

Small scale industries

7.72 Over the last five decades, the small-scale industries (SSI) sector has acquired a place of prominence in the economy of the country. It has contributed significantly to the growth of the Gross Domestic Product (GDP), employment generation and exports. The sector now includes not only SSI units but also small scale service and business enterprises (SSSBEs) and is thus referred to as the small enterprises sector.

7.73 During 2000-01 to 2004-05, the SSI sector registered continuous growth in the number of units, production, employment and even exports (till 2002-03). During this period, the average annual growth in the number of units was around 4.1 per cent, while employment grew by 4.4 per cent annually. Further, the average annual growth in production, at current and constant prices, was 10.6 per cent and 7.6 per cent respectively (Table 7.24).

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)*		
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	94.81	109.49 (4.1)	3,11,993 (10.5)	2,10,636 (7.7)	260.13 (4.9)	86,013 (20.7)
2003-04	15.54	98.41	113.95 (4.1)	3,57,733 (11.6)	2,28,730 (8.6)	271.36 (4.3)	N.A.
2004-05	16.38	102.15	118.53 (4.0)	3,99,020 (11.5)	2,45,747 ** (7.4)	282.82 (4.2)	N.A.

* 1993-94 prices
 ** Based on growth rate of 7.44 percent which is the average growth rate of the last years
 Note : Figures in parenthesis indicate percentage growth over previous years
 Source : Development Commissioner SSI

7.74 The small enterprises sector, however, faces several problems, which hamper it in achieving its full growth potential. Some of the major problems faced by the sector are access to timely and adequate credit, technological obsolescence, infrastructural

bottlenecks, marketing constraints and a plethora of rules and regulations. Some policy initiatives taken during the year may help promote and develop the SSI sector (Box 7.8).

Box 7.8 : Policy initiatives in SSI sector during 2004-05

- The National Commission on Enterprises in the Unorganized/Informal Sector was set up in September 2004. The Commission will, inter-alia, recommend measures considered necessary for improvement in the productivity of these enterprises, generation of large scale employment opportunities on a sustainable basis, linkage of the sector to institutional framework in areas like credit, raw material supply, infrastructure, technology upgradation, marketing facilities and skill development
- 85 items reserved for exclusive manufacture in the SSI sector were dereserved in October 2004. The total number of reserved items now stands at 605
- To facilitate technology upgradation and enhancing competitiveness, the investment limit (in plant and machinery) has been raised in October 2004, from Rs. 1 crore to Rs. 5 crore, in respect of 7 items of sports goods, reserved for manufacture in the small scale sector
- The Small and Medium Enterprises (SME) Fund of Rs. 10,000 crore was operationalised by the SIDBI since April 2004. Eighty per cent of the lending from this fund will be for SSI units, at interest rate of 2 per cent below the prevailing PLR of the SIDBI.
- The Reserve Bank of India enhanced the composite loan limit for the SSI sector to Rs. 1 crore from Rs. 50 lakh.
- With a view to integrate small and medium enterprises, facilitating their growth and enhancing their competitiveness (including measure for freeing the sector from "Inspector Raj"), a suitable legislation is being finalised.
- A new "Promotional Package for small enterprises" is being formulated. This would include measures to provide adequate credit, incentives for technology upgradation, infrastructural and marketing facilities, etc.