

# CHAPTER III

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REFERENCE TO SMALL SCALE INDUSTRIAL  
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**III.1 Introduction**

As early as 1916, the Indian Industrial Commission was setup for conducting a comprehensive survey of Indian resources and potentialities for Industrial development. During the Second World War period, the British Government became acutely conscious of the need of industrial expansion, research and training and established the Board of Scientific and Industrial Research in the year 1940.

**III.2 Definition of Industrial Policy**

The term "Industrial Policy" has a wide connotation. It signifies the principles, policies, rules, regulations and procedures, guiding and governing the industrial undertakings in a country. They help in shaping the pattern of Industrialisation of the country.<sup>1</sup>

"Industrial Policy means all those objectives, principles, rules, regulations and procedures concerning the pattern of industries, location and functioning of industrial establishment in the country."<sup>2</sup>

The basic purpose of Industrial Policy is to achieve the goal of the rapid industrial growth subject to certain objectives of the state policy.<sup>3</sup> All Industrial policies especially related to small scale industry are discussed in this chapter.

### **III.3 Industrial Policy of 1948**

The Industrial Policy Resolution of 1948 served the purpose of broadly indicating the Government's attitude and approach towards the process of the industrial development. It was essential to announce an industrial policy which could create conditions of economic security and thus produce a climate for stimulating investment in industry.

The Industrial Policy Resolution of April 1948, contemplated a mixed economy, reserving a sphere for the private and public sector. It was emphasized on :

- 1) It assigned a very important role to cottage and small industries in national economy offering as they do

scope for individuals village or co-operative enterprises and means for decentralizing industries.

- 2) It enunciated policy of fair labour condition as an essential basis for harmonious relation between management and labour.
- 3) The policy also emphasized the need for securing the participation of foreign capital and enterprise particularly as regards, industrial techniques and knowledge so as to foster the industrialisation of Indian economy.

The aim of the Industrial Policy Resolution 1948 was to clear the foggy atmosphere and help the process of investment and to lessen the industrial conflict.

Thus Industrial Policy of 1948 emphasizes only on basic and heavy industries, to make strong basis for future industrial development. Therefore, Industrial Policy of 1948 did not make special assistance and packages to small scale units. The policy experts only realise the importance of SSIs in Indian economy. At the early stage of industrial development Indian economy was facing very critical situation viz. industrial production in India had declined but population was increasing, inflation was worsened

by economic upheaval of partition of country and the refugee rehabilitation problems.

#### **III.4 Industrial Policy Resolution of 1956**

During this period the Parliament had accepted 'the Socialist Pattern of society'. These important developments necessitated a fresh statement of industrial policy. A second Industrial Policy Resolution was adopted in April 1956 replacing the Resolution of 1948. Important provisions of the 1956 Resolution were :

##### **I) New Classification of Industries**

- A) **Schedule A** : Seventeenth industries which were to be an exclusive responsibilities of the State.
- B) **Schedule B** : Twelve industries which were to be progressively state owned and in which the state would generally setup new enterprises but in which private enterprises would be expected only to supplement the effort of the State.
- C) **Schedule C** : All the remaining industries and their development in future would be in general left to initiative and enterprises of the private sector.

## **II) Fair and nondiscriminatory treatment for the private sector**

The State was to facilitate and encourage the development of industries in private sector by ensuring the development of transport power and other services and by appropriate fiscal and other measures.

## **III) Encouragement to village and small industries**

This policy has constantly been endeavouring to support cottage, village and small scale enterprises by restricting the volume of production in large scale sector by differential taxation or by direct subsidies. The State would concentrate on measures designed to improve the competitive strength of small scale producer by constantly improving and modernising the technique of production.<sup>4</sup> The policy encouraged the small scale units in private sector.

### **III.5 Industrial Policy Statement of 1977**

The incidence of industrial sickness was found to be wide spread and some of the major industries were worst affected. Unemployment had increased and rate of real investment had stagnated. Therefore, the industrial policy announced in December 1977, primarily directed towards removing these distortions of the

past so that the goal of faster economic development could be achieved within a time bound programme.

