Chapter III

MSMEs - Incentive Schemes, New Initiatives, Institutional and Legal Framework
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CHAPTER – III

MSMEs - Incentive Schemes, New Initiatives, Institutional and Legal Framework

This chapter deals with the incentive schemes and the new initiatives taken by the Government and the institutional support for the MSMEs in India.

PART I INCENTIVE SCHEMES

3.0 INTRODUCTION

In order to achieve the objective of balanced industrial development, several tools of economic policy are used. They include regulatory measures on the one hand and fiscal concessions on the other. They also include the establishment of a number of industrial promotion agencies.

There are different types of instruments such as exemptions, subsidies, and incentives often used by the policy makers to achieve their goals.

3.1 INCENTIVES AND SUBSIDIES

A distinguishing feature of the industrial policy has been that a number of items of manufacture are reserved for the production of the small scale sector, while preference is given to new small, medium entrepreneurs and industrial co-operatives. The important policy measures that have positively created an ideal environment for entrepreneurial growth are:
 identification of the backward areas and the commencement of a number of concessions and incentives for the entrepreneurs to start their ventures.

- Change in the attitude of both the central government and the state governments towards private enterprises in general and the promotion of small scale industries in particular.

- Liberalisation of the industrial licensing policy and the announcement of special incentives for the N.R.I investments and the exporting industrial units.

- Promoting the co-ordinated development of large and small industries by-
  a) Reserving further expansion either exclusively or partly for the small scale sector in certain industries.
  b) Developing small industries more vigorously as ancillaries to large industries and
  c) Encouraging the participation of the small industries in the export drive.

3.2 SMALL SCALE INDUSTRIES POLICY - 1991

In order to give a fillip to the development of small industries and thereby to entrepreneurial growth, the government, for the first time announced a separate small scale industries policy in August 1991. The highlights of this policy are as follows:
• The small Industries Development Organisation (SIDO) has been recognised as the nodal agency to support small scale industries’ export promotion.

• An export development centre would be set up in the SIDO to serve the small scale units through its network of field officers to further augment the export activities of the sector.

• A technology development cell (TDC) will be set up in the SIDO which could provide technology inputs to improve the quality and the competitiveness of the products of the small scale sector.

• The scheme for the handloom sector would be redesigned keeping in view the regional and local needs.

• The National Small Industries Corporation (NSIC) would concentrate on the marketing of mass consumption items under a common brand name and organisational links between the NSIC and the SSI DCs would be established.

3.3 Schemes of Incentives in Operation

“The term incentive is a general one and includes concessions, subsidies and bounties. ‘Subsidy’ denotes a single lumpsum which is given by the government to an industry.” The term bounty denotes bonus or financial assistance and which is given by a government to an industry to enable it to compete with other units in a nation or in a foreign market.
Different incentive schemes applicable to the MSME sector in India are in operation. The schemes are offered by the Central and the State Governments. The list of incentives offered by either or both the governments are listed below:

- Export or Import bounties and subsidies.
- Interest free loans.
- Subsidy and Research Development Works.
- Capital Investment Subsidy.
- Transport Subsidy.
- Subsidy for power generation.
- Exemption from property Tax.
- Subsidies to Artisans and Traditional Industries.
- Incentives to Non Resident Industries.
- Special Incentives to women entrepreneurs.
- Interest Free Sales Tax Loans.
- Sales Tax Exemptions.
- Exemption from Income Tax.
- Subsidy to buy Test Equipments.
- Subsidy for Industrial Housing.
- Land and Building at Concessional Rates.
• Price preference to the SSI units.
• Subsidy or Assistance for Technical Consultancy.
• Exemption from Stamp Duty.
• Concessional Water.
• Provision for Seed Capital.
• Allotment of Constructed sheds.
• Allotment of controlled or subsidized Raw Material.
• Subsidising the Cost of Market Studies.

3.4 Incentives for Development of Industries in Backward Areas

As a part of the measures to ensure balanced regional development, the Government of India have announced a number of concessions and facilities to the industries established in selected backward districts or areas from time to time. “The Central Government has declared 247 districts as backward and eligible for subsidies”1. Many state governments have been added to this list for the purpose of state level subsidies. The programmes are:

3.4.1 Concessional Finance

All India Financial Institutions such as the IDBI, the IFCI and the ICICI extend financial assistance on concessional terms to all the new and the existing industrial projects, having expansion schemes located in 247 districts selected by the Government.
3.4.2 Central Investment Subsidy

The granting of cash subsidy on the capital investment is called capital investment subsidy. It will be usually in the form of outright grant of 10 percent to 20 percent on the capital invested in the industrial units in areas specified to be backward. Out of the 247 districts declared backward by the planning commission, 101 have been selected to qualify for the central investment subsidy.

3.4.3 Tax Holiday to the New Industrial Undertakings set up in Backward States and Union Territories

Under Sec 80-1A of the Income Tax Act - 1961, deduction is allowed in respect of profits derived from the new industrial undertakings in the States and the Union Territories, which are industrially very backward. They have been identified according to the backward area Notification S.O No. 165 dated 19-2-1986. These States and Union territories are Arunachal Pradesh, Assam, Goa, Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura and the Union Territories of Andaman and Nicobar Islands, Dadra and Nagar Haveli, Damman Diu, Lakshadweep and Pondicherry. The above list corresponds to the existing list of industrially backward areas specified by the Ministry of Industry too.

3.4.4 Subsidised Consultancy Services

Small entrepreneurs proposing to set up rural, cottage, tiny or small scale units or to diversify, expand and modernize their existing units, can get consultancy services at a low cost from the Technical Consultancy Organisation
(TCO) sponsored by the All India and State level financial and promotional institutions and banks.

### 3.4.5 Subsidy for Market Studies

New entrepreneurs (locally based or non resident Indians) entering the field of the medium and or the medium large industry for the first time in the country can have market studies for their products undertaken by the TCO at a cheaper cost.

“The fee for the preparation of a market study payable to the TCO would be subsidized by the IFCI up to 75 percent of the cost or Rs. 15000/ which is lower”².

### 3.4.6 Adoption of Indegenous Technology

Promoters of the projects involving commercial exploitation of indigenous technology can get assistance in the form of subsidy covering the interest payment due to the IFCI during the first three years of the operations of the project, subject to a ceiling of Rs. 5 lakhs a year. In appropriate cases the total subsidy could be up to Rs. 25 lakhs a year.

### 3.4.7 Machinery on Hire Purchase

Small scale industrial units including ancillaries are eligible to procure machinery on hire purchase basis from the National Small Industries Corporation Ltd, through its liberalized terms and conditions for supplying machinery to the small scale industries located in backward areas which qualify for investment subsidy. According to the liberalized terms, with effect from 1st October 1975, the earnest money payable to the technocrafts and the entrepreneurs from the declared
backward areas is 10 percent as against 15 percent in other cases. “The rate of interest is 11 percent p.a in respect of the technocrafts and the entrepreneurs coming from backward areas and 13.5 percent in the case of others”³.

3.4.8 Seed Capital Assistance

One of the constraints faced by the entrepreneurs is the lack of resources to meet the minimum promoters’ contribution. To help the entrepreneurs to overcome this problem, the IDBI has come up with a scheme which has gained popularity as the seed capital scheme. The maximum amount which can be sanctioned is Rs. 5 lakhs per project on the fulfilment of certain conditions.

The objective of the scheme is to create a new generation entrepreneurs who have the requisite traits of entrepreneurship but whose financial resources are limited. The scheme is operated through the agency of notified Small Industries Development Corporation (SIDC) and State Financial Corporations (SFC’s). Assistance under the scheme will also be given directly by the IDBI in exceptional cases.

To be eligible for assistance, the entrepreneurs should be technically or professionally qualified or possess relevant experience or skill in the particular industry, business or trade.

3.4.9 Taxation benefits

The taxation benefits available to the MSMEs are:

- **Tax Holiday**

  New MSMEs are exempted from the payment of income tax under Section 80j of the Income Tax Act on their profits up to 6 percent from the total income of the units in the assessment year in which the
units began manufacture, provided the small scale units have followed the procedure laid down in section 80j. This tax holiday is available upto 5 years from the commencement of production.

- **Depreciation Allowance**
  Under section 32 of the Income Tax Act, a small scale industry is eligible to get a deduction on depreciation on the plant and the machinery, land and building at the prescribed rates. A deduction is allowed up to Rs. 20 lakhs from the actual cost of the plant and the machinery.

- **Development Rebate**
  It is allowed in respect of any new plant and machinery other than office appliance or road transport vehicles of a small scale unit, which is wholly used for the purpose of development; rebate is allowed under Sec. 33 in addition to normal depreciation.

- **Rehabilitation Allowance**
  This is granted to the small scale units under section 33B whose benefit has been disturbed by riot or civil disturbance, floods, typhoons, hurricanes, cyclones, earthquakes, or other natural disasters or accidental fire or explosion.

  The small scale units re-established, reconstructed or reviewed are allowed a deduction of a sum by way of rehabilitation allowance equivalent to 60 percent of the amount of the deduction allowable to the unit.
• **Investment Allowance:**

“It was introduced in 1976 in place of depreciation allowance. It is allowed at the rate of 25 percent of the cost of acquisition of the new plant and machinery installed⁴. The small scale unit can avail itself of the benefit of investment allowance only if it has put in use the plant and machinery either in the year of installation or in the year following: otherwise the benefit will be forfeited.

