

LESSON - 20

POLICY SUPPORT TO SMALL SCALE INDUSTRIES

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STRUCTURE

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20.0 INTRODUCTION

After attaining independence in 1947 India adopted mixed economic planning as a method to achieve economic development. Along with the Large Scale sector the thrust was on the Small Scale sector because of its decentralized, its small size, use of mainly

indigenous technology, employment intensity and its suitability for rural areas with limited techno-economic structure.

Industrial policies over the years have focused to promote SSIs through various incentives related to financial, fiscal and infrastructure measures; along with a heavy industrial base.

20.1 OBJECTIVES

After going through this lesson you should be able to:

- Explain the various provisions under Industrial Policy Resolutions formulated by the Government in assisting the small scale industry (SSI)
- Discuss the various fiscal incentives for SSIs

20.2 INDUSTRIAL POLICY RESOLUTIONS AND SSIs

Government's attitude and intention towards industries in general and SSIs in particular are reflected in Industrial policy Resolutions. This sub-sections 20.2.1 to 20.2.11 deal with such resolutions.

20.2.1 INDUSTRIAL POLICY RESOLUTION 1948

The government stressed the role of SSIs for balanced industrial growth. It was stated that SSIs are particularly suited for the utilization of local resources and creation of employment opportunities. The primary responsibility for developing small industries by creating infrastructure has been provided to state governments. Central government frames the broad policies and coordinates the efforts of State Governments for the development of SSIs.

20.2.2 INDUSTRIAL POLICY RESOLUTION 1956

It stated that besides continuing the policy support to cottage, village and small industries by differential taxation or direct-subsidies, the aim of state policy would be that the development of this sector is integrated with that of large scale industry. The focus was to improve the competitive strength of SSIs. To achieve this 128 items were exclusively reserved for production in SSIs, and 166 items were reserved for exclusive purchase by government from this sector.

20.2.3 INDUSTRIAL POLICY RESOLUTION 1977

It emphasize that whatever can be produced by SSIs must only be so produced. The main thrust of policy was effective promotion of cottage, village and small industries widely dispersed in rural areas and small towns. This thinking specified the following things:

- a) 504 items were reserved for exclusive production in the small-scale industries.
- b) The concept of District Industries Centres (DICs) was introduced so that in each district a single agency could meet all the requirements of SSIs under one roof.
- c) Technological upgradation was emphasized in traditional sector.
- d) Special marketing arrangements through the provision of services, such as, product standardization, quality control, market survey, were laid down.

20.2.4 INDUSTRIAL POLICY RESOLUTION 1980

The policy focused on the need of promoting SSIs through integrated industrial development between large and small sectors. Industrially backward districts were identified for faster growth of existing network of SSIs. Following measures were specified in the policy:

- a) Investment limit was raised for tiny, small, and ancillary units to Rs. 2 lacs, Rs. 20 lacs, and Rs. 25 lacs respectively.
- b) “Nucleus plants” in each industrially backward district replaced the “district industries centers.” These were to concentrate on assembling the products of SSIs and to produce inputs needed by large number of small units.
- c) Reservation of items and marketing support for small industries was to continue.
- d) Availability of credit to growing SS units was continued.
- e) Buffer stocks of critical inputs were to continue.
- f) Agricultural base was to strengthen by providing preferential treatment to agro-based industries.
- g) An early warning system was to establish to avoid sickness and take appropriate remedial measures.

20.2.5 INDUSTRIAL POLICY RESOLUTION 1990

Main features of this Resolution are as follows:

- a) It raised the investment ceiling in plant and machinery for SSIs.
- b) It created central investment subsidy for this sector in rural and backward areas. Also, assistance was granted to women entrepreneurs for widening the entrepreneurial base.
- c) Reservation of items to be produced by SSIs was increased to 836.
- d) Small Industries Development Bank of India was established to ensure adequate flow of credit to SSIs.
- e) Stress was reiterated to upgrade technology to improve competitiveness.
- f) Special emphasis was laid on training of women and youth under Entrepreneurial Development Programme.
- g) Activities of Kadi and Village Industries Commission and Khadi and Village Industries Board were to expand.

