



Small scale industries

Lecture 20

Definition

As per the latest definition which is effective since Dec 21, 1999, for any industrial unit to be regarded as Small Scale Industrial unit the following conditions are to be satisfied:

- Investment in fixed assets like plants and equipment's either held on ownership term on lease or on hire purchase should not be more than Rs 10 million.
- Less than 150 employees in a unit

Background

- The policy reservation of items for manufacturing in SSIs was introduced in 1967. Initially only 47 items were reserved, but as of today about 675 items are reserved.
- SSIs are the second largest employers of Human resources after agriculture .
- They generate more employment opportunities per unit of capital invested than large-scale industries.

Classification of Small Scale Industries

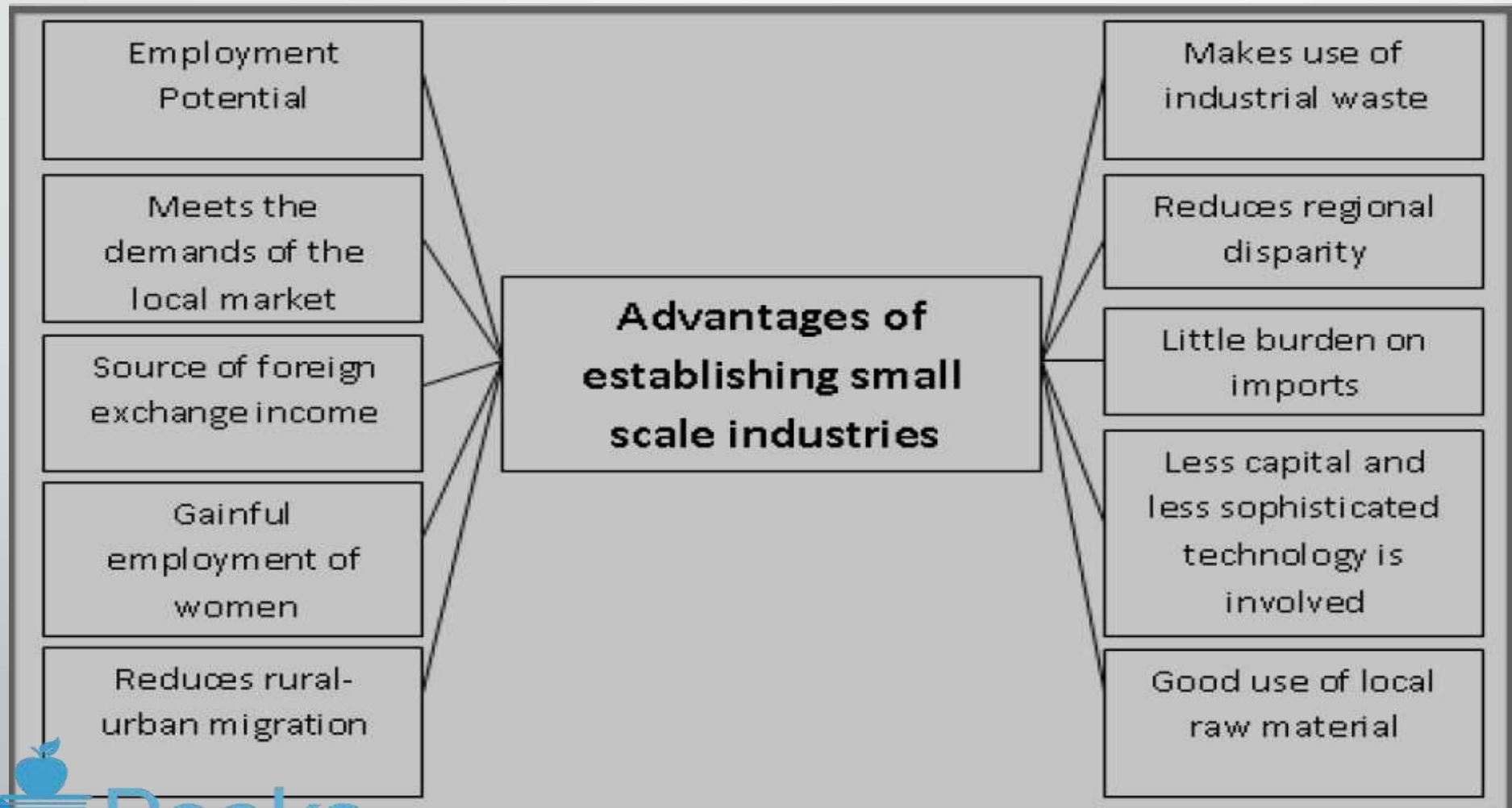
Traditional Small Scale Industry	Modern Small Scale Industry
It includes khadi and handloom, village industries, handicrafts, sericulture etc.	Modern SSI produce wide range of goods from comparatively simple items to sophisticated products such as television sets, electronics, control system, various engineering products etc.



Cottage and small scale industries in Pakistan

- In Pakistan cottage or household industries hold an important position in rural set-up. Most villages are self sufficient in the basic necessities of life. They have their own carpenters, blacksmiths, potters, craftsmen and cotton weavers. Many families depend on cottage industries for income.
- Cottage industries have also gained immense importance in cities and towns. There is great demand for hand woven carpets, embroidered work, brassware, rugs and traditional bangles. These are also considered important export items and are in good demand in international markets.