### 3.5 MSMEs - New Initiatives

**Introduction**

The Central Government proposes to launch new schemes and initiatives to supplement the efforts of the states and the union territories by providing supportive measures to enhance the competitiveness of the MSMEs in the country. The measures include ongoing schemes as well as new ones. The new initiatives include:

### 3.6 Activities and Programmes for Women in the MSME Sector - Role of the Ministry

The role of the Ministry of the Micro, Small and Medium Enterprises (MSMEs) is primarily to assist the States and Union Territories in their efforts to promote growth and development of the MSMEs. “The main focus of the schemes undertaken by the organisations of the Ministry is thus to facilitate the provision of a wide range of services and facilities required for accelerating the growth of the MSMEs⁵. The schemes generally focus on capacity building in the State or Regions; nevertheless, there are a few schemes, which are individual - beneficiary oriented. While, there are no specific reservations for women, in the
latter, there are some concessions or incentives available under these programmes for the benefit of women entrepreneurs.

3.6.1 Training of Women Entrepreneurs

The industrial policies of the Government announced from time to time, have laid considerable emphasis on the promotion of women entrepreneurship, particularly among the first generation women entrepreneurs, through various training and support services. “Special attention is being given by organising exclusive Entrepreneurship Development Programmes (EDPs) for women”.

The Field Institutes of the MSME-DI conduct need-based entrepreneurship or skill development programmes for existing and prospective entrepreneurs. “During the year 2007-08 (up to December, 2007) approximately 15000 women participated in these training programmes”. The autonomous bodies under the MSME-DI also conduct various short-term and long-term training programmes in the footwear technology, the tool and dye-making and other allied industries.

In addition to the schemes of the MSME-DI, the NSIC, the KVIC and the Coir Board, relating to the conduct of the EDPs and the SDPs for the benefit of the potential women entrepreneurs, three national level entrepreneurship development institutes set up by the Ministry, particularly, the Indian Institute of Entrepreneurship (IIE), Guwahati, are also undertaking training programmes for skills and the entrepreneurship development for women. The National Institute for Entrepreneurship and the Small Business Development (NIESBUD) and the NOIDA have been conducting several training programmes exclusively for women.
Further, the Ministry has recently launched the ‘Rajiv Gandhi Udyami Mitra Yojana’ (a Scheme for the Promotion and Handholding of the Micro and the Small Enterprises) to help and facilitate the potential first generation entrepreneurs in completion of the various formalities and the tasks necessary for the setting up and the operationalisation of their enterprises. Under this scheme, women beneficiaries are not required to contribute Rs.1000 which is required by the beneficiaries from the general category. The contribution in respect of women beneficiaries is provided to the ‘Udyami Mitras’ as grants by the Government.

3.6.2 Trade Related Entrepreneurship Assistance and Development (TREAD) Scheme for Women

The scheme envisages the economic empowerment of women through the development of their entrepreneurial skills in non-farm activities. The Government's grants up to 30 percent of the total project cost is provided to the Non-Government Organisations (NGOs) for promoting entrepreneurship among women. The remaining 70 percent of the project cost are financed by the lending agency as loan for undertaking activities as envisaged in the project. Further, Government grants up to Rs.1 lakh per programme are provided to the training institutions and the NGOs for imparting training to the women entrepreneurs. Besides, need-based grants up to Rs. 5 lakh may also be provided to the national level EDIs and the other reputed institutions, for undertaking field surveys, research studies, evaluation studies, designing of training modules etc.

“Under this scheme, proposals involving the grant of Rs. 51.65 lakh to 16 NGOs and Institutions, have been approved for benefiting 1700 women.”
3.6.3 Rural Employment Generation Programme (REGP)

The REGP is a flagship scheme of the Government of India for employment generation programmes in the unorganised sector. Though there are no specific reservation for women entrepreneurs under this scheme, still there has been substantial participation (around 30 percent) of women as a result of the promotional efforts undertaken in this regard. In order to encourage the participation of women in the programmes, the following relaxations are being provided to women beneficiaries:

- Capital Subsidy in the form of margin money is provided at the rate of 30 percent (for general category it is 25 percent) of the project cost up to Rs.10 lakh and 10 percent on the balance project cost up to Rs. 25 lakh.

- The borrowers' contribution is 5 percent of the project cost in the case of women beneficiaries while in the case of the general category, it is 10 percent of the project.

- Bank finance in the form of loan is 95 percent of the project cost in the case of women and the other weaker section borrowers as against 90 percent of the project cost in the case of the general category.

Under this scheme, 3656 projects of women entrepreneurs involving a margin money of (as Government Grant) Rs. 6397.99 lakh, have been distributed during 2007-08 (up to December 2007).

3.6.4 Prime Minister’s Rozgar Yojana (PMRY)

“During 2006-07, the participation of women (in terms of employment generation) under the PMRY was 16.5 percent”\(^9\). Under the scheme, preference is
given to the women beneficiaries. While communicating the targets under the Scheme to the States and the Union Territories, standing instructions are issued to the Reserve Bank of India (RBI) to ensure that the number of women beneficiaries under the PMRY should not be less than 30 percent. Furthermore, in order to facilitate the participation of the women beneficiaries under this scheme, the following relaxations are also being provided:

- **Age Relaxation** - the upper limit for women applicants is 45 years, as against 35 years for general category applicants.

- **Relaxation in residency criteria for married women** - the residency criterion of the last three years is applicable for the spouses or in-law in case of married women applicants.

“During 2007-08, up to September 2007, under this scheme, 4515 projects of women beneficiaries, have been sanctioned”\(^\text{10}\).

### 3.6.5 Mahila Coir Yojana

Mahila Coir Yojana is a women oriented self-employment scheme in the coir industry, which provides self-employment opportunities to the rural women artisans in regions producing coir fibre. The scheme envisages the distribution of motorised ratts for spinning coir yarn to women artisans after giving training. Women spinners are trained for two months in spinning coir yarn on motorized ratt at the Coir Board’s training centres. A stipend of Rs. 500- per month is also paid to the trainees. The Coir Board provides motorised ratts or motorised traditional ratts at 75 percent cost subsidy, subject to a maximum ceiling of Rs. 7,500 for motorized ratts and Rs. 2,925 for traditional ratts.
“During 2007-08, up to December 2007, under this scheme, 1042 ratts have been distributed”\textsuperscript{11}.

3.7 Promotional Package

In March 2007, the Government announced a Comprehensive Package for the Promotion of the Micro and Small Enterprises, which comprises several proposals and schemes having direct impact on the promotion and the development of the micro and the small enterprises. These, inter alia, include credit and fiscal support, cluster-based development, infrastructure, technology and marketing support. The capacity building of the MSME Associations and the support to women entrepreneurs are the other important features of this Package.

3.7.1 Enhanced Credit Flow to the MSE Sector

To strengthen the delivery of credit to the MSMEs, the Government announced a ‘Policy Package for Stepping up Credit to the Small and Medium Enterprises (SME) in August 2005 intending to double the credit flow to this sector within a period of five years. This has resulted in a significant increase in the credit flow from the Public Sector Banks (PSBs) to the Micro and the Small Enterprises (MSE) sector – “with the outstanding credit of public sector banks increasing from Rs.58,278 crore at the end of March 2004 to Rs. 1,48,651 crore at the end of March, 2008”\textsuperscript{12}.

3.7.2 Skill Development

The Government has taken up skill development as a high priority area through various measures like enhancing the training capabilities of the Tool Rooms, the MSME Development Institutes and other organization under the
Ministry of the MSME. The agencies under the Ministry of the MSME conducted programmes for skill development for nearly 1.8 lakh trainees during 2007-08 and the targets set for 2008-09 is 3 lakh persons. The Ministry of the MSME provides all such trainings for the SCs and the STs, free of cost. Similar programmes are also being organised for women and other weaker sections of the society, free of cost, besides providing a monthly stipend of Rs.500 during the entire period of training.

3.7.3 National Manufacturing Competitiveness Programme

The Government has launched an all-India campaign under the National Manufacturing Competitiveness Programme (NMCP) for the MSMEs, which has specific components that are aimed at enhancing the competitiveness of the enterprises in this sector. There are 10 components of the NMCP, of which 4 have been already made operational. These are (i) Quality Management Systems and Quality Technology Tools, (ii) Building Awareness on Intellectual Property Rights, (iii) Support for Entrepreneurial and Managerial Development of the MSMEs, and (iv) Marketing Support or Assistance to the MSMEs. The remaining 6 components are under various stages of approval.

3.7.4 Credit Linked Capital Subsidy Scheme

To make the Credit Linked Capital Subsidy Scheme (CLCSS) more attractive, the following amendments have been made with effect from 29 September 2005:

(a) the ceiling on loans has been raised from Rs.40 lakh to Rs. 1 crore

(b) the rate of subsidy has been raised from 12 percent to 15 percent
(c) the admissible capital subsidy has now been based on the purchase price of the plant and machinery, instead of the term loan disbursed to the beneficiary unit and

(d) the practice of the categorisation of the MSEs in the different slabs on the basis of their current investment to examine whether the eligible subsidy has been dispensed with.

3.7.5 Credit Guarantee Scheme

The Government has set up a Credit Guarantee Fund to provide relief to those micro and small entrepreneurs who are unable to pledge collateral security in order to obtain loans for the development of their enterprises. To make the scheme more attractive to both the lenders and the borrowers, several modifications have been undertaken from time to time, “including enhancement in the loan limit from Rs.25 lakh to Rs.50 lakh, reduction in one-time guarantee fee from 2.5 percent to 1.5 percent". Efforts made to enhance awareness have led to the increase of the coverage “from about 40,000 proposals (for loans of Rs.1000 crore) at the end of March 2004 to more than 1.20 lakh proposals (for loans of over Rs.3500 crore) at the end of October 2008".

