

THE SSI CONTRIBUTION TO NATIONAL ECONOMY

Key Note address at the National Convention on Small Scale Industries at Chennai on 17th May 2003

For the last few years, the small-scale industry has been going through a lean period and many of these industries are either dead or dying.

Despite constraints, handicaps and neglects, the small industry is even today a vital sector of our national economy. Unfortunately, the small industry is a stepchild of the family. Small Industries are languishing and industrial estates one the show pieced of Tamil Nadu are closing down. There is no use crying over the misery.

We had to address ourselves to the task reviving or rather resuscitate the withering plant before it dies.

ADVANTAGES OF SMALL INDUSTRY

1. It is less capital intensive and is within easy reach of even lower, middle classes.
2. The gestation period is much shorter than a large industry – One does not have to wait for a long period for the fruits of effort during which period interest burdens grow and make the unit unviable.
3. The investment – employment ratio is very high in small industries compared with heavy industries.
4. Disposal of industries in semi-urban areas increases chances of rural employment.
5. Self-employment, what is urgently needed is the attitudinal change of authorities etc. State, Banks, Large Industries etc.

1) **INDUSTRIAL ESTATES**

Well-equipped infrastructure: *water, power, sanitation, roads with services – tool room, lease shop etc.*

Providing services is more important than sheds accommodation etc.

2) **CREDIT** (Finance is a major problems)

Bank facility, viability of the project rather than viability of the person *factoring must be developed* on wide scale so that the producer can get credit on the stocks.

3) **STATE SUPPORT:**

State may enact legislation directing that atleast 25% the components in a large scale Industry shall be brought from small industries. Similar legislation known as small Business Administration should be the norm.

Secondly, there should be price preference in State purchasers for Small Industries. In the past there had been price preference of 10% for Public Sector products. By the very nature, small industries like infants need preferential feeding.

FINANCIAL SUPPORT:

Banks today lend on viability of the Borrower, his ability to provide collateral security. The Banks come to grief when the collaterals fail or found inadequate. The salutary rule should be to lend on the viability of the project is good and sound nothing except Vis major (act of God) can damage the loan.

I mentioned it forty years ago when I inaugurated the State Bank Branch at Guindy. Good project appraisers are available today and the Bank utilizes their services for guidance.

One of the major cause for sickness in small industries is inadequate and delayed credit. By the time the credit is provided the small industry has already been sunk in interest burden that the credit came after the loser had been stolen. Some times the amount sanctioned is in adequate to redeem the unit. Quick negative decision is far better than delayed succor after extinct life.

Above all, there must be a positive attitude to problems. The bane of our country is the initial negative attitude or delayed action.

Finally, there is a lot that small industries should do for themselves. Technical up gradation of their skills, elementary management principles and modern methods of book keeping are some of the elementary equipments of any entrepreneur. Small Industries are no exception to this rule.

I trust that this convention will help their many hurdles, evoke positive responses to their needs and usher in bright and prosperous era for the Small Industries of not only this State but for whole of India.