13.41 (11.61)	177850 (8.26)
1993-94	2.39 (12.05)	2416480 (10.45)	13.94 (12.07)	253070 (11.75)
1994-95	2.57 (12.96)	2939900 (12.71)	14.66 (12.69)	290680 (13.50)
1995-96	2.72 (13.72)	3562130 (15.40)	15.26 (13.21)	364700 (16.93)
1996-97(P)	2.86 (14.42)	4126360 (17.84)	16.00 (13.85)	392480 (18.22)
1997-98(P)	3.01 (15.18)	4651710 (20.11)	16.72 (14.48)	439460 (20.40)

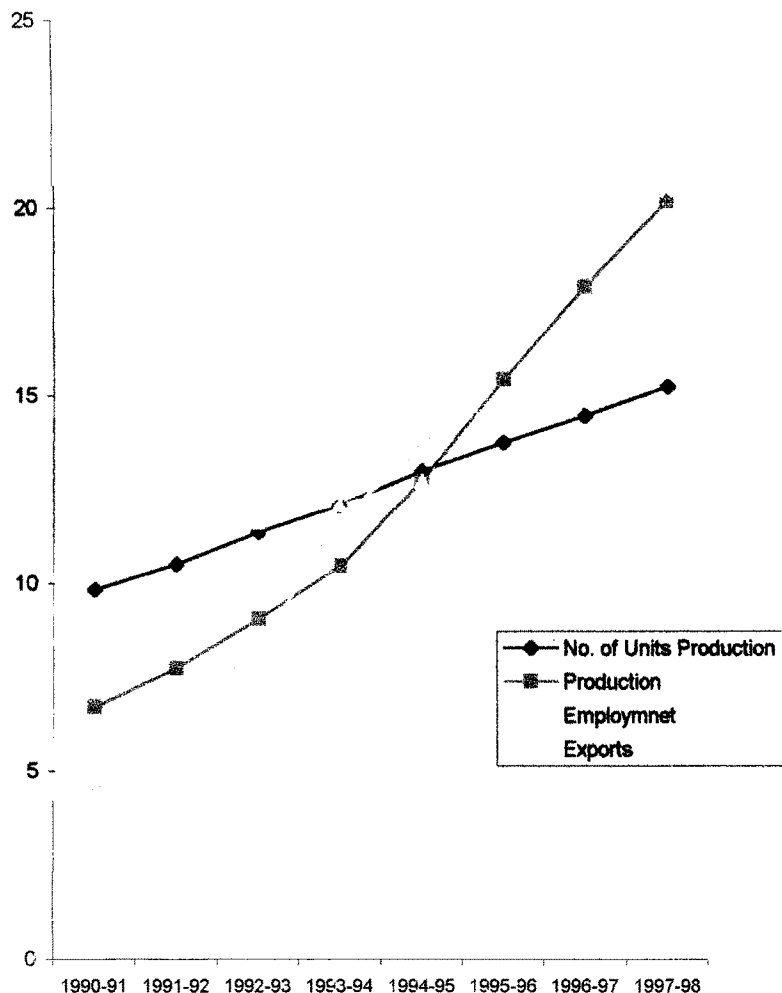
Note : (P) = Provisional

Source : DC(SS)I Ministry of Industry

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Diagram No. II.1

## Small Scale Industries Development



The above diagram is drawn on the basis of the data in Table No. II.4. The number of Small Scale Units, the volume and range of products manufactured, the employment provided and the value of exports by these industries have grown substantially during the last decades.