The salient features of 1977 Industrial Policy were :

A) Development of Small Scale Units :

The SSI sector was classified into the following categories :

- I) Cottage and household industries which provide self employment on a wide scale.
- II) Tiny sector which comprises of units whose investment in machinery and equipment upto Rs. 1 lakh, and it situated into the towns and village with population of less than 50,000. The new Industrial Policy intended to simultaneously develop all categories mentioned above.
- III) Promotion of Khadi and village industries by adopting modern techniques i.e. footwear and shops.
- IV) Development of appropriate technology : It would be an integral part of the government policy to ensure that the development and the applications of technology appropriate to the country's socio-economic conditions receives adequate attention.



**B) District Industries Centres**

For providing all the services and support to small entrepreneurs under a single roof at the district level, District Industries centres Programme was initiated as a centrally sponsored scheme in the 1978 and it is continuing since then the total number of DIC's at present is 422 covering 431 districts, out of 436 districts in the country. DIC's have been provided all services and facilities to entrepreneurs such as preparation of a feasibility report, arrangements for the supply of machinery and equipment, provision of raw materials credit facilities and input for marketing and extension services, quality control, research and entrepreneurial training. The DICs would also ensure that small scale industries continue to be viable.<sup>5</sup>

**C) Reservation Policy**

In order to provide a protected field to small entrepreneurs the Government of India reserved 177 items for exclusive manufacture in the small scale units. A list of such items is given below.

**I) Mechanical Engineering Industries**

1. Barbed wire
2. Beam scale
3. Bolts & nuts (except for high tensile and other special type)

4. Conduit pipes - Metallic
5. Expanded Metal
6. Hand numbering machines
7. Hand stapling machines
8. Hypodermic needles
9. Insecticide dusters and sprayers (manual)
10. Machine screws (except for socket head and special types)
11. Machine shopices
12. Rivets of all types (including bifurcated)
13. Rolling shutters
14. Steel wool
15. Students microscopes
16. Water meters
17. Welded wire mesh (except for expansion of existing units)
18. Wire brushes and fibre brushes
19. Wire products - all wire products such as wire nails, hob nails, panel pins, horse shoe nails
20. Wood screws
21. Hydraulic jacks below 30 tonnes capacity
22. Electric transmission line hardware (other than those manufactured in malleable castings)
23. Pressure gauges (upto 50 IBS, per sq. inch)
24. Grease nipples and grease guns
25. Chaff clutter blades
26. Metals fittings for garments and leather goods

27. Weights
28. Domestic utensils (other than stainless steel)
29. Steel measuring tapes
30. Household knitting machines
31. Agricultural implements -
  - (a) Hand operated tools and implements
  - (b) Animal driven implements
32. Diesel engines upto 15 HP (slow speed)
33. Bicycle tube valves
34. Drawing and mathematical instruments and instruments excluding theodolite
35. Weighing machines except for sophisticated items'
36. Boosters
37. Wire gauge and wire netting thicker than 100 mesh size
38. Centrifuged pumps upto size 4" and 4"
39. Gun metal bushes
40. Hurricane lanterns
41. Pressure die casting (upto 4 kg)
42. Drums and barrels (upto 50 liter capacity)
43. Tin containers - unprinted (other than OTS) cans upto 18 liter capacity)

**II) Electrical Industries**

44. Domestic electrical appliances & accessories such as electric iron, roasters, heaters, washing machines, etc. other than vacuum cleaners, industrial washing & dry cleaning machines, etc.
45.
  - a) Electrical wiring accessories
  - b) Electrical light fittings (such as chokes, starters, reflectors, etc.)
46. Metal clad switches upto 30 amps.
47. Miniature bulbs -
  - a) Miniature vacuum bulbs
  - b) Torch bulbs
  - c) Radio panel bulbs
  - d) Decoration bulbs
48. Battery cell tester
49. AA & ACSR conductors (upto & including 19 strands)
50. PVC & VIR wires of domestic type
51. Room coolers (desert type)
52. Emergency lamps
53. Voltage stabilizers - domestic types

**III) Electronic Industries**

54. Telescopic aerials (for radio receivers)
55. IF transformers
56. Air trimmers for professional use
57. Hearing aids

58. Electronic flash guns
59. Amplifiers for entertainment & public address system
60. Low cost radio receivers (below Rs. 200/-)
61. Transistor headers

**IV) Automobile Ancillary Industries**

62. Automobile radiators (except for expansion on merits)
63. Electric horns
64. Exhaust mufflers
65. Auto leaf springs
66. Fuel tank caps
67. Fuel lines
68. Wiring harness
69. Tail lamp assembly
70. Side lamp assembly
71. Stop lamp assembly
72. Horn buttons
73. Bulb horn
74. Seats for bus and trucks
75. Ornamental fittings
76. Rear view mirrors
77. Sun shades
78. Luggage carrier
79. Type inflators (both hand & foot operated)
80. Ash trays

