

### ❖ Classification of Small-Scale Industries on basis of Amount of Capital Invested

Small scale enterprises can also be classified based on the amount of capital invested in their operation. In this scenario, these industries can be classified into the following –

#### ➤ In the Manufacturing Sector

Type	Capital Investment in Plant & Machinery
Micro Industry	Investment amount dose not exceeds Rs. 25 Lakh.
Small Scale Industries	Investment sum over Rs. 25 Lakh but below Rs. 1 Crore.

#### ➤ In the Service Sector

Type	Capital Investment in Plant & Machinery
Micro Industry	Investment amount dose not exceeds Rs. 10 Lakh.
Small Scale Industries	Investment sum over Rs. 10 Lakh but below Rs. 2 Crore.

### ❖ Classification of Small-Scale Industries on basis of goods and services produced, there are Six types of small-scale industries.

Type	Meaning
Manufacturing Industry	These are the industries engaged in the production of finished goods-either for processing or consumption. These types of businesses are mostly sole proprietorships.

	Some of the examples of small businesses under the category are Engineering industries, power looms, food processing etc.
Service Industries	This category includes repair shop and businesses engaged with maintenance.
Ancillary Industries	Most MNCs or Big companies manufacture finished goods. However, the parts used to manufacture these finished goods are supplied by Ancillary industries. These types of small businesses can also include the ones that manufacture machines for medium sized industries or MNCs.
Export Units	A small-scale business can be classified as an export unit if its total exports 50% of its total manufactures.
Cottage industries	These industries are operated through private resources. They also involve small capital investment and the utilisation of indigenous technology.
Village Industries	The industries located in rural areas, not belonging to any organised sector, producing goods and services without the utilisation of power belong to this category.

### ❖ **Government Policies for Development and Promotion of Small-Scale Industries in India**

In India, Small-scale enterprises have been given an important place for both ideological and economic reasons. It is well documented that the small scale industries have an important role in the development of the country. It

contributes almost 40% of the gross industrial value added in the Indian economy. Government's approach and intention towards industries in general and SSIs in particular are revealed in Industrial policy Resolutions. There are many Government Policies for development and promotion of Small-Scale Industries in India. These are mentioned as below:

1. Industrial Policy Resolution (IPR) 1948,
2. Industrial Policy Resolution (IPR) 1956,
3. Industrial Policy Resolution (IPR) 1977,
4. Industrial Policy Resolution (IPR) 1980 and
5. Industrial Policy Resolution (IPR) 1990.

Since Independence, India has several Industrial Policies to her credit. So much so that Lawrence A. Veit tempted to say that “if India has as much industry as it has industrial policy, it would be a far well-to-do nation.” With this background in view, in what follows is a review of India's Industrial Policies for the development and promotion of small-scale enterprises in the country.

### **1. Industrial Policy Resolution (IPR) 1948:**

The IPR, 1948 acknowledged the importance of small scale industries in the overall industrial development of the country. It was well understood that small-scale industries are mainly suited for the utilization of local resources and for creation of employment opportunities. However, they have to face severe problems of raw materials, capital, skilled labour, marketing since a long period of time (B.narayan, 1999). Therefore, government put more emphasis on the IPR, 1948 so that these problems of small-scale enterprises should be solved by the Central Government with the cooperation of the State Governments.

### **2. Industrial Policy Resolution (IPR) 1956:.**

The IPR 1956 provided that along with continuing policy support to the small sector, it also aimed at to ensure that decentralised sector obtains sufficient

vitality to self-supporting and its development is integrated with that of large-scale industry in the country. To mention, some 128 items were reserved for exclusive production in the small-scale sector.

### **3. Industrial Policy Resolution (IPR) 1977:**

During the two decades after the IPR 1956, the economy observed uneven industrial development skewed in favour of large and medium sector, on the one hand, and increase in unemployment, on the other. This situation led to a renewed emphasis on industrial policy. This gave emergence to IPR 1977.

#### **The Policy Statement categorically mentioned:**

“The emphasis on industrial policy so far has been mainly on large industries, neglecting cottage industries completely, relegating small industries to a minor role. The main thrust of the new industrial policy will be on effective promotion of cottage and small-scale industries widely dispersed in rural areas and small towns. It is the policy of the Government that whatever can be produced by small and cottage industries must only be so produced.”

### **4. Industrial Policy Resolution (IPR) 1980:**

The Government of India adopted a new Industrial Policy Resolution (IPR) on July 23, 1980. The main objective of IPR 1980 was defined as facilitating an increase in industrial production through optimum utilization of installed capacity and expansion of industries.

#### **As to the small sector, the resolution envisaged:**

- (i) Increase in investment ceilings from Rs. 1 lakh to Rs. 2 lakhs in case of tiny units, from Rs. 10 lakhs to Rs. 20 lakhs in case of small-scale units and from Rs. 15 lakhs to Rs. 25 lakhs in case of ancillaries.
- (ii) Introduction of the concept of nucleus plants to replace the earlier scheme of the District Industry Centres in each industrially backward district to promote the maximum small-scale industries there.
- (iii) Promotion of village and rural industries to generate economic viability in the villages well compatible with the environment.

Thus, the IPR 1980 reimphasised the spirit of the IPR 1956. The small-scale sector still remained the best sector for generating wage and self-employment based opportunities in the country.

### **5. Industrial Policy Resolution (IPR) 1990:**

The IPR 1990 was announced during June 1990. As to the small-scale sector, the resolution continued to give increasing importance to small-scale enterprises to serve the objective of employment generation.

**The important elements included in the resolution to boost the development of small-scale sector were as follows:**

- (i) The investment ceiling in plant and machinery for small-scale industries (fixed in 1985) was raised from Rs. 35 lakhs to Rs. 60 lakhs and correspondingly, for ancillary units from Rs. 45 lakhs to Rs. 75 lakhs.
- (ii) Investment ceiling for tiny units had been increased from Rs. 2 lakhs to Rs. 5 lakhs provided the unit is located in an area having a population of 50,000 as per 1981 Census.
- (iii) As many as 836 items were reserved for exclusive manufacture in small-scale sector.
- (iv) A new scheme of Central Investment Subsidy exclusively for small-scale sector in rural and backward areas capable of generating more employment at lower cost of capital had been mooted and implemented.
- (iv) With a view, to improve the competitiveness of the products manufactured in the small-scale sector; programmes of technology up gradation will be implemented under the umbrella of an apex Technology Development Centre in Small Industries Development Organisation (SIDO).
- (v) To ensure both adequate and timely flow of credit facilities for the small-scale industries, a new apex bank known as 'Small Industries Development Bank of India (SIDBI)' was established in 1990.

(vi) Greater emphasis on training of women and youth under Entrepreneurship Development Programme (EDP) and to establish a special cell in SIDO for this purpose.

(vii) Implementation of delicensing of all new units with investment of Rs. 25 crores in fixed assets in non-backward areas and Rs. 75 crores in centrally notified backward areas. Similarly, delicensing shall be implemented in the case of 100% Export Oriented Units (EOU) set up in Export Processing Zones (EPZ) up to an investment ceiling of Rs. 75 lakhs.