



Suggestions to Improve SSIs to Meet Global Pressures

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The world is changing into a global village. The change is visible in multiple forms and from multiple directions. Starting from reforms with emphasis on liberalization, privatization and globalization, the world has witnessed emergence of World Trade Organization (WTO) which has altered the basic principles of trade, regional groupings, barrier free movements, mergers and acquisitions, foreign direct investments, bilateral and multilateral agreements etc¹.

Amid so many changes around us, the Indian Small Scale Industries have been playing very important role in terms of providing large scale employment opportunities at lower capital cost than large scale industries, and help in industrialization of rural and backward areas, thereby reducing regional imbalance and assuring more equitable distribution of national income and wealth. In 2005, the Small Scale Industry (SSI) sector accounted for over 90% of industrial units in the country, 8 percent in the GDP and approximately 40 percent of India's exports.

From the employment point of view the SSIs have special significance because of its low investment requirements. As per the census report of the year 2001-02, employment generated by SSI per Rs.1 Lakh investment was 1.39, while employment generated by large scale industry was 0.20 implying that large scale industry requires an investment of Rs. 5 lakh to generate employment for one person whereas the SSI generates employment for 7 persons with same investment. Thus, the SSI provides 7 times more employment with the same level of investment in large scale industry.²

Further, the SSI sector is a major source of raw material for some large scale industries. The spread of the SSI will prevent the concentration of economic power in a section of society. Moreover, most of these industries were characterized as being environmentally friendly. The possibility of establishing these industries in different regions is favorable because they do not need special infrastructure. Once these industries are well established then the encouragement of their spread in the rural regions will help to achieve many of the social and economic goals, such as increasing income in rural areas, controlling the migration from rural areas to cities and controlling demographic growth.

The SSIs include the traditional as well as modern industries. The traditional SSIs include Khadi and Handloom, Handicrafts, Sericulture, Coir etc. Modern SSIs produce wide range of goods from comparatively simple items to sophisticated products such as television sets, electronics control system, various engineering products, particularly as ancillaries to the large industries. The traditional SSIs are highly labour intensive, while the modern SSIs may make use of highly sophisticated machinery and equipments.³

In Haryana, the number of Small Scale Industries have grown from 4,519 in 1966-1967 to 75,505 industries by 2009-2010. They are in prominent numbers in sectors like Textile products, scientific instruments, auto parts and components, home appliances etc. The export basket of Haryana is quite diversified with traditional and modern industries equally contributing to the total exports. Handloom, Scientific Instruments, Electronic and Electrical Goods, Readymade Garments, Motor Cars and Parts and Leather etc. are main products exported from Haryana. Small Scale Industries are widely spread in the

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¹ Dr. C.S. Prasad (2005), "Small and Medium Enterprises in Global perspective", New Century Publications, New Delhi, India, Pp 57-58.

² Kumar Satinder, "Productivity Growth and Production structure in Small Scale Industrial Sector : A Comparison of Punjab and Haryana", International Journal of Research in Commerce, Economics & Management, Vol-1, No 6, pp. 25-31.

³ Desai, Vasant (2004), "Small-Scale Industries and Entrepreneurship", Himalaya Publishing House, New Delhi.



state. Faridabad and Gurgaon have the largest number of Small Scale Units. The number of workers employed in Faridabad and Gurgaon is also the largest in comparison to other districts. In terms of exports, district like Gurgaon, Hissar, Faridabad, Biwani, Panipat and Sonapat are the main contributors. Handloom industry is the major industry of Panipat district. In 2009-2010, there were 100 industrial units exporting wide range of Handloom products such as carpet, curtains, durries, table covers, bed covers mats etc. to various developed countries.⁴

The following are the main suggestions and recommendation which may be instrumental in improving the performance of Small Scale Industries in Haryana :