3.7.6 ISO-9000/ISO-14001/HACCP Certification Reimbursement Scheme

The Government has introduced an incentive scheme for the MSMEs’ technological up-gradation, quality improvement and environment management. The Scheme envisages one time reimbursement of charges for acquiring ISO-9000/14001/HACCP (or its equivalent) certification to the extent of 75 percent of the cost subject to a maximum of Rs. 75,000 in total. The Scheme covers the
whole of India. It is administered by the Development Commissioner (MSME), the Ministry of the MSME, and the Government of India. The scheme has been decentralized w.e.f. 1.4.2007 and the Directors of the MSME Development Institutes have been empowered to receive and make reimbursement to the MSMEs in their jurisdiction. The Government has extended the Scheme upto the 11th Five Year Plan and the scheme has been decentralized w.e.f. 1.4.2007.

“Total 18002 numbers of units amounting to Rs. 88.92 crore have been reimbursed since its inception in 1994 upto November, 2008. During 2008-09, about 900 units amounting to Rs. 3.76 crore have been reimbursed, enabling the Manufacturing Sector to be Competitive through Quality Management Standards (QMS) and Quality Technology Tools (QTT) - Rs. 40 crore in 4 years”

3.7.7 National Awards

The Prime Minister Dr. Manmohan Singh presented the National Awards to the Micro, Small and Medium Enterprises in New Delhi on 30th August, 2008. The Awards were in three categories: a) Outstanding Entrepreneurs of the Micro, Small and Medium Enterprises, Khadi and Village Industries and Coir Industries; b) Special awards to Women and SC/ST Entrepreneurs and c) Banks for excellence in the Micro and Small Enterprises Lending. “Total 80 Entrepreneurs got awards in various categories”

Besides, 50 entrepreneurs have been given away Special Recognition Awards in a State Level Function.

3.7.8 MSME-Expo 2008

“Micro, Small and Medium Enterprises Exhibition was organized by the Office of the Development Commissioner (MSME) from 14-27 November, 2008
in the Pragati Maidan, New Delhi". Exhibits of the Micro, Small and Medium Enterprises from all over the country were displayed. In addition to this, the NSIC also exhibited the technical capabilities of the MSMEs through TECH MART 2008. Products of Khadi and Village Industries were exhibited by the Khadi and Village Industries Commission during the IITF in the same exhibition.

3.7.9 Efforts of National Small Industries Corporation Ltd.

The National Small Industries Corporation, since its start in 1955 has been working with its mission of promoting, aiding and fostering the growth of the micro and the small enterprises. Besides working to promote the interest of the micro and small enterprises, it tried to enhance their competitiveness by providing integrated support services under Marketing, Technology, Finance and Support services. The Marketing Assistance Scheme aims to promote the marketing efforts and increase the competency of the small enterprises. “During the year 2008-09, the NSIC organized 19 exhibitions and trade fairs, buyer-seller meets upto September, 2008. It has also conducted 368 intensive marketing promotion seminars all over the country upto November, 2008”.

The International Co-operation Scheme is an ongoing Scheme of the Ninth Plan, which is continuing in the Eleventh Five Year Plan (2007-2012) as well. Technology infusion or upgradation of the Indian micro, small and medium enterprises (MSMEs), their modernization and promotion of their exports are the important objectives of the Scheme.
3.7.10 Rajiv Gandhi Udyami Mitra Yojana (RGUMY) (A scheme for Promotion and Handholding of Micro, Small and Medium Enterprises)

This is a new scheme of the XI Plan launched on 7th February 2008. The main objective of the scheme is to promote and support the establishment of the micro and the small enterprises through the handholding of the potential first generation entrepreneurs, who have already successfully completed the Entrepreneurship Development Programme (EDP), Skill Development Programme (SDP) or Entrepreneurship-cum-Skill Development Programme (ESDP) of at least two weeks’ duration, or have undergone vocational training from the ITIs.

3.7.11 National Commission for Enterprises in the Unorganised Sector

The Government of India constituted the National Commission for Enterprises in the Unorganised Sector (NCEUS) on 20-09-2004 to examine the problems being faced by the enterprises in the unorganized or informal sector. “The Commission has been mandated to recommend measures for the promotion and the strengthening of the unorganised sector enterprises and the generation of large scale employment opportunities on a sustainable basis particularly in the rural areas, enhancing the competitiveness of the unorganized sector in the emerging global environment, linkage of the sector with institutional framework in areas such as credit, raw material, infrastructure, technology upgradation, marketing and formulation of suitable arrangements for skill development” \(^{19}\). In pursuance of the above mandate, the Commission till date has submitted eight reports.

Report on a Special Programme for Marginal and Small Farmers has been submitted to the Prime Minister on 03-12-2008 and a Report on the Definition
and the Statistical issues relating to the Informal Economy has been submitted to the same on 25-11-2008. The Commission has also submitted a report on the Financing of Enterprises in the unorganised Sector and the Creation of a National Fund for the unorganized Sector (NAFUS) to address the credit needs of this sector. The NCEUS has also initiated steps to set up Pilot Projects of Growth poles for the enterprises in the unorganized Sector in six states viz. Rajasthan, Chhatisgarh, Kerala, Uttaranchal, West Bengal and Assam. Out of the total budgetary grant of Rs. 5.00 crore allocated during the year 2008-09, an expenditure of Rs.3.26 crore was incurred till November, 2008**20.

3.7.12 ARI Sector of the Ministry of MSME

The Ministry of the Micro, Small and Medium Enterprises in the Agro and the Rural Industries (ARI) sector has been involved in integrating the policy formulation and coordinating the implementation programmes and schemes, in a focused manner, for the development of the agro and rural industries, based on the local raw materials and skills, for creating more employment opportunities essentially in the rural non-farm sector. The Ministry operates mainly in the Khadi and Village Industries and the Coir Sectors through the Khadi and Village Industries Commission (KVIC) and the Coir Board (CB) respectively and co-ordinates the implementation of various schemes launched by the Government in the Sector, including the latest employment generation programme, i.e., the Prime Minister’s Employment Generation-Programme (PMEGP) with the co-operation of the State or Union Territory Governments and the implementing banks.
3.7.13 Worksheds Scheme for Khadi Artisans

This Scheme envisages worksheds to be provided to the khadi artisans on a pilot basis so that they could work in an improved environment, leading to increase in their productivity and obtaining a better livelihood. The Scheme has been approved in July 2008. An outlay of Rs.25 crores has been provided in this scheme; Rs. 12.50 crores have been already released to the KVIC.

3.7.14 Scheme for Enhancing of Productivity and Competitiveness of Khadi Industry and Artisans

This scheme is scheduled to provide financial assistance to 200 of the 'A plus' and 'A' category khadi institutions of which 50 would be those which are managed exclusively by the beneficiaries belonging to the Scheduled Castes (SCs) and the Scheduled Tribes (STs) in a Public-Private partnership mode. It will enable the replacement of the old or obsolete charkhas and looms with new charkhas and looms so as to realize increased value addition for khadi products, muslin khadi, for the setting up of common facility centres, need-based dyeing and printing facilities, besides ensuring better wages to the artisans along with skill upgradation.

3.7.15 Prime Minister's Employment Generation Programme (PMEGP)

The Ministry of the Micro, Small and Medium Enterprises has launched a new credit linked subsidy programme called Prime Minister's Employment Generation Programme (PMEGP) on the 61st anniversary of the Indian Independence by merging the two schemes that were in operation till 31.03.2008 namely Prime Minister's Rozgar Yojana (PMRY) and the Rural Employment Generation Programme (REGP) for the generation of employment opportunities
through the establishment of micro enterprises in rural and urban areas. The PMEGP will be a central sector scheme to be administered by the Ministry of the MSME.

The PMEGP improves upon the subsidy levels and cost limits of the projects compared to those available so far under the PMRY and ensures that the attractiveness of the REGP is not diluted in any way while simultaneously strengthening the selection process, implementation and the monitoring mechanism.

The upper limit of the cost of project that could be set up in the manufacturing sector is Rs.25 lakh while that in the business or service sector is Rs.10 lakh. There are no ceiling limits of annual income in respect of the beneficiaries while a minimum educational qualification of VIII Standard pass will be required for the beneficiaries in respect of the projects costing more than Rs.10 lakh in the manufacturing sector and more than Rs.5 lakh in the business or the service sector. At the State level, the scheme will be implemented through State Directorates of the KVIC, the State Khadi and the Village Industries Boards (KVIBs) and the District Industries Centres in rural areas. In urban areas, the Scheme will be implemented only by the State District Industries Centres (DICs).

The Budget Estimates of 2008-09 have provided Rs.823 crore for the PMEGP which includes Rs.83 crore towards the Backward and the Forward linkages, including the EDP training, publicity, marketing support, e-tracking of applications, physical verification of projects and so on. An estimated 6.17 lakh additional employment opportunities are targeted to be generated in 2008-09. The
estimated total outlay for subsidy under the PMEGP is Rs.4485 crore in addition to Rs.250 crore earmarked to provide Backward and Forward linkages to the micro enterprises between 2008-09 to 2011-2012, leading to an estimated generation of around 37.38 lakh additional employment opportunities. “The Annual Share of Kerala for the PMEGP is Rs. 21 crores”21.

3.7.16 Khadi Reform Development Package

The Department of Economic Affairs, of the Ministry of Finance is arranging external financial aid from the Asian Development Bank amounting to US $150 million, over a period of three years to implement the comprehensive Khadi Reform Programme, worked out in consultation with the ADB and the KVIC. The proposed Khadi Reforms Programme involves the following specific measures:

“It will be initiated in 300 selected khadi institutions willing to undertake the identified reforms. These institutions will not be entitled to any financial assistance under the Schemes of the KVIC, such as the Enhancing of Productivity and Competitiveness of Khadi Industry and Artisans, Product Development, Design Intervention and Packaging (PRODIP) scheme, Rural Industries Service Centre (RISC) scheme, etc. These 300 institutions will be selected keeping the needs of regional balance, geographical spread and inclusion of backward areas”22.

