

A Study on the Development of Small - Scale Industries in Tamilnadu, India

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Abstract

The government is making all efforts to provide conducive atmosphere, level playing ground and policy support to enable the SSIs sector to achieve higher levels of production, exports and employment. The small-scale industry evokes different meanings for different agencies and the financial institutions. However, the definition of small industry is an important aspect of government policy as it identifies the target groups. The Micro, Small and Medium Enterprises Development Act, 2006 was enacted on 16th June 2006. The Act has empowered the government to establish a National Board for micro, Small and Medium Enterprise. The small-scale sector has been assigned an important role in the industrial economy of the country on account of some of its inherent advantages like low capital intensity, high employment generation capacity, regionally balanced development and even distribution of wealth and income. There are two types of small-scale industries for which registration certificates are issued by the Department of Industries and Commerce as per the guidelines issued by Development Commissioner, Government of India, and New Delhi. The Industrial Policy Resolution, Five Year Plans and recommendation of different committees on SSIs focus on the need for adequate and timely delivery of credit to the SSIs sector by commercial banks. The increase in the working capital limits, as suggested by different committees on the financing of SSI units, would ease the flow of bank credit to the small-scale industry.

Keywords: Industrial policy; Small scale industries; Development bank; Semi-log trend equation; Years plan and committees

Introduction

The SSIs units are supplementary and complementary to large and medium scale units as ancillary units. Considering the large employment level and backlog of creation of new jobs to provide employment to all able hands today, hopes are pinned on the small-scale sector. The government is making all efforts to provide conducive atmosphere, level playing ground and policy support to enable the SSIs sector to achieve higher levels of production, exports and employment.

Statement of the problem

Different national and state level institutions operating in the country for meeting the credit requirements of the SSIs sector include Small Industries Development Bank of India, Commercial Banks, Regional Rural Banks, Co-operative Banks (State, Central and Primary), State Financial Corporations/State Industrial Investment Corporations, State Small Industries Development Corporation, National Bank for Agriculture and Rural Development, statutory bodies (KVIC, COIR Board, Handloom Board and Handicraft Boards), National Small Industries Corporations Limited and the like.

Review of Literature

Thilaka [1] in her study “A Study of Financing of Select Small-Scale Industries by Commercial Banks in Tamil Nadu”, stated that one of the important problems of the small-scale industries was bank finance. Restriction on term on loan facilities small-scale industries acted as a stumbling block in the promotion of SSIs units. She stated that commercial banks provided only 75 per cent of the financial needs of the small-scale industrial units. Further the borrowers complained that they had to visit the bank more than ten times for getting their loans.

Pradeep [2] in his work, “A Study of Constraints Analysis for Promotion of Small-Scale Agro Processing Industries”, undertaken in the State of Haryana opined that education, innovation proneness, cosmopolitans, extension contract, mass media exposures, risk preference and annual income of the family were important variables

interlinked with the problems encountered by the entrepreneurs.

Pandit [3] in his article entitled, “Trade Policies and their Impact on Small Enterprises in India”, stated that the investment structure of the small-scale enterprises in India as per the second All India Industrial Census (1987-88) had shown that about 95 per cent of these enterprises was tiny/micro having investment of Rs.0.5 million. Due to low capital in this segment, the technology used by tiny units was obsolete and of traditional type that affected both productivity and quality of production and hence their competitiveness. The tiny units had been catering to the requirements of the lower and middle income level customers predominantly in the rural and semi-urban areas. Only five per cent of the small-scale enterprises had higher level of capital investment and acquired comparatively better level of technology, he observed.

Khan [4] in his article entitled “Financing of Small-Scale Industries in Maharashtra”, found that there was an urgent need to review the labour provisions for small units and bring about simplicity and transparency. The issues of labour laws assumed significance for the small industry. The multiplicity of labour Act and legislation enacted and administered by the State Government had neither proved useful to the workers nor to the industry. He suggested that the Central Government should come out with a single comprehensive labour act for the small sector as a model and the State Government may be asked to implement the same in the place of the existing labour legislation.

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He further stated that the technology development and modernization fund must be augmented to provide financial assistance to quality projects aimed at strengthening export capabilities of small units.

Rudra Murthy [5] in his study entitled “Institutional Finance for the Development of the SSI in Karnataka”, stated that availability of institutional finance has not met the demand from the SSIs sector. The educational background of the owner had little impact on the running of the unit. Proprietary and partnership firms were found to be more prompt and regular in repayment of loans than limited companies. The study suggests for setting up of an SSI mutual fund, more specialized SSIs branches and modification of Narasimham Committee report to suit the SSIs sector.

Thillainayagam [6] in his study entitled “Small-Scale Industries and World Trade Organization”, observed that large corporations could not do both production and marketing in an efficient way, but could concentrate on international marketing of products only. Large Corporation may develop horizontal networking through ancillarisation. Small units could be brought under sub-contract. The small and medium units could concentrate on production without worrying about marketing of their products. Wherever feasible, large international companies could function as assembling units, small and medium enterprises could produce intermediate products or ancillaries to the principal assembling units. There could be technological tie-up between the principal units and ancillary units. This joint venture production would take care of the equity problem of small-scale units.

Rolland Le Brasseur, et al. [7] utilized an empirical study of 145 new venture start-ups to explore a model of growth momentum as measured by sales. The primary interests are the relationship among pre-startup activities, intended and actual business expansion activities, and early stage performance. Results indicated that the sales level achieved in the second years had a positive correlation with (i) the breadth of pre-startup activities, and (ii) the range of expansion activities. Business performance had a negative correlation with the time's relative dependence on the technical skills of the owner-manager. In addition, the study revealed a consistent gap between owner-manager's expansion intentions and actual expansion.

Vijay vayas [8] outlined the essence of the strategies for the survival and growth of new ventures. According to him the productivity, profit and growth of an enterprise are closely linked to its ability to innovate successfully. The accelerating technological change, however, has made innovation increasingly difficult for the small business. Notwithstanding the high profile success of a few start-ups, innovation confrontations with mature business (sic) a large number of ordinary entrepreneurs are losing in this battle of the unequals. The very spirit of entrepreneurship embodied in over sprouting small enterprises it, a strategy of imitation facilitated entry and subsequent consideration through incremental innovation should be targeted at the lower part of the value chain.

Muraliselvam [9] in his article “Small-Scale Industries for large employment”, mentioned that SSIs sector in India creates the largest employment opportunities for the Indian populace, next only to agriculture and noted that the problems of small-scale industries are problems of finance, lack of adequate raw material, scarcity of power and irregular availability of power poor marketing facilities, problem of technical know-how, poor transport facilities, competition from large scale industries, lack of machinery and equipment.

Karthihaselvi, Neelamegam and Magesan [10] desorbed that small-scale industries were dreams of Mahatma Gandhi come true.

He supported the growth of small-scale industries in India, because he had the vision that it would help the poor people of India to come up. Small-scale and micro industries are not capital based, but the talent and effort based business. So even a middle class person can own and run this. According to new international poverty line of \$1.25, around 40 per cent of Indian population is under poverty line. As it is hard to provide employment to all, at least we can encourage the self employment through small-scale industries. Fortunately the country is endowed with adequate natural resources. So it is a propitious time for the growth of small-scale industries, government can come up with the loan facility and proper training for these industries. This may encourage unemployed people to start their career in this sector. With the government's scheme and succor, the dream of Mahatma Gandhi can come true.

