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Micro and Small Enterprises during Reforms: Policy and Concerns

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Abstract

This paper addresses some key policy issues relating to the micro and small enterprises in India during the reforms period. A close look into the definitional changes in terms of the criterion of investment limits and a pronounced emphasis on export-orientation points to the neglect of the employment dimension of MSEs. The exercise also suggests that MSEs have not performed so well as claimed through the official statistics and documents, especially going by standard growth parameters including exports. The paper also reflects on the controversial reservation issue and makes a case for a more careful appreciation of the original purport and the way it has been inadequately implemented. A separate section deals with the implications of current policy instrument on promoting industrial clusters. Poor understanding of the functional dynamics of clustering in India has been a cause of concern; the occidental 'model' needs to be evaluated for its relevance in the Indian context. There is a strong need for reorienting policy that addresses issues including serious inadequacies in infrastructure in workplaces and gross neglect of the labour question, particularly in the rural regions.

JEL Classification : ***L16, L52, O17, O18 and R58***

Keywords : ***Micro and small enterprises; Exports; Reservation Policy; Industrial clusters; Employment***

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1. Introduction

With the pronounced incapacity of the Indian state as also the powerful global bodies to directly address and tackle the structural issues in poverty perpetuating, the arc lights are back on the small and medium enterprises (SMEs). Somehow, SMEs ignite the minds of policy makers as these appear to hold the promise of generating massive jobs, dampening forced out-migration from rural to urban areas and bridging the 'development' gap between the well-endowed and the marginalised. SMEs are projected as the vital spark plug to development. The built-in restlessness of the neoliberal approach to growth by market has been vigorously promoting the idea that SMEs/ MSEs (micro and small enterprises) need to be linked globally that would not only enhance competitiveness but should raise factor productivity. The last fifteen years or so, the small firm policy in India has been reflecting and encompassing such approaches that underscore externalization and dependence on the count of accessing technology, market and business strategies. Willy-nilly, there has been a celebration of neolocalism, i.e., local-global interconnectedness, a vital phenomenon of globalisation. In this limited paper, we shall look into some of the key issues in the policy sphere during the reforms regime and discuss their potential implications for the future of small enterprises in India.

2. Definition and Contribution of Small Enterprises

An interesting feature of the official definition of small scale industry (SSI) in India is that it has no reference to the employment criterion, but goes by the 'historical' value of the investment in plant and machinery. The investment limit criterion has been severely criticized mainly on two counts. One, often the valuation is based on unverifiable data; and, two, even when an SSI unit has crossed far beyond the prescribed limit there is no need/ intent to re-register it as a medium or large scale unit. Nevertheless, not only the investment criterion has continued, but there have been significant leaps in its upper limits certainly since 1980. As is obvious from Table 1, by 1991 the investment limit had tripled over the figure in 1980.

Table 1: Defining Criteria for Small Scale Industries, 1980 Onwards

Year	Upper limit of the historical/ original value of plant and machinery (Rs. million)				
	SSI	Ancillary	Tiny*	EOU**	SSSE/ SSSBE***
1980	2.0	2.5	0.2	-	-
1985	3.5	4.5	0.2	-	0.2
1991	6.0	7.5	0.5	7.5	0.5
1997	30.0	30.0	2.5	30.0	0.5
1999	10.0	10.0	2.5	10.0	0.5
2001	10.0****	10.0	2.5	10.0	1.0
2006	10.0/ 50.0*****	10.0	2.5	10.0	1.0

Notes: * In 1980, these referred to the units located in rural areas or towns having a maximum population of 50,000 as per *Census of India 1971*. By 1985, the population limit increased to 0.5 million as per *Census of India* 1981. However, by 1991, the locational conditions had been dropped.

** EOU – Export Oriented Unit; this category was introduced in 1991.

*** SSSE – Small Scale Service Establishment; introduced in 1985.
SSSBE – Small Scale Service and Business Enterprise; this category replaced SSSE since 1991.

**** Since October 2001, for 41 items of Hosiery and Hand Tools; since June 2003, for 23 more items of Stationery and Drugs and Pharmaceutical industry and since October 2004 for 7 more items of Sports Goods the upper limit of investment had been raised to Rs. 50 million.

