

Small Scale industry

47. The total number of small scale units in the country in 1997-98 was 30.14 lakh compared to 28.57 lakh in 1996-97. Value of production of small scale units in 1997-98 aggregated Rs 4,65,171 crore. The volume of employment in small scale sector stood at 167.2 lakh as of end-March 1998. Exports emanating from the SSI sector account for about thirty five per cent of the country's total exports. In 1997-98, SSI exports valued at Rs. 43,946 crore registered an increase of twelve per cent over 1996-97 (Table 7.13).

48. Recognizing the importance of the small scale sector, in the Union Budget for 1998-99, the exemption limit for excise purposes available to small industrial undertakings was raised from Rs 30 lakh to Rs 50 lakh. The Budget also provided for a flat nominal rate of 5 per cent excise for clearances between Rs 50 lakh and Rs 100 lakh. The ceiling for the purpose of working capital determined by banks at the rate of 20 per cent of annual turnover was doubled for small scale units from the existing Rs 2 crore to Rs 4 crore. Pursuant to the announcement in the Union Budget, commercial banks have been advised by RBI to moderate cost of credit to the SSI sector by lowering spreads over PLR for units with good track record. Powers of bank managers of specialised SSI branches have been

enhanced for disposing credit decisions at the branch level. The Budget also announced delinking of SIDBI from IDBI and transfer of IDBI shareholding in SFCs to SIDBI for making SIDBI more effective in providing credit to small units. Necessary steps are being taken for amending the SIDBI Act and the SFCs Act for implementing the announcement. RBI has also been asked to strengthen the existing mechanism available for discounting bills of small scale industries for reducing delays in payments to SSIs. Commercial banks have been directed to give greater weightage to overdue outstandings that large units have in respect of SSI suppliers, while appraising credit proposals.

49. A High Powered Committee set up by RBI for improving credit delivery system to SSIs and simplification of procedures thereof, has submitted its report in June 1998. Some of the recommendations of the Committee have already been accepted by the RBI. These include, enhancement in limit of composite loan from Rs 2 lakh to Rs 5 lakh, delegation of more powers to branch managers for granting ad-hoc facilities to the extent of 20 per cent of sanctioned limit, strengthening of recovery mechanism, opening of more SSI bank branches, meticulous implementation of Nayak Committee recommendations etc. Other proposals are under examination by RBI.

TABLE 7.13
Overall Performance of SSI Sector

Year	No. of Units (in lakh)	Output (at current prices) (Rs. crore)	Employment (lakh nos.)	Export (at current prices) (Rs. crore)
1991-92	20.82 (6.9)	1,78,699 (15.0)	129.80 (3.6)	13,883 (43.7)
1992-93	22.46 (7.9)	2,09,300 (17.1)	134.06 (3.3)	17,785 (28.1)
1993-94	23.81 (6.0)	2,41,648 (15.5)	139.38 (4.0)	25,307 (42.3)
1994-95	25.71 (8.0)	2,93,990 (21.7)	146.56 (5.2)	29,068 (14.9)
1995-96	27.24 (6.0)	3,56,213 (21.2)	152.61 (4.1)	36,470 (25.5)
1996-97	28.57 (4.9)	4,12,636 (15.8)	160.00 (4.8)	39,249 (7.6)
1997-98	30.14 (5.5)	4,65,171 (12.7)	167.20 (4.5)	43,946 (12.0)

Note: Figures in the brackets give the increase over previous year.

50. A set of measures have been announced in the current year for tiny units pertaining to earmarking of facilities under the IID scheme, earmarking of credit under Refinance Scheme of SIDBI and assistance by NSIC. Amendments have been made in the Interest on Delayed Payments Act for facilitating settlement of dues by large companies to SSIs.

51. The Union Budget, 1998-99 announced dereservation of farm implements and tools from the list of items reserved exclusively for

manufacture by the small scale sector, with the objective of offering a wider range of farm tools and implements at competitive prices and requisite after sales services, to the farmers. Subsequently, six items (crowbars, levellers, mowers, reapers—upto 5 HP motive power, seed drills—upto 5 HP motive power and other agricultural machinery upto 5 HP motive power) have been dereserved. Three other items (sole leather, Kattari and bun-war leather and picking band leather) and electronic toys have also been removed from the purview of reservation.