Institutional Reforms include, inter alia, the providing of 50 percent representation in the ‘management’ to khadi spinners and weavers so that surpluses expected to be generated from the reforms percolate to the artisans. These 300 institutions will submit their accounts to a comprehensive audit before becoming eligible for assistance. Performance benchmarks will be separately prescribed.
3.7.17 Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

The scheme titled “Scheme of Fund for Regeneration of Traditional Industries (SFURTI)” has been launched in October 2005. Under this scheme, “118 clusters (32 khadi, 60 village industries and 26 coir) including 13 ‘reserve’ clusters have been approved by the Scheme Steering Committee”\(^{23}\). Upto 2007-08, Rs. 42.34 crore (Rs. 19.19 crore to the KVIC and Rs. 13.15 crore to the Coir Board) has been released to the KVIC and the Coir Board for implementing this scheme. Latest developments made under the SFURTI are as follows:

- 17 National Level Institutions have been designated as Technical Agencies to provide technical support in these clusters.
- The cluster development activities like the consent of the State Government, the various trainings and awareness programmes, including exposure visits for the IAs and the TAs and appointment of Cluster Development Executives (CDEs) have been completed in 80 percent clusters.
- Formation of Cluster Development Co-ordination Group (CDCG) has been completed in 100 clusters.

3.7.18 Scheme for Rejuvenation, Modernisation and Technological Upgradation of Coir Industry

A new central sector scheme on "Rejuvenation, Modernisation and Technology Upgradation of the Coir industry" has been launched during March, 2008 with a total outlay of Rs.243 crore involving a government grant of Rs.99 crore, the beneficiary contribution of Rs. 12 crore and the remaining Rs. 132
crore as term loan from Banks. “Two categories of beneficiaries viz. Spinning and the tiny household producers which are the most vulnerable lot in the Coir Sector have been proposed to be covered under the Scheme”

During 2007-08 funds to the tune of Rs. 9.00 crore were released to the Coir Board for implementing this scheme. During 2008-09 (upto September, 2008) funds to the tune of Rs.12.50 crore have been released to implement the scheme. 1000 spinning units and 800 tiny household units are proposed to be set up during 2008-09. The Coir Board has received 3651 applications (1895 spinning units and 1756 tiny household units) which are at various stages of processing for the sanctioning of loans by the banks.

3.7.19 Scheme for Market Development Assistance for MSME Exporters (MSME-MDA)

A market Development Assistance Scheme is currently operated by the Ministry of Commerce with a view to encouraging exporters (including MSME exporters) to access and develop the overseas markets. The scheme offers funding for participation in international fairs, study tours abroad, trade delegations and publicity. Direct assistance under the MDA for small – scale units is given for individual sales – cum – study tours, participation in fairs, exhibitions and publicity.

The office of the DC (MSME) has an existing scheme for participation in international fairs, whereby the MSME entrepreneurs are encouraged to display their products at international exhibitions abroad. The SIDO provides exhibition space and shipment of exhibits ex-Mumbai free of cost for this purpose.
3.7.20 Market Development Assistance Scheme for Micro/Small Manufacturing Enterprises and Small and Micro Exporters (SSI-MDA)

The scheme offers funding for the following:

- Participation by manufacturing Small and Micro Enterprises in International Trade Fairs or Exhibitions under the MSME India stall.

- Sector specific market studies by Industry Associations, Export Promotion Councils and Federation of Indian Export Organization.

- Initiating or contesting anti-dumping cases by the SSI Associations.

- Reimbursement of 75 percent of one time registration fee (w.e.f. 1st January 2002) and 75 percent of the annual fees (recurring) (w.e.f. 1st June 2007) paid to the GSI by the Small and Micro units for the first three years for bar code.

3.7.21 Prime Minister’s Task Force on Micro, Small and Medium Enterprises (MSMEs) - January 2010

The Prime Minister has directed that a Task Force be set up under the Chairmanship of T K A Nair, Principal Secretary to the Prime Minister to consider the various issues raised by the Associations of the MSMEs. “The Task Force held several rounds of discussions to deliberate on the issues concerning the MSMEs and to finalise its recommendations”25. To enable in-depth analysis of the main issues, six sub- groups were set up to study the thematic areas having a bearing on the functioning of the MSMEs, viz. Credit, Marketing, Labour, Exit – Policy, Infrastructure, Technology, Skill Development and Taxation. A separate
sub-group was constituted to look into the specific problems relating to the North-East and Jammu and Kashmir.

3.7.22 Summary of the Report of the Task Force on Micro, Small and Medium Enterprises

i. The role of the Micro, Small and Medium Enterprises (MSMEs) in the economic and social development of the country is well established. The MSME sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. This sector contributes 8 percent of the country’s GDP, 45 percent of the manufactured output and 40 percent of its exports. The MSMEs provide employment to about 60 million persons through 26 million enterprises. The labour to capital ratio in the MSMEs and the overall growth in the MSME sector are much higher than in the large industries. The geographic distribution of the MSMEs is also more even. Thus, the MSMEs are important for the national objectives of economic growth.

ii. The MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services produced and the levels of technology employed. While one end of the MSME spectrum contains highly innovative and high growth enterprises, more than 94 percent of the MSMEs are unregistered, with a large number, established in the informal or unorganized sector. Besides the growth potential of the sector and its crucial role in the manufacturing and value chains, the heterogeneity and the unorganized nature of the Indian MSMEs are
important aspects that need to be factored into policy making and programme implementation.

iii Although the Indian MSMEs are a diverse and heterogeneous group, they do face some common problems.

3.7.23. Scheme for Assistance to the Training Institutions

Introduction

In order to ensure that young entrepreneurs are encouraged and suitably equipped to go into new ventures, the Government has been providing assistance for the establishment of Training Institutions and Entrepreneurship Development Institutes (EDIs) for imparting entrepreneurship and skill development training. These EDIs have been providing entrepreneurship and skill development training to the first generation entrepreneurs and helping and supporting them in the establishment of their enterprises. It does make consistent and concerted efforts to accelerate and promote entrepreneurship by proving support for the strengthening of training, infrastructure as well as programme support.

The Ministry of the MSME has set up three National level Entrepreneurship Development Institutes, namely the National Institute for the Micro, Small and Medium Enterprises (NIMSME), Hyderabad, the Noida and the Indian Institute of Entrepreneurship (IIE), Guwahati, to undertake the task of entrepreneurship and skill development on a regular basis.

The Ministry of the MSME has also been supporting the efforts of the State Governments, Union Territories, Industry Associations, Financial Institutions, Technical, Management Institutions and other Non-Governmental
Organisations (NGOs) for the establishment of new training institutions as well as the strengthening of the infrastructure of the existing ones.

The scheme envisages financial assistance for the establishment of new institutions (EDIs), to strengthen the infrastructure of the existing EDIs and to support entrepreneurship and skill development activities. The main objectives of the scheme are the development of indigenous entrepreneurship from all walks of life for developing new micro and small enterprises, enlarging the entrepreneurial base and encouraging self-employment in rural and urban areas, by providing training to the first generation entrepreneurs and assisting them in the setting up of enterprises.

3.7.24 Assistance for Training Programmes

Scale of assistance

The training institution concerned would be free to decide the training fee for the various training programmes viz. EDP, ESDP and ToT, being conducted by it. However, the assistance under the scheme would depend on the duration of the training programme (number of hours of training inputs) and would be limited to the following rates or the actual fee charged, whichever is less:
### Table 3.1

**Scale of Assistance to training Institutes**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Maximum assistance per trainee per hour (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SC/ST/ Physically Handicapped (PH)/ North Eastern Region (including Sikkim), Union Territories of Andaman &amp; Nicobar and Lakshadweep Islands (NER+)</strong></td>
<td></td>
</tr>
<tr>
<td>District Head Quarter (HQ)</td>
<td>60</td>
</tr>
<tr>
<td>Urban areas other than District HQ</td>
<td>50</td>
</tr>
<tr>
<td>Rural areas</td>
<td>40</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td></td>
</tr>
<tr>
<td>District HQ</td>
<td>50</td>
</tr>
<tr>
<td>Urban areas other than District HQ</td>
<td>40</td>
</tr>
<tr>
<td>Rural areas</td>
<td>30</td>
</tr>
</tbody>
</table>

**Monitoring and Evaluation**

The progress of the scheme shall be regularly monitored by the Screening Committee or Secretary (MSME), from time to time. The overall impact of the scheme shall be got evaluated by an independent agency at the end of the XI plan period or earlier, if required.

### 3.7.25 Background Note on the Micro, Small and Medium Enterprise Development Act 2006

The micro, small and medium enterprises sector comprises 50 percent of India’s total manufactured exports, 45 percent of her industrial employment, and 95 percent of all the industrial units in the country\(^7\). Despite its importance, the MSME sector has long faced extreme obstacles in accessing finance and markets. Some of these obstacles include inability to access finance and working capital loans from banks. Besides, the inability to access capital from other sources, there is also the mistreatment by larger procurement companies, the difficult bureaucratic procedures for registration, and the lack of management skills. The increasing
availability of cheap foreign imports has further hampered the development of the Indian micro, small and medium enterprises. These obstacles have compelled the MSME lobbies and the Government of India to resort to Government intervention to ensure the continued growth and success of the MSMEs.

The Government of India passed an Act regarding the Micro, Small, and Medium Enterprises in June 2006. The Micro, Small and Medium Enterprise Development Act 2006 (MSME-DA) was the product of a consultative process involving over 300 industry associations, Government bodies, and multiple stakeholders across the country. The Act accomplishes many of the long-standing goals of the Government and the stakeholders in the MSME sector.