***** Since February 2006, the investment limit for 69 new items of Food and Allied, Plastic, Chemicals, Glass and Ceramic and Auto Parts industries was raised to Rs. 50 million. Also for all items in the Drugs and Pharmaceuticals sector (*whether reserved or not*) the investment ceiling has been raised to Rs. 50 million.

The era of reforms witnessed this limit swelling to a staggering Rs. 30 million in 1997 (with corresponding rise in the investment limit for 'Ancillary' units as well). As is known, this hiking of the investment limit to Rs. 30 million was a strong prescription in the Abid Hussain Committee Report (Government of India, 1997), which eventually was serving the cause of the top-end SSI units. Of course, later soon, this figure had to be lowered to Rs. 10 million. Also in 1991, one notices the introduction of a new category of SSI, namely, Export Oriented Units (EOUs), whose upper investment limits were no different from those of SSI units, at least since 1997. Even the so-called 'Tiny' units had to be defined with investment limit soaring from Rs. 0.5 million in 1991 to Rs. 2.5 million by 1997 and beyond. The strong bias towards bigger of the small units and those engaged entirely in export-oriented production can be seen as a notable feature of SSI policy direction during the last 15 years. It is obvious that since early 1990s, there has been a growing focus on raising the investment limits and introduction of newer categories of units, namely, business service units and exclusively exporting units.

Sidelining the original purpose for which small enterprises were to be promoted in a labour surplus and capital constrained economy, the justification proffered for raising the ceiling was that this would reduce small firms' dependence on subsidies and other government concessions. This overemphasis on the promotion of the advantaged bigger firms has had at least two serious implications. First, it squarely neglected the fact that a substantial proportion of small firms are clustered towards the lower end of the investment spectrum; Table 2 starkly brings out the fact. More on this later.

Table 2: Distribution of Units in the SSI and Tiny Sector

Type of Units	Registered	Unregistered
Total Units Surveyed	750102	96431
SSI Units	492804 (100.0 %)	34658 (100.0 %)
Tiny Units within SSI	482200 (97.8 %)	34620 (99.0 %)

Source: DCSSI (2003), *Third All India Census of Small Scale Industries 2001-02: Quick Resu*lts, at http://www.laghu-udyog.com/publications/books/ census.htm

Second, unlike the larger (of the SSI) units who would manage without a government loan, smaller units often find it tough to secure bank credit on account of failure/ difficulty in pledging collateral. In fact, there has been a decline in the proportion of bank lending to SSIs (from about 16 per cent to 11 per cent between 1990-91 and 2002-03). Be it noted that the sudden upsurge in credit to the tiny sector 1999-2000 onwards reflects the effect of hiking investment limit from 0.5 to 2.5 million (Table 3). Moreover, there have been incidences of banks not extending loans to small firms on the ground of collateral/ security, quite in violation of the RBI guidelines, which unequivocally observes that assets created by utilising loans should be treated as security.

Hence, banks cannot insist on any collateral guarantee for the loan. Taking a strong stand on such objectionable practice, the Estimates Committee of the Parliament held that it considered this “a serious divergence from the guidelines/ instructions of the Ministry/ RBI. They, therefore, desire that appropriate action should be taken against such banks which are flouting the guidelines…The Committee also desires that banks should not be allowed as a rule to reject an application merely on the ground that the borrower is not in a position to offer any collateral security” (quoted in Goyal *et al*., 2004: 36). Even within the priority sector lending, by the public sector banks, data for 1998-2005 suggest that despite an increase in the advances made to SSIs, its annual growth rate has been the slowest, compared to other sectors. The recent RBI *Report on Trend and Progress of Banking in India 2004-05* (p. 70) noted that the public sector banks have “failed” to achieve the sub-target for the tiny sector within the SSI sector. Especially as the hiking of investment limit criterion in the definition of SSI has adversely affected flow of bank credit, the single most important constraint facing small firms, it is a matter of concern.

