

**SIDBI Report**  
**on**  
**Small Scale Industries Sector 2001**



**Small Industries Development Bank of India**

## **SIDBI Report on Small Scale Industries Sector- 2001**

The Small Scale Industries sector, over the years, has grown steadily and occupied an important place in the economy. Contribution of the sector in terms of generation of employment, output and exports is quite significant. The number of registered units in the SSI sector has increased from 0.42 million as at end-March 1974 to 3.37 million at end-March 2001. These numbers are exclusive of the units in the unregistered sector.

The importance of the Small Scale Industries sector is well-recognised from its significant contribution to the socio-economic objectives of growth in generation of employment, output, exports and fostering entrepreneurship. Currently, the sector accounts for around 95 per cent of the industrial units in the country contributing 40 per cent of the manufacturing sector output and approximately one-third of the nation's exports. At the end of March 2001, there were 3.37 million modern SSI units providing direct employment to around 1.86 million persons.

Despite the important role played by SSI sector in the Indian economy, it is rather difficult to obtain authentic and comprehensive information on various facets of the sector from single source. In order to fill the void in information base, SIDBI, the apex financial institution for SSI sector in India, took initiative in bringing out a series of publication viz. '**SIDBI Report on Small Scale Industries Sector**' on an annual basis. First two issues of the Report released at the hands of Hon'ble Union Finance Minister has been received well both within the country and at international level. The SIDBI Report on Small Scale Industries Sector 2001 is third issue in the series.

The process of liberlisation and globalisation has opnede up new vistas for various sectors of the economy as also posed certain challenges. While on the one hand, it expands the scope of cross-border transactions, on the other, the new osder holds different perception about protection and safeguards that a global

trading system should provide to its members. Both these aspects have significant implications for the Indian economy as a whole and the SSI sector in particular.

With an objective of establishing continuum, the current issue presents updated information on the broad format of previous two issues and adds many new features, including the following important ones :

- ❧ WTO and SSIs in India
- ❧ New Policy Package for the SSI sector and Tiny sector
- ❧ Recommendations of the GoI Study Group Report on Development of Small Enterprises under the Chairmanship of Dr. S.P. Gupta, Member, Planning Commission
- ❧ New Package for Khadi and Village Industries
- ❧ Outcome of the Fourth Economic Census conducted by CSO
- ❧ Women Enterprises
- ❧ Prospects and outlook of the SSI sector in India.

It is expected that the Report will be of interest to the users involved in policy making, financial institutions, entrepreneurs, industry associations, researchers, academicians, overseas agencies and all those engaged in the promotion and development of small scale sector.

The present report, which depicts a comprehensive analysis/status of SSI sector, is divided into nine chapters followed by Annex and statistical appendices covering information on SSI related important indices. The broad areas covered in different chapters are as under:

### **Chapter 1 : General Review**

Chapter 1 presents the overall economic scenario in the country during 1990s and FY 2001 and reviews the performance of small scale sector. At relevant places, position for FY 2002 upto December 2001 is also covered in the chapter. An

analysis of the comparative growth trends in SSI sector *vis-a-vis* overall industry and manufacturing sector has been made. Chapter 1 further covers :

- ❧ Overall industrial scenario
- ❧ Monetary and credit developments
- ❧ External sector and World economic outlook
- ❧ Contribution of SSI sector in the Indian economy

## **Chapter 2 : Status of SSI Sector in India**

Chapter 2 covers in detail the different dimensions of the definition of SSIs in India, composition of the sector, the ownership pattern, spatial distribution, industry groupwise classification of units in the sector and service sector establishments. State-wise profile of registered SSI units is covered in the chapter. The Other special features of the chapter include :

- ❧ Results of the Economic Census 1998 as released by Central Statistical Organisation
- ❧ Women Enterprises
- ❧ Growth, productivity and efficiency of small, large and total factory sector SSIs.

## **Chapter 3 : Government Policy Initiatives**

Recognising the importance of the SSI sector in economic development of the country, the Government of India has formulated a series of six industrial policy resolutions/statements. While the Central policies serve as guiding principles, the state governments evolve their respective policies and design suitable incentives for SSI promotion depending upon specific requirements of the State. Chapter 3 covers the Central policy resolutions and State Governments' incentives relating to the SSI sector. The chapter further highlights :

- ❧ Policy changes un the post liberalisation era
- ❧ Foreign direct Investment in the SSI sector
- ❧ Economic reforms and SSI policy
- ❧ Environment management and SSIs
- ❧ Technology development and modernisation initiatives

## **Chapter 4 : Institutional Support Structure**

Chapter 4 draws on, in detail, the Central Government and State/UT Governments support network for the SSI sector and changing character of extension agencies engaged in the promotion, development and policy implementation for the Sector. The chapter specifically embodies :