3.7.26 Accomplishments of the Act

First, the Act establishes the necessary structure for overseeing and regulating the development of the MSMEs in India\textsuperscript{28}. The entire structure and the composition of the National Board for the Micro, Small and Medium Enterprises are clarified in the Act. The Board's duties and the long-term objectives-managing Cluster development, training the entrepreneurs, the developing of the infrastructure, and the promoting of financial access—are clearly stated in the Act. It ensures that diverse representatives from the Government, industry and the financial sector constitute the Board and Advisory Committees.

Second, the Act decisively defines the MSMEs by the level of Plant and Machinery (P&M) investment\textsuperscript{29}. This eliminates any confusion lingering over the category to which a business belongs. The categorization also makes allowances for the inherently smaller investments of the Service enterprises. The new
definition has expanded the Plant and Machinery limits; now each enterprise level encompasses larger investments than before.

Third, the MSMED Act simplifies the registration process for new MSMEs\textsuperscript{30}. The previous time-consuming process has been replaced by a simpler Filing of Memorandum. The previous system discouraged many enterprises from formalizing; it is hoped that this simpler process will encourage the formalization of the previously informal enterprises. The new process should relieve the administrative burden of the District Industry Centres (DICs) so as to enable them to focus on encouraging the MSME growth.

Fourth, the Act substantially increases the penalties for late payments\textsuperscript{31}. One major constraint on the MSMEs has been a lack of working capital; often this lack of capital stems from the tendency of many larger companies to delay payments to smaller suppliers. The Act aims at imposing more stringent deadlines for such companies to ensure a smoother cash flow to the MSMEs.

Fifth, the Act sets the agenda for specific policies that will be creative and implementable in the future. One such policy is a Procurement Preference Policy, which will guide the Government bodies on how much of their supplies should be purchased from the MSMEs\textsuperscript{32}. Another future policy is Close of Business, or Exit Policy, which will regulate the liquidation of the sick or the weak units\textsuperscript{33}. Sick units have become a major problem in India - so this policy aims to absorb many of these units.
3.7.27 Proposals for Government Consideration

There are several lingering debates regarding the Act and the future goals of the Government of India to develop the MSME sectors. Out of these debates have come more proposals for the Government's consideration.

First, the expansion of the Plant and Machinery calls for priority. In other words, the MSMEs must come under the priority sector. Banks have to lend up to 40 Percent of their portfolio to this priority sector. But many banks have already picked the safest borrowers, often larger companies with better financial statements and documentation. The expansion, while adjusting for the increasing economic power of India’s various business concerns and inflation, has an adverse effect on the most vulnerable of India’s small items of business. In effect, the new inclusion of larger medium enterprises effectively crowds out the smallest enterprises from priority lending. The Indian Federation of Tiny Enterprises (IFTE) proposes that tiny, small, and medium enterprises, each, have their own separate priority packages so that the tiniest are not crowded out by the biggest.34

Second, Indian business, with a networth of less then 10 crore, cannot access the stock market, and, therefore, cannot access capital easily. Larger business concern that can access capital markets can bargain better with the banks for interest rates lower than the Prime Lending Rates (PLR). The MSMEs, without alternative access to finance, are often forced to borrow at rates higher than the PLR. The Federation of Small and Medium Enterprises (FOSMI) proposes that banks should not lend at higher than PLR to the MSMEs.35
Third, the Act notes the need for Procurement Preference Policies. But such policies are not yet specific. The Federation of Association of Cottage and Small Industries (FACSI) proposes that separate preference policies be instituted for the micro or small (as opposed to medium) enterprises, to guarantee that their products will be procured by the Government and the state bodies\textsuperscript{36}. Many women’s organizations argue, that, of the preference policies granted to the MSMEs, a specific portion should go to women-run enterprises.

Fourth, there are vigorous legal debates regarding the upcoming Closure of the Business (CoB) policy. Such debates typically argue either that an expedient closure process can ensure that inefficient investment is redirected to more efficient types of business, or, on the other hand, that CoB should remain restricted to prevent mismanagement and irresponsible business practices. There are also debates on who should take priority in CoB cases (owners, shareholders, employees, etc).

Fifth, the Act lacks a substantial labour policy. While some stakeholders propose that the Act should include provisions for more flexible employment policies, many others argue that the Act should regulate or encourage better labour practices such as minimum wages, employee benefits, and stable employment environments.

Sixth, the 11\textsuperscript{th} Five Year Plan states that the Government will promote female entrepreneurs. However, no such provisions are made in this MSME Development Act. Some organizations, such as the Centre for Social Movements (CSM), assert that women entrepreneurs face multiple obstacles to finance,
market, and information access, and therefore, the Government and the MSME Development Act should be involved in helping to remove these obstacles.

Despite its limitations, the Act is certainly a milestone in the development of India's MSME sector. The forum for discussing the MSME development now exists; now all the stakeholders are encouraged to, and indeed responsible for, continuing the dialogue created by the Development Act.

The Small Enterprise Finance Centre (SEFC), a research centre at the Institute for Financial Management and Research (IFMR), researches on small enterprises' formal finance access and examines the obstacles preventing the development of the small enterprise sector. Examining the implications and impact of the MSME Development Act is thus an important activity for the Centre; SEFC also hopes to work with stakeholders on how to implement the Act and improve the Government's future policies on the MSMEs.

3.7.28 Salient Features of the Act

The MSMED Act 2006 is short and sweet. “Unlike many other long pieces of legislation, the Act contains only thirty one effective sections”. Furthermore, fairly clear and unambiguous directions of the Act are surely its hallmark. The salient features of the Act are enunciated below:

- An all India board christened ‘National Board for Micro, Small and Medium Enterprises (NBMSME)’ with its head office at Delhi is to oversee the promotion and the development of the sector. The Board will consist of the ministers concerned of the Government of India (Gol), representatives from the State Governments and others.
The Board shall meet, at least once in three months and take all the necessary steps for the promotion and development of the sector, including advising the Central Government in matters of ‘grants’ for the sector for the development of the skill of the employees, technological upgradation, marketing assistance, cluster development, strengthening backward and forward linkages, etc.

There will be a central level advisory committee consisting of a central Government secretary and officials from the Central and State Governments.

In order to be recognized as an SME (and thereby to avail itself of the benefits of the grants or facility such as preferences in selling goods and services to the public sector units, etc under the Act), the units concerned will have to file an application (expressed as memorandum under this Act) in a prescribed format to the competent authority of the State concerned or the Central Government.

In matters of providing credit facilities to the sector by the banking system, the Act provides that policies and practices to be framed by the Reserve Bank of India (RBI) ‘shall be progressive’ so as to ‘minimize the incidence of sickness and enhance the competitiveness of such enterprises’.

In order to arrest the rising trend of delayed payments by the buyers (of the goods and services provided by the sector) the Act provides for a penal measure. For any delay the buyer shall have to pay interest at the
rate of 3 times of the ‘bank rate’ ie 18 percent per annum (present bank
rate being 6 percent per annum) on monthly compound interest rate basis.
It is also laid down that such penal interest amount will not be allowed as
deductible expenditure under the Income Tax Act.

Any dispute with regard to the aforesaid payment or compound interest
aspect, etc may be examined and resolved by a specific authority ( to be
constituted by each state Government) to be known as Micro and Small
Enterprises Facilitation Council (MSEFC).

3.7.29 Indian Scenario before the Act

The regulatory authorities had been stressing upon the need for the
development of the SME sector more aggressively since the year 2000. The
banking system was being urged upon to provide accommodation at accelerated
rate on concessive terms and also to extend the required financial and counselling
services promptly and innovatively to the SME sector, probably realizing that,
when almost the entire world is unidirectional for the cause of the sector, India
cannot stay behind. But unfortunately, the basic criterion for the identification of
the sector did not exist till 2006. “Most of the efforts were directed towards the
small scale Industrial (SSI) units, which are only one of the constituent members
of the entire sector”\(^{37}\). Furthermore, the SSI sector, even otherwise, was being
favourably treated by the banking system since the nationalisation of the major
banks in the years 1969. Various public sector units were also asked to extend
concessions in matters of awarding orders and ensuring prompt settlement of
their bills.
PART - II  INSTITUTIONAL FRAMEWORK FOR THE MSMEs IN INDIA

3.8 Introduction

India is relatively fortunate among the developing countries as it has set up, over the years, a broad based institutional structure for the promotion of small industries. The organizational structure for the SSIs was set up in the 1950’s with the establishment of the Small Scale Industries Board in 1954. The other important institutions at the national level were the Department of Small Scale Industries and Agriculture and the Rural Industries and the Small Industries Development Organisation (SIDO) which was under the Development Commissioner of the Small Scale Industries.

Institutions assisting the Micro, Small and Medium Enterprises (MSMES) can be broadly classified as Financial Institutions and Non Financial Institutions.

Chart showing Institutions assisting the MSMEs

<table>
<thead>
<tr>
<th>INSTITUTIONS TO ASSIST MSMEs</th>
<th>FINANCIAL</th>
<th>NON FINANCIAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Credit and Investment Corporation of India (ICICI)</td>
<td>National Small Industries Corporation (NSIC)</td>
<td></td>
</tr>
<tr>
<td>State Financial Corporation (SFC)</td>
<td>Small Scale Industries Board (SSIB)</td>
<td></td>
</tr>
<tr>
<td>Commercial Banks (CBs)</td>
<td>Small Industries Development Organisation (SIDO)</td>
<td></td>
</tr>
<tr>
<td>Industrial Development Bank of India (IDBI)</td>
<td>District Industries Centres (DICs)</td>
<td></td>
</tr>
<tr>
<td>Small Industries Development Bank of India (SIDBI)</td>
<td>Technical Consultancy Organization (TCO)</td>
<td></td>
</tr>
<tr>
<td>National Bank for Agriculture and Rural Development (NABARD)</td>
<td>Micro, Small and Medium Enterprises Development Institute (MSME-DI)</td>
<td></td>
</tr>
</tbody>
</table>
Financial Assistance

As far as an industrial enterprise is concerned, the financial assistance from the Industrial Promotion Agencies is very important. For the profitable performance of industrial production, three types of finances are needed, namely

i) Short term (one year or a little more)

ii) Medium term (5 to 7 years or a little less)

iii) Long Term (more than 7 years)

“There are three all India development banks, namely, the Industrial Development Bank of India (IDBI), the Industrial Finance Corporation of India (IFCI), and the Industrial Credit and Investment Corporation of India (ICICI); three investment institutions, namely, the Life Insurance Corporation of India (LIC), the Unit Trust of India (UTI) and the General Insurance Corporation of India (GIC); eighteen State Financial Corporations (SFCs); and twenty-six State Industrial Development Corporations (SIDCs)”^39.