20.2.6 INDUSTRIAL POLICY RESOLUTION 1991

The basic thrust of this resolution was to simplify regulations and procedures by delicensing, deregulating, and decontrolling. Its salient features are:

- a) SSIs were exempted from licensing for all articles of manufacture.
- b) The investment limit for tiny enterprises was raised to Rs. 5 lacs irrespective of location.
- c) Equity participation by other industrial undertakings was permitted up to a limit of 24 percent of shareholding in SSIs.
- d) Factoring services were to launch to solve the problem of delayed payments to SSIs.
- e) Priority was accorded to small and tiny units in allocation of indigenous and raw materials.
- f) Market promotion of products was emphasized through co-operatives, public institutions and other marketing agencies and corporations.

20.2.7 COMPREHENSIVE POLICY PACKAGE FOR SSIS AND TINY SECTOR 2000

Main focus of this policy is as follows:

- a) The exemption for excise duty limit raised from 50 lakhs to Rs One crore to improve the competitiveness.
- b) Credit linked capital subsidy of 12% against loans for technology up gradation was provided in specified industries.
- c) The third census of small scale industries by the ministry of SSI was conducted, which also covered sickness and its causes in SSI's.
- d) The limit of investment was increased in industry related service and business enterprises from Rs 5 lakhs to Rs 10 lakhs.

- e) The scheme of granting Rs 75000 to each small scale enterprise for obtaining ISO 9000 certification was continued till the end of 10th plan.
- f) SSI associations were motivated to develop and operate testing laboratories. One time capital grant of 50% was given on reimbursement basis to each association.
- g) The limit of composite loan was increased from Rs. 10 lakhs to Rs 25 lakhs.
- h) A group was constituted for streamlining of inspection and repeal of redundant laws and regulations.
- i) The coverage of ongoing Integrated Infrastructure Development (IID) was enhanced to cover all areas in the country with 50% reservation for rural areas and 50% earmarking of plots for tiny sector.
- j) The family income eligibility limit of Rs. 24000 was enhanced to Rs 40000 per annum under the Prime Minister Rozgar Yozna (PMRY).

20.2.8 INDUSTRIAL POLICY PACKAGE FOR SSI 2001-02

This policy emphasizes the following:

- a) The investment limit was enhanced from Rs 1 crore to Rs 5 crore for units in hosiery and hand tool sub sectors.
- b) The corpus fund set up under the Credit Guarantee Fund Scheme was increased from 125 crore to 200 crore.
- c) Credit Guarantee cover was provided against an aggregate credit of Rs 23 crore till December 2001.
- d) 14 items were de-reserved in June 2001 related to leather goods, shoes and toys.
- e) Market Development Assistant Scheme was launched exclusively for SSI sector.
- f) Four UNIDO assisted projects were commissioned during the year under the Cluster Development Programme.

20.2.9 INDUSTRIAL POLICY ON SSIS 2003-04

The following are the highlights of this endeavor:

- a) 73 items reserved for exclusive manufacture in the SSI sector were de-reserved in June 2003. These consist of chemical and their products, leather and leather products, laboratory reagents etc.
- b) Selective enhancement of investment in plant and machinery from Rs one crore to Rs 5 crore. It was for 13 items in stationary sector and 10 items of drugs and pharmaceuticals sector, from June 2003.
- c) Banks were directed to provide credit to SSI sector within an interest rate band of 2 percent above and below their Prime Lending Rates (PLR).
- d) The composite loan limit for SSI was raised from Rs 25 lakhs to Rs 50 lakhs.
- e) The limit of dispensation of collateral requirement was raised from Rs 15 lakhs to Rs 25 lakhs on the basis of good track record and financial position of the unit.

- f) The lower limit of Rs 5 lakhs on loans covered under the Credit Guarantee Scheme was removed. All loans up to Rs 25 lakhs were made eligible for guarantee cover under the Credit Guarantee Scheme.
- g) 417 specialised bank branches were made operational for SSIs.
- h) Third all India census for SSI was conducted through out the country and its final results were released on January 17, 2004.
- i) 60 clusters were identified in July 2003 for focused development.
- j) Small and Medium Enterprise (SME) fund of Rs 10000 crore was set up under SIDBI to solve the problem of inadequate finance for SSIs.
- k) Laghu Udyami Credit Card Scheme was liberalized. Under this scheme, the credit limit was increased to Rs 10 lakhs from Rs 2 lakhs. But, it was only for borrowers with satisfactory track record.