- ❧ Expanding role of NGOs and industry associations
- ❧ Specialised institutes for human resource development
- ❧ Export Promotion Councils
- ❧ Institutions to assist exporters
- ❧ Industry related research institutes and technology developments

## **Chapter 5 : Credit Dispensation**

The Government of India and Reserve Bank of India have been instrumental in devising a multi-agency approach / system to ensure Credit dispensation to different sectors of the economy, including the SSI sector. Institutional network engaged in financing of SSIs and flow of credit to the sector have been elaborately covered in the chapter. The chapter also highlights important developments in the credit and monetary policy relating to SSI sector and related issues. Additional issues covered are :

- ❧ Recommendations of recent committees relating to the financial and credit environment
- ❧ Institutional / Schematic developments in financing of SSIs
- ❧ Non-performing assets / Sickness in SSI sector
- ❧ Working Group on SSI sector for the Tenth Five-Year Plan

## **Chapter 6 : Role of Small Industries Development Bank of India**

SIDBI was set up as a wholly owned subsidiary of IDBI in April 1990 under an Act of the Parliament, namely the SIDBI Act, 1989. SIDBI is the principal financial institution for promotion, financing and development of industry in the small scale sector and co-ordinates the functions of institutions engaged in similar

activities. The Bank has been delinked from IDBI w.e.f. March 27, 2000. During the last eleven years of its operation, the Bank has sanctioned a cumulative assistance of Rs.662.29 billion and disbursed an amount of Rs.463.92 billion as at end March 2001. Chapter six outlines the details of the role played by SIDBI for the development of SSI sector, which include :

- ❧ Various schemes of assistance launched since inception
- ❧ Strategic policy initiatives of the SIDBI
- ❧ Operations of SIDBI during the period 1990-91 to 2000-01
- ❧ Financial Highlights of SIDBI

## **Chapter 7 : The World Trade Order and SSI in India**

In view of the emerging challenges from WTO and removal of QRs, a need was felt to assess its broad impact on various activities / product lines of the SSI sector. The intent of the study is to provide facilitating environment for required support and suitable policy intervention. It is with this objective that “WTO and SSIs in India” was adopted as theme chapter of the Report. The chapter highlights :

- ❧ The Structure of the new trading order
- ❧ India's current trade policy
- ❧ Effects of removal of QRs on select SSI product lines in terms of shock, vulnerability and impact
- ❧ Strategy implications of the impact analysis

## **Chapter 8 : Impact of Policy Initiatives**

In order to assess the impact of various policy initiatives taken by the Government and other authorities concerned with promotion and development of SSI sector, different approaches have been adopted in the Study Report, including a series of seminars and a comprehensive survey conducted by SIDBI. SIDBI organised a series of regional seminars at 20 centres across the country. The participating agencies included Central and State Government officials concerned with SSIs development, representatives from SIDBI, banks, financial institutions,

state finance corporations, extension agencies operating in the areas, besides industries associations and small entrepreneurs from various industry segments. Outcome of the seminars and the survey on “Emerging Needs of the SSI sector-2000-01” is comprehensively furnished in the chapter. Important findings of the following studies are covered in the chapter :

- ❧ WASME study on the “Impact of Globalisation on Enhancing International Competitiveness of Indian SSIs - 2000 ”
- ❧ World Trade Centre study on “Impact of Liberalisation and Globalisation on SMEs in the Bulk Drugs and Dyestuff Sector - 2001”
- ❧ CII survey on the “Usage of Information Technology amongst the Indian SMEs-2000”
- ❧ Feedback obtained from “SIDBI seminars on Emerging Needs of SSI sector 2000-01”
- ❧ SIDBI survey on “Emerging Needs of the SSI sector - 2000-01”

## **Chapter 9 : Prospects and Outlook**

A detailed presentation of the expedient issues relating to the SSI sector has been taken up in the earlier two issues of the SIDBI Report. These expedient issues have the engaged attention of the policy makers. Over the period, while some of the issues have been suitably considered in various policy announcements and Union Budgets, yet others needing consideration are highlighted in this chapter. Creation of new category of medium enterprises, replacement of the term SSI with the term “Small Enterprises”, unification of regulatory laws for SSI units, issues related to delayed payments, increase in the limit of turnover, exemption from excise duty to SSI units using third party brand name, building competitive strengths, technology upgradation, information dissemination and quality improvement are some of the vital issues that need to be addressed to withstand emerging pressures and ensure sustained growth of the SSI sector. Chapter nine highlights the expedient issues categorised into :

- ❧ Government Policy Measures

- ❧ Fiscal Issues
- ❧ Capital / Financial Support
- ❧ Capacity Building Initiatives

The Chapter further covers:

- ❧ Outlook of the sector in terms of SIDBI projections vis-a- vis advance estimates
- ❧ SSI related major provisions announced in last five Union Budgets

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