81. Hub caps
82. Wind shield wipers (arms & blades only)
83. Electrical fuses
84. Electrical fuse boxes
85. Battery cables & fittings
86. Spokes & nipples
87. Steering wheels
88. Spot lamp assembly
89. Sun visor

**V) Garage Equipments**

90. Armature tester
91. Battery terminal lifters
92. Condensers & resistance testers
93. Fender spoons & hammers
94. Feeler gauges
95. Flaring tools
96. Gear flushers
97. Puller of all types
98. Screw extractors
99. Spark plug tester & cleaners
100. Toe in gauges
101. Stud removers (extractors)
102. Tyre valve pull out tools
103. Tube cutters

- 104. Flanging tools
- 105. Valve lifters
- 106. Valve replacing & resetting tools
- 107. Camber testing equipment
- 108. Ring expanders
- 109. Ring compressor

**VII) Chemical Industries**

- 110. Bichromates (except for exports)
- 111. Dyes i) Azo dyes (directs & acids)
  - ii) Basic dyes
- 112. Fire works
- 113. Formulated perfumery compounds
- 114. Laundry soap
- 115. Paints & varnishes - dry distempers, red lead, red oxide, blacks, graphite paints, all paste paints
- 116. Palm rosa oil
- 117. Pine oil (except for composite schemes)
- 118. Plaster boards
- 119. Tooth paste
- 120. Zine oxide
- 121. Sodium silicate
- 122. Cashew shell oil
- 123. Para dichloro benzone ball Potassium silicate
- 124. Calcium silicate
- 125. Chlorinated paraffin wax

126. Dimethyl sulphate based on methyl alcohol

127. Pyrazolone

**VIII) Glass & Ceramic Industries**

128. Glass hollow ware by semiautomatic process

129. Roofing, flooring and glazed tiles (except plastic & ceramic tiles of sized 4" x 4" & above)

130. Thermometers (upto 150°C)

131. Low tension insulators

132. Asbestos pipes & fittings (for household purposes only and according to ISI specification)

**VIII) Leather Based Industries**

133. Leather footwear (except for expansion of the existing units for exports and new units for exports)

134. Plastic processed products -

- i) Bottle caps, buttons, lamp shade etc. produced by the compression moulding technique
- ii) Plastic articles manufactured from plastic sheets, rods or tubes by the fabrication technique excluding the technique of vacuum forming
- iii) Polythene films (films with thickness of less than 0.10 mm) & products from the film such as coloured printed film and bags
- iv) Blow moulded containers and other similar products manufactured by the blow moulding technique (except for captive use, PVC containers & change over by existing units)



- manufacturing metal containers to plastic containers)
- v) Spectacles frames from sheets by fabrication technique or by injection moulding
  - vi) Manufacturing of polyester sheets for buttons & the processing of the sheets so produced to manufacture buttons
135. Full PVC footwear (chappals, sandals & shoes) except for export by pre dominantly export oriented units)
136. Flash light torch cases (plastic)
137. H.D. Polythene mono filament yarn

**IX) Rubber based Industries**

- 138. Surgical gloves (except plastic)
- 139. Cycle tyres and tubes
- 140. Rubberised cloth

**X) Wood based Industries**

- 141. Safety matches
- 142. Cotton measuring tapes
- 143. Paper conversion products<sup>6</sup>

The above reservation policy adopted by government under Industrial Policy 1977 in case of small scale industries was very essential to promote small sector at that time. The new thrust in favour of cottage, tiny and small sectors, measures to contain the growth of monopoly capital, worker's participation in ownership and management, the increasing role to be assigned

to the public sector and the steps to improve and tone up their working etc. Before the policy could be put into practice by making necessary changes in industrial licensing, the Janta Government was defeated. Therefore, the whole policy was not brought into practice by successive government.

### **III.6 Industrial Policy Statement of 1980**

The elections of 1980 brought the Congress (I) party to power at the Centre. Under the leadership of Smt. Indira Gandhi, in the place of Industrial Policy Statement of 1977, announced by Janta Government the Congress Party Government announced separate Industrial Policy on 23<sup>rd</sup> July 1980 and it was based on the industrial policy of 1956.