Objectives of the Study

The specific objectives of the present study are

To study on the development of the SSI units in tamilnadu. To conclude and suggest measures to ensure more flow of development to the SSI units on the basis of findings of the study.

Collection of data

The secondary data were collected from various published and unpublished sources such as annual reports of DIC, Lead Bank, TIIC, Chennai, SIDBI, RBI and from relevant Journals, magazines, news papers and websites.

Tools of analysis

In order to analyze the trend and growth of financial assistances given by the bank under study to the SSI units the following semi-log trend equation was fitted.

$$\text{Log } y = a + bt$$

Where,

y = Amount of loans granted to SSIs units

t = Time Variable

a and b are constants to be estimated.

The above model was computed by the method of least squares.

The following formula was used to calculate compound growth rate.

$$\text{Compound Growth Rate (CGR)} = (\text{Antilog } b - 1) \times 100$$

The co-efficient of variation was calculated with the following formula in order to analyse the extent of variation in the loans granted by banks to the SSIs units.

Standard deviation (σ)

$$\text{Co-efficient of variation} = \frac{\sigma}{\bar{X}} \times 100$$

Arithmetic mean (\bar{X})

$$\sigma = \sqrt{\frac{\sum (x - \bar{x})^2}{N - 1}}$$

$$\bar{X} = \frac{\sum X}{N}$$

Where,

\bar{X} = Loans given by banks to SSI units

N= Number of years.

Definition of small-scale industry

The small-scale industry evokes different meanings for different agencies and the financial institutions. However, the definition of small industry is an important aspect of government policy as it identifies the target groups. The first official criterion for small-scale industry dates back to the second Five Year Plan when it was in terms of gross investments in land, building, plant and machinery and the strength of the labour force. Subsequently, on the recommendation of the of the Federation of Association of Small Industry of India (FASSII), an apex level organization of small-scale industry, set up under the aegis of the Ford Foundation team. Only the investment in fixed assets in plant and machinery, whether held in ownership terms or by lease or by hire-purchase instead of fixing the limit on overall investment, was considered for granting the status of a SSIs unit.

From time to time, there have been many changes in the ceiling limit of investment in plant and machinery in the beginning, for a small scale industry the investment level was Rs.5 lakhs and employment limit of less than 50 persons when using power and less than 100 persons without using power. As per government of India notification 1999, an industrial undertaking in which the investment in plant and machinery. There was a drastic change in the definition of SSI in 2006. Comprehensive act was enacted during the year 2006 named as Micro Small and Medium enterprises development act, 2006 which bring these three segments under a single comprehensive legislation. The micro and medium enterprises have been defined for the first time in India [11].

Current definition of small scale industry

The Micro, Small and Medium Enterprises Development Act, 2006 was enacted on 16th June 2006. The Act has empowered the government to establish a National Board for micro, Small and Medium Enterprise [12].

As per Micro, Small and Medium Enterprises Development Act 2006, the earlier concept of “industries” has been changed to ‘enterprises’.

Manufacturing enterprises have been defined in terms of investment in plant and machinery (excluding land and building) they are classified into;

- Micro enterprises-investment upto Rs. 25 lakhs
- Small enterprises-investment above Rs. 25 lakhs and upto Rs. 5 crores and
- Medium enterprises-investment above Rs. 5 crores and upto Rs. 10 crores.

Services enterprises have been defined in terms of investment of equipment (excluding land and building) they are classified into;

- Micro enterprises-investment upto Rs. 10 lakhs
- Small enterprises-investment above Rs. 10 lakhs and upto Rs. 2 crores and
- Medium enterprises-investment above Rs. 2 crores and upto Rs. 5 crores [13].

Small-scale industry and five year plans

The small-scale sector has been assigned an important role in the industrial economy of the country on account of some of its inherent advantages like low capital intensity, high employment generation capacity, regionally balanced development and even distribution of wealth and income [14]. Special emphasis has been laid on the promotion and development of small-scale sector during the various plan periods. Various measures taken by the government to promote small scale sector under Five Year Plans are described as under.

Small-scale industries in five years plan

The plan outlay for the development of the small-scale industries from the first five year plan to the eleventh five year plan is presented in Table 1.

First Five Year Plan (1951 to 1956)

During the First Plan period, new centers for small-scale production were opened and steps were taken to provide facilities for finance, research and training to the small-scale sector. Various Boards were established to assist and advise the small-scale industry in the formulation of its policies and programmes [11,15-19]. The outlay on village and small-scale industry was amounted Rs. 42.00 crores, which was 2.14 per cent of the total outlay.

Five Year Plan	Total Plan Outlay (Rs. In Crores)	Outlay for Industrial Sector (Rs. In Crore)	Outlay and VSSI for (Rs. In crores)	Percentage VSSI of Industrial Sector Outlay	Percentage VSSI of Total Plan outlay
I Plan (1951-1956)	1960	97	42.00	43.5	2.14
II Plan (1956-1961)	4672	1121	187.00	16.68	4.00
III Plan (1961-1966)	8577	1726	241.00	13.96	2.80
IV Plan (1969-1974)	15779	3107	243.00	7.8	1.50
V Plan (1974-1979)	39426	9581	592.60	6.18	1.50
VI Plan (1980-1985)	109292	16948	1829.90	10.80	1.70
VII Plan (1985-1990)	218730	29220	2752.70	9.20	1.50
VIII Plan (1992-1997)	434100	46922	6334.20	13.50	1.46
IX Plan (1997-2002)	859200	69972	12467.50	17.82	1.80
X Plan (2002-2007)	1525639	88939	23489.20	26.41	1.70
XI Plan (2007-2012)	2192078	107906	45196.40	41.88	1.90

Table 1: Plan outlay for village and small scale industries over the plan periods (vssi).

Second Five Year Plan (1956 to 1961)

During the second Five Year Plan period, three-tier organization was developed in order to strengthen the state departments of industries. Such organizations include;

- The Ministry of Commerce and Industry,
- State Department of Industries, and
- State Board of Industries.

The co-ordination committees were set up in almost all the states and officers were appointed at blocks and district levels. A number of new programs were also conducted to create confidence in the minds of the small entrepreneurs about the assured marketability of their products [17-21]. Certain varieties of items were reserved for the production of the small-scale industry. The outlay of the small-scale industry during this Plan period was Rs.187.00 crores, which was four per cent of the total outlay.

Third Five Year Plan (1961 to 1966)

In the third Five Year Plan period, the total outlay of Rs. 241.00 crores was spent towards the organization of various programmes for promotion of small-scale industry. Employment opportunity for about 6.3 lakhs persons was given on full time basis during this plan period [20-24].

Fourth Five Year Plan (1969 to 1974)

The main objectives of the Fourth Plan were to correct regional imbalances, to create more employment opportunities and to reduce inequalities in income and wealth further. In the Fourth Plan period, a total outlay of Rs. 693.00 crores was allocated for the development of village and small-scale industries [21,22]. Out of which, Rs. 293.00 crores was from the public sector and Rs. 400.00 crores was from private sources.

Fifth Five Year Plan (1974 to 1979)

During the Fifth Plan Period, the shortcomings of the programmes formulated and organized for the promotion of small-scale industry during the first four Plan periods were found out and a strategy was formulated to remove those shortcomings [5,7,25-28].

