

Small enterprises

7.53 Between 2000-01 to 2004-05, the small enterprises sector registered continuous growth in the number of units, production, employment and exports (Table 7.22). During this period the average annual growth in the number of units was around 4.1 per cent and in employment 4.3 per cent annually. Further, the annual average growth in production, at current and constant prices, was 12.4 per cent and 8.1 per cent respectively. Thus, there has been a significant increase in the contribution of this sector to the economic development and employment generation in the country.

7.54 With increasing competition on account of globalization of the Indian economy, size of the enterprises and the level of

technology employed by them have assumed critical significance in the context of the small enterprises becoming globally competitive. Several policy initiatives have been taken during the year (see Box 7.5) to address the problems faced by the sector, which mainly relate to access to timely and adequate credit, technological obsolescence, infrastructure bottlenecks, marketing constraints and a plethora of rule and regulations. The provisions of the proposed SMED Bill, 2005 aim at facilitating their growth in terms of size and also the graduation of small enterprises into medium ones, thus enhancing their global competitiveness. The policy initiatives taken during the year are expected to help enhance the overall contribution of the sector to the national economy, especially in creating more employment potential.

Table 7.22 : Performance of small scale enterprises

Year	No. of units (lakh)			Production (Rs. crore)		Employment in lakh	Exports (Rs. crore)
	Regd.	Unregd.	Total	(at current prices)	(at constant prices)*		
2000-01	13.10	88.00	101.10 (4.1)	2,61,289 (11.5)	1,84,401 (8.2)	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	94.81	109.49 (4.1)	3,11,993 (10.5)	2,10,636 (7.7)	260.13 (4.4)	86,013 (20.7)
2003-04	15.54	98.41	113.95 (4.1)	3,57,733 (14.7)	2,28,730 (8.6)	271.36 (4.3)	97,644 (13.5)
2004-05	16.57	102.02	118.59 (4.1)	4,18,263 (16.9)	2,51,511 (10.0)	282.91 (4.3)	N.A.

Note : Figures in parenthesis indicate percentage growth over previous years * 1993-94 prices.
Source : Development Commissioner (SSI).

Box 7.5 : Policy initiatives for promoting small enterprises

- For allowing small enterprises to grow, 193 items reserved for exclusive manufacture in the SSI sector dereserved in 2004-05 to bring down the total number of reserved items to 506. After consultations with stakeholders, more items are proposed to be dereserved in 2005-06.
- As announced in the Budget 2005-06, the turnover eligibility limit under the General SSI Excise Exemption Scheme raised from Rs.3 crore to Rs.4 crore.
- With a view to integrating small and medium enterprises, facilitating their growth and enhancing their competitiveness (including measures to reduce the rigours of the "Inspector Raj" faced by the sector), the 'Small and Medium Enterprises Development (SMED) Bill 2005' introduced in the Lok Sabha on 12th May 2005.
- A 'Policy Package for Stepping up Credit to Small and Medium Enterprises' announced on 10th August, 2005.
- Under the 'Credit Linked Capital subsidy Scheme' (CLCSS) for technology upgradation, amendments made with effect from September 29, 2005, which, inter alia, raise ceiling on loans from Rs.40 lakh to Rs.1 crore and the rate of subsidy from 12 per cent to 15 per cent.
- RBI formulated the scheme of 'Small Enterprises Financial Centers' (SEFC) to encourage banks to establish mechanisms for better coordination between their branches and branches of Small Industries Development Bank of India (SIDBI) in the identified clusters for more efficient credit delivery.
- To facilitate technology upgradation and enhance competitiveness, the investment limit (in plant and machinery) raised from Rs.1 crore to Rs.5 crore in respect of 69 items reserved for manufacture in the small scale sector and for all items in the drugs and pharmaceuticals sector. Notification to this effect to be issued shortly.
- A new 'Package for Promotion of Micro and Small Enterprises' under formulation to include supplementary measures to encourage adequate credit flow, provide further incentives for technology upgradation, infrastructure and marketing facilities, capacity building of micro and small enterprises, and support to women entrepreneurs.