Non – Financial Assistance

Non - Financial assistance is as important as financial assistance as far as an industrial enterprise is concerned. Non financial assistance itself may take two main forms – infrastructural assistance and non – infrastructural assistance.

a) Infrastructural Assistance

For every State or Nation the infrastructure assistance plays a prominent role in setting up new enterprises. If the infrastructure facilities like power, transportation, communication and water supply are lacking in a particular place, no new enterprise can be attracted to such a place, unless otherwise such facilities are provided and
supplied. Normally, the provision of infrastructure facilities must be arranged by the Government itself. When there is budget constraints, the Government cannot provide such facilities at the required level. Hence, there is a tendency now to arrange for infrastructure facilities by private participation on the BOT (Build Operate and Transfer) basis. The most effective way to industrialise a particular region or State or Nation is to provide adequate infrastructure facilities in that region or State or Nation. Of course, Provision of Infrastructure is a costly affair; and “there are no free lunches”\(^{40}\). However, it need to be priced. “The correct approach is, nobody can have infrastructure if somebody does not pay”\(^{41}\). Hence, the industrial units utilizing the infrastructural facilities should contribute their due share. “Quality infrastructure makes people willing to pay”\(^{42}\) is a very true dictum.

b) Non–Infrastructural Assistance

Non–Infrastructural assistance includes single window clearance facility, formulation of project ideas, feasibility study, implementation projects, green channel mechanism, technical assistance, etc.

3.9 Government Initiatives

At the time of independence, India was basically an agrarian economy with a weak industrial base, low level of savings and investment, and real absence of infrastructural facilities. The Government’s intervention in the various sectors of the economy was inevitable as private sector had neither the necessary resources in terms of funds nor the required managerial and technical skill; nor had it the will to undertake the risks involved in the large and long gestation period projects.
“Public Enterprise is an instrument of self-reliant economic growth through a sound agricultural and industrial base and for overcoming economic and social backwardness”. Pandit Jawaharlal Nehru is the father of the Public Enterprise ideology in India.

3.10 Promotional Role of the Government

The tempo of the industrial activity in any country owes a lot to the promontional activities of the Government. Its promotional role can be studied with reference to the following aspects; fiscal policies, industrial policies, finance for industry, provision of infrastructure facilities, extension activities, Government’s purchase policy, the role of the public sector and the provision of the essential raw material for the industry.

3.10.1 Fiscal Policy

According to Arthur Smith, fiscal policy means, “a policy under which the Government uses its expenditure and revenue programmes to produce desirable effects and to avoid undesirable effects on the national income, production and employment”.

3.10.2 Industrial Policy

Industrial Policy Resolutions passed by the Government of India from time to time have reflected the Government’s concern for paving the way for an industrial climate in the country. Industrial policy statements have been made from 1948 onwards. The New Industrial Policy introduced in 2007, which had various objectives.
The Industrial Policy Resolutions were:

1. Industrial Policy Resolution, 1948
2. Industrial Policy Resolution, 1956
3. Industrial Policy Statement, 1973
4. Industrial Policy Statement, 1977
5. Industrial Policy Statement, 1980
7. Industrial Policy, 1990
8. The New Industrial Policy, 1991 and

3.10.3 Provision of Infrastructure Facilities

Indian Economy has been experiencing bottlenecks in infrastructure development. All the State Governments in India, usually through their State Industrial Development Corporation (SIDCs) and the Infrastructure Development Corporations (IDCs), have set up agencies for such infrastructure development. In Kerala, the Kerala Industrial Infrastructure Development Corporation (KINFRA) has been established in the year 1993. Through its PARKS established in various locations of the State, it provides land – developed and not developed and built-up modules with all the infrastructure, common facilities and certain other facilities.

3.10.4 Role of the Public Sector

The public sector is the whole realm of the industrial or business activities under the Government, whereas a public enterprise is an individual corporate entity
owned and managed by the Government-Central, State or Local. A new approach to the
Public Sector was visualized in 1991 through the Industrial Policy Resolution (IPR).

3.10.5 Government’s Purchase Policy

Whatever industrial developments took place in our country before independence was largely due to the purchase policy of the Government followed from the beginning of the last century, particularly during the two world wars. After independence the import substitution policy of the Government and the general policy of the Government’s purchasing agencies like the ‘Directorate General of Supplies and Disposals (DGS&D) has coaxed the customers to prefer indigenously manufactured products. These have been key factors in stimulating industrial activity.

3.10.6 Providing Raw Materials

In the interest of balanced industrial growth the government has taken on itself the duty of allocating essential raw materials or scarce imported materials to the industry. “The promotional role of the Government by providing raw materials has attained wider dimensions after the Liberalisation Policy which was promulgated in 1991”\textsuperscript{45}.

3.11 Agencies and Schemes of the Government of India

The following agencies and schemes have been set up by the Government of India so as to boost up the industrialization of the nation.

3.11.1 Secretariat for Industrial Assistance (SIA)

The SIA has been set up by the Government of India in the Department of the Industrial Policy and Promotion in the Ministry of Industry to provide a single
window for entrepreneurial assistance, investor facilitation, processing the applications which require Government approval, assisting entrepreneurs and investors in setting up projects (including liaison with other organizations and the state governments) and in monitoring the implementation of the Project Specific Committees or Boards. Here decisions are taken in a time-bound manner. These committees include the Project Approval Board (PAB) for foreign technology agreement cases; the Board of Approval (BoA) for 100 percent Export Oriented Units (EOUs); the Licensing Committee (LC) for industrial license, the Inter – Ministerial Committee for the Electronic Hardware Technology Park Sectors (EHTPs and STPs), Empowered Committee for granting concession under the Income Tax Act for the Industrial Model Towns, Industrial parks and the like.

3.11.2 The Investment Promotion and Infrastructure Development Cell (IPIDC)

This is a specially created Cell with the following main functions:

1. Dissemination of information about the investment climate in India
2. Investment Facilitation
3. Development and distribution of publicity material and information
4. Organizing meetings, symposiums, seminars on investment promotion
5. Match – making services for investment promotion
6. Co-ordination of the progress of infrastructure projects such as the power, telecom, ports and roads sector.
7. Projects on Industrial model towns, Industrial parks etc.
8. Specific promotion of investment including foreign direct investment in the infrastructure sector
9. Dissemination of specific information on sectoral policies and guidelines about the infrastructure sector.
10 Secretariat to Business Ombudsperson.

11. Project Monitoring Wing

3.11.3 Foreign Investment Promotion Board (FIPB)

The Government of India have constituted this Board chaired by the Secretary (Department of Industrial Policy and Promotion) to promote accelerated growth in the industrial sector and to increase the inflow of Foreign Direct Investment into the country, as also to provide appropriate institutional arrangements, transparent procedures and guidelines for investment promotion and recommended proposals for foreign investment (other than those eligible for automatic approval by the Reserve Bank of India).

3.11.4 Integrated Infrastructure Development (IID) Scheme

Pursuant to the policy measures for promoting and strengthening the small, tiny and village enterprises announced from August 1991, the scheme of the Integrated Infrastructural Development (IID), (including technology back up) for small scale industries in the Rural and the Backward areas has been prepared. The scheme envisages the setting up of 50 IID centres spread over the backward districts, rural areas in the country, excluding those districts covered under the scheme of growth centres, to promote the cluster of small scale and tiny units, to create employment opportunities and to develop export.

3.11.5 Development of Growth Centres

With a view to accelerating the industrial growth and giving a strong impetus to the industrialization of the backward areas, the idea of developing growth centres has been mooted and the Government announced this package in June 1988. The
Growth Centres envisaged would act as a catalyst to attract industries to the backward areas.

3.11.6 District Industries Centres

The Industrial Policy Statement of 1977 proposed the setting up of a district level institution called the DIC. The DICs programme was launched in 1978 to provide a focal point for the promotion of the small, tiny, village and cottage industries and to provide services and support to the decentralized industries under one roof. The main thrust of this programme is on the development of such industrial units in rural areas and small towns as it would create larger employment opportunities. The main objective of the DIC programme is to develop and to promote the small, tiny and cottage industries and to generate greater employment opportunities, especially in the rural backward areas.

“DIC is a focal point for the promotion of Small Scale Industries. It provides all services and support to the industrial sector under a single roof at pre – investment, investment and post – investment stages.”

3.12 Categories of Promotional Agencies

The following are the main categories of the promotional agencies:

a. Government Agencies or Governments
b. Co-operative Institutions
c. Joint Sector Institutions
d. Private Promotional Agencies
e. Other Promotional Agencies
3.12.1 Government Agencies / Governments

The Governments, Central or State, have played a pivotal role in the promotion of the industrial and commercial companies during the period of planned economy in India. They have emerged as big entrepreneurs. “Government is giving top priority to the development of infrastructural industries by encouraging foreign investment in the telecom, roads, ports and power sectors. A number of fiscal incentives have been introduced to facilitate the flow of capital in this area. The creation of the Infrastructure Development Company will be instrumental in the speedy growth of this sector”

The Development Finance Institutions (DFIs) were established with the help of the Government to fill in the gaps in industrial finance and to promote the objectives of planning and to cater to the needs of the large and small industries. The institutions supplying industrial finance are the industrial Development Bank of India (IDBI), the Industrial Finance Corporation of India (IFCI), the Unit Trust of India (UTI), the General Insurance Corporation of India (GIC), the Industrial Reconstruction Bank of India (IRBI), the State Finance Corporations (SFCs) and the State Industrial Development Corporations (SIDCs).

