CHAPTER – II

2. ROLE OF SMALL SCALE INDUSTRIES IN ECONOMIC DEVELOPMENT:

2.1 Meaning and Concept of Small Scale Industries:

Small Scale Industries are defined in terms of investment in plant and machinery under section II B of Industries (Development and Regulation) Act 1951. The limit is revised from time to time to offset the impact of inflation and to meet technological needs.

In India, the first official criterion for small-scale industry dates back to the Second Five Year Plan when it was in terms of gross investments in land, building, plant and machinery and the strength of the labour force. Subsequently, it was changed and only the investment in fixed assets in plant and machinery, whether held in ownership terms or by lease or by hire purchase, instead of fixing the limit on overall investment was considered for granting the status of a SSI unit. From time to time, there have been many changes in ceiling limit of investment in plant and machinery.

Small Scale Industries Board defined it as “A unit employing less than 50 persons, if using power and less than 100 persons without the use of power and with capital assets not exceeding Rs.5 lakh.”

After a short period at the recommendations of the Small Scale Industries Board, the Ministry of Commerce and Industries modified the above definition [vide its letter No.12 SSI(A) 136/57 dated 4th January, 1960] so as to cover units employing less than 50 persons when using power and less than 100 persons when not using power per shift.

Though this revision enlarged the scope of employment opportunities in small-scale sector yet the investment ceiling remained unchanged.

The Ministry of Commerce and Industries [vide its letter No.12 SSI(A) 136/57 dated 4th January, 1960] defined small-scale industries separately in which the employment criterion was completely given up. According to it, “Small Scale Industries will include all industrial units with a capital investment of not more than Rs.5 lakh, irrespective of the number of persons employed.”

According to the Small Scale Industries Board, “Small-scale Industries will include all industrial units with a capital investment of not more than 7.5 lakh irrespective of the number of persons employed. Capital investment for this purpose will mean investment in plant and machinery only.”
As per intentions of Small Scale Industries Board regarding the definition of SSI, the original price paid by the owner for plant and machinery was to be considered irrespective of whether it was new or second hand. In capital investment land and building were ignored as its value differed widely from place to place.

In 1972, the Government of India constituted a committee for drafting legislation for small-scale industries, which suggested that the small-scale industries might be classified into the following three categories:  

(a) **Tiny Industry:**
Tiny units are those in which the investment in fixed assets is less than Rs.1 lakh or Rs.4,000/- per worker and the turnover does not exceed Rs.5 lakh per annum.

(b) **Small Industry:**
An industry is small where capital investment in fixed assets does not exceed Rs.7.5 lakh irrespective of the number of persons employed.

(c) **Ancillary Industry:**
An ancillary unit is the one rendering services and supplying or rendering or proposing to supply or render 50 percent of its production
or the total services, as the case may be, to other units for production of other articles. Moreover, such a unit should not be a subsidiary or should not be owned or controlled by any other undertaking. The limit for investment in such a unit was fixed at Rs.10 lakh.

A new industrial policy of Indian Government was declared on July 23, 1980, the ceiling of investment in plant and machinery was again revised. Now, a small-scale industrial unit was defined as a unit engaged in industrial activity and having an original investment in plant and machinery up to Rs.20 lakh.

Again, the government announced industrial policy in July 1991, and its policy towards the small-scale sector on 6th August 1991. Under this policy, investment limit for tiny units have been increased from Rs.2.00 lakh to Rs.5.00 lakh, irrespective of location of the unit. The Government again extended this limit to Rs.25.00 lakh accepting the recommendations of Abid Hussain Committee.

The Government also announced increase in the investment limit in plant and machinery of small scale industries, ancillary units and export oriented units to Rs.60 lakh, Rs.75 lakh and Rs.75 lakh respectively. Again, on February 7, 1997 this limit was extended to
Rs.3 crore for all such industrial units. Any rebate to ancillary units and export-oriented units was abolished.

On February 17, 1999 the Union Government has reduced the investment limit in plant and machinery of small-scale units from Rs.3 crore to Rs.1 crore. The investment ceiling for tiny units remained unchanged at Rs.25 lakh.

In India, presently, small-scale industry is defined as an industrial undertaking in which the investment in fixed assets in plant and machinery whether held on ownership terms, on lease or on hire purchase does not exceed Rs.1 crore (subject to the condition that the unit is not owned, controlled or subsidiary of any other industrial undertaking).