Advantages of small scale industries



Advantages of small scale industries

- Cottage and small-scale industries are labor intensive and provide employment to 80% of the industrial labor force. This reduces the unemployment and offers opportunities for self employment.
- Traditionally, women are not encouraged to work outside their homes. Cottage or small-scale industries like carpet- weaving, candle-making and handicrafts can be established in houses and women can be gainfully employed. This increases the active labor force.
- These industries also meet the local demands for industrial goods, and save foreign exchange.
- There is a demand for rugs, carpets, brassware, handicrafts and embroidered work in the International market. These goods provide 30% of the export receipts of the manufacturing sector.

Advantages of small scale industries

- When people are employed gainfully in villages, the migration of people from rural to urban areas will reduce. The acute problems of housing, sanitation, education, transport and health will be reduced in urban areas.
- Many districts are under-development. With the expansion of such industries, the regional disparity in income can be reduced.
- These industries make effective use of local raw materials which also promotes primary industries like agriculture and mining.
- Small-scale industry does not require much capital and high technology. It is suited to the traditional economic set-up.
- Cottage and small-scale industries do not use much imported material or equipment.
- The waste of large-scale industries, particularly the cotton, sugar and steel industries, can be used to make by-products.

Types of cottage and small-scale industries in Pakistan

- Carpets

Carpets are by far the most in economic terms and they make a significant contribution to export earnings. They are generally hand-woven and hand knotted and made of wool, silk or a mixture of the two.

- Textiles

Textiles are found throughout the country with a variety of design and techniques. The most famous among them are Khaddar, Susi, Khes, Chunri, Boski, Karandi, Shaal and Ajrak. The designs are invariably brightly colored with traditional emphasis on blue and red.

- Embroidery

Embroidery has developed to a fine art with distinctive regional designs and patterns.

- Jewelry

Gold and silversmiths are one of the largest communities of craftsmen. Much of the jewelry made and sold in the cities is intricately fashioned and delicate.

Types of cottage and small-scale industries in Pakistan

- Ceramics

Clay and terracotta pottery and utensils continue to be of great practical importance. Many of the designs of urns, pitchers, bowls, jugs, plates, and pots seen today are almost identical to those uncovered at archaeological sites around the country. Distinctive glazed blue tiles are used to decorate many of the great mosques in Pakistan.

- Cutlery

Wazirabad is the city of cutlery industry in Pakistan. This industry is growing day by day and has share of 65 million US dollars in Export for 2018. High Quality Damascus Steel (Pattern Welded Steel) is manufactured in this city and 95% of world needs are produced here.

- Woodwork

The Swat Valley is perhaps the most famous for its intricately carved architectural woodwork and furniture, although woodcarving is common throughout the northern mountains.

Types of cottage and small-scale industries in Pakistan

- Sports Goods

Sports goods earn about 3.7% of our total exports. The main raw material for the sports goods industry are leather and mulberry wood that are available in Punjab, but also imported PVC. Football, hockey ball, hockey sticks, cricket bats and rackets are mostly manufactured by hand. The skilled workers are available in Sialkot and Lahore. In the industry large and medium size factories contract work out to small scale and cottage concerns.

- Surgical Instruments

Sialkot and Lahore are also noted for the manufacture and export of surgical instruments. The most important raw material is stainless steel which has to be imported. In this industry, also, medium scale factories contract work out to small scale and cottage concerns. Also like the sports goods industry, most of the output is exported.

- Other small-scale industries

Other small scale industries include electric fans, cutlery and general engineering.

Problems of cottage and small-scale industries

- Profits are limited and they are mostly spent on the daily expenses of the owners. They do not have extra capital for expansion of these industrial units.
- Economies of scale are not available so production cost is higher. Goods produced in small-scale industries cannot compete in open market if the same goods are manufactured on a large scale.
- There is a lack of standardization and quality control. In some cases they do not meet the standards of foreign markets. A lack of coordination between different industries also creates differences in prices.
- Production methods and machinery are outdated because the investors in small-scale industry are illiterate and poor.
- The wholesaler, who takes most of the profits, exploits the owners of the small-scale industry. In some cases goods are sold to wholesalers at cost price, which discourages the owners and they reduce the quality and quantity the produced.
- In rural areas, where the electricity is not provided, small scale industries are difficult to set up. Even the great fluctuation in voltage and power break-downs cause damage to the electric motors. The commercial rates of electricity have also increased significantly which hinders the growth.

The craftsman and artisans learn their skills and production methods from their elders. The provision of technical advice and further training is limited.

Government Policy towards Small-scale and cottage industries

The government is fully aware of the potential of cottage and small-scale industries for industrial development. The following organizations have been established to develop this sector of economy.

- Pakistan Small Industries Corporation (PSIC)
- Punjab Small Industries Corporation (PSIC)
- Sindh Small Industries Corporation (SSIC)
- The Small Industries Development Board NWFP (SIDB)
- The Directorate of Small Industries Baluchistan (DSIB)

Government policy towards small and cottage industry

The above organizations are taking the following measures:

- Establishment of industrial estates.
- Providing marketing facilities.
- Setting up of technical service centers.
- Establishing handicraft development centers and carpet centers.
- Providing pre-investment counseling and guidance to newcomers.
- Providing local and foreign loans to small industry owners on easy installments.

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