3.12.2 Co-operative Institutions

Co-operative Institutions are also acting as Promoters. The main object behind the establishment of the National Federation of Industrial Co-operatives, which was established in 1966, is to provide adequate assistance to the industrial co-operatives for their development and growth, which include the import, purchase, distribution and the sale of raw materials, the components and their parts of the
machinery and equipment and the marketing of the finished products at home as well as abroad.

3.12.3 Joint Sector Institutions

In pre – independence days, the princely States of Hyderabad and Mysore had promoted several enterprises with equity participation of the general public. In the post independence period, a number of companies were floated by the government in collaboration with the private sector specially for the import of foreign technology and capital for some industrial enterprises like the Cochin Refineries, the Madras Refineries and the Madras Fertilizers. Indigenous entrepreneurial and managerial resources were utilized in the Air - India (1947) and there was mobilization of resources from the public in the case of the Gujarat State Fertilizer Company (1965).

3.12.4 Private Promotional Agencies

Generally, the private promotional agencies form industries for their own sake. They initiate new enterprises, incorporate and expand old ones and at times effect combinations of competing or complementary enterprises. Eg. the TATA, Birla etc.

3.13 Government’s Role in Promoting Micro, Small and Medium Industries

The Government plays a crucial role in promoting and protecting the Small Scale Industries Sector. Both the Central and the State Governments articulate their own policies to encourage the Small Scale Sector in India. Development of Infrastructure, provision of power, fuel, finance and development of industrial plots are the direct contributions of the Government for developing the Small Scale Industrial Sector. Ever since the 1956 IPR was declared, the Small Scale Sector has been motivated to be developed as a complementary industrial sector. The Small
Industries Development Organisation (SIDO), the Small Industries Service Institute (SISI), the Small Industries Development Bank of India (SIDBI), the District Industries Centres (DICs) and a host of other development and tool room institutions and financial institutions provide assistance to the SSI sector.

3.14 Financial and Non Financial Institutions Supporting the MSMEs

The various financial and non financial institutions supporting the MSMEs are:

3.14.1 The Industrial Credit and Investment Corporation of India (ICICI)

The ICICI was started in 1955 with the main objective of assisting and developing the small and medium scale industries in the private sector. It has been started with collecting funds by way of public issues, issue of shares to the commercial banks, insurance companies and the corporations in the USA and the UK.

The ICICI has been assisting all types of industries such as the small, the medium, the large, the private sector and the public sector. The private sector share is around 90 percent and hence this institution is considered as helpful mainly for private sectors, and in that more for the MSMEs.

3.14.2 Commercial Banks

The commercial banks play a vital role in providing financial assistance to the small scale industry both existing and new. The importance of the nationalized banks has increased in a very big way. Until the nationalization of the banks 1969, they were giving facilities only to profit making companies, mostly in the urban areas.

“After nationalization, they were directed by the Central Government to adopt socio-economic approach for regional development and to help the large sector, the small scale sector, the cottage industries and the rural sector”\(^{50}\).\(^{50}\)
The small scale industries started getting attention from the commercial banks only after nationalization. The RBI followed a system called “Lead Bank Scheme”. It means that a particular bank will be allotted particular districts to take care of the intensive development of the banking facilities. The SSI units normally take working capital funds from banks by way of overdraft facilities.

**Credit to the SSI Sector According to the Bank Groups**

Before examining the bank credit to the MSME sector, it may be worthwhile to look broadly at the credit extended to the industry sector by the different bank groups.

The following table presents the credit schedule of the different Bank Groups to the SSI sector for the period 1998 to 2009:

**Table 3.2**

<table>
<thead>
<tr>
<th>Year (end March)</th>
<th>SBIA</th>
<th>NB</th>
<th>FB</th>
<th>OSCB</th>
<th>ACB</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>38.4</td>
<td>17.6</td>
<td>5.7</td>
<td>28.5</td>
<td>21.3</td>
</tr>
<tr>
<td>1999</td>
<td>15.6</td>
<td>4.0</td>
<td>-11.1</td>
<td>42.4</td>
<td>7.7</td>
</tr>
<tr>
<td>2000</td>
<td>-3.9</td>
<td>20.0</td>
<td>42.7</td>
<td>34.9</td>
<td>13.7</td>
</tr>
<tr>
<td>2001</td>
<td>29.8</td>
<td>18.3</td>
<td>54.8</td>
<td>66.6</td>
<td>27.9</td>
</tr>
<tr>
<td>2002</td>
<td>16.6</td>
<td>9.4</td>
<td>16.4</td>
<td>34.4</td>
<td>14.1</td>
</tr>
<tr>
<td>2003</td>
<td>16.5</td>
<td>11.5</td>
<td>7.9</td>
<td>40.5</td>
<td>14.9</td>
</tr>
<tr>
<td>2004</td>
<td>13.6</td>
<td>18.4</td>
<td>6.7</td>
<td>33.0</td>
<td>16.8</td>
</tr>
<tr>
<td>2005</td>
<td>10.2</td>
<td>12.0</td>
<td>14.5</td>
<td>40.0</td>
<td>14.6</td>
</tr>
<tr>
<td>2006</td>
<td>6.4</td>
<td>10.9</td>
<td>15.7</td>
<td>11.5</td>
<td>8.1</td>
</tr>
<tr>
<td>2007</td>
<td>-7.4</td>
<td>-0.5</td>
<td>-6.8</td>
<td>16.0</td>
<td>11.8</td>
</tr>
<tr>
<td>2008</td>
<td>7.4</td>
<td>12.1</td>
<td>-4.1</td>
<td>25.1</td>
<td>12.7</td>
</tr>
<tr>
<td>2009</td>
<td>6.9</td>
<td>11.8</td>
<td>-4.3</td>
<td>18.6</td>
<td>11.3</td>
</tr>
</tbody>
</table>

*Source: Basic Statistical Reports of Scheduled Commercial Banks, RBI*
It may be seen from the table that among the four bank groups, credit of other Scheduled Commercial Banks to industry recorded the highest growth rates, except in 2007-2008. The growth rates fluctuated during the period across all bank groups. While the State Bank of India and its Associates, the Nationalised Banks and the Foreign Bank groups recorded declines in their growth rates of credit to industry in 2007.

Secondly, the second half of the 1990’s registered higher growth rates in the credit to the industry for all the four bank groups than the growth rates recorded during 2006-2008. The growth rates fluctuated widely across all the bank groups.

**Bank Credit to the SSI Sector Vis-à-vis Total Industry**

The following table gives bank credit to the SSI Sector Vis-à-vis to total Industry period 1998 to 2009.
Table 3.3

Growth in Total Bank Credit to industry (Manufacturing) and SSI Sector (Percentage)

<table>
<thead>
<tr>
<th>Year (end March)</th>
<th>Growth Rate in Bank Credit</th>
<th>Percent Share in Total Industry</th>
<th>Percent Share in SSI Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>To Total industry</td>
<td>To SSI Sector</td>
</tr>
<tr>
<td>1998</td>
<td>16.0</td>
<td>14.8</td>
<td>19.8</td>
</tr>
<tr>
<td>1999</td>
<td>15.9</td>
<td>16.7</td>
<td>12.9</td>
</tr>
<tr>
<td>2000</td>
<td>20.3</td>
<td>13.7</td>
<td>10.4</td>
</tr>
<tr>
<td>2001</td>
<td>17.0</td>
<td>10.6</td>
<td>5.5</td>
</tr>
<tr>
<td>2002</td>
<td>21.8</td>
<td>14.8</td>
<td>11.6</td>
</tr>
<tr>
<td>2003</td>
<td>15.2</td>
<td>14.1</td>
<td>-3.6</td>
</tr>
<tr>
<td>2004</td>
<td>16.5</td>
<td>8.1</td>
<td>10.7</td>
</tr>
<tr>
<td>2005</td>
<td>17.5</td>
<td>8.7</td>
<td>13.5</td>
</tr>
<tr>
<td>2006</td>
<td>15.7</td>
<td>9.0</td>
<td>12.0</td>
</tr>
<tr>
<td>2007</td>
<td>14.9</td>
<td>8.8</td>
<td>11.1</td>
</tr>
<tr>
<td>2008</td>
<td>14.7</td>
<td>9.1</td>
<td>7.3</td>
</tr>
<tr>
<td>2009</td>
<td>13.9</td>
<td>8.8</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Source: Basic Statistical Reports of Scheduled Commercial banks (various issues) and Handbook of Statistics, RBI.

Table 3.1 presents the growth in the bank credit to the small scale industry Vis-à-vis the growth in credit to industry as a whole and total bank credit. It is observed from the table that the annual growth rates in credit to the SSI sector fluctuated widely between -3.6 percent and 21.7 percent compared to the range of 7.3 percent to 27.1 percent for the total industry.

While examining the credit disbursement of the scheduled commercial banks to the MSME sector, it was observed that the working capital support extended by the commercial banks to the small scale industry is far from adequate. Although the MSME sector is a part of the priority sector, its share in
the total priority sector advances of all the scheduled commercial banks has been falling consistently.