#### **A ) Highlights of 1980's Industrial Policy**

##### **1. Nucleus Plants**

The policy introduced a new concept that of nucleus plants. A nucleus plant is one which would concentrate on assembling the products of the ancillary units falling within its orbit, or large number of small units and making adequate marketing arrangements. The nucleus plant would work for upgrading the technology of small units.

## **2. Redefining of SSIs**

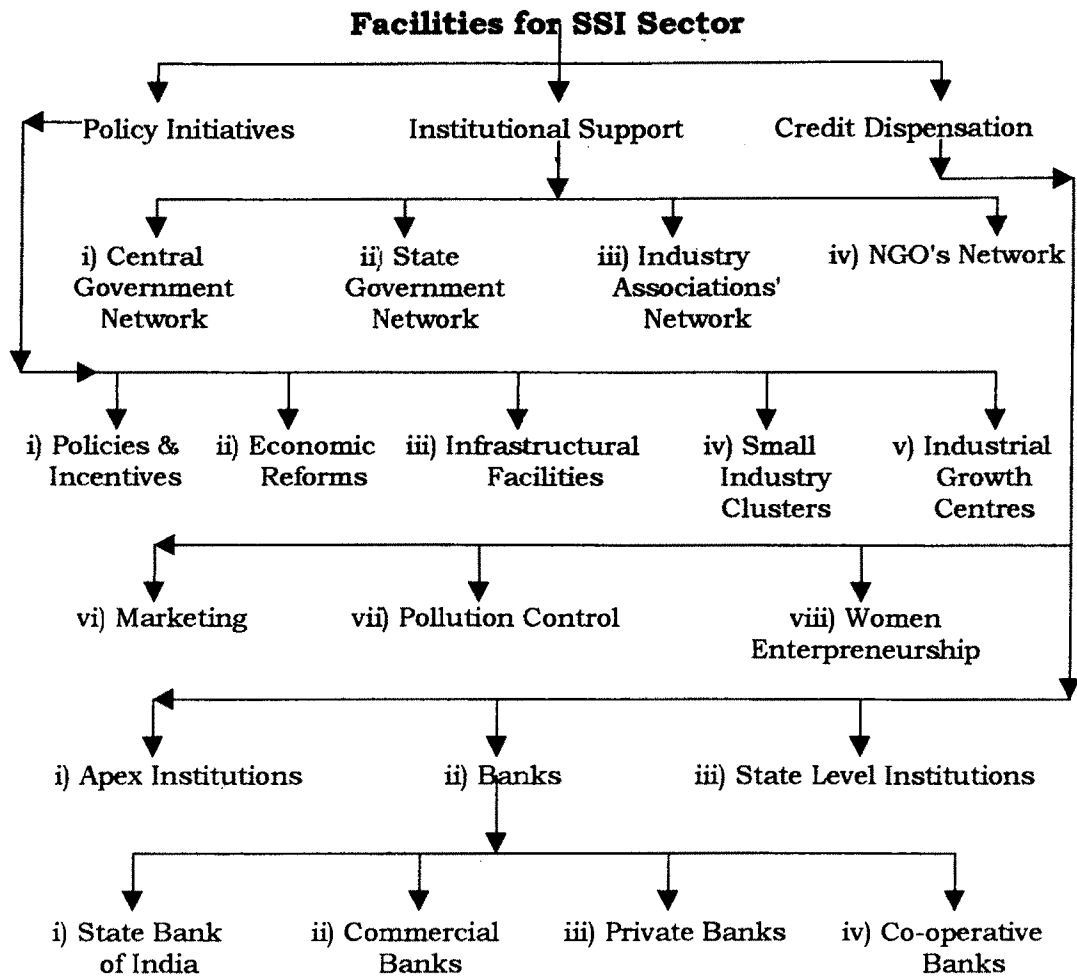
- A) To increase the limit of fixed capital investment in the case of tiny units from Rs. 1 lakh to Rs. 2 lakhs.
- B) To increase the limits of investment in case of small scale units from Rs. 10 lakh to Rs. 20 lakhs
- C) To increase the limit of investment in case of ancillary from Rs. 15 lakh to Rs. 25 lakh. In March 1985, the investment limit for SSIs was raised further from Rs. 20 lakh to Rs. 35 lakh, while of ancillaries undertakings the limit was Rs. 45 lakhs.