The main objectives of the programme were

1. Developing and promoting entrepreneurship and providing a package of consultancy service.
2. Improving the production techniques of small-scale industry in order to bring them to a viable level.
3. Facilitating the maximum utilization of the equipment's and skill of the persons employed in small-scale industry.
4. Promoting small-scale industry in selected places in backward, rural and semi-urban areas.

The Fifth Plan was terminated in the year 1978 instead of 1979 due to the introduction of the Rolling plan.

Sixth Five Year Plan (1980 to 1985)

The sixth Five Year Plan also marked a significant stage in the promotion of small-scale industry. The total outlay of Rs.1829.90 crores was made available for small-scale industry during this plan period which was 1.70 times higher over the outlay during 1974-78.

The draft Plan for village and small industries was formulated keeping in view the new industrial policy. This programme was aimed at the generation of employment opportunities by developing and revitalizing the existing small-scale industry. A special emphasis was laid on increasing the earnings level of rural artisans, handloom weavers, craftsman and weaker sections of our community and to promote these industries in small towns and rural areas.

Seventh Five Year Plan (1985 to 1990)

During the Seventh Plan period, a special emphasis was laid on the up gradation of technology and modernization of small-scale sector. The small scale industry made a steady progress over the years.

The number of units in 1987-88 was 15.76 lakhs and in 1988-89 it was estimated to have increased to 17.01 lakhs. Employment in the sector was 107 lakh persons in 1987-88 and in 1988-89 it was estimated to have increased to 113 lakh persons. The share of small-scale sector in total export was about 28.8 per cent during 1987-88.

Eighth Five Year Plan (1992 to 1997)

For the Eighth Plan, a sum of Rs.6334.20 crores was allotted for the village and small-scale industries. In absolute terms, this amount seems to be very large. But in terms of proportion of the total expenditure in the Plan, it is very negligible. The amount is barely 1.46 per cent of the total outlay of the Eighth Plan; and this share has come down from 1.45 per cent in the Seventh Plan.

Ninth Five Year Plan (1997 to 2002)

The provision in the Ninth Plan is of the order of an outlay of Rs. 69972 crores which is slightly lower than the amount allotted to this sector during the Eight Plan period. Besides Plan-resources, quite a large investment has taken place on private account financed partly by government financial institutions, and partly from promoters own financial and non-financial sources.

Tenth Five Year Plan (2002 to 2007)

The expected overall annual growth of industry in the Tenth Plan period at around 8.7 per cent fell short of the targeted growth rate of 10 per cent for the Plan period.

Eleventh Five Year Plan (2007 to 2012)

Given the recent performance, however, the Eleventh Plan target of 10 per cent annual industrial growth appears eminently achievable. As the country enters into the first year of the 11th Plan, the sustained growth of the industrial sector is crucially dependent on removing the infrastructural impediments, especially, in the power sector. Capacity additions through investment are critical for accelerating growth in industry. The investment scenario looks quite optimistic, particularly with rising domestic savings rates and FDI inflows sustained economic growth, fiscal consolidation and an enabling policy environment will continue to provide incentive to capacity addition in industry and sustaining its high growth.

Adequate expansion of employment in the industrial sector, particularly in the organized segment, requires attention. The development of appropriate skills through a wide variety of vocational training as well as optimal degree of flexibility of labour laws are important aspects in this regard. Progress on these fronts will determine how much progress is made in generating employment in the organized industry in the years to come.

Committees on the financing of the SSI sector

While the system of bank credit has helped in a substantial increase in credit to the SSI sector, there have also been constraints relating to the timeliness and adequacy of credit and the complexities of system as well as the procedures related thereto. In order to examine the various aspects of credit dispensation the government of India/the Reserve Bank of India constituted various committees and working groups from time to time. These committees and working groups have given a number of recommendations covering different aspects in improving the flow of credit to the industrial sector, including the SSI, and the strengthening of the financial system.

The Reserve Bank of India appointed various committees with a view to streamline the credit delivery system so as to fall in line with international practice. Some of the recommendations of important committees which brought about metamorphosis in credit analysis is given here [29-31].

The Nayak committee

- Banks should step up the credit flow to meet the legitimate requirement of SSI through preparing an annual budget for new units, functioning units, and sick SSI units
- Single financing agency to meet T/L, W/c, requirement upto Rs.20 lakhs & Rs. 10 lakhs respectively. The single window scheme of the SIDBI enables the same agency to cater the need.
- Inventory norms and first method of lending not applicable to SSI units upto Rs.50 lakhs (raised to Rs. 100 lakhs). As such fund based facility upto Rs.10 lakhs and Rs.10 to Rs.50 lakhs are subjected to inventory and receivable norms and first method of lending respectively [32,33].
- The banks lend on the basis of 1st method of lending to those units engaged in marketing and trading of SSI products. Subject to condition that dealing with 100% products and due settled in 30 days.

The Dahejia Committee (1968) held the view that bank lending was unrelated to borrower's actual needs or activities as it was extended based on the financial worth of borrower, collateral security and guarantee offered. The result was the concentration of bank finance in large industries. As a sequel to committee's recommendation, the Reserve Bank of India issued guidelines for systematic appraisal of working capital based on the business needs of the borrowers.

The Tendo Committee (1975) recommended scientific approach for considering credit requirements of borrowers. The appraisal should be based on production plan, lead time for supplies, economic ordering levels and a reasonable level of stocks, receivable bank finance based on minimum current ratio under each method. These methods provided for progressive increase in the contribution from the borrowers long term sources (capital) for financing current assets. Norms for level of holding for inventory and receivable were prescribed.

Chore Committee (1978) recommended that borrowers having working capital limits of Rs.10 Lakhs and above should compulsorily brought under the second method of lending (current ratio 1.33 percent). Working capital limit should be fixed on the basis of normal non-peak level and 'peak level' requirements. Borrowers with working capital limits of over Rs.10 lakh were required to submit Monthly Select Operational Date (MSOD). Banks were asked to fix operational limit on the basis of Quarterly Information System returns (QIS).

These committee reports covered largely the methodology of lending adopted towards medium and large industries. The Government and the Reserve Bank felt the necessity to focus on the SSI sector which getting marginalized and not getting adequate credit support from banks [34].

The governments appointed a high powered committee under the chairmanship of Puri to examine credit problems of SSI. The committee, inter alia, recommended that;

- Banks should be largely guided by the viability of the projects while entertaining credit proposals. Collateral security should not be insisted upon as a matter of routine.
- Standardized application forms were introduced for small borrowers which are simplified interview-cum-appraisal forms.
- Loan repayments should be fixed taking in to account surplus generating.
- Capacity of the project .
- The interest rate on the loans should be charged on the basis of quantum of loan sanctioned to the borrower limit sanctioned. Limit up to (1) Rs.25000 (2) Rs.25000 to Rs. 2 lakh and (3) above Rs. 2 lakhs sanctioned limits to be charged separate interest rates on the above lines.

The Nayak Committee (1992) recommended that working capital requirement of village industries, tiny industries, and other SSI units availing aggregate fund based working capital credit of Rs.50 Lakhs (raised to Rs.500 lakh in April 1999) from the banking system should be computed on the basis of a minimum of 25 percent of their projected annual turnover for new as well as existing units [35,36]. At least four fifths of this 25 percent should be provided by the banking sector and the balance one fifth should be borrowers contribution towards margin for the working capital. The norms of inventory and receivable as also the first method of lending recommended by the Tandon Committee will not be applicable to such units. This method of computation of working capital finance is called as "Turnover method". If the projected turnover of a borrower unit is Rs.100 lakh, the bank finance would be Minimum of Rs.20 lakh and borrowers' margin would be Rs.5 lakhs.