### 3.14.3 SBT Special Loan for the MSMEs

“State Bank of Travancore recently in 2010 introduced the following schemes for the Micro, Small and Medium Entrepreneurs”

- SME Easy Loan – It is provided to the MSMEs on the security of business premises.
- SSI Special – Twenty percent of the projected sales turnover will be given as loan for working capital requirement.
- Shoppe Special – This loan is provided to the MSMEs to purchase or renovate the office or the shops.
- SME Car Loan – To purchase vehicles for promoters or purchase of the MSMEs.
- MSME Sahayahasta – This is to meet the temporary working capital requirements.
- Tourism Special – Term Loans and Working Capital Loans for Tourism related activities.
- Homestay Tourism – For starting homestay.
- RTO Special - For purchase of goods vehicles.
- Mahila Vikas Scheme – This is a special loan scheme for women Entrepreneurs (upto 25 lakhs).
- Rice Mill Special – Term loans for rice mills.
- Open Term Loan – It is the cash credit facility allowed to the MSMEs.
- Stand by Line of Credit – This loan is to meet the contingencies of the producing units.

*Source: News Letter issued by SBT on March 4, 2010.*
3.14.4 Bank Credit to Small Scale Industries in Kerala

Bank Credit to the Industrial sector is tremendously declining year after year. Even though priority is given to the Small Scale Industries, banks are reluctant to give credit to this sector. The following table shows the bank credit to the small industries in the State.

Table 3.4
Bank Loan to the SSI Sector in Kerala

<table>
<thead>
<tr>
<th>Year</th>
<th>Target (Crores)</th>
<th>Actual (Crores)</th>
<th>Percentage difference</th>
<th>Difference from Previous year (Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-2005</td>
<td>2334</td>
<td>2530</td>
<td>107</td>
<td>+587</td>
</tr>
<tr>
<td>2005-2006</td>
<td>2641</td>
<td>2735</td>
<td>103</td>
<td>+215</td>
</tr>
<tr>
<td>2006-2007</td>
<td>3772</td>
<td>3207</td>
<td>92</td>
<td>+472</td>
</tr>
<tr>
<td>2007-2008</td>
<td>4749</td>
<td>292</td>
<td>50</td>
<td>-815</td>
</tr>
<tr>
<td>2008-2009</td>
<td>3134</td>
<td>2476</td>
<td>79</td>
<td>+84</td>
</tr>
</tbody>
</table>


During the year 2004-2005 the targeted loan amount to the Small Scale Industry was 2334 crores. But the actual amount of loan was Rs. 2520 resulting in an increase of Rs. 196 crores more than the targeted figure. In the year 2005-2006 also there was an increase of Rs. 94 crores more from the target.

But from 2006-2007 to 2008-2009, there was a tremendous decline in the loan amount to the SSI sector in the State.

Even though the SSI Sector is included in the priority sector of the Government, the share of the SSI sector is low and, at the same time declining.
The following table shows the share of the Small Scale Industry Vis-à-vis total disbursement as per Annual Credit Plan.

Table 3.5
Share of the SSI Sector from priority loan

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Loan (Crores)</th>
<th>Share of SSI Sector (in percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-2005</td>
<td>18387</td>
<td>13.5</td>
</tr>
<tr>
<td>2005-2006</td>
<td>23303</td>
<td>12</td>
</tr>
<tr>
<td>2006-2007</td>
<td>27723</td>
<td>11.5</td>
</tr>
<tr>
<td>2007-2008</td>
<td>32657</td>
<td>7.3</td>
</tr>
<tr>
<td>2008-2009</td>
<td>39679</td>
<td>6.2</td>
</tr>
</tbody>
</table>


During 2004-2005 Rs. 18387 crores were disbursed as per the Annual Credit Plan, of this, the share of the SSI Sector was only 13.5 percent. Afterwards, we notice a tremendous decline in the SSI share. Last year, the amount of loan was increased to Rs. 39679 crores, but the SSI share declined sharply to a mere 6.2 percent.

3.14.5 Industrial Development Bank of India (IDBI)

During 1964 the Central Government felt the need for a Centralised Development Bank for the growth of the industries. Until then the commercial banks and private banks were doing the financing for the industries. The Government, therefore, established the IDBI in order to speed up the activity of industrialization throughout the country. Initially the IDBI was a subsidiary of the RBI and in 1976, it was converted into an autonomous body. The important feature of the IDBI is that it has to play the role of a principal financial institution
for co-ordinating the activities of the institutions engaged in financing, promoting and developing the industry.

It works as an apex institution for term finance to the industries and co-ordinates the functioning of the agencies for financing, promoting and developing the industries. It also plays a supportive role to the entrepreneurs who are planning and developing the industries.

The IDBI undertakes research work pertaining to economic studies and to techno commercial studies in connection with the development of the industries.

Since its inception, the IDBI does play an important role in the promotion of the small scale industries. It has made sincere efforts to simplify its procedures with a view to making it convenient for the SMEs. Its assistance to these industries is channelised through 18 State Financial Corporations, Commercial Banks and Regional Rural Banks.

3.14.6 Small Industries Development Bank of India (SIDBI)

The SIDBI was set up as a subsidiary of the IDBI by a Special Act in 1989 to function as the principal financial institution for the promotion, development and financing of the industries in the small scale sector, and for co-ordinating the functions of institutions engaged in similar activities. It has taken over the responsibility of administering the Small Industries Development Fund and the National Equity Fund which were earlier administered by the IDBI. However, it started functioning only from April 2, 1990. The initial authorized capital of the SIDBI is Rs. 250 crores which can be increased by the IDBI upto Rs.1000 crores.
The SIDBI undertakes the refinancing of loans and advances extended by the primary lending institutions, discounting and rediscounting of bills. The important thrust areas of the SIDBI are technological upgradation and modernization, extending the channels for marketing the products of the SSI sector, and the promotion of employment-oriented industries, especially in the semi-urban areas. This bank will cater to the needs of more than 20 lakhs of small scale units in our country.

The salient feature of the SIDBI is its special emphasis. New schemes of assistance are also envisaged for marketing support to the small scale sector. For the first time, the concept of marketing entrepreneurship as against manufacturing entrepreneurship has been recognized. The SIDBI plans to assist the service organizations to become oriented towards marketing. This is indeed an encouraging approach and a move which will be watched with interest as to its impact.

3.15 Non Financial Institutions

There are many supporting agencies under both the central and the state level. They include:

3.15.1 National Small Industries Corporation Limited (NSIC)

The NSIC was started by the Central Government in 1955 with the objective of promoting and developing the SSI units throughout the country. It started with the multiple objective of helping the SSI units for providing machinery on hire purchase, assisting marketing and exports, enlisting the SSI units for the Government purchase, organizing the supply of raw materials, training of personnel and assistance in the modernization of units.
In 1987, the corporation also started a scheme of equipment-leasing to supply specialized equipment to viable small units for modernization. The challenging task of promotion and development of the SMEs has been undertaken by the Corporation. The chunk of the assistance (80 percent) given by the Corporation goes to the small units with investment below Rs.2 lakhs. It is in addition to the marketing assistance through direct marketing and distribution of raw materials. The corporation also participates in the international and national fairs to display products manufactured by the SSI sector. To ensure that tiny units also derive benefits from the various schemes operated by NSIC, 40 percent of its assistance has been earmarked for tiny units, since 1999.

3.15.2 Small Scale Industries Board (SSIB)

The SSIB was started in 1954 by the Central Government with the objective of developing small scale industries throughout the country. The development work of the small scale industries involves various ministries and departments and other factors like land owners and financial institutions. The Director of the SSIB advises the Government about the various development activities of the small industries and other related matters. Since this has more involvement of the Ministers, Secretaries and the Government departments, the committee governing the SSIB consist of the Industries Minister (as chairman) and the various secretaries, the Member of parliament and the state government industry ministers. The apex body of these members take policy decisions on all matters related to the small industries.
3.15.3 Small Industries Development Organisation (SIDO)

In 1955 the International Perspective Planning team made its recommendations and the Government of India set up the following institutions for the development of the small industries.

Central Small Industries Organisation (CSIO)

National Small Industries Corporation (NSIC)

Small Industry Extension Training Institutes (SIETI)

Khadi and Village Industry Commission (KVIC)

At the heart of all the agencies dealing with the development of the small industry is the CSIO, now renamed as the Small Industries Development Organization (SIDO)

It has grown into a vast organization with:

- A Network of 28 MSME-DIs.
- Thirty Branch Service Institutes.
- One Extension Centre.
- Four Regional Testing Centres.
- Six Process Cum Product Development Centres.
- Five Training Centres.
- Seven Field Testing Stations.
- Ten Tool Rooms.
- Production Centres.
- Workshops attached to the SISIs, now MSME-DIs.
3.15.4 Technical Consultancy Organisation (TCOs)

In the various states, the TCOs were established to provide total consultancy services as a package under a single roof. Nearly, seventeen organizations were started in the various states by the group of financial organizations like the IDBI, the IFCI, and the ICICI.

3.15.5 Micro, Small and Medium Enterprises-Development Institutes (MSME-DIs)

The Micro, Small and Medium Enterprises Development Institutes (MSME-DIs) formerly the SISIs, were started in 1956, under the Ministry of the MSME, Government of India, for the overall promotion and development of the small industries.

The MSME-DIs provide a wide range of need-based support services for the development of the MSMEs. These include technical consultancy to the existing and the prospective entrepreneurs in the selection of the product, location, machinery, lay out, raw materials, product process, managerial and marketing consultancy.

The detailed description of the MSME-DIs, and the performance evaluation of the MSME-DI, Thrissur, is made in the fifth chapter.
References


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8. Ibid


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13. Ibid


17. Ibid


20. Ibid
22. Ibid, P.12.
25. Reports of Prime Minister’s Task Force on MSMEs – January 2010.
27. Ibid, P.7.
29. MSME Development Act 2006, Section 7 (1)
30. MSME Development Act 2006, Section 8
31. MSME Development Act 2006, Section 14 – 24
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49. The Economic Times, October, 8 – 2008.

50. Ibid