## **3. Financial supports to Small Units**

There is adequate network of institutional finance which is studied in the chapter special heading "facilities to SSI".

### **B) Facilities to SSIs**

Realising the unique place of small scale industry in our economy, the Central and the respective State Governments have been providing a variety of facilities for the growth and development of SSIs.



## **A) Policy Initiatives**

### **I) Small Industry Policies and Incentives**

Starting from the Industrial Policy Resolution 1948, the Central Government has come out with a total of six resolutions and statements. All the policies gave a thrust to the promotion of small units through various incentives i. e. financial, fiscal and infrastructure related measures.

There is the policy of reservation of items for exclusive manufacture by small units. This policy has been made applicable to these product lines which are techno-economically suitable for manufacture by SSIs i.e. 812 items reserved as on 3 Feb. 1999. The preferential purchase policy designed to help SSIs to market their product better.

## **II) Economic Reforms and SSI Policy**

Economic Reforms initiated since 1991 facilitate the growth of SSIs for example, foreign direct investment (FDI) is allowed upto 24% in the equity of an SSIs.

## **III) Infrastructural Facilities**

The main schemes of the Central Government include the Industrial Estates Programme, Integrated Infrastructural Development Scheme and the Growth Centres Schemes.

## **IV) Small Industry Clusters**

The Government of India has involved unique schemes for the development of clusters.

## **V) Industrial Growth Centres**

Growth Centres were envisaged way back in 1988, for the promotion of industries in backward areas i.e. 66 centres have

been taken up and funds for them have been released by the Government of India to the respective State Governments.

## **VI) Marketing**

Marketing infrastructure consists of a combination of agencies and incentives as given below :

- A) National Small Industries Corporation
- B) 16 Sub-Contracting exchanges to identify items for ancillarisation from various public sector undertakings.
- C) Marketing Development Assistance (MDA) to promote exports.
- D) Training Programmes for export packaging.
- E) Organising exhibitions and international trade fairs.
- F) Export Promotion Councils.
- G) Quality Certification by the Bureau of Indian Standards.

## **VII) Pollution Control**

The water Act 1974, the Air Act, 1981 and the Environment Protection Act, 1986, are three legislations mainly concerned with environment in our country. Provisions of these Acts apply to SSI units also. The Government of India has notified 17 industries where in the SSI needs to obtain clearance from the Central Pollution Control Board.

### **VIII) Women Entrepreneurs**

In order to promote and develop units owned by women, a number of exclusive facilities have been provided. The Small Industries Development Organisation (SIDO) has been conducting development programmes for the women entrepreneurs. These activities covered by these units include food products, beverages, textiles, jutties, wood leather, chemicals metals, transport equipment, printing hosiery and several others. SIDBI has been designed programmes with focus on women viz. Mahila Vikas Nidhi, Mahila Udyam Nidhi, Micro Credit Scheme and Women Entrepreneurship Development Programmes.

#### **B) Institutional Support**

##### **I) Central Government Network**

Institutions set up by Central Government include -

- 1) Small Scale Industries Board (SSIB)
- 2) SIDBI,
- 3) SIDO
- 4) SISIs
- 5) Product-cum-Process Development Centres (PPDCS)
- 6) Regional Testing Centres (RICs)
- 7) Central Footwear Training Institutes (CFTIS)
- 8) NSIC

9) Technology Transfer Centres (TTC)

10) National Productive Councils (NPC)

Institute established by respective State government include-

1) District Industries Centres (DICs)

2) SFCs

3) SIDCs/SIICs

4) SSIDCs

5) Technical Consultancy Organisation (TCOs)

Institutional Support Network made available by Industry

Associations include -

1) The Confederation of Indian Industry (CII)

2) Federation of India Chamber of Commerce and Industry (FICCI)

3) Consortium of Women Entrepreneurs of India (CWFI)

4) Indian Council of Small Industries (ICSI)

5) NGOs etc.

### **C) Credit Dispensation**

Mile stones in Institutional Credit Facilities

1. Setting up of National Industrial Credit (long term operations) fund as per the RBI Act, 1934.

2. Passing of State Financial Corporations (SFCs).

3. Establishment of NSIC, 1955

4. Establishment of SIDCs/SIICs/SSIDCs, 1956



5. Establishment of KVIC, 1956
6. Establishment of IDBI, 1964
7. Nationalisation of 14 commercial banks in 1969 and 6 others in 1980
8. Passing of SIDBI Act 1989 and establishment of SIDBI in 1990.