The Abid Hussion Committee (January 1997) recommended that the financial system must be reformed to increase access of SSI to term loans and working capital and to lower the cost of credit. The committee observed that small enterprise access to credit was found inadequate and the existing institutional/structures needs a thorough overhaul. The committee endorsed the recommendations of Nayak Committee and urged the RBI to vigorously implement the prescribed target of providing working capital of a minimum of 20 per cent of the projected turnover of SSIs [11,26,31]. The mechanism of credit recovery should be strengthened by common guarantees and credit record of the companies. The role of specialized SSI units branches was highlighted. In regard to over dues to SSI units from the large companies, the committee suggested that these companies should disclose this information statutorily in balance sheets.

The Kapoor Committee (June 1998) suggested inter alia, various steps to improve credit delivery system and recommended ways and means to alleviate of difficulties faced by banks in implementing Nayak committee recommendations. The removal of various bottle necks such as complicated insufficient applications, discretionary sanctioning power of branch managers, absence of proactive interaction between borrower and bank for working out the projections of business and

ernegent financing requirements was suggested. Setting up a new guarantee corporation to guarantee loans, particularly to tiny sector, was recommended to offer collateral support to the SSI entrepreneurs upto projects of Rs. 10 lakh [22,35]. The committee covered almost all the operational functioning of the legal and financial aspects and came out with numerous recommendations.

In April 1997, Reserve Bank advised commercial banks on the withdrawal of prescription with regard to assessment of working capital needs based on maximum permissible bank finance as recommended by the Tandom Committee. The RBI advised banks to evolve their own system of assessing the working capital needs of the borrowing with the prudential guidelines and exposure norms [36,37]. The evolution in the methodology of assessing the working capital needs was essentially a movement away from the operating cycle concept to the transaction cycle method. The Nayak Committee (turnover method) is a movement towards a total approach but fell short of its objective in rigorous implementation. The freeing of SSI from controls has ultimately become essential in a free environment. Banks are yet to decide upon a wholly realistic method of financing.

Polices of government on financing of small-scale industries

The Government policies towards SSIs sector is pronounced through industrial policy resolution/statements. They have been formulated to promote industrial growth and also to determine the pattern of state assistance to small industries for fulfilling various socio-economic objectives under different plans [36-39]. The small-scale industrial policy would reflect the direction and pattern of development of small-scale industries in the country. The policies help one to realize the economic, social and political objectives of national development. The government policy incorporates all related subjects relating to small-scale industries, covering all segments.

Registration of small-scale industries

There are two types of small-scale industries for which registration certificates are issued by the Department of Industries and Commerce as per the guidelines issued by Development Commissioner, Government of Indi, and New Delhi. They are provisional certificate to the proposed units and permanent small-scale industries registration certificate to the established small-scale industries units will be issued after commencement of production. This provisional SSI registration certificate (valid up to 5 years from the date of issue) is issued to the proposed SSI units so as to enable them to get all clearance from the statutory department, to get financial assistance from financial institutions for implementing the proposed projects and also power connections from electricity board on priority basis. It means, by using this provisional SSIs registration certificate, the units is not entitled to claim incentives and subsidies from the governments, to import raw materials, to get advances license and also allotment of raw materials from the respective sources of the government [21,32].

The Industrial Policy Resolution 1948

The Industries Conference convened in December 1947, had recommended that the government should establish Cottage Industries Board to foster the growth of small-scale industries. The government proposed to create suitable machinery to implement the recommendations that included the setting up of a cottage and small-scale industries directorate. The Industrial Policy Statement of 1948 had recognized the specific role of SSIs and stated that cottage and small-scale industries are particularly suited for better utilization

of local resources and achievement of local self sufficiency in certain essential goods.

The Industrial Policy Resolution 1956

The Karve Committee and the international perspective planning team envisaged decentralized industrial development to avoid the evils of concentration. The Industrial Policy Resolution of 1956 fully endorsed this recommendation. Decentralization formed the essence of the policy relating to small-scale industries. The resolution pointed out that the state was following a policy of supporting cottage and small-scale industries by restricting the volume of production in the large scale sector, through differential taxation or direct subsidy. The aim of the state policy was to ensure that the decentralized sector acquired sufficient vitality to be self-supporting, integrating its development with that of the large-scale industries. The objectives for small-scale industries specified in the policy were;

- i. To provide immediate large-scale employment opportunities with low capital cost per unit of labour.
- ii. To provide opportunities for encouraging new entrepreneurs and
- iii. To mobilize small capital resources and skills.

The Industrial Policy Resolution 1970

This reiterated the importance of SSIs and emphasized the development and expansion of cottage, small-scale and village industries as an essential step towards economic self-reliance.

The Industrial Policy Resolution 1977

The Industrial Policy 1977 categorically criticized the earlier Industrial Polices and it mentioned that emphasis on industrial policy so far has been mainly on large industries, neglecting cottage industries completely, relegating small industries to a minor role. This watershed policy provided for a lightened role for this sector by considerably expanding the list of products reserved for manufacture by small industry, a facility launched in 1967.

The SSI was divided in to three categories

- ❖ Cottage and household industries which provide self employment on a large scale.
- ❖ A tiny sector was brought in for enterprises with investment in plant and machinery of upto Rs. one lakh and situated in towns and villages with a population of less than 50000.
- ❖ Small-scale industries comprising industrial units with an investment of upto Rs. 10 lakhs and in the case of industries with an investment of fixed capital upto Rs.15 lakhs.
- ❖ Legislation to be introduced to recognize and protect the self employment in cottage and household industries.
- ❖ Special arrangement for marketing to be made by providing services such as product standardization, quality control, marketing surveys and the like.
- ❖ The reserved items list was increased from 180 to 807 items.

The Industrial Policy Resolution 1980

The Industrial Policy 1980 indicates the need for intensifying the development of small industries through integrated industrial process and fostering complementarily between large and small sectors.

The policy also recognized the importance of ancillary industry and accelerated the development of rural and backward areas. Its main planks were;

- Investment limit rose to Rs. 20 lakhs for the SSI as a whole.
- Investment limit for tiny sector rose from Rs. one lakh to Rs. two lakhs.
- Higher limit for capital investment in ancillary units Rs. 35 lakhs.

Besides, with the policy, government had also proposed the following initiatives

- ✓ Approval of project proposals for 100 per cent export oriented units and the expansion of existing units exclusively for exports.
- ✓ To reduce bureaucratic controls and simplify particularly in the field of labour legislation as step to eliminate interference of inspectors SSI units.

The Industrial Policy Resolution 1990

The Industrial Policy Statement (1990) emphasized the development of small scale sector as a key link in the process of socio-economic transformation. The policy introduced measures like raising investment ceiling in plant machinery, introduction of central investment subsidy for backward areas and assisting women entrepreneurs.

The investment ceiling in plant and machinery in respect of units under small-scale sector is being raised as.

