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GLOBALIZATION AND SMALL SCALE INDUSTRY SECTOR IN INDIA

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Introduction

The economic reform process in the most of the development countries started during the late eighties through the conditional assistance of IMF and World Bank. Along with the International Monetary Fund and the World Bank, Gatt was the third pillar of the Bretton Woods System. India is a small player in international trade accounting for only about 0.67% (2001) of the world trade. But the economy of the country is globalizing fast on the background of Word trade organization framework. Member counties have to expend market access through reduction and binding of tariff rates, eliminating quantitative restrictions and non tariff measure. Thus, WTO strategic framework implies that national economic polices are generally framed in conformity with international framework. To offers both challenges and opportunities for Indian industry and especially for small scale industry which have different aims and stake.

Present Status of SSI

The current limit of gross investment in plant and machinery for small scale Industrial undertaking is Rs. 10 million in our country. This limit was increased to Rs. 5 crore in case of five sector including garment, toys, hosiery, packing material, auto components and hand tool.

Table -1

YEAR	N0.UNIT IN MILLION	PRODUCTION IN Rs. BILLION	EMPLOYMENT IN MILLION PERSONS	EXPORT IN MILLIONS
1973-74	0.42	72.00	3.97	3.93
1980-81	0.87	281.00	7.10	16.43
1985-86	1.35	612.00	9.60	27.69
1990-91	1.95	1553.00	12.53	96.64
1995-96	2.66	3627.00	15.26	364.70
1996-97	2.80	4119.00	16.00	392.48
1997-98	2.94	4626.00	16.72	444.42
1998-99	3.08	5207.00	17.16	489.79
1999-00	3.21	5729.00	17.85	542.00
2000-01	3.37	6455.00	18.56	599.78

Source; pub monthly review 2002

The SSI sector total contribution to the countries export has been estimated at 45.50% where direct exports are estimated to constitute about 30%in the year 2001. The main items of export are gems and jewellery sports, goods, ready made garment, woolen garment and nightwear, plastic products, processed food. Table 1 shows the trends in increasing number of units and increasing in quality of exports. Years given in the table shows the position of SSI from 1993-2001.From 1995-1996 the number shows the trends after the second generation reform period. Though the number of unit and production were increasing but employment was not increasing at the faster rate.

Economic reforms in India have brought in a paradigm shift in the Indian Economy. After the advent of economic crisis in the year 1990-91, India had to resort to a loan from the IMF to adjust her balance of payments position. As a result of crisis, growth rate of GDP decelerated to 1.3% in 1991-92 from the previous years 5.6% growth. Fiscal deficit of central govt. was 8.3 per cent of GDP & government debt was 65 per cent of GDP. India had a history of spirally fiscal deficit for nearly a decade before the advent of the crisis in 1991.

The policy statement on small sector does make some headway in the séance that as against the provision of one time benefits to small industry like preference in land allocation, power connection ate. In the NEP various procedural simplification, including new registration from have been introduced. To ensure prompt payment to small scale units a new legislation viz. Interest on the Delayed payment Act 1993 has been enacted by the Parliament. A scheme has been formulated to train unemployment non-technical graduates so as to augment the availability of managers at affordable rates for the SSI sector and reduce educated unemployment.

The Nayak Committee was set up to examine the problems of credit, sickness and other related issues in the SSI sector. The committee submitted it's reported in

September 1992. The RBI vides their circular dated April 17, 1993 and July 3, 1993 announced a special package of measure to ensure adequate and timely credit to SSI sector. The salient features of the package are:

(1) Bank should give preference to village industries, tiny industries and other small scale units in that order, while meeting the credit requirement of the SSI sector.

(2) The bank should step up credit flow to meet the legitimate requirement of the SSI sector in the full during the Eight five year plan.

(3) An effective grievance redressed machinery within each bank which can be approached by the SSI in case of difficulties should be setup.

(4) Bank should adopt the single window clearance scheme of SIDBI for meeting the credit requirement of small scale units.

In the recent times several policy initiatives and procedural simplification have been undertaken by the government to support the small scale sector and enhance competitive strength. The measure include, like greater infrastructural support, more and easier availability of credit ,lower rate of duty, technology up gradation, building entrepreneurial talent, quality important, export incentives, employment generation etc. The various incentives and facilities provided for small scale industries can be categorized as fiscal incentives, credit polices and other incentives. The fiscal incentives include excise concessions available for both registered and unrequested units on aggraded scale depending on turnover up to 300 lacs. A scheme of Integrated Infrastructure Development was launched in March 1994 to strengthen infrastructural facilities in rural and backward areas to project. A quality certification scheme has also been introduced to improve SSI product quality. Financial support has also been given to acquire ISO 9000. Moreover, a seven point Action plan has been initiated to improve credit flow to SSI sector. Scale of National Equity Fund Scheme has been enlarged to cover the whole country except metropolitan areas to support expansion, modernization and technology up gradation. Under the scheme Rs. 187 lakes were released during 1995. With a view to up grade technology, Technology development and modernization fund scheme was launched for modernization and adoption of improved and updated technology. During the first 7 months of 1995-96 SIDBI has assisted 43 units and sanctioned rs.1549.47 laths under the scheme. Along with it a scheme for creation of Technology development Fund in the state was launched with the involvement of state government and industry Associations.