Table 3: Bank Credit to SSI and Tiny Sector

(Rs. crore)

Year (as on end March)	Net Bank Credit	Credit to		Proportion of Credit of		
		SSI	Tiny Sector	SSI to Net Bank	Tiny to Net Bank	Tiny to SSI
1990-91	105632	16783		15.89		
1991-92	112160	17398		15.51		
1992-93	132782	19388		14.60		
1993-94	140914	21561		15.30		
1994-95	169038	25843	7734	15.29	4.58	29.93
1995-96	184381	29485	8183	15.99	4.44	27.76
1996-97	189684	31542	9515	16.63	5.02	30.20
1997-98	218219	38109	10273	17.46	4.71	27.00
1998-99	246203	42674	8837	17.33	3.59	20.70
1999-2000	292943	45788	22742	15.63	7.76	54.03
2000-01	340888	48445	26019	14.21	7.63	53.70
2001-02	396954	49743	27030	12.53	6.81	54.34
2002-03	477899	52988	26937	11.09	5.64	50.84

Source: http://www.laghu-udyog.com/thrustareas/CREDIT.htm

So far as the contribution of the small scale sector is concerned, most official documents are replete with euphoric notes on its performance. For instance, the official website mentions that SSIs contribute 40 per cent of output; 35 per cent of direct exports and the sector has grown faster than the industrial sector. It goes on to state that the small scale sector employs about 20 million workers and produces over 8000 items. Table 4 provides a window into various variables. However, scholars have expressed reservation about these figures. We may mention a few instances. It may be pointed out that the figures for total SSI units have been shown to increase at a specified rate (4.07 per cent per annum); it is not only an unlikely phenomenon, but presents “grossly inflated” data. Similarly, the production figures of SSIs provided by SIDO, when contrasted with that by the National Accounts Statistics (NAS), shows gross overstatement in the former source.

This has strengthened the “common erroneous perception” that SSIs have been performing “extremely well”. In fact, pointing to the deficient methodology followed by SIDO, Mohan (2003: 241) observes that “It appears that SIDO arrives at its figures on a gross basis from an estimated number of SSI units without allowing for mortality of previously counted units”. It further states that, “Because SIDO is a government agency, the data they publish must be repeated by all government and government-associated agencies, including the Planning Commission. *Thus a distorted picture on the progress of SSI has been consistently provided to policy makers and observers alike*. It is possible that, had the correct picture been available to policy makers, there might have been less complacency with regard to SSI policy (*Ibid*. Emphasis ours.).

Another important aspect which has often been showcased, especially since the early 1990s, relates to export performance of SSIs. That the Indian small firms have been performing ably in the global market has been highlighted though the fact that at least since 1992-93 the share of SSI exports in total exports has been hovering between 33 to 36 per cent. However, considering the annual growth of SSI exports in dollar terms (a more meaningful approach than taking the current value in rupees) it is revealing that SSI exports have fluctuated heavily during the reforms period; in fact, during 1998-99 and 2001-02 these growth rates have been negative (Table 5).

Table 4: Growth of SSI in India, Key Dimensions, 1990-2004

Year	Total SSI Units (in lakh)	Fixed Investment (Rs. crore)	Production (Rs crore)		Employment (lakh persons)
			Current Prices	Constant Prices (1993-94)	
1990-91	67.87	93555	63518	68295	158.34
1991-92	70.63 (4.07)	100351 (7.26)	73072 (15.04)	79180 (15.94)	165.99 (4.83)
1992-93	73.51 (4.07)	109623 (9.24)	85581 (17.12)	93523 (18.11)	174.84 (5.33)
1993-94	76.49 (4.07)	115795 (5.63)	98804 (15.45)	98804 (5.65)	182.64 (4.46)
1994-95	79.60 (4.07)	123790 (6.9)	122210 (23.69)	109116 (10.44)	191.40 (4.79)
1995-96	82.84 (4.07)	125750 (1.58)	148290 (21.34)	121649 (11.49)	197.93 (3.42)
1996-97	86.21 (4.07)	130560 (3.82)	168413 (13.57)	135380 (11.29)	205.86 (4.00)
1997-98	89.71 (4.07)	133242 (2.05)	189178 (12.33)	147824 (9.19)	213.16 (3.55)
1998-99	93.36 (4.07)	135482 (1.68)	212901 (12.54)	159407 (7.84)	220.55 (3.46)
1999-2000	97.15 (4.07)	139982 (3.32)	234255 (10.03)	170709 (7.09)	229.10 (3.88)
2000-01	101.1 (4.07)	147348 (5.26)	261289 (11.54)	184428 (8.04)	239.09 (4.36)
2001-02	105.21 (4.07)	154349 (4.75)	282270 (8.03)	195613 (6.06)	249.09 (4.18)
2002-03	109.49 (4.07)	162533 (5.30)	311993 (10.53)	210636 (7.68)	260.13 (4.43)
2003-04	113.95 (4.07)	170726 (5.04)	357733 (14.66)	228730 (8.59)	271.36 (4.32)
2004-05	118.59 (4.07)	NA	418263 (16.92)	251511 (9.96)	282.91 (4.26)

Notes:

(1) Figures in brackets show the percentage growth over the previous year.