20.2.10 POLICY INITIATIVES ON SSI 2004-05

Policy initiatives for this year are as follows:

- a) The national commission on Enterprises in the Un-organized/Informal Sector was set up in September 2004. It suggested measures considered necessary for improvement in the productivity of these enterprises, generation of large scale employment opportunities, linkage of the sector to institutional framework in areas like credit, raw material supply, infrastructure, technology up gradation, marketing facilities and skill development by training.
- b) 85 items were de-reserved in October 2004.
- c) The investment limit in plant and machinery was raised from Rs one crore to Rs 5 crore in October 2004, in respect of seven items of sports goods to help to upgrade the technology and enhance competitiveness.
- d) The Small and Medium Enterprise (SME) fund of Rs 10000 crore was started by SIDBI since April 2004, with 80% of the lending for SSI units. The interest rate was 2% below the prevailing Prime Lending Rate (PLR) of the SIDBI.
- e) The reserve Bank of India raised the composite loan limit from Rs 50 lakhs to Rs one crore.
- f) Promotional Package for small enterprises was initiated.

20.2.11 POLICY PACKAGE FOR SME 2005-06

This policy package contains the following points:

- a) The Ministry of Small Scale Industries has identified 180 items for dereservation.
- b) Small and Medium Enterprises were recognized in the services sector, and were treated on par with SSIs in the manufacturing sector.
- c) The corpus of the Credit Guarantee Fund was raised from Rs.1132 crore in March 2006 to Rs.2500 crore in five years.
- d) Credit Guarantee Trust for Small Industries (CGTSI) was advised to reduce the one time guarantee fee from 2.5 per cent to 1.5 per cent for all loans.

- e) Insurance cover was extended to approximately 30,000 borrowers, identified as chief promoters, under the CGTSI. The sum assured would be Rs.200000 per beneficiary and the premium will be paid by CGTSI.
- f) The emphasis was laid on Cluster Development model not only to promote manufacturing but also to renew industrial towns and build new industrial townships. The model is now being implemented, in nine sectors including khadi and village industries, handlooms, handicrafts, textiles, agricultural products and medicinal plants.

Check your progress

Activity 1

- a) In which Industrial Policy Resolution reservation of products for manufacturing by SSIs initiated?

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- b) What is the concept of District Industries Centres (DICs) and when was introduced?

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- c) What was the basic thrust of policies for SMEs in previous five years?

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Factoring means sale of accounts receivables/debtors to bank or financial company.

20.3 FISCAL INCENTIVES TO SSIs

Fiscal incentives are provided through tax concessions granted in the form of exemptions of direct or indirect taxes leviable on production or profits, besides special tax concessions. These incentives have been provided to promote the SSIs and discussed in sub-section 20.3.1 through 20.3.2

20.3.1 TAX HOLIDAY

With effect from financial year 2005-06, deduction in respect of profits and gains for small scale industrial undertakings is available under Section 80IB.

Small scale industrial undertaking can claim deduction at the following rates:

- a) If SSI unit is owned by a company, the deduction available is 30% for first 10 years,
- b) If SSI unit is owned by a co-cooperative society, the deduction to be availed is 25% for first 10 years, and
- c) If any other person owns SSI unit, the deduction to be claimed is 25% for first 10 years.

The small scale units can avail this tax exemption facility only after fulfilling the following conditions:

- a) No small scale or ancillary undertaking shall be subsidiary of, or owned or controlled by other industrial undertaking.
- b) SSI unit can manufacture any nature/type of goods/article to avail deduction.
- c) The SSI unit should commence business between 1st April 1991 and 31st March 2002.
- d) They should employ at least 10 workers in a manufacturing process carried out with the aid of power or at least 20 workers in a manufacturing process carried out without the aid of power.
- e) This tax exemption from total income is allowed from the assessment year in which the unit begins to manufacture or produce goods or articles.