1. Small-scale industry from Rs. 35 lakhs to Rs. 60 lakhs.
2. Ancillary units from Rs. 45 lakhs to Rs.75 lakhs, and
3. Tiny units from Rs.2 lakhs to Rs. 5 lakhs.

The core decision of the Industrial of the Policy Resolution 1990 was to ensure adequate and timely flow of credit for the small scale industries through the Small Industries Development Bank of India, the commercial banks and other financial institutions [34,36]. As a result of the concerted efforts by the government the small-scale sectors in India has registered phenomenal growth, for the first, the small-scale industrialization.

The Industrial Policy Resolution 1991

On August 6, 1991 the Government of India announced its new small-scale industrial policy initiated policy measures for promoting and strengthening small, tiny and village enterprise. The main objective of this policy is to inject higher degree of vitality and growth impetus to this sector in order to attain a higher growth rate in respect of its output, employment and reports:

- ➔ De-regulation, de-bureaucratization and simplification of rules, regulations and procedures in connection with the establishment and maintenance of these small-scale units
- ➔ Recognizing industry related services and business enterprises within small-scale industries, irrespective of their location with an investment upto Rs. five lakhs
- ➔ Arranging adequate and regular flow of credit on a normative basis and to improve the quality of its delivery for smooth and viable operation of the small-scale sector
- ➔ To ensure market promotion of the products produced by small sector through co-operatives, public institutions and other

specialized professional or marketing agencies and consortia approach and

- ➔ To establish export development centre in Small Industries Development Organization (SIDO).

New Industrial Policy 1998

On June 25, 1998 the government announced a package of policy initiatives to extent much demanded succor by the SSIs sector. It includes the following

- a. Frequency of checks reduced from weekly to monthly
- b. Periodicity of audit limited to once in two years as against discretionary
- c. No coercive action to realize excise dues pending court order and
- d. Excise refund claims to be disposed off within three months" reasonability to be fixed units clearing goods up to Rs. 40 lakh exempted from filing mandatory declaration of goods produced.

The Industrial Policy 1999

The main objective of the Industrial Policy 1999 was to create congenial environment for the small-scale industries to cope up the emerging challenges of globalization. To focus fully on the promotion and development of SSIs a separate Ministry of Small-Scale Industries and Agro and Rural Industries was created.

The policy initiative includes the following

- i. The annual turnover limit for the calculation of working capital limit for SSI units was raised to Rs. five crores, from Rs. four crores
- ii. The maximum ceiling limit for composite loan scheme was increase to Rs. five lakhs
- iii. To increase flow of credit to SSIs sector, a new credit insurance scheme was launched and
- iv. Special package for the development of small and village industries in north eastern region were announced. The industrial units in the north eastern region given exemption from excise duty for ten years from the date of commencement of production.

The Industrial Policy 2000

Based on the recommendation of Gupta Committee and other inputs from various sources a package of measures was announced with a view to preparing the SSI sector to meet global competition.

- ❖ The SSI exemption limit for excise duty raised from Rs. 50 lakhs to Rs. one crore.
- ❖ The capital subsidy of 12 per cent for investment in technology in select sectors.
- ❖ Group set up to recommend streamlining of inspections.
- ❖ Continuation of scheme of granting subsidy for opting ISO 9000 certification
- ❖ In the national equity fund scheme, the project cost limit will be revised from Rs. 25 lakhs to Rs. 50 lakhs and
- ❖ The Integrate Infrastructure Development (IID) scheme to

progressively cover all areas in the country with 50 per cent reservation for rural areas.

Important policy initiatives in 2004-05

1. Eighty-five items reserved for exclusive manufacture in the small-scale industries were dereserved on October 2004. Further, 108 items were dereserved in March 2005. With these dereservation, the number of manufacture in the SSI sector stands at 506 [40].

2. To facilitate technology upgradation and enhancing competitiveness, the investment limit in plant and machinery in respect of seven items of sports goods was raised from Rs. One crore to Rs. Five crores in October 2004.

3. Composite loan limit for the SSIs sector was increased from Rs. 50 lakh to Rs. one crore by the RBI.

4. The National Commission on enterprise 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.

5. Industrial Policy would promote projects, which are organized in close co-operation on the basis of joint ownership. Growers will be encouraged to set up processing units within the framework of the cooperative societies. This will also ensure the transmission of better technology for enhanced agricultural production.

Plan outlay for 2006-2007

The plan schemes of the ministry provide support for the development and of the small-scale sector in the form of infrastructure development, technology upgradation, human resource development, enhanced credit availability, market development, and the like. In order to continue these activities, the plan outlay allocated for 2006-07 was Rs. 469.93 crores, as against Rs. 412.26 crores in the budget expenditure, 2005-06 [3,38]. As in the previous years, a major portion of the plan outlay earmarked who for the credit guarantee fund scheme (Rs. 118.10 crores), credit linked capital subsidy scheme (Rs. 61.81 crores), and scheme for technology upgradation (Rs. 62.93 crores).

State Industrial Policies

The state/UT governments pursue the central government industrial policies and assistance is obtained under different centrally sponsored schemes/incentives for disbursements among eligible SSIs. This central policy framework serves as a guiding principal for states, which evolve respective governments also design suitable incentives to encourage existing units to expand/diversify products and support entrepreneurs to establish new units. In this context, government provides technical and other support service to SSIs through the Directorate of Industries and DICs. The main areas of support and facilities are listed below.

- To develop and manage industrial areas by respective industrial development and investment corporation.
- Financial support service by State Financial Corporation (SFCs).
- Technical guidance by Technical Consultancy Organization (TCOs).
- Human resources development by host training institutions.
- Infrastructure development by Infrastructure Development

Corporations.

- Export promotion by Small Industry and Export Corporation.
- Single window assistance by District Industries Centers.

Performance of SSI sector in India

The SSIs in India has an important role to play in its economic development. The modern small-scale industry had its beginning in India in the early part of the nineteenth century and prior to that only traditional-artisan based small-scale industrial units existed. The First World War induced the Swadesi Movement which made significant contribution to the development of Indian SSI sector during the inter-war period. After independence, India witnessed a rapid pace towards industrialization through Five Year Plans, Industrial Policy Resolutions, industrial licensing policies and specialized ad-hoc committees. The Industrial Policy Resolution gave emphasis to 'socialistic pattern of society' by given special assistance for the development of small industries and synchronized the development of small and large industries. The industrial licensing policy aimed at protecting and encouraging small and medium entrepreneurs, preventing concentration of ownership of industries and achieving balanced economic development of different regions. By raising the investment limit of small-scale industries through every Five Year Plan, the government came forward to extend its extensive help. The significant growth of the SSI sector over the past five decades is on account of high priority accorded to this sector by the government and Reserve Bank of India.

Table 2 shows the performance of the SSIs sector in terms of the number of units.

It could be observed from Table 2 that number of small-scale industries increased from 93.36 lakhs units in 1998-99 to 311.00 lakhs units in 2010-2011. The increase was the highest during the year 2006-2007, with the increase of 137.59 lakhs units comparing to that of previous year.

To study the trend in the growth of the number of units and the growth rate, the trend co-efficient was computed and is presented in Table 3.

