

Small Scale Industries

7.65 The small scale sector has played a very important role in the socio-economic development of the country during the past 50 years. It has significantly contributed to the overall growth in terms of the Gross Domestic Product (GDP), employment generation and exports. The performance of the small scale sector, therefore, has a direct impact on the growth of the overall economy. The performance of the small scale sector in terms of parameters like number of units (both registered and unregistered), production, employment and exports is given in Table 7.15.

7.66 During the one year period i.e., 2000-01 over 1999-2000, the number of SSI units is estimated to have increased by 1,58,000, production at current prices by Rs. 72,609 crore and at constant prices by Rs. 33,714 crore. Employment increased by 7,14,000 persons, while exports were higher by Rs. 5,778 crores.

7.67 According to projections made by the Ministry of Small Scale Industries during 2000-01, the SSI sector recorded growth in production of 8.09 per cent over the previous year. The small scale industries sector has recorded higher growth rate than the industrial sector as a whole (4.9 per cent during 2000-01). It contributed about 40 per cent towards the industrial production as a whole and 35 per cent of direct exports from the country.

7.68 The Government has been taking various measures from time to time in order to enhance the productivity, efficiency and competitiveness of the SSI sector. In pursuance of the comprehensive policy package announced last year, the major developments that have taken place in the SSI sector during 2001-02 are briefly outlined in the box 7.6.

Sickness in the SSI Sector

7.69 As on March 31, 2001, there were 2,49,630 sick SSI units which had obtained loans from banks. An amount of Rs. 4,506 crore of bank credit was blocked in these units. Of these only 13,076 units were considered potentially viable by the banks with outstanding credit of Rs. 399 crore. Further, banks had identified 2,25,488 units with outstanding bank credit amounting to Rs. 3,943 crore as unviable. Rehabilitation of sick units is a costly proposition as it involves rescheduling of past overdues with concessions on interest amount due, additional credit for modernisation and technology upgradation and provision for fresh working capital. Presently, the State Level Inter-Institutional Committee (SLIIC) of banks and financial institutions is the only forum looking into rehabilitation of potentially viable sick SSI units. However, in the absence of statutory backing, SLIICs has no power to enforce its decisions.

7.70 To tackle the problem of rehabilitation of potentially viable sick SSI units, the RBI constituted a working group on November 25, 2000 under the chairmanship of Shri S.S. Kohli, the then chairman of Indian Banks Association, to look into the issue. The Working Group submitted its report in May, 2001. All the major recommendations of the working group have been accepted by the RBI, including a change in the definition of Sick SSI units, norms for deciding on the viability of sick units, etc. The revised definition would enable banks to take action at an early stage for revival of the units. Based on the accepted recommendations of the Working Group, the RBI has drawn up the revised guidelines for Rehabilitation of Sick SSI units, which have been circulated on January 16, 2002 to all the Banks for implementation.

TABLE 7.15
Overall performance of Small Scale Industry

Year	No. of units (in million)	Production		Employment (in millions)	Exports (at current prices) (US \$ in billion)
		(at current prices) (Rs.crore)	(at constant prices) (1993-94) (Rs.crore)		
1993-94	2.39 (6.2)	2,41,648 (15.5)	2,41,648 (7.1)	13.94 (4.0)	8.07
1994-95	2.57 (7.5)	2,98,886 (23.7)	2,66,054 (10.1)	14.66 (5.2)	9.26 (14.8)
1995-96	2.66 (3.5)	3,62,656 (21.3)	2,96,385 (11.4)	15.26 (4.1)	10.90 (17.7)
1996-97	2.80 (5.3)	4,11,858 (13.6)	3,29,935 (11.3)	16.00 (4.8)	11.06 (1.5)
1997-98	2.94 (5.0)	4,62,641 (12.3)	3,57,749 (8.4)	16.72 (4.5)	11.96 (8.1)
1998-99	3.08 (4.8)	5,20,650 (12.5)	3,85,296 (7.7)	17.16 (2.6)	11.64 (-2.7)
1999-00	3.21 (4.2)	5,72,887 (10.0)	4,16,736 (8.2)	17.85 (4.0)	12.51 (7.5)
2000-01(E)	3.37 (5.0)	6,45,496 (12.7)	4,50,450 (8.1)	18.56 (4.0)	13.13 (5.0)

Notes :
Figures in the brackets give percentage growth over previous year.
E :Estimates

BOX 7.6

Developments that have taken place during the year 2001-02 for the SSI Sector

1. The investment limit for units in hosiery and hand tool sub sectors was enhanced from Rs. 1 crore to Rs. 5 crore.
2. The corpus fund set up under the Credit Guarantee Fund Scheme has been raised to Rs. 200 crore from Rs. 125 crore.
3. Credit Guarantee cover against an aggregate credit of Rs. 22.88 crore was provided till the end of December, 2001.
4. 14 items were dereserved on June 29, 2001 related to leather goods, shoes and toys.
5. A new scheme named Market Development Assistance Scheme was launched exclusively for the SSI sector.
6. Under the Cluster Development Programme, 4 UNIDO assisted projects have been commissioned during the year.