20.3.2 EXCISE CONCESSIONS

Government of India has provided a major relief by granting full exemption from the payment of central excise duty on a specified output and thereafter slab-wise concessions. The following concessions are available to them in this regard:

- a) SS units producing goods up to Rs. 100 lakhs are exempted from payment of excise duties.
- b) SSI units having turnover less than Rs.60 lakhs per annum need not have a separate storeroom for storing the finished products.
- c) SSIs are also not required to maintain any statutory records such as daily stock account of production and clearances, raw material account, personal ledger account etc. Their own records are adequate for excise purposes.
- d) There is no distinction between registered and unregistered units for SSI concessions. Further, the eligibility for excise concessions for SSIs has been based on annual turnover rather than SSI registration. Duty liability is to be discharged by 15th of the following month.
- e) The SSI exemption is available for home consumption, as well as in respect of goods exported to Nepal & Bhutan.
- f) Normally, excise officers are not expected to visit SSI units paying less than Rs.11 lakhs duty annually.
- g) With effect from 1-4-1994, Gate-Pass System was replaced by manufacturer invoice to cover clearances of goods as the duty-paying document.

Presently there are two streams of concession to SSIs. These are as follows:

- a) SSI Scheme (Without CENVAT): This scheme is effective from 1st April 2000. The Table 20.1 shows the rate of duty applicable to such manufactures whose turnover does not exceed Rs. 3 crores in the previous financial year in respect of clearances of excisable goods for home consumption (including exports to Nepal or Bhutan) from one or more factories of the same manufacturer or from factory by one or more manufacturers:

Table 20.1
Rate of duty in respect of Clearances of excisable goods

S.NO.	VALUE OF CLEARANCE (Rs.)	RATE OF DUTY
1	Up to Rs. 100 Lakhs	NIL
2	. 100 –300 Lakhs	Normal Rate of Duty

It may be noted that beyond clearances of Rs.100 lakhs, the manufacturer is liable to pay normal rate of duty. The manufacturer may opt for not availing exemption and instead pay the normal rate of duty on the clearances. But once the option is exercised, it shall continue till the remaining part of the financial year.

Value for purpose of calculating the limit of 100 and 300 lakhs is the ‘Assessable value’ i.e., wholesale price at factory gate, exclusive of taxes, where price is the sole criteria.

b) SSI Scheme (with CENVAT)

This scheme is effective from 1st April 2003. It provides the concessional rate of duty in respect of clearances of specified goods for home consumption (including exports to Nepal or Bhutan), and also states that all clearances of the specified goods which are used for captive consumption in production of the specified goods shall be subjected to 'nil' rate of duty. The Table 20.2 shows the Rate of Duty.

Table 20.2
Rate of duty in respect of Clearances of Specified goods

S.NO.	VALUE OF CLEARANCE (Rs.)	RATE OF DUTY
1	Up to Rs. 100 Lakhs	60% of normal rate
2	. 100 –300 Lakhs	Normal Rate of Duty

A manufacturer can opt for this option any time determining his eligibility for concession and the concessional rate of duty.

The exemption shall apply only subject to the following conditions:

- i. A manufacturer who intends to avail the exemption shall exercise his option in writing to the jurisdiction Deputy Commissioner or Assistant
- ii. The clearances of specified goods already made during the financial year, prior to the exercise of such option, shall be taken into account for computing the aggregate value of clearances. Value of all clearances of all factories should be clubbed.
- iii. The aggregate value of clearances of all excisable goods should not exceed Rs.300 lakhs in the preceding year.

The exemption contained shall not apply to the specified goods bearing a brand name/ trade name (whether registered or not) of another person, except in some specified cases.

Check your progress

Activity 2

- a) Visit a nearby SSI unit and enquire which fiscal incentives are availed by it?

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b) How much excise deduction is available to SSIs and when?

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c) State whether the following statements true or false:

1. Ten to twelve years tax holidays are given to SSIs.
2. An SSI can claim deduction at the rate of 25% to 30%.
3. SSIs can manufacture only specified number of goods to claim tax deduction.
4. SS units producing goods up to Rs. 1 Crore are exempted from payment of excise duties.
5. Presently there is only one stream/type of excise concession available to SSIs.

Assessee means a person by whom income-tax is payable under the Act.

Excise duty is an indirect tax. It is levied on production of goods.