Ancillary industrial undertakings are those which are engaged or proposed to be engaged in the manufacture or production of parts, components, sub-assemblies, tooling or intermediates, or the rendering of services and undertaking supplies or renders or proposes to supply or render not less than 50 percent of it’s production or services, as the case may be, to one or more other industrial undertakings and whose investment in fixed assets in plant and
machinery whether held on ownership terms or on lease or on hire purchase, does not exceed Rs.1 crore.

Tiny enterprises are those units with investment limit in plant and machinery of Rs.25 lakh irrespective of location of the unit.

Small Scale Service and Business (Industry related) Enterprises (SSSBs) are those, which are industry related service / business enterprises with investment up to Rs.10 lakh in fixed assets, excluding land and building.

2.2 Distinction between Small-scale and Cottage industry:

The main difference between small-scale and cottage industries are:

1. While small-scale industries are mainly located in urban centres as separate establishments, the cottage industries are generally associated with agriculture and provide subsidiary employment in rural areas.

2. While small scale industries produce goods with partially or wholly mechanized equipment employing outside labour, the cottage industries involve operations mostly by hand which are carried on primarily with the help of the members of the family.

3. While a small scale industrial units employ a wage earning labour and production is done by the use of modern techniques. Capital
investment is also there. A few cottage industries, which are export oriented, have been included in the category of small-scale sector so that facilities provided to small units may also be given to export oriented cottage industries.

Cottage industry is run by family members on full or part time basis. It possesses negligible capital investment. There is hand made production and no wage earning person is employed in cottage industry.

2.3 Specific Role in Regional Development of Backward Areas:

“The concept of regional development was originated from the ideas of Stalin. The Barlow Commission in 1937 and the Political and Economic Planning Group in 1939 had mentioned about the need of regional development and thereby stressed the need for dispersal of some relevant industries in backward areas. By the term regional economic development we mean the attainment of economic development of a particular region of the country. Thus, it also includes the process and the strategy to be adopted for the economic development of particular region along with other regions of the country.”
Backward area development is necessary for the overall development of the country. In the absence of regional development of backward areas the industrial activities will be confined to a few selected pockets of the country. Moreover, the main aim of regional development to secure maximum efficiency in the utilisation of available resources would remain unfulfilled. Regional development helps in the empowerment of common people. It leads to an equitable distribution of employment opportunities and helps in reducing per capita income among different regions. It also helps in reducing rural-urban migration and checks the concentration of population and industry in few big industrial centres of metropolis and the growth of agglomeration.

Industrialisation is the need of the hour and the speedy development of industries in backward areas can be achieved only through promotion of small-scale industries. Small-scale industries can have tremendous impact on our economy by diversification of production through ancillarisation, diffusion of ownership through the promotion of local entrepreneurship and geographical dispersal of industrial activity by basing industries on local resources. One of the main aims of Small Scale Industries (SSIs) development during
successive five-year plans is through locational dispersal of industries for balanced regional development. “The second plan while elaborating on this strategy stated, ‘Industrial expansion on the periphery of large towns could scarcely be said to reduce the concentration of industry’ what was needed therefore, was a pattern of industrial activity in which a group of villages converging on their natural industrial and urban centre forms a unit or to use the Karve Committee’s expression, a pyramid of industry based on a progressive rural economy.”

The main reason behind SSI development is to initiate regional industrial balance by counteracting or neutralising as far as possible polarization of industrial activities within developed regions. With the development of SSI in backward areas maximum utilisation of local resources both human and material is possible and it helps to minimise inter-regional gaps.

The government has provided various incentives and concessions from time to time for promoting industrialisation of backward areas. “The programme of industrial estates, rural industries projects, provision of capital and transport subsidies to units in the identified backward districts or regions, fiscal concessions to industries located in backward areas, and District Industries Centre (DIC) programmes were
formulated and designed to promote and foster dispersed and decentralised industrial growth and thereby reduce regional disparities. Moreover, the government has set up various financial institutions for relieving and alleviating backwardness.