(2) The production, at constant prices for the year 2003-04, is based on the growth rate achieved in the first three quarters of 2003-04 (i.e., April- December, 2003).

(3) The production at current prices is compiled on the basis of average Wholesale Price Index (April-December, 2003) of manufactured products.

Source: Government of India (2005), *Annual Report 2004-05*, Ministry of Small Scale Industries, New Delhi at http://www.ssi.gov.in/ssi-eng-2004-05.pdf

Table 5: Growth of SSI Exports in India, 1990-2004

Year	Exports	
	In current price (Rs. crore)	In dollar terms
1990-91	9664	538.59
1991-92	13883 (43.66)	567.26 (5.32)
1992-93	17784 (28.10)	580.25 (2.29)
1993-94	25307 (42.30)	806.83 (39.05)
1994-95	29068 (14.86)	925.76 (14.74)
1995-96	36470 (25.46)	1090.28 (17.77)
1996-97	39248 (7.62)	1105.58 (1.40)
1997-98	44442 (13.23)	1195.80 (8.16)
1998-99	48979 (10.21)	1164.20 (-2.64)
1999-2000	54200 (10.66)	1250.78 (7.44)
2000-01	69797 (28.78)	1527.82 (22.15)
2001-02	71244 (2.07)	1493.84 (-2.22)
2002-03	86013 (20.73)	1777.31 (18.98)
2003-04	97644 (13.52)	2124.91 (19.56)

Note: Figures in brackets show the percentage growth over the previous year.

Source: Government of India (2005), *Annual Report 2004-05*, Ministry of Small Scale Industries, New Delhi, at http://www.ssi.gov.in/ssi-eng-2004-05.pdf

Exchange rates have been taken from Government of India (2006), *Economic Survey 2005-2006*.

A disturbing aspect of the Indian small scale sector is the incidence of widespread sickness. Factors responsible for this include: (a) Inadequacy of working capital, delay in sanction of working capital and time gap between sanction of term loan and working capital; (b) Infrastructural constraints; and (c) inability of the units to face growing competition due to liberalisation and globalisation (http://www.smallindustryindia.com/sido/boardmeeting/48/ ssisick 48.htm). As shown in Table 6 the first decade of reforms witnessed a significant rise in the number of sick/ weak units, from about 2.2 lakh in 1991 to 3.0 lakh by 2000. The amount outstanding with the scheduled commercial banks has also kept pace. However, one notices a dramatic drop in the number of these units since 2000 and by 2004 the figure has been lower than half that about four years ago. But, importantly, the outstanding amount has continued to grow.

Table 6: Sickness in Small Scale Industries, 1991-2004

Year	Sick/ Weak Units (Number)	Outstanding Amount (Rs. Crore)
1991	221471 (98.96)	2792 (25.93)
1996	262376 (99.10)	3722 (27.07)
2000	304235 (98.97)	4608 (19.78)
2001	249630 (98.69)	4506 (17.48)
2002	177336 (98.19)	4819 (18.49)
2003	167980 (98.02)	5706 (16.39)
2004 (P)	138811 (*)	5285 (*)

Notes: Figures in brackets are percentages to respective 'Totals' of sick/ weak units from both SSI and Non-SSI categories.

* As data on 'Total' sick/ weak units are not available, percentage shares could not be worked out.

P – Provisonal

Sources: Reserve Bank of India, *Report on Trend and Progress of Banking in India* and *Handbook of Statistics on Indian Economy*, RBI, various issues.

Does that imply a real turnaround or it presents an illusion of prosperity? No one knows for sure. A change in the definition of sick/ weak units and large scale "writing off" of bad loans (as part of the overall strategy of managing non performing assets by the RBI), recommended by the S.S. Kohli chaired Working Group in 2001 has created this rather piquant picture of sickness. It was hoped that the modified definition would enable banks to take action at an early stage for revival of the units. Based on the accepted recommendations of the Working Group, the RBI had drawn up the Revised Guidelines for Rehabilitation of sick SSI units, which were circulated on January 16, 2002 to all the scheduled commercial banks for implementation. Over four years hence, it is unclear if these delisted units are functioning better, worse, have wound up or have been taken over. As a government official observed recently, "Though the number of bad loan accounts with banks has declined from three lakh in 1999 to 1.4 lakh in '04, bad loans are not declining. Banks have just written off these accounts. However, negotiations on loan recovery are still on. The RBI is going to announce the guidelines for banks to restructure bad loan accounts," (Times News Network, September 15, 2005, at economictimes.indiatimes.com/ articleshow/1266906.cms).