#### Apex Level Institutions

1. Small Industries Development Bank of India (SIDBI) Banks
2. Commercial Banks (CBs)
3. Regional Rural Bank (RRBs)
4. Co-operative Bank (State, Central and Primary) State Level Institutions
5. State Financial Corporations (SFCs)
6. State Industrial Development Corporation (SIDC) or SIICs
7. State Small Industries Development Corporations (SSIDCs)

### **Encouragement to research and development**

Greater emphasis will be put on bringing the benefits of the latest Research and Development to the medium and small units.

### **III.7 New Industrial Policy, 1991**

On 5<sup>th</sup> August 1991, a policy regarding SSI and tiny sector was announced in the Parliament. The policy announcement endorsed the earlier investment limits in plant and machinery for SSIs, ancillary units and export oriented units as Rs. 60 lakh, Rs. 75 lakh and Rs. 75 lakhs respectively. Investment limits of tiny industries was raised from Rs. 2 lakh to Rs. 5 lakh. A large number of promises were made for financial support measures, infrastructural facilities, improvement of technology, marketing and exports of SSI products, modernisation and quality generalisations and platitudes explained in the SSI policy about village industries, handicrafts sector, other village industries, agro processing and food processing etc.

#### **B) Salient Features of New Policy**

1. Equality participation upto 24% by other industrial undertakings including foreign companies.
2. Legislation on limit financial liability of new and non active partners/entrepreneurs to capital invested.

3. Hike in investment limit for tiny sector up from Rs. 2 lakh to Rs. 5 lakh.
4. Service sector to be recognised as a tiny sector.
5. Support from National Equity Fund for projects upto Rs. 10 lakh.
6. Single window loans to cover projects upto Rs. 20 lakhs Banks too be involved.
7. Relaxation of certain provisions of labour laws.
8. Subcontracting Exchanges to be set up by Industry Associations.
9. Easier access to institutional finance.
10. Factoring services through SIDBI to overcome the problem of delayed payment of bills.
11. Women enterprises redefined.
12. Package for handloom and handicraft sector.
13. Export development centres in SIDO.
14. Marketing of Mass Consumption under a common brandname.

### **III.8 Critical Appraisal of New Industrial Policy**

#### **1. Tiny Sector**

The promise was given in the policy state that a separate package for the promotion of tiny enterprises will be introduced. Lot of things were talked like that of giving excise exemptions

to tiny units from labour laws, making concessional credit available to them etc. After waiting for seven years and after considerable pressure from tiny industries Government announced its policy only in 1998. There is nothing new in this policy.

## **2. Financial Support Measures**

The statement specifically stated that the emphasis would hence forth shift from subsidies/cheap credit/effort would be made to ensure both adequate flow of credit on a normative basis. But the end result of all the Government policies and the RBI credit policies is to make bank credit scarcer and costlier, with no ceiling on lending rates, the banks have been charging exorbitant rates which the SSI units can hardly afford.

## **3. Equity Participation by Large Scale Units**

Government decided to allow equity participation by other industrial undertakings in the SSI not exceeding 24% of the total share holding the Government thought that this will give boost to ancillarisation. But because of the natural mistrust and the absence of the consequential amendments in company law which will make such SSI units inter-connected undertakings this scheme has not succeeded.

#### **4. Limited Partnership Act**

Except a meagre 11% of total SSI units which are joint stock companies, partnership account for a majority of SSIs. At present the unlimited liability clause developing on a partnership makes potential investors wary of such arrangements and hence the proposed to enact a limited liability partnership Act as announced in the policy is a welcome step. But even after almost 9 years, no bill has been presented by Government to the Parliament.

#### **5. Action for Prompt Payment**

The Government promised to introduce a bill in Parliament for prompt payment of bills after announcement of this policy, nothing happened for two years.

#### **6. Delay in taking decision**

After recommendations of Abid Hussain Committee; in February 1997, the definition of SSI units was raised to Rs. 3 crores. But for almost a year and half the notification was not issued. No one knows the reasons of such inordinate delays.

#### **7. Adoption of technology Development**

The policy mentioned of technology, development cell and opening of such a cell in SIDO. We have not heard anything about

setting up of such cell and the proposed co-ordination work between different tool rooms, PPDCs and other R & D organisations. This has so far remained a pious wish.