1. Set up a WTO cell in the State to monitor over the trade and coordinate with the Centre. The main function of this cell should be to keep a track of the major products and industries in the state; to collect information from industry and other sources regarding any visible unfair practices including excess subsidy, tariffs, QR's, etc. in both exporting countries and importing countries; taking proactive stand and mobilizing opinion to get corrective measures to protect domestic industry by imposing countervailing duties, anti-dumping measures appeal in WTO etc.
2. Providing information about WTO and its implications such as information about the WTO and its implication need to be disseminated to all the SSI units. District Industrial Centres (DICs) can play an important role in these regards. DICs are the nodal centers to help the industries at the district level. They need to be upgraded and computerized. Adequate funds should be allocated. Their functioning needs to be improved; conduct WTO Workshops in all the district of the states- to educate and prepare for the improvement possible ; Workshop should be cluster/industry oriented ; it should be interactive in nature and focus on both sides of picture i.e. Threats or challenges of WTO and how to meet these challenges. Opportunities arising out of WTO and the strategy necessary to reap these benefits; DIC and Associations are to play an important role in organizing such workshop. Such workshop can be used to establish linkages and promoting networking among the units. Participants should include not only entrepreneurs but also other key member of the organizations: the development of Information Highway and Electronic Commerce in creating a tool for SSIs to catch up in accessing global markets. Information technologies can also allow governments to deliver information to small scale industries cost effectively in ways that add value to their operations. They can encourage individuals, groups, association to provide information to the small scale industries through Internet, websites etc. Examples are Alibaba.com, Strategic websites by Canada: Providing training to use Internet for information, use of SENET and other websites.
3. Providing tax benefits – Excise tax, Sales tax, Income tax etc. The WTO compatible trade promotion policies suggest that the goods meant for export will be exempted from all local duties and taxes like sales tax and any other local taxes. The immediate steps should be taken in these regards to promote exports.
4. Redefining the Small Scale Industry in terms of employment size rather than investment limit.
5. National standards should proximate as best as possible the codex standards and standards laid down under TBT in order to reduce the possibility of rejection of Indian goods in export markets.
6. Inclusion of process methods into the agreement on technical barriers to trade must be resisted as it might lead to rejection of goods on the basis of the process of manufacturing.
7. Technology transfers under TRIPS for environmentally sound technologies are to be made mandatory.
8. Taking in view the cost of technology to upgrade the operation of the existing unit, the investment ceiling of Rs. 5 crores may create problem. Investment limits should be raised from Rs. 5 crore to Rs. 10 crore for plant and machinery for export oriented industries.

⁴ www.panipat.nic.in



9. Fund be arranged at low rates in more efficient manner; set up more specialized bank branches for the Small Scale Industry sector; strengthen SIDBI resource so that it can provide cheaper resources for lending at lower interest rates to Small Scale Industry sector; to encourage the knowledge intensive units in the area of Biotech and IT, encourage the setting up of Venture capital in the state; standardize procedure and simplify the form of banks.
10. Creation of Data Bank and Information Network: setting up of technology bank for collection and dissemination to information about technology needed.
11. Trade centres and centre like India International Centre to attract international visitors and business men can be set up at important industrial centres in Panipat, Ambala, Hissar, Yamunanagar, Gurgaon. An adequate fund may be provided for this purpose.
12. Promote Joint R&D : to fill the institutional mismatches between public knowledge infrastructure and market needs, facilitator joint industry research co-operation, human capital development, technology transfer programmes be initiated. There is enough scope for joint work. It is observed that a number of products are being imported and enough technological information is available about these products. A possibility should be explored to do target specific research in developing these products, for example, research for improving quality of existing product, research on raw-material consumed etc.
13. Efforts need to be made to build linkages and co-operation between Industry, University and Government. This is very crucial to participate and build in the Innovation Revolution in the STATE. Organization of WTO workshops by industry academicians, industry and government development official can be used to build a wave for Innovation.
14. Incubation centres and Industrial Liaison office : New technology based firms demonstrated greater flexibility in seizing market opportunities and developing innovative response, government can strengthen the ability of Small Scale Industries to access technology and innovation. Possible actions include arising and optimizing the link between the science systems and Small Scale Industries, sponsoring exchange of information, encouraging the creation of networks etc. Incubation centres can be set up. These incubation centres provide all facilities and finance, technical consultancy etc. to encourage technocrats and first-generation entrepreneurs to successfully take up production on recent technologies. Every university and Engineering College should have Industrial Liaison Office. The ILO can be developed as incubation centres.
15. Infrastructure Project: the availability of high quality fairly priced and adequate infrastructure such as power, transport, telecommunication, port and airports etc, is absolutely essential to enable the industry to meet competition. Project linked with improvement of infrastructure need to be taken up at war footing. This will reduce the transaction cost of the industries. An International Airport with cargo handling and cold chain facilities should be developed to facilitate import-export of industrial goods.
16. Policies may be framed and implemented to encourage private investment, both Indian and foreign in the infrastructure sector. Special Export Promotion Zones with custom and Warehousing facilities should be set up in the States.

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¹ Dr. C.S. Prasad (2005), "Small and Medium Enterprises in Global perspective", New Century Publications, New Delhi, India, Pp 57-58.

¹ Kumar Satinder, "Productivity Growth and Production structure in Small Scale Industrial Sector : A Comparison of Punjab and Haryana", International Journal of Research in Commerce, Economics & Management, Vol-1, No 6, pp. 25-31.

¹ Desai, Vasant (2004), "Small-Scale Industries and Entrepreneurship", Himalaya Publishing House, New Delhi.