It is observed from Table 3 that the number of small-scale industrial units in India has significantly increased which recorded a compound growth rate of 11.72 percent per annum. It is also inferred from the

Year	No. of Units (Lakhs)	Increase/Decrease	Percentage Increase/ Decrease
1998-99	93.36	-	-
1999-00	97.15	3.79	4.07
2000-01	101.10	3.95	4.07
2001-02	105.21	4.11	4.07
2002-03	109.49	4.28	4.07
2003-04	113.95	4.46	4.07
2004-05	118.59	4.64	4.07
2005-06	123.42	4.83	4.07
2006-07	261.01	137.59	111.48
2007-08	272.79	11.78	4.51
2008-09	285.16	12.37	4.53
2009-10	298.08	12.92	4.53
2010-11	311.00	12.92	4.33

Table 2: Number of small-scale industries units in india from 1998-1999 to 2010-2011.

Sl.No	Variables	Log Linear		R ²	C.G.R (Percent/annum)	C.V (Per cent)
		Constant (a)	Co-efficient (b)			
1.	No of Small Scale Industrial Units	4.1793	0.1110	0.8477	11.72	53.26

Table 3: Compound growth rate and magnitude of variation in number of small-scale industries.

Year	No. of Employment (Person)	Increase/Decrease	Percentage Increase/Decrease
1998-99	220.55	-	-
1999-00	229.10	8.55	3.88
2000-01	238.73	9.63	4.20
2001-02	249.33	10.6	4.44
2002-03	260.21	10.88	4.36
2003-04	271.42	11.21	4.31
2004-05	282.57	11.15	4.11
2005-06	294.91	12.34	4.26
2006-07	594.61	299.7	101.62
2007-08	626.34	31.73	5.33
2008-09	659.35	33.01	5.27
2009-10	695.38	36.03	5.46
2010-11	731.41	36.03	5.18

Table 4: Employment in small-scale industries in india from 1998-1999 to 2010-2011 (In Lakhs).

Sl. No	Variables	Log Linear		R ²	C.G.R (Percent/annum)	C.V (Per cent)
		Constant (a)	Co-efficient (b)			
1.	No of Employment in Small-Scale Industries	5.0481	0.1092	0.8580	11.53	52.16

Table 5: Compound growth rate and magnitude of variation in employment in ssi units.

Year	Investment (Rs. in Crores)	Increase /Decrease	Percentage Increase/Decrease
1998-99	135482	-	-
1999-00	139982	4500	3.32
2000-01	146845	6863	4.90
2001-02	154349	7504	5.11
2002-03	162317	7968	5.16
2003-04	170219	7902	4.87
2004-05	178699	8480	4.98
2005-06	188113	9414	5.26
2006-07	500758	312645	166.20
2007-08	558190	57432	11.47
2008-09	621753	63563	11.39
2009-10	693835	72082	11.59
2010-11	765937	72102	10.39

Table 6: Investment in Small-Scale Industries Sector in India from 1998-1999 To 2010-2011.

table that there was 53.26 per cent variation in the growth of the SSIs units in India during the period under study.

Table 4 shows the performance of the SSIs sector in terms of the number of employment.

It could be observed from Table 4 that the number of employment created by small-scale industries increased from 220.55 lakhs in 1998-99 to 731.41 lakhs in 2010-11. The increase was the highest during the year 2006-07 with the increase of 299.7 lakhs compared to the previous year.

To study the trend in the growth in number of employment the compound growth rate and the trend co-efficient were computed and are presented in Table 5.

It is observed from Table 5 that the number of employment in small-scale industrial sector in India significantly increased at the rate of 11.53 per cent per annum. It is also inferred from the table that there was 52.16 percent variation in the growth of the SSI units in India during the period under study.

Table 6 shows the performance of the SSIs sector in terms of investment.

Table 6 shows that the investment value of the small-scale industries sector in India at constant prices had increased from Rs.135482 crores in 1998-99 to Rs.765937 crores in 2010-2011. The increase was the highest during the year. 2006-07 with an amount of Rs.312645 crores compared to the previous year. After the dereservation of product meant

for SSIs sector, the small industries started making more investment in the business, to face the competition from large industries.

To study the trend in the growth of investment the compound growth rate and the trend co-efficient were computed and are presented in Table 7. It is observed from the Table 7 that the growth in investment in SSIs sector was significant with the compound growth rate of 23.26 per cent per annum. It is also inferred from the table that there was 231.88 per cent variation in the growth of investment small-scale industrial sector in India during the period under study.

Table 8 shows the performance of the SSIs sector in terms of the production.

It could be observed from Table 8 that the production value of the SSIs sector in India increased from Rs.157525 crores in 1998-99 to Rs.1085953 crores in 2010-2011. In India, SSIs sector production was constantly increased during the study period except in 2006-07. Production in SSIs was showing dromedary sudden increase in 2006-07 because of starting more of no of SSI units. The increase in production was the highest during the year 2006-2007 with an increase of Rs. 290514 crores comparing to previous year.

The rate of growth and magnitude of variation in the growth of small-scale industrial production in India are presented in Table 9.

It is observed from Table 9 that the small-scale industries growth of production in India has significantly increased at the rate or 18.87 per cent per annum [41]. It is also inferred from the table that there was 69.98 per cent co-efficient variation in the growth of the SSIs production in India during the period under study.

Table 10 shows the performance of the SSIs sector in terms of the exports.

Table 10 shows the performance of exports by small-scale industries in India which increased from Rs.48979 crores in 1998-99 to Rs.296437 crores in 2010-11. The increase was the highest during the year 2006-07 with the increase amount of Rs.32296 crores comparing to previous year.

The rate of growth and magnitude of variation in the growth of small-scale industrial exports in India are presented in Table 11.

It is observed from the Table 11 that the small-scale industrial export in India has significantly increased at the rate of 16.74 per cent per annum. It is also inferred from the Table that there was 61.77 per cent variation in the growth of the SSI units exports in India during the period under study.

Growth rate of industrial sector and the SSI sector

The growth of small-scale sector in India is always found to be better when comparing to the overall growth of the total industrial sector. A comparative Table of both these categories are presented in Table 12. It contains the growth rate of the industrial and the SSIs sectors during the period from 1998-99 to 2010-11. It could be observed that the growth rate of industrial sector increased tremendously from 4.1 per cent in 1998-99 to 15.2 per cent in 2010-11. However, the growth of the SSIs sector was fluctuating between 1998-99 and 2000-01. From 2000-01 to 2010-11 the SSI sectors growth rate showed increase trend. The growth rate of the SSIs sector rose from 7.70 per cent in 1998-99 to 18.05 per cent in 2010-11.

Growth of small-scale sector in Tamil Nadu

Traditionally, Tamil Nadu is one of the well-developed states in terms of industrial development. In the post-liberalization era, Tamil Nadu has emerged as one of the front-runners by attracting

SI.No	Variables	Log Linear		R ²	C.G.R (Percent/annum)	C.V (Per cent)
		Constant (a)	Co-efficient (b)			
1.	Investment in Small-Scale Industrial Units	11.0447	0.2091	0.6248	23.26	231.88

Table 7: Compound Growth Rate and Magnitude of Variation in Investment In Ssi Units.

Year	Production (Constant Prices) (Rs. In Crores)	Increase/Decrease	Percentage Increase/Decrease
1998-99	157525	-	-
1999-00	170379	12854	8.16
2000-01	184401	14022	8.23
2001-02	195613	11212	6.07
2002-03	306771	111158	56.8
2003-04	336344	29573	9.64
2004-05	372938	36594	10.88
2005-06	418884	45946	12.32
2006-07	709398	290514	69.35
2007-08	790759	81361	11.47
2008-09	880805	90046	11.39
2009-10	982919	102034	11.58
2010-11	1085953	103034	10.48

Table 8: Level of Production in Small-Scale Industries Sector in India From 1998 - 1999 To 2010 -2011.