#### **8. Supply of Raw Materials**

One of the well intentional objective is adequate and equitable distribution of indigenous and imported raw materials. We have not heard of any fresh policy directives towards the same.

#### **9. Package of Incentives**

The nature of package is not known and so far nothing has been done to involve such a package. The State Governments also do not seem to be aware of introduction of any such package.

#### **10. Close association with Industry Association**

So far after the policy announcement no new schemes have been formulated.

#### **11. Simplification of Rules and Procedures**

The policy statement talks about the difficulties and government promises that these difficulties would be attended to within a specified time frame of three months. But alas ! very soon we discovered that they were all apart of bureaucratic promises.

## **12. Complex Legal Formalities**

In April 1998, when "The Prime Minister Atal Bihari Vajpayee" visited the conference of "Laghu Udyog Bharati" he had promised to undertake a review of the various administrative laws of country. Apart from central laws, which are more than 2500 each State has 800 to 100 laws and thus the total State laws will come to around 25,000 in number. Though the new economic policies speaks on liberalisation, there is in fact no liberalisation and the small entrepreneur continue to face these problems and difficulties.

## **13. Dereservation of Products of SSI**

On 28<sup>th</sup> Feb. 1997, the Finance Minister presented the Budget to Parliament and he has announced a list of 15 industries which have been deserved from SSI sector.

## **14. Subsequent Announcement**

In the Central Budge for 1999-2000, six items (crowbars, levelers, mowers, reapers, upto 5 HP motive power and agricultural machinery upto 5 HP motive power) have been deserved. Three other items (sole leather, kattari and bunwar leather and picking band leather, electronic toys) have also been removed from the purview of reservation. This year, it was done

very quietly through the Budget proposals. No one really knew about this.

#### **15. Finance of Small Scale**

The industrial policy, statement of SSI announced in August 1991 was very continuous while commenting on financial support measures to SSI units this statement specially stated that the emphasis would be made to ensure adequate credit flow on normative basis.

#### **16. Removal of Concessional Rate of Interest**

In first state loans below Rs. 2 lakhs were given concessional rate of interest. Then some minimum rates of interest 12% or 13.5% were laid down. Now the interest rates are not exceeded the prime lending rate (PLR) is fixed by banks independently.

#### **17. Priority Sector Lending**

At present out of funds available for the SSI 40% is made available for units, with investment in plant in machinery upto Rs. 5 lakh 20% for units between Rs. 5 lakh and Rs. 25 lakh and remaining 40% for other SSI units since limit of investment has been raised to Rs. 3 crores, larger units are likely to taken the share in priority lending from the smaller ones very few banks follow the instructions given by RBI regarding the priority sector lending and as a result, the tiny SSI units continue to suffer.



**18. Problem of Working Capital**

The banks makes inordinate delay in taking decision about the working capital and even then in many cases adequate capital is not provided. Because of increase in raw material prices and increase in turn over an enterprise asks for enhancement of working capital from banks.

In the absence of adequate capital even a healthy units are then likely to become sick.

**19. Decline in Volume of Finance**

There has been decline in outstanding credit for SSI sector as percentage of annual production from 8.1% in 1991-92 to 7.7% in 1996-97 (Report by the Development Commissioner SSI). This is primarily because of fact that these institutions are directly under the control of Ministry of Finance and not under Ministry of Industry, which is responsible for ensuring the growth and development of small scale sector.

**20. Accountability**

Commercial banks are also unwilling to sanction smaller loans and would rather fulfil their priority sector lending obligation by bigger units. One major cause for delay in responding to loan applicants is lack of sufficient power at the branch level. Branch

Managers do not take responsibility for sanctioning a project and the applications are mostly forwarded to zonal and central level.

S. T. Kapur Committee appointed by Reserve Bank of India has dealt with operations of these banks.

Since First Industrial Policy of 1948, the Government has been following a policy of reservation of items for exclusive development in the small scale sector. At a time of 1972 census of Small Scale Industries Units, there were 177 items in the reserved list. By 1983, the reserved list included 837 items for exclusive production in small scale sector. These units produced 7500 commodities.

### **III.9 Conclusion**

A change of policies from protectionism to liberalisation has helped large Indian industry and multinationals to enter in areas reserved for SSIs and become stiff competitions to SSIs in India. 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.

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