3. The Issue of Reservation

Reservation of products for exclusive manufacturing in the SSI sector has, through decades, continued to remain the most sensitive and controversial measure in promoting the sector. The basic objectives of the reservation policy are: a) to ensure increased production of consumer goods in the small-scale sector and b) to expand employment opportunities through setting up of SSIs. A number of scholarly studies (including those compared the First and Second All India Census of Small Industry of 1972-73 and 1987-88) have pointed to the 'inefficiency' of the reserved units as compared to their non-reserved counterparts in SSI and other sectors (see, especially, Sandesara, 1993 and Morris *et al*., 2001). Nevertheless, as indicated in the Third All India Census of 2001-02, a total of 877 reserved items (as on March 31, 2001) had been produced in 16.4 per cent of total units; this figure was only 11.3 per cent during the Second Census. The share of gross output produced in the reserved category (as compared to that of the SSI sector), however, has declined to 13.6 per cent from 28.3 per cent as during the Second Census. Also, it was reported in the Third Census that about 17 per cent of total employment in the registered SSI sector was engaged in the production of these items, which accounted for nearly 10 per cent of total exports of the sector.

Meanwhile, with the impelling 'export obligation' of the reserved segment, the Ministry of Commerce has been keen to encourage entry of larger units to produce reserved items provided such units accept an export obligation of 50 per cent. "This would enable India to cater more efficiently to the large volume orders which are placed for reserved items such as garments, footwear, plastic items in the chemical sector etc. which cannot be met from many separate units in the SSI sector with the same standard or uniformity and quality assurance" (http://web5.laghu-udyog.com/publications/comitterep/bid.htm#_Toc518334232). In fact, a number of reserved items with good export potential have been earmarked, terming those 'Extreme Focus Products'. In a different sphere of trade, between 1998 and 2002, India was obliged to remove quantitative restrictions Open General License (QRs) on imports of all reserved items; these items have been included under the OGL category (Table 7). Implications of removal of QRs on small firms have been discussed in Das (2001).

Table 7: Reserved Items Put on OGL

Year	Items reserved for SSI	Items on OGL	Remaining Items under Reserved List
1998-99	821	478	343
1999-2000	812	576	236
2000-01	812	643	169
2001-02	799	799	Nil

Source: http://www.laghu-udyog.com/policies/preserve.htm

That there have been inadequacies in the content and implementation of the policy of reservation is recognized. Some of the standard issues raised relate to the following: (a) frequent changes (adding/ deleting) in the products listed were not always justified and supposed to have been influenced by political vested interests; (b) a lackadaisical approach to the policy marked its broad-basing, as surveys found that producers engaged in manufacturing 'reserved' items had no clue about the policy; (c) certain items continued to be produced by the medium and large scale firms as they had been doing so prior to the specific products were reserved; and (d) the quality of reserved products was often not satisfactory.

Certainly these aspects needed to be reviewed, probed and corrected. Many of these products have been made by units based in villages and small towns providing jobs to a vast majority of the unemployed. In the absence of employment opportunities for the local population and a perpetual neglect of provisioning basic physical and economic infrastructure that is crucial for industrial growth, exposing the products to cheap imports and inviting large firms to produce to export have defeated the basic purpose of job creation, especially in lagging regions.

