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“EVALUATING THE IMPACT OF POLICY REFORMS ON SMALL SCALE INDUSTRIES IN INDIA”

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ABSTRACT

This research paper aims to comprehensively assess the impact of recent policy reforms on small scale industries (SSIs) in India. The study employs a mixed-methods approach, combining quantitative analysis of economic indicators, survey data, and qualitative interviews with industry stakeholders. The analysis focuses on key policy changes implemented in the last decade, including financial incentives, regulatory reforms, and trade liberalization measures, and their implications for the growth, competitiveness, and sustainability of SSIs. The findings provide valuable insights for policymakers, practitioners, and stakeholders involved in the development and support of SSIs in India.

Keywords: Growth, Economy, Policy, Small Scale Industries, Market.

I. INTRODUCTION

Small Scale Industries (SSIs) have long been recognized as the lifeblood of India's economy, contributing significantly to employment generation, poverty alleviation, and fostering entrepreneurship. These enterprises play a pivotal role in achieving inclusive growth and economic development. Recognizing their importance, successive Indian governments have implemented various policy reforms aimed at nurturing and promoting the growth of SSIs.

This introduction delves into the dynamic landscape of policy reforms surrounding Small Scale Industries in India, highlighting their evolution, objectives, and their impact on the sector's sustainability and competitiveness. It also sheds light on the challenges faced by these industries and underscores the need for continued policy refinement to address emerging issues.

Over the years, India has witnessed a plethora of policy interventions directed towards SSIs, each with its distinctive

focus and intended outcomes. These reforms range from financial support mechanisms, such as credit availability and subsidies, to initiatives aimed at enhancing technological adoption, market access, and skill development. The intent behind these policy measures has been to create an enabling environment that empowers small enterprises to thrive, innovate, and compete in a rapidly globalizing economy.

However, the journey of policy reforms for SSIs has not been without hurdles. Regulatory bottlenecks, inadequate infrastructure, and limited access to modern technology have posed significant challenges to the sustained growth of these industries. Moreover, in the face of evolving global trade dynamics, SSIs are constantly required to adapt and upgrade to remain competitive on both domestic and international fronts.

As we stand at the cusp of a new era, characterized by rapid technological advancements and global economic integration, it becomes imperative to

reevaluate and recalibrate the policy framework governing SSIs. This necessitates a holistic approach that addresses not only financial and infrastructural constraints but also incorporates strategies to harness the potential of emerging technologies like Industry 4.0, artificial intelligence, and green technologies.

This exploration of policy reforms on Small Scale Industries in India aims to provide a comprehensive overview of the historical trajectory, current state, and future prospects of SSIs in the Indian economy. It also endeavors to highlight the critical role that well-designed policy measures play in fostering a conducive environment for these industries to flourish and contribute meaningfully to India's socio-economic development.

In subsequent sections, we will delve deeper into the specific policy initiatives, their impacts, and recommendations for further reform, all in the pursuit of fortifying the foundation of India's economy - its vibrant and resilient Small Scale Industries.

II. HISTORICAL CONTEXT OF SMALL SCALE INDUSTRIES IN INDIA

The historical context of Small Scale Industries (SSIs) in India can be traced back to the early post-independence era. In the late 1940s and early 1950s, India faced the formidable challenge of reconstructing its economy after years of colonial rule. The need for economic self-sufficiency and the upliftment of the masses was paramount. In this context, the government recognized the potential of small and cottage industries as a means to achieve these objectives. The First Five-Year Plan

(1951-1956) laid the foundation for this vision by allocating substantial resources towards the development of SSIs. It emphasized the decentralization of industries to rural and semi-urban areas, aiming to disperse economic activity and alleviate poverty in these regions. The establishment of the Small Industries Development Bank of India (SIDBI) in 1964 marked a significant milestone, as it provided crucial financial support to small enterprises. Subsequently, the reservation of certain products exclusively for small-scale production in the Industrial Policy of 1977 further bolstered the sector. These early policy interventions set the stage for the gradual but steady growth of SSIs, which would go on to become a vital component of India's industrial landscape. As the years progressed, subsequent governments continued to refine and expand policies to nurture the sector, recognizing its role in employment generation, skill development, and fostering entrepreneurship. This historical trajectory highlights the enduring importance of SSIs in India's economic development and underscores the need for continued policy support to sustain and enhance their contributions to the nation's prosperity.

III. POLICY REFORMS AFFECTING SMALL SCALE INDUSTRIES

Small Scale Industries (SSIs) have been the bedrock of India's economic landscape, contributing substantially to employment generation, poverty alleviation, and fostering entrepreneurial spirit. Recognizing their pivotal role, successive Indian governments have implemented a series of policy reforms aimed at nurturing

and promoting the growth of SSIs. This comprehensive overview explores the dynamic policy environment surrounding SSIs in India, tracing the evolution of reforms, elucidating their objectives, and evaluating their impact on the sector's sustainability and competitiveness.