CENVAT tax mechanism allows credit for input taxes. In other words, the tax due from any manufacturer now is limited to the difference between the tax due on the value of clearances net of input taxes paid.

20.4 MEASURES FOR PROMOTION AND DEVELOPMENT OF SSIs

Central and State Governments have formulated several schemes to make the SSIs vital and competitive. Some of these schemes are enumerated in sub-section 20.4.1 to 20.4.7

20.4.1 RESERVATION POLICY

Reservation of items for exclusive manufacture in SSI sector has been one of the important policy measures for promoting and protecting this sector against competition from medium/large/ multinational companies

The policy received statutory backing in 1984 under Industries (Development & Regulation) Act, 1951. However with the opening up of Indian trade in 1991, most of reserved items were importable with the removal of quantitative restrictions. This paved the way to phase out reservation in due course, and every year some items were dropped from the reserved list. Out of 836 items reserved in 1989, 39 items were dereserved in four phases viz., 15 items in 1997, 9 items on 1999, 1 item on 2001 and 14 items on 2001. Subsequently, 51 items were dereserved in 2002, 75 items in 2003 and 85 items in 2004, 108 in March 2005, and 180 in May 2006. Now 298 items stand reserved for this sector.

It is believed that dereservations will enable medium/large/ multinational companies to move out of capital intensive manufacturing to enter labour-intensive production. This shift over will certainly create new employment opportunities at rapid rate.

20.4.2 GOVERNMENT'S PURCHASE PREFERENCE POLICY FOR SSI PRODUCTS

Realizing that small scale units face the problem of marketing their products at remunerative prices, Government stores purchase programme was initiated to assist small-scale industries in obtaining a fair share of the total purchases made by the Government and its departments. Bulk and departmental buyers such as the Railways, Defence and Communication ministries and companies are invited to participate in buyer-seller meets to enrich SSI unit's knowledge regarding terms and conditions, quality standards, etc required by the buyer. Under the Stores Purchase Policy of the Government 409 items of stores were reserved for exclusive purchase from KVIC/Women's Development Corporations/Small Scale units in 1989.

This list was reviewed. In February 2004, the Committee (set up to consider the question of inclusion of additional items) revised list and 358 items were approved, after deleting items having common nomenclature and addition of some new ones. This list also includes 8 handicraft items reserved for purchase from the Handicraft Sector.

20.4.3 GOVERNMENT'S PRICE PREFERENCE POLICY FOR MARKETING SSI PRODUCTS

Assistance under Government Stores Purchase Programme in the form of reservation of products for exclusive purchase from small scale sector and price preference is one of the major instruments for providing marketing support to the small scale industries. These facilities include the following:

- a) Price preference up to 15% in case of selected items.
- b) No registration fee.
- c) A consortium to channelize and identify markets for the products of SSIs both in India and abroad.

Apart from this, the Single Point Registration Scheme of National Small Industries Corporation (NSIC) the following benefits are given to SSI units, which get them registered with the NSIC:

- a) Availability of Tender Sets free of cost.
- b) Exemption from payment of Earnest Money Deposit.
- c) Exemption from payment of Security Deposit up to the monetary limit for which the unit is registered.
- d) Price preference up to 15% over the lowest quotation of the large scale units (on merits)

The units registered with NSIC under this scheme are given a registration certificate indicating items, for which registered and monetary limit up to which registered. The Policy of the Price Preference of 15% is a critical benefit available to the SSI sector. The benefit is available to compensate them on account of non-availability of economies of scale, poor resource base, poor access to raw-material etc. as compared to the large scale sector.

20.4.4 TECHNICAL ASSISTANCE

Technology is the key to enhance an organisation's competitive advantage in today's dynamic information age. SSIs need to develop and implement a technology strategy in addition to financial, marketing and operational strategies, and adopt the one that helps integrate their operations with their environment, customers and suppliers.

National small Industries Corporation Ltd (NSIC) offers SSI units the following support and services through its Technical Services Centre, Extension Centres, Software Technology Parks and Technology Transfer Centre:

- a) Technology audits and benchmarking.
- b) Technology needs assessment.
- a) Technology sourcing.
- b) Application of new techniques.
- c) Technology acquisition.
- d) Material testing facilities through accredited laboratories.