4. Understanding Small Firm Clusters

Over two decades now, immense interest has been evinced in the role of small firms in job creation and regional economic regeneration; this has often been attributed to a certain form of industrial organization, namely industrial clustering. Clustering as a phenomenon has been inspired by the 'achieving' small firm clusters in Third Italy and other industrialized nations in the occident. Worldwide the subject has generated much interest, mainly due to the potential of clusters to be resilient, self-sustaining and technologically dynamic even in tough competitive environment. This has prompted hectic efforts at both global and national levels to promote clusters through policy initiatives, now, with a greater focus on the developing nations. India has been one such country that has not fallen behind this race of emulating the west; although, in the hurry, little effort has gone into *understanding* the functional dynamics of Indian clusters and the socio-economic and legal context which strongly impact their business (see, for detailed arguments, Das, 2005). Launched in late 1998 in India, UNIDO's cluster development programme has largely influenced other similar efforts at the local, state and central government levels. Driven purely by a neoliberal framework, the central purpose of cluster development initiatives in India has been to link up with a wider market, importantly, the external/ global market. All that these programmes have managed to highlight are the role of certain business development services, cluster development agents and, of late, a nonchalant approach to linking cluster development with poverty reduction. The access to business development services, being marketable products, are almost always at a price. The other mechanisms of provisioning of credit and creation of a technology development fund are essentially old instruments. In fact, there remains much to be learnt from and critiqued about India's own long and unmatched experience in formulating policies for SMEs/ MSEs; how can these efforts be made more responsive and broad-based is the important issue to be reviewed.

Anyone concerned with cluster development must appreciate the diversity and complex nature of clustering in India; that first step would help one judge the relevance of a *pre-given* approach developed in a different context. Available estimates suggest the existence of about 2400 clusters, including nearly 2000 rural and artisan based ones, spread across the country. Industrial clusters, including numerous artisanal/ traditional ones, galore and present a host of local strategies of their survival and growth, conditioned by heightened competition or a calibrated (or even shrinking) market. The general lack of technological dynamism, hailed to transform 'production' clusters into 'innovation' clusters, has often been rooted in the regional constraints, including that of basic infrastructure. Further, the overwhelming presence of 'informality' in the production sphere, lack of collective vigilance both from the local state and the industry bodies and existence of surplus labour have contributed to price competition, unfair business practices and pathetic working conditions.
Nevertheless, one comes across such statistics as that they contribute about 60 per cent of manufactured exports. This is a contestable claim as cluster level export figures are just not available and no reliable information exists on the contribution of the informal sector units that often dominate clusters, even in the so-called regulated industries.

While the current initiatives hype the aspect of catering to and competing in the global market the ground reality poses larger issues of regional underdevelopment and massive unemployment, especially in rural, semi-urban and peri-urban regions. In fact, the *spatiality* of clustering has remained a grossly neglected dimension in the sphere of intervention strategies in India. An industrial cluster, intrinsically, is a dual-entity, encompassing both the sectoral *and* spatial. The spatiality is not merely the place, that is, say, rural or urban, but has a strong reference to the level of regional development that determines the cluster's access to both social and economic infrastructure. Poor basic infrastructure can stifle the growth and diversification of these clusters. It is necessary that technology of the traditional industries be refurbished to meet new demands. Policy must aim at enhancing business capabilities, especially, in rural areas and small and medium towns through finance and training. In addition to the standard interventions as improving access to credit, providing tax incentives, supporting local innovative activities, a key area concerns provision of electricity for rural enterprises; this would, in a substantive sense, 'empower' clusters in neglected regions.

Further, whereas successful Eurpoean clusters have focused on technological dynamism, business networking, provision of real services and improved working environment, the Indian clusters, across regions, are characterised by informal production processes and poor conditions of work, including high incidence of child labour. The labour dimension needs highest attention. In the Indian context, industrial clusters cannot be viewed only from a sub-sectoral market expansion point. Beyond the hype of neo-localism, cluster promotion strategies must encompass a regional development perspective, wherein addressing issues of structural infirmities, especially, basic infrastructure and job creation, assume critical importance. A mechanistic and essentially *ad hoc* approach to cluster development that is oblivious to the structural factors – inadequate infrastructure being a key constraint - facing the Indian economy would most certainly falter in generating employment opportunities as also in creating a competitive and sustainable regional industrial base, especially in the rural areas as also small and medium towns.

5. The Missing Concerns

While it may seem, from the plethora of novel strategies to bring SMEs/ MSEs centrestage with an avid goal of building up a world class reputation, some age-old concerns have been pushed to the margins. What must not be forgotten is that even today, as over two decades ago, the unorganized sector accounted for a whopping above 99 per cent all manufacturing enterprises and above 86 per cent of employment; the overwhelming presence of this sector is seen in both rural and urban areas. As shown in Table 8, over 70 per cent of units are based in rural locations and over 90 per cent of these units are Own Account Manufacturing Enterprises (OAMEs), essentially, these are self-employed, family labour based and using no hired worker. Although it appears that the employment situation improved during the post reforms period the rural OAMEs have suffered the most. As Sahu (2005: 134) explains, "what was lost by the most domineering segment of the rural unorganized manufacturing sector (rural-OAMEs) during 1984-85/1994-95 was 37.1 lakhs of full-time jobs, and what was later recouped during 1994-95/2000-01 was 13.9 lakhs of part-time jobs; in fact, rural-OAMEs lost another 0.9 lakh full-time jobs even during 1994-95/2000-01."