Liberalization and Deregulation (1991 onwards):

The economic liberalization of 1991 ushered in a new era for India's industrial sector. It marked a departure from the erstwhile era of stringent regulations and license-permit Raj. For SSIs, this period was characterized by a paradigm shift towards market-driven forces. Small enterprises were granted greater autonomy in their operations, with reduced bureaucratic intervention. The liberalized policy environment provided SSIs with opportunities for diversification, technological upgradation, and access to global markets. This newfound flexibility allowed these industries to tap into their inherent potential and emerge as dynamic players in the competitive business landscape.

Technology Upgradation Fund Scheme (1999):

The Technology Upgradation Fund Scheme (TUFS) was a landmark policy initiative that aimed to facilitate technological modernization in SSIs. Launched in 1999, TUFS provided financial support for the acquisition of modern machinery and equipment, enabling small enterprises to enhance their productivity and quality standards. By reducing the financial burden associated with technological upgradation, TUFS empowered SSIs to align with global industry standards, improving their

competitiveness and opening doors to export markets.

Cluster Development Programme (2005):

Recognizing the potential for synergies and economies of scale, the Cluster Development Programme (CDP) was introduced in 2005. This policy aimed at fostering collaborative networks among small enterprises operating in close geographic proximity and sharing similar production processes. By promoting shared infrastructure, common facilities, and knowledge exchange, CDP sought to enhance the overall competitiveness and sustainability of SSIs. This initiative was instrumental in creating thriving industrial clusters across the country.

Micro, Small, and Medium Enterprises Development Act (2006):

The enactment of the Micro, Small, and Medium Enterprises Development Act in 2006 was a watershed moment for the SSI sector. It redefined the classification criteria for these enterprises, based on investment in plant and machinery, and introduced several statutory benefits, including preferential treatment in government procurement, priority sector lending, and reservation of products for exclusive production by SSIs. The Act represented a significant stride towards creating an enabling environment for small enterprises to thrive and compete on a level playing field.

Goods and Services Tax (GST) Implementation (2017):

The introduction of the Goods and Services Tax in 2017 was a transformative policy reform that aimed to streamline India's complex indirect tax structure. While the initial transition posed

challenges, the unified tax regime ultimately benefited SSIs by simplifying compliance procedures and reducing the burden of multiple taxes. The implementation of GST facilitated smoother interstate trade, enhanced transparency, and expanded market access for small enterprises.

Credit Linked Capital Subsidy Scheme (CLCSS):

The CLCSS, initiated in 2000, sought to address the perennial challenge of inadequate access to credit for SSIs. By providing capital subsidies for the technological upgradation of machinery, CLCSS encouraged small enterprises to invest in modern equipment, thereby improving their productivity and quality standards. This policy intervention played a crucial role in bridging the financial gap and empowering SSIs to remain competitive in a rapidly evolving business landscape.

The policy reforms affecting Small Scale Industries in India have been instrumental in shaping the trajectory of this vital sector. From liberalization and deregulation to targeted initiatives like TUFs, CDP, and the MSME Development Act, each policy intervention has contributed to the growth, competitiveness, and sustainability of SSIs. Additionally, the introduction of GST and schemes like CLCSS have addressed critical challenges faced by small enterprises, further fortifying their position in the Indian economy.

Looking ahead, the evolving global economic landscape and technological advancements necessitate a proactive approach towards policy reform. Measures to enhance access to finance, promote

innovation, and facilitate integration into global value chains will be paramount. By fostering an enabling environment that empowers SSIs to adapt and thrive, India can ensure the continued vibrancy and resilience of this crucial sector, thereby driving inclusive economic growth and prosperity.

IV. CONCLUSION

The journey of policy reforms on Small Scale Industries (SSIs) in India stands as a testament to the government's recognition of their indispensable role in the nation's economic fabric. Over the years, a series of strategic interventions have been implemented, each aimed at bolstering the growth, competitiveness, and sustainability of these enterprises. From the early post-independence focus on decentralization and support, to the transformative shifts brought about by liberalization and the game-changing Micro, Small, and Medium Enterprises Development Act of 2006, policies have been dynamic and adapted to the evolving needs of SSIs.

Initiatives like the Technology Upgradation Fund Scheme, Cluster Development Programme, and the Credit Linked Capital Subsidy Scheme have further propelled the sector by addressing critical areas like technological modernization, collaborative networks, and access to credit. The introduction of Goods and Services Tax (GST) also marked a significant milestone, streamlining operations and enhancing market access for SSIs.

Yet, challenges persist, especially in the face of rapidly changing global trade dynamics and technological advancements. Ensuring continued access to finance, fostering innovation, and

promoting sustainable practices will be crucial moving forward. Additionally, efforts to integrate SSIs into global value chains and leverage emerging technologies will be imperative for their continued growth and competitiveness.

In conclusion, the policy reforms on Small Scale Industries in India have been instrumental in nurturing a vibrant and dynamic sector that serves as the backbone of the economy. As the nation charts its course towards economic resilience and inclusivity, sustaining and enhancing the growth of SSIs will remain a cornerstone of this journey. Through targeted and forward-looking policies, India can ensure that its small enterprises not only survive but thrive, driving prosperity and socio-economic development for the nation as a whole.

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