

Small Scale Industries

7.63 The small scale industry (SSI) sector continues to remain an important sector of the economy with a noteworthy contribution to GDP, industrial production, employment generation and exports. The performance of the small scale sector based on the final results of the Third All India Census of SSIs, 2004 is given in Table 7.24. As per the Census of Registered and Unregistered units held for the year 2001-02, there were 105.21 lakh SSI units in the country, out of which 13.75 lakh were registered working units and 91.46 lakh unregistered units. Their contribution to production was Rs.2,82,270 crore and to employment 249.09 lakh persons. It is

estimated that during 2003-04, the number of SSI units has increased to 115.22 lakh from 110.10 lakh in the previous year registering a growth of 4.7 per cent. The value of production at current prices by the SSI units also increased by 11.6 per cent to Rs.3,48,059 crore from Rs.3,11,993 crore during 2002-03. The sector is estimated to have grown at the rate of 7.5 per cent at constant prices over the previous year. Employment is estimated to have increased to 273.97 lakh persons from 261.38 lakh persons in the previous year.

7.64 The policy of reservation of items for manufacturing in Small Scale Industries (SSI) was introduced in 1967, which received a proper statutory backing in 1984 through

Table 7.24 : Performance of small scale sector

Year	No. of units (lakh)			Production (Rs.Crore)		Employment in lakh	Exports (Rs. crore)
	Regd.	Unregd.	Total	(at current prices)	(at constant prices)*		
1994-95	19.44	6.27	25.71 (7.66)	2,98,886 (23.69)	2,66,054 (10.10)	146.56 (5.15)	29,068 (14.86)
1994-95	11.61	67.99	79.60 (4.1)	1,22,210 (23.7)	1,09,116 (10.4)	191.40 (4.8)	29,068 (14.9)
1995-96	11.57	71.27	82.84 (4.1)	1,48,290 (21.3)	1,21,649 (11.5)	197.93 (3.4)	36,470 (25.5)
1996-97	11.99	74.22	86.21 (4.1)	1,68,413 (13.6)	1,35,380 (11.3)	205.86 (4.0)	39,248 (7.6)
1997-98	12.04	77.67	89.71 (4.1)	1,89,178 (12.3)	1,47,824 (9.2)	213.16 (3.5)	44,442 (13.2)
1998-99	12.00	81.36	93.36 (4.1)	2,12,901 (12.5)	1,59,407 (7.8)	220.55 (3.5)	48,979 (10.2)
1999-2000	12.32	84.83	97.15 (4.1)	2,34,255 (10.0)	1,70,709 (7.1)	229.10 (3.9)	54,200 (10.7)
2000-01	13.10	88.00	101.10 (4.1)	2,61,289 (11.5)	1,84,428 (8.0)	239.09 (4.4)	69,797 (28.8)
2001-02	13.75	91.46	105.21 (4.1)	2,82,270 (8.0)	1,95,613 (6.1)	249.09 (4.2)	71,244 (2.1)
2002-03	14.68	95.42	110.10 (4.6)	3,11,993 (10.5)	2,10,636 (7.7)	261.38 (4.9)	86,013 (20.7)
2003-04 (Projected)	15.54	99.68	115.22 (4.7)	3,48,059 (11.6)	2,26,392** (7.5)	273.97 (4.8)	N.A.

* : 1993-94 prices.
 ** : Based on growth rate of 7.48% achieved in first 9 months of 2003-04 i.e. April-December, 2003.
 Note : Figures in brackets indicate percentage growth over previous years.
 Source : Ministry of Small Scale Industries.

amendment in Industries (Development and Regulation) Act, 1951. Initially only 47 items were reserved in 1967, which went up to 873 in 1984. The total number of items on the reserved list has been coming down year after year, and at present, there are 675 items reserved for SSI units. Even at present, the policy of reservation for SSI does not bar large industries from entering into production of items reserved, provided agree to export 50 per cent of their production. As many as 75 items of laboratory chemicals & reagents,

leather & leather products, plastic products, chemicals & chemicals products and paper products were dereserved on June 3, 2003. In addition, SSI investment limits (in plant & machinery) of hosiery, hand tools, stationery and drugs & pharmaceuticals industries were enhanced from Rs.1 crore to Rs.5 crore to enable technology upgradation, modernization and to meet the present day global requirements. Recent policy initiatives taken by the Government are given in Box 7.3.

Box 7.3 : Policy initiatives on SSI Sector in 2003-04

- 75 items reserved for exclusive manufacture in the SSI Sector consisting of chemicals and their products, leather and leather products, laboratory reagents etc. were dereserved in June, 2003.
- Selective enhancement of investment in plant and machinery from Rs.1 crore to Rs.5 crore carried out in respect of 13 items in stationery sector and 10 items of drugs and pharmaceutical sector from June 5, 2003.
- The Union Budget 2003-04 announced that banks would provide credit to SSI sector within an interest rate band of 2 per cent above and below their Prime Lending Rates (PLR). All public sector banks have adopted this norm.
- The composite loan limit for SSI units was enhanced from Rs.25 lakhs to Rs.50 lakhs
- In its Mid-term Review of Monetary and Credit Policy 2003-04, the RBI announced that banks may enhance the limit of dispensation of collateral requirement for loans from the existing Rs.15 lakh to Rs.25 lakh on the basis of good track record and financial position of the units.
- The lower limit of Rs.5 lakh on loans covered under the Credit Guarantee Scheme has been removed. All loans up to Rs.25 lakh made eligible for guarantee cover under the Credit Guarantee Scheme.
- 417 SSI specialized bank branches made operational throughout the country.
- The Final Results of Third All India Census of Small Scale Industries were released on January 17, 2004.
- 60 clusters identified in the First Phase (July, 2003) for focused development, by including their credit requirements in the respective State Credit Plans.
- Setting up of a Small and Medium Enterprise (SME) Fund of Rs. 10,000 crore under SIDBI, to, inter-alia, address the problem of inadequacy of financial resources at highly competitive rates for small scale sector.
- Laghu Udyami Credit Card scheme liberalized with enhanced credit limit of Rs.10 lakh (up from Rs.2 lakh) for borrowers with satisfactory track records.

Source : Ministry of Small Scale Industries