- e) Product design including Computer Aided Designs.
- f) Common facility support in machining.
- g) Energy and environment services at selected centers.
- h) Classroom and practical training for skill upgradation

Software Technology Parks (STPs) facilitate small industries in setting up 100% export-oriented units for software export. They also act as major point to activate software exports directly through NSIC. These STPs extend support in terms of the requisite infrastructure to the SSI units to start business operations with a minimum lead-time. Following facilities are available at NSIC Software Technology Park:

- a) Built-up Space: This enables the software industries to commence their operations with minimum gestation period.
- b) Instant Power Connection: Instant power connections and Generator facility is also available on site, which will allow software units to work without any interruptions.
- c) High Speed Data Link: High-speed data communication facility through satellite connection is available. The member units can avail 64 kbps to 2Mbps dedicated leased channels.
- d) Business Centre: A business centre comprising of Conference Hall, Photocopier, Fax, Training aids, etc. is available inside the STP complex for the member units.
- e) Telephones: Each member units will be provided with one telephone line for business promotion on occupation.

20.4.5 RAW MATERIAL ASSISTANCE

NSIC aims to help SSI units by financing purchase of raw material (both indigenous and imported), thus allowing them to focus on manufacturing quality products. State Directorate of Industries distributes scarce raw materials to small units. State Small Industries Development Corporations have set up depots for distribution of raw materials to SSIs. The Central Government has introduced a buffer stock scheme to ensure availability of scarce raw materials to this sector.

20.4.6 FINANCIAL ASSISTANCE

Central and State Governments have introduced several schemes to ensure adequate and timely availability of credit to SSIs through various institutions (Refer Lesson 19 for details).

The main features of the financial services offered by institutions are as follow:

- a) Financial assistance for the equipment and marketing activities under one roof with speed and efficiency.
- b) Prompt clearance of the proposals with minimum processing time and without cumbersome paper work.
- c) Assistance in preparing the proposals and completion of document formalities.
- d) Market oriented interest rates and service charges with liberal terms of margin, level of assistance and repayment schedules.
- e) Arrangement with commercial banks for sanction of loan proposals received from small enterprises.

20.4.7 NEW INITIATIVES

The following new initiatives have been taken by the government:

- a) **Advisory and Mentoring Services:** Inadequate management skills are often the cause of non-performance of small enterprises. NSIC's advisory and mentoring services are aimed at effectively addressing this impediment to growth. It offers Mentor-pupil relationship services in which the Mentor, a person with wide experience is running his own business, will volunteer his services to individual or a group of units - the pupil. An advisor, a senior professional, generally retired and a specialist in a specific area will assist in the process. Mentors and advisor will provide the necessary professional and moral support in the early lifecycle of an enterprise or to existing units facing critical operational problems.
- b) **Technology Business Incubators:** Innovative entrepreneurial ideas have to be fostered and developed in a supportive environment before they become attractive for Venture Capital Institutions. Incubation centre enable technical entrepreneurs to conduct their Research and Development programmes in a professional, friendly and supportive environment, without making any further investment.

Technology Business incubators are an important tool for entrepreneurial development. Recognizing this need, NSIC has setup the following Technology Business Incubators.

1. Information Technology.
2. Product Design.
3. Energy and Environment.
4. Bio-Technology.
5. Electronics and Communications

- c) Suppliers Rating Accreditation Services: Accreditation, a necessity for buyer comfort, speaks of the enterprise's ability to supply reliably and effectively a product, in accordance with the customer's changing needs. NSIC provide accreditation to SSI units by developing an effective accreditation system process through collaboration with Indian and International Accreditation agencies. Accreditation is provided at two levels - for all Government purchases and for private national and international buyers.

Check your progress

Activity 3

Visit a SSI unit in Okhla and enquire the followings:

- a) Which government institution/agency plays a dominant role in buying the products manufactured by it for government use?

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- b) Whether government provides any price preference in buying the products? If yes, why, and how much?

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- c) What are the new initiatives taken by the government to help SSIs?

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Inventory implies the goods held for the sale in the ordinary course of business, goods currently in the process of business, or goods waiting to be replaced in the production.