SI.No	Variables	Log Linear		R ²	C.G.R (Percent/annum)	C.V (Per cent)
		Constant (a)	Co-efficient (b)			
1.	Production Small-Scale Industries	11.5453	0.1728	0.9708	18.87	69.98

Table 9: Compound Growth Rate and Magnitude of Variation in Production in Ssi Units.

Year	Exports (Rs. In. Crores)	Increase/Decrease	Percentage Increase/Decrease
1998-99	48979	-	-
1999-00	54200	5221	10.66
2000-01	69797	15597	28.78
2001-02	71244	1447	2.07
2002-03	86013	14769	20.73
2003-04	97644	11632	13.52
2004-05	124417	26773	27.42
2005-06	150242	25825	20.76
2006-07	182538	32296	21.49
2007-08	202017	19479	10.67
2008-09	233079	31062	15.38
2009-10	265375	32296	13.86
2010-11	296437	31062	11.70

Table 10: Export Performance of Small-Scale Industries Sectors in India From 1998-1998 to 2010-2011.

SI.No	Variables	Log Linear		R ²	C.G.R (Percent/annum)	C.V (Per cent)
		Constant (a)	Co-efficient (b)			
1.	Exports in Small-Scale Industries	10.4823	0.1548	0.9932	16.74	61.77

Table 11: Compound Growth Rate and Magnitude of Variation In Export.

Year	Exports (Rs. In. Crores)	Increase/Decrease
1998-1999	4.1	7.70
1999-2000	6.5	8.16
2000-2001	4.9	4.90
2001-2002	2.9	6.10
2002-2003	6.0	8.68
2003-2004	7.4	9.64
2004-2005	9.0	10.88
2005-2006	9.1	12.32
2006-2007	12.5	12.60
2007-2008	11.9	13.00
2008-2009	12.3	14.24
2009-2010	13.7	16.03
2010-2011	15.2	18.05

Table 12: Comparison of Growth Rate of Industrial Sector and Ssi Sector from 1998-1999 To 2010-2011.

a large number of investment proposals in recent times. At present, Tamil Nadu is the third largest economy in India and its current state domestic product is well over US \$ 23 billion. In Tamil Nadu, the first of the major financial institutions set up in 1949 was the Madras Industrial Investment Corporation which was later renamed as the Tamil Nadu Industrial Investment Corporation (TIIC). The other principal promotional organizations in the state are the Tamil Nadu Industrial Development Corporation (TIDCO), the State Industries Promotion Corporation (SIPCOT), the Small Industry Development Corporation (SIDCO) and the Tamil Nadu Corporation for Industrial Infrastructure Development (TACID) and the National Small Industrial Corporation (NSIC). The TIDCO, SIPCOT and the TACID cater mainly to large and medium industries while the SIDCO and the NSIC provide support mainly to the SSIs sector.

In Tamil Nadu, the growth of the small-scale industries is in consonance with National Plans and objectives. Tamil Nadu has occupied the fifth position regarding the number of the SSI units among the different states in India. Tamil Nadu stood second (next to Maharashtra) in respect of output, investment in fixed assets and employment in the SSI sector. In Tamil Nadu, the SSI units are

concentrated in industrially advanced districts like Chengalpattu, Coimbatore, Chennai and Madurai. The SIDCO promotes the SSI sector in the state of Tamil Nadu along with other organizations such as the TIIC and the Directorate of Industries and Commerce. The growth of the SSI in Tamil Nadu is considerable in relation to its neighboring states namely, Andhra Pradesh, Kerala and Karnataka. In Tamil Nadu, the SSI units cover a wide product range comprising food, textiles, hosiery, paper, leather, chemicals, metals, machinery, automobile parts and other miscellaneous products.

Growth of small-scale industries units in Tamil Nadu: Table 13 shows the growth of the SSI units in data pertaining to cumulative number of units and increase/decrease percentage in the small-scale industries units in Tamil Nadu from 1998-1999 to 2010-2011. It could be observed from Table 13 that the small-scale industries units increased from 334627 units in 1998-99 to 681105 units in 2010-11 [15,17]. The percentage of increase was the highest during the year 1998-99, with the increase of 39623 units. The growth of the SSIs units in Tamil Nadu ranged between 3.18 and 13.43 percent during the study period, further the lowest growth rate (3.18) was observed in the year 2004-05. To study the trend in the growth of the number of the SSI

Year	No. of Units (Cumulative)	Increase/Decrease	Percentage Increase/Decrease
1998-99	334627	39623	13.43
1999-00	354939	20312	6.07
2000-01	387597	32658	9.20
2001-02	419524	31927	8.24
2002-03	448905	29381	7.00
2003-04	474699	25794	5.75
2004-05	489784	15085	3.18
2005-06	513610	23826	4.86
2006-07	530552	16942	3.29
2007-08	557761	27209	5.13
2008-09	598529	40768	7.30
2009-10	639317	40788	6.81
2010-11	681105	41788	5.54

Table 13: Growth Of Ssi Units In Tamilnadu From 1998-1999 To 2010-2011.

Sl.No	Variables	Log Linear		R ²	C.G.R (Percent/annum)	C.V (Per cent)
		Constant (a)	Co-efficient (b)			
1.	Growth of SSI Units	12.6116	0.0590	0.9820	6.08	24.07

Table 14: Compound Growth Rate and Magnitude of Variation In Growth of Ssi Units In Tamilnadu.

Year	No. of Employment (Person)	Increase/Decrease	Percentage Increase/Decrease
1998-99	3002638	-	-
1999-00	2667586	-335052	-11.16
2000-01	2902487	234901	8.81
2001-02	3104477	201990	6.96
2002-03	3285467	180990	5.83
2003-04	3418845	133378	4.06
2004-05	3526246	107401	3.14
2005-06	3600352	74106	2.10
2006-07	3703408	103056	2.86
2007-08	3946263	242855	6.56
2008-09	4292174	345911	8.76
2009-10	4638085	345911	8.06
2010-11	4993996	355911	7.67

Table 15: Growth Of Employment In Small-Scale Units In Tamilnadu From 1998-1999 To 2010-2011.

units and the growth rate, the trend co-efficient were computed and are presented in Table 14. It is observed from the Table 14 that the small-scale industrial units in Tamil Nadu significantly increased at the rate of 6.08 per cent per annum. It is also inferred from the table that there was 24.07 per cent variation in the growth of the SSI units in Tamil Nadu during the period under study.

Growth of employment in SSI sector in Tamil Nadu: The number of employment in the small-scale industrial units in Tamil Nadu for the study period, year to year increase and percentage of increase over relevant previous year are furnished in Table 15. It could be observed from Table 15 that the percentage increase in the number of employment increased from 3002638 persons in 1998-99 to 4993996 employments in 2010-11. The percentage increase was the highest during the year 2000-01 with an increased number of 234901 employments compared to previous year.