That the OAMEs or the tiniest units, in the unorganized sector, particularly, in rural areas have been worst hit in terms decline in factor productivity, dwindling demand, poor quality products and insecure nature of jobs calls for a different set of strategies to promote enterprises in India. While a certain section of the industry might be privileged due to the process of reforms and globalization, it would be potentially dangerous to continue to neglect the vast ailing small and tiny enterprises in underdeveloped regions. A reorientation in policy approach that ensures credit availability, provision of basic physical and economic infrastructure and enhances labour productivity is the need of the hour.

Table 8: Units and Workers in Unorganised Manufacturing, 1984-01

(in lakh)

Period		Rural			Urban			All Unorganised		
		OAMEs	NDMEs	DMEs	OAMEs	NDMEs	DMEs	Rural	Urban	Total
Number of Units										
1984-85		134.4	10.3	1.8	36.5	11.3	3.0	146.4	50.8	197.2
1994-95		95.3	6.7	2.9	27.1	9.3	3.6	105.0	40.1	145.0
2000-01		110.6	6.3	2.5	36.1	10.8	4.0	119.3	50.9	170.2
Increment/ Decrement										
1994-95/1984-85		-39.0	-3.6	1.2	-9.3	-2.0	0.6	-41.5	-10.7	-52.2
2000-01/1994-95		15.2	-0.4	-0.5	8.9	1.5	0.4	14.4	10.8	25.2
2000-01/1984-85		-23.8	-4.0	0.7	-0.4	-0.5	1.0	-27.1	0.1	-27.0
Composition of Workers										
1984-85	Full Time	186.6	21.9	19.2	47.7	25.2	26.1	227.8	98.9	326.7
	Part Time	32.5	1.7	0.7	5.5	1.4	1.0	34.9	7.9	42.8
	Total	219.1	23.6	19.9	53.2	26.6	27.0	262.7	106.8	369.5
1994-95	Full Time	149.6	17.1	23.7	45.2	29.3	31.1	190.3	105.6	295.9
	Part Time	28.9	1.2	0.9	3.0	1.2	0.9	31.0	5.1	36.1
	Total	178.4	18.3	24.5	48.2	30.6	32.0	221.3	110.8	332.0
2000-01	Full Time	148.7	17.8	27.7	49.3	34.7	34.5	194.1	118.4	312.5
	Part Time	42.8	1.6	1.4	9.9	1.6	1.1	45.8	12.5	58.3
	Total	191.5	19.3	29.1	59.1	36.3	35.5	239.9	131.0	370.8
Increment/ Decrement										
1994-95/1984-85	Full Time	-37.1	-4.9	4.4	-2.5	4.2	5.0	-37.5	6.7	-30.8
	Part Time	-3.6	-0.5	0.1	-2.5	-0.2	0.0	-3.9	-2.7	-6.7
	Total	-40.7	-5.3	4.6	-5.0	4.0	5.0	-41.4	4.0	-37.5
2000-01/1994-95	Full Time	-0.9	0.7	4.0	4.1	5.4	3.4	3.8	12.8	16.6
	Part Time	13.9	0.4	0.5	6.9	0.4	0.1	14.8	7.4	22.2
	Total	13.0	1.0	4.5	11.0	5.7	3.5	18.6	20.2	38.8
2000-01/1984-85	Full Time	-38.0	-4.2	8.5	1.6	9.5	8.4	-33.7	19.5	-14.2
	Part Time	10.3	-0.1	0.7	4.4	0.2	0.1	10.9	4.7	15.5
	Total	-27.7	-4.3	9.1	6.0	9.7	8.5	-22.8	24.2	1.3

Note: OAMEs – Own Accountant Manufacturing Enterprises
NDMEs – Non-Directory Manufacturing Enterprises
DMEs – Directory Manufacturing Enterprises

Source: Sahu (2005: 148)

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