The various credit policies which were especially meant for SSI sector : priority lading, 40% of advances to SSI sector reserved for tiny sector and village and cottage industries, reference facilities and special scheme of SIDBI, confessional rate of interest for loans up to Rs. 2 lac, single window scheme of SIDBI for project out lays up to Rs. 50 lac Under prime minister Rojgar yojana, loans in respect to of 133 micro enterprises were sanctioned in 1993-94,196 133 enterprises in 1994-95 and 1-1, 321 enterprises in April -November 1995. Some of the other incentives include reservation of products for exclusive manufacture purchase and price preference, infrastructural support to entrepreneurship development institutes to augment their training their trading capacities, joint programmed with the state bank of India and small industries development Bank of India for modernization and technology up gradation of industries cluster, assistance to setup testing center, and special programmers on vendor development quality awareness etc.

Critical Analysis of NEP towards SSI Sector

In This part of the paper certain flows in the NEP are discussed along certain suggestion from the experience of the economics like Japan and South corea which are industrially dominated by small scale unites.

Although only a small footnote in the industrial policy statement of 1991 mentioned that the reservation of small sector would continue, no other measure was suggested to revamp the small sector. Regarding the supply of credit to the small sector the rate of interest concretization on confessional credit was barely o.5 percent to one percent, no concretization of the volume of credit has been made. The government should have specified the proportion of intuitional credit that would be made available to the small sector on a priority basis. The policy statement makes an important recommendation regarding the provision of equity to be held by another undertaking up to 24 percent in a small unit. This other undertaking may be small or large, Indian or foreign .The government would describe this development as integration of the small sector with the large sector there, is however, a strong fear that such a provision may at alter stage facilities the take over of small sector by the large sector. The implication of this danger in terms of employment displacement is very grave. Regarding transfer of technology by the large units to the small units, it is doubtful whether the large units will ever like this to take place, but big units are interested to use to small units only as sub-contracting agencies for small jobs, they would never encourage them to become impended units reveal that the big firms do not make timely payments to the small units even after the delivery of good by the latter to the former. Government policy does not even take the note of the number of sick units in the small sector.

An analysis of India policy towards small scale industry heights the facts that supply side intervention subsidized loans, tax exemptions, industrial estates and product reservation in favor of small scale enterprises, are ineffective in achieving the desired objective of employment oriented industrial development micro interventions were ineffective because they were carried out in a distorted macro economic environment.tariffs,exchang rates, investment incentives credit and public sector policies, instead of practicing interventions designed to alter the enterprise size, structure within industries, policies favorable to change in the composition of industrial output in line with the comparative advantage need to be implemented.

It is interesting to note the experience of South Korea. In order to promote efficient sub contracting the Korea government enacted in 1975 the small Industry subcontracting promotion Act. Under this linkage system product judged appropriate for small and medium enterprises are reserved for them only. The linkage system provides for organization of supplier firms around each principal manufacturer and they share the technology knowledge. Further the Korea Credit Guarantee fund (KCGF) generates the linked guarantee scheme. Under this the principal manufacture and the supplier work together to manage the credit of the suppliers and KCGD guarantees the obligations of suppliers which enables them to get credit on favorable terms. The principal manufacture and the suppliers work together to manage the credit of the suppliers .programmed of their kind are probably unique to Korea.

So it can be concluded from the above analysis that the policy for SSI can be passive, protective and development. For a dynamic economy, development approach is the most describe one. The aim of the development approach is not to preserve traditional primitive and outmoded units against change but to transform and the sector as a whole to gain competitiveness. In this regard a mention can be made to the promotional agencies because they from an essential and integral part of development policy for SSI. The promotional agencies encourage the growth of small scale enterprise but protective measures encourage SSI units to remain small rather than transform itself to larger size over period of time

Response of the small Scale Sector

The small scale sector being unorganized, there has been a marked absence of strategic moves in response to the changing economic environment.

Especially with the lifting of qES on imports, reservation of items for the SSI sector if going to become meaningless. Removal of qEs is not going to lead to flood of imports (Vasudeva, 2000) and it is not going to be cakewalk to enter the Indian market, especially the rural market, for the foreign brands. However it is expected that there will be dislocations in some of the highly protected sector and where the production cost are higher than the global level.

Conclusion

In the light of the above discussion, the government policy should be to help SSI units to upgrade technology, improve productivity and remain competitive in the market. Promotional agencies should be given a new thrust in this direction

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