Table No. II.5

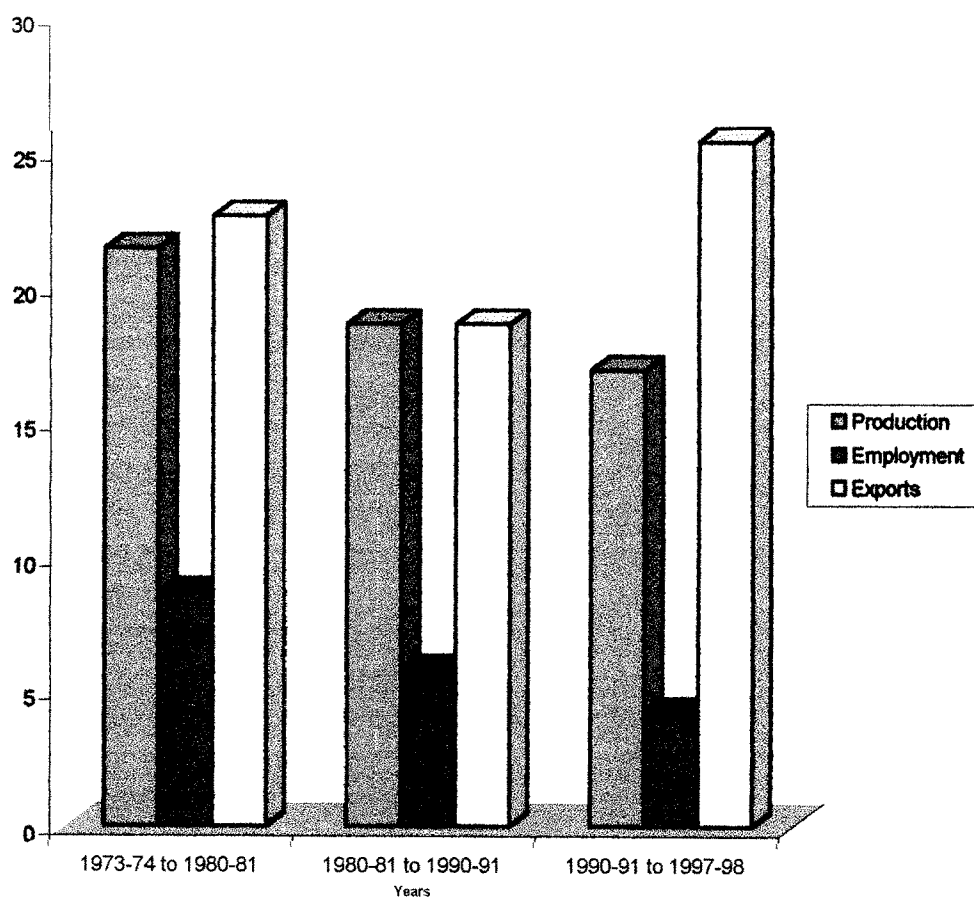
**Compound Annual Rate of Growth of SSIs in the period  
of 1973-74, 1980-81, 1990-91 and 1997-98**

Years	Production	Employment	Exports
1973-74 to 1980-81	21.4	8.7	22.6
1980-81 to 1990-91	18.6	5.8	18.6
1990-91 to 1997-98	16.9	4.2	25.3

Source : Small Industries Development Organisation Seventh Five Year Plan Vol. II and Handbook of Industrial Statistic (1987) and RBI, Report on Currency and Finance (1997-98)

Diagram No. II.2

**Compound Annual rate of Growth of SSIs in period of 1973-74,  
1980-81, 1990-91 and 1997-98**



The above diagram is drawn on the basis of data in Table No. II.5.

The growth rate of employment is commendable and strengthens the brief that the absorption of surplus labour can really take place in the small scale sector, the high growth rate of 18.6% exaggerates the achievements since figures of production are at current prices and thus they conceal the inflationary raise in production.

## **II.9 Conclusion**

The present Small Scale Industry has been developed through many stages such as hunting and fishing to industrial stage. For a long time the nature of industry was cottage industry and later on it changed into small scale industry. Some of the centres in India were famous for certain products and the same centres developed later on as highly industrialised cities in India. This also shows that the cottage and small scale industries in India declined due to the British Government's step mother treatment. The Japanese team and the other teams on small scale industries had helped to draw the early industrial policy of India. The institutions on the lines of UK should be promoted in India.

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