To study the trend in the growth of number of employment in SSI units and the growth rate, the trend co-efficient were computed and presented in Table 16. It is observed from Table 16 that the number of persons employed in small-scale industries in Tamil Nadu significantly

increased at the rate of 4.47 per cent per annum. It is also inferred from the Table that there was 19.60 per cent variation in the growth of the SSI units employment opportunities in Tamil Nadu during the period under study.

Growth of investment in SSI units in Tamil Nadu: Data pertaining to investment in the small-scale industrial units in Tamil Nadu for the study period 1998-1999 to 2010-2011 are presented in Table 17. Table 17 shows that the investment value of small scale industries sector in Tamil Nadu at constant prices had increased from Rs. 9350.00 crore in 1998-99 to Rs. 22365.59 crore in 2010-11. The percentage increase was the highest during the period 1998-99 with the increase of Rs.1384.00 crore compared to the previous year. To study the trend in the growth of the investment and the growth rate, the trend co-efficient were computed and are presented in Table 18.

It is observed from Table 18 that the growth in investment in SSIs at Tamil Nadu significantly increased at a compound growth rate of 6.82 per cent per annum. It is also inferred from the Table that there was 27.95 per cent variation in the investment in small-scale industrial units Tamil Nadu during the period under study.

Sl.No	Variables	Log Linear		R ²	C.G.R (Percent/annum)	C.V (Per cent)
		Constant (a)	Co-efficient (b)			
1.	Employment in Small-Scale Industries	14.7409	0.0437	0.9343	4.47	19.60

Table 16: Compound Growth Rate and Magnitude of Variation In Employment.

Year	Investment (Rs. In Crores)	Increase/Decrease	Percentage Increase/Decrease
1998-99	9350.00	-	-
1999-00	10623.00	1273.00	13.61
2000-01	11567.22	944.22	8.89
2001-02	12166.19	598.97	5.18
2002-03	12569.34	403.15	3.31
2003-04	13291.50	722.16	5.74
2004-05	14397.31	1105.81	8.32
2005-06	14726.46	329.15	2.29
2006-07	15438.22	711.76	4.83
2007-08	15864.38	426.16	2.76
2008-09	17331.45	1467.07	9.24
2009-10	19798.52	2467.07	14.23
2010-11	22365.59	2567.07	12.96

Table 17: Growth of Investment in Small-Scale Units in Tamilnadu from 1998-99 To 2010-2011.

Sl.No	Variables	Log Linear		R ²	C.G.R (Percent/annum)	C.V (Per cent)
		Constant (a)	Co-efficient (b)			
1.	Investment in SSI Units	9.0228	0.0660	0.9629	6.82	27.95

Table 18: Compound Growth Rate and Magnitude of Variation in Investment.

Year	Investment (Rs. In Crores)	Increase/Decrease	Percentage Increase/Decrease
1998-99	58432.00	-	-
1999-00	70987.00	12555.00	21.49
2000-01	78261.66	7274.66	10.25
2001-02	83904.80	5643.14	7.21
2002-03	89781.00	5876.20	7.00
2003-04	94939.80	5158.80	5.75
2004-05	99496.47	4556.67	4.80
2005-06	101052.10	1555.63	1.56
2006-07	105979.51	4927.41	4.87
2007-08	114719.96	8740.45	8.25
2008-09	128387.82	13667.86	11.91
2009-10	142155.68	137667.86	9.69
2010-11	150896.13	8740.45	6.15

Table 19: Growth of Production of Small-Scale Units in Tamilnadu from 1998-1999 To 2010-2011.

Sl.No	Variables	Log Linear		R ²	C.G.R (Percent/annum)	C.V (Per cent)
		Constant (a)	Co-efficient (b)			
1.	Production in SSI units	10.8823	0.0748	0.9512	7.77	30.34

Table 20: Compound Growth Rate and Magnitude of Variation In Production.

Growth of production of SSI units in Tamil Nadu: The growth of production of the SSI units in Tamil Nadu in terms of rupees and its percentage of increase/decrease over previous year during the period under review are presented in Table 19. It could be observed from Table 19 that the production value the SSIs sector in Tamil Nadu increased from Rs. 58432.00 crore in 1998-1999 to Rs. 150896.13 crore in 2010-2011. The percentage increase was the highest during the year

1999-2000 with the increase of Rs.12555.00 crore when compared to previous year. To study the trend in the growth of production and the growth rate, the trend co-efficient were computed and are presented in Table 20. It is observed from Table 20 that the small-scale industries achieved significant increase of production with a compound growth rate of 7.77 per cent per annum. It is also inferred from the Table that there was 30.34 per cent variation in the growth of production in SSI units in Tamil Nadu during the period under study.

Year	Number of SSI Units (Rs. In lakhs)		Percentage Share of SSI Units in Tamil Nadu to Total SSI Units in the Country
	All India	Tamil Nadu	
1998-99	93.4	3.25	3.47
1999-00	97.2	3.56	3.66
2000-01	101.1	3.88	3.83
2001-02	105.2	4.20	3.99
2002-03	109.5	4.50	4.11
2003-04	114.0	4.75	4.17
2004-05	119.0	4.90	4.12
2005-06	123.0	5.14	4.15
2006-07	128.0	5.31	4.15
2007-08	137.6	5.58	4.18
2008-09	142.0	6.00	5.10
2009-10	151.6	7.22	4.76
2010-11	155.8	7.64	4.90

Table 21: Share of The Ssi of Tamilnadu To The Whole of India During 1998-1999 To 2010-2011.

Share of the SSI units of Tamil Nadu compared with all India level: In Tamil Nadu the growth of small-scale industries is in consonance with the national plans and their objectives. The objectives of SSI units are to bring about a balanced regional development, to tap the potential at the block level by promoting entrepreneurship, to generate employment and to induce personal savings. The focus on the development of SSIs sector began only during the Second Five Year Plan [32,37]. A systematic programme for the development of the small-scale sector was formulated and there was also a concentration on the development of ancillary units during the second plan period. The share of the number of small-scale industries of Tamil Nadu compared to that of the number of units in the whole of India from 1998-99 to 2010-11 is presented in Table 21. Table 21 discloses the number and share of the SSI units in Tamil Nadu state compared to that of the whole of India. A close analysis of the data reveals that both in India as a whole and in Tamil Nadu state the same pattern of growth in terms of the increase in the number of units have taken place. At the all India level, the units increased from 93.4 lakhs in the year 1998-1999 to 155.8 lakhs in the year 2010-2011. So far as Tamil Nadu is concerned, the number of units increased from 3.25 lakhs in the year 1998-1999 to 7.64 lakhs in the year 2010-2011. The percentage share of the number of units in Tamil Nadu to the total increased continuously and steadily from 3.47 per cent in 1998-1999 to 4.90 per cent in 2010-2011. This is not a surprising trend, since Tamil Nadu is one of the leading industrial states of India.

Summary

The Industrial Policy Resolution, Five Year Plans and recommendation of different committees on SSIs focus on the need for adequate and timely delivery of credit to the SSIs sector by commercial banks. The increase in the working capital limits, as suggested by different committees on the financing of SSI units, would ease the flow of bank credit to the small-scale industry.

Suggestions

The Bank under study may have specialized branches in each district to the loan requirements of the small-scale industries. The lead banks in all districts may have periodical meetings with the DICs and the Association of the SSI units to assess the nature, type and amount of loans required by SSI units.

The banks may conduct sample surveys of the performance of the SSI accounts to find whether they are getting adequate bank credit for their operations.

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