20.5 SUMMARY

Small Scale Industry sector has emerged as India's engine of growth in the New Millennium. The SSI sector accounts for nearly 40 per cent of value added in the manufacturing sector and 34 per cent of total exports from the country. Through 95 per cent of industrial units in the country, the sector provides employment to about 20 million persons.

The Government has recognized its importance for the economy and its intention towards promotion of SSIs is reflected in various Industrial policy Resolutions right from the year 1948. The primary objective of the Small Scale Industrial Policy during the nineties was to impart more vitality and growth-impetus to the sector to enable it to contribute its mite fully to the economy, particularly in terms of growth of output, employment and exports. The sector has been substantially delicensed. Further efforts would be made to deregulate and debureaucratise the sector with a view to remove all fetters on its growth potential, reposing greater faith in small and young entrepreneurs. All statutes, regulations and procedures were reviewed and modified, wherever necessary, to ensure that their operations did not militate against the interests of the small and village enterprises.

Government is aware of the challenges faced by SSIs and has been trying to improve their competitiveness through various measures. These consist of the following:

- a) Tax concessions have been provided to SSIs to promote investment in this sector and also to grant relief to small entrepreneurs.
- b) Technological facilities have been increased.
- c) In order to facilitate adequate flow of credit efforts have been done.
- d) Measures have also been taken to improve infrastructure facilities and promote marketing of products.

- e) To improve access to latest information, automation of the Ministry of SSI Office of DC (SSI), Directorate of Industries and District Industries Centres have been set up.
- f) Other initiatives, such as, Advisory and Mentoring Services, Technology Business Incubators, Suppliers Rating Accreditation Services have been taken up.

20.6 GLOSSARY

Accounting period is a time period normally of one month, one quarter, or one year into which an entity's life is arbitrarily divided for financial reporting purposes.

Accounting Year is the official business year of an entity. It may be referred to as accounting period. It may not be calendar year.

Amortization refers the systematic write-off of the cost of an intangible asset to expense or the systematic allocation of the cost of the intangible asset over the accounting periods benefited by the intangible asset.

An assessment year the next year in which income is taxable. Income earned in a year is taxable in the next year. The year in which the income is earned is known as previous year and the next year in which income is taxable is known as assessment year. Assessment year starts from 1st April and ends on 31st March of the next year. For example, assessment year 2006-07 commences on 1st April 2006 and will end on 31st March 2007.

Depreciation implies decrease in the value of fixed of assets due to wear and tear.

Depreciation method is a means of allocating the cost of a long-lived asset to period over which the asset is used to generate revenue.

Intangible assets are the assets that have no physical characteristics but are of value because of the advantages of exclusive privileges and rights they provide to a business e.g. patents, goodwill, copyrights etc.

Patent is a right granted by the federal government giving the owner the exclusive right to manufacture, sell, lease, or otherwise benefit from an invention. A patent is an example of an intangible asset.

Period costs are costs that can not be traced to specific products and expensed in the period in which they are incurred, usually associated with general sales and administrative activities.

Research is a planned programme directed towards the search of new facts or new application of existing facts or new interpretation of available knowledge. Commercial application of research findings is known as development.

Tangible assets are the assets that can be touched; they have physical substance.

Taxable income is the amount of income subjected to income tax, computed according to the rules of the Internal Revenue Services. Taxable income will not necessarily be same as financial accounting income.

Trademark is a symbol, design or logo that is used in conjunction with a particular product or company. A trademark is an example of an intangible asset.

20.7 SELF-ASSESSMENT QUESTIONS

1. Why the development/promotion of small scale industry is important for the economy?
2. Discuss the various Industrial Policy Resolutions to assist small scale industries
3. What is the difference in focus of Industrial Policy Resolution 1948 and Industrial Policy Resolution 1991 for small scale industry?
4. Explain the need of fiscal incentives for the development of SS sector.
5. Describe the technological support system available for SSIs.
6. How excise duty concessions help in development and promotion of SSIs?
7. Explain in brief the objectives of “STP’s”?
8. How government fulfills the financial requirements of SSIs?
9. Discuss the “Tax Credit Scheme” of State Governments for SSIs?
10. What is “reservation policy” for SSIs?

20.8 FURTHER READINGS

Industrial Policy Resolutions, Government of India Publication

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