Institutions like “National Small Industries Corporation (NSIC), Khadi and Village Industries Commission (KVIC), National Bank for Agricultural and Rural Development (NABARD), and Small Industries Development Bank of India (SIDBI) were set up to promote and assist small scale industries in backward or rural areas of the country. The Government of India has created the Rural Infrastructure Development Fund in NABARD to create infrastructure such as irrigation, roads, bridges, market yards, in rural areas. But the government should divert funds towards industry related infrastructure such as mini-industrial estates, common service facilities, market centres, etc. to boost utilisation and processing of agricultural resources.

The Khadi and Village Industries Commission is also helping the rural people in the village and cottage industries by providing various incentives and thereby increasing employment avenues in rural areas. The Regional Rural Banks (RRBs) was also set up in 1975, which increased the scope of village and cottage industries. It used to provide
various types of loans to the people in concessional terms. "The SIDBI and Commercial Banks are also playing a crucial role in the development and promotion of small scale sector in backward areas. The SIDBI is also operating schemes such as Micro-credit, Mahila Vikas Nidhi, Rural Industries Programme, Adoption of Clusters for Technology upgradation, National Equity Fund (NEF) and Single Window Scheme and has undertaken extension Human Resource Development (HRD) programme in backward areas."

In spite of all these efforts, the distribution of small scale industries in our country is highly uneven. More than 50 percent of Indian districts do not have significant number of SSI units. In reality SSI faces a lopsided regional growth. This is because of lack of development of proper infrastructure for SSI in the states.

But still we can be proud that we have achieved a high degree of self-reliance and have created a strong and diverse industrial base for meeting the domestic requirements of the economy by introducing a wide variety of products. Many new medium and small-scale industries have emerged and entrepreneurial base has also been widened. Above all, industry has spread in those areas where it did not exist earlier which became possible only due to government policy measures.
Now, the government should also play an important role in the liberalised set up in order to grow the industries in a balanced manner and infrastructure development should be initiated on a widespread basis so that entrepreneurs find it profitable to invest in areas that still remain unindustrialised.

Finally, we cannot deny that with “obsession over industrial liberalisation, the crucial matter of employment creation in the small scale sector has taken a backseat. This is not at all good for the country. If the small scale sector is to act as an agent of decentralisation in rural and semi-urban areas, the government should come forward by strengthening the infrastructure in the rural and semi-urban areas and improving the transport facilities, raw materials facilities, providing more financial help in the form of loan by establishing more co-operative banks and also opening the branches of various other nationalised banks which could meet both the short term and long term credit needs of the existing and also the potential industries.”

^12
2.4 Growth of Small Scale Industries in National Context and Industrially Backward State:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total SSIs in India (in lakh)</th>
<th>Total SSIs in Assam (in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990 – 91</td>
<td>19.48</td>
<td>12,429</td>
</tr>
<tr>
<td>1991 – 92</td>
<td>20.82</td>
<td>12,805</td>
</tr>
<tr>
<td>1992 – 93</td>
<td>22.46</td>
<td>14,354</td>
</tr>
<tr>
<td>1993 – 94</td>
<td>23.81</td>
<td>15,814</td>
</tr>
<tr>
<td>1994 – 95</td>
<td>25.71</td>
<td>17,103</td>
</tr>
<tr>
<td>1995 – 96</td>
<td>27.24</td>
<td>28,375</td>
</tr>
<tr>
<td>1996 – 97</td>
<td>28.57</td>
<td>30,843</td>
</tr>
<tr>
<td>1997 – 98</td>
<td>30.14</td>
<td>35,382</td>
</tr>
<tr>
<td>1998 – 99</td>
<td>31.21</td>
<td>37,384</td>
</tr>
<tr>
<td>1999 – 2000</td>
<td>32.25</td>
<td>39,068</td>
</tr>
<tr>
<td>2000-2001</td>
<td>33.70</td>
<td>41,875</td>
</tr>
</tbody>
</table>

Sources:

The growth of Small Scale Industries in India shows that from 19.48 lakh units in 1990-91 it increased to 27.24 lakh units in 1995-96 and further it increased to 32.25 lakh units in 1999-2000. In 2000-01 it increased to 33.70 lakh whereas in the industrially backward state of Assam it increased from 12,429 thousand in 1990-91 to 28,375 thousand units in 1995-96. In 1999-2000 it increased to 39,068 thousand units and it subsequently increased to 41,875 thousand units in 2000-01.
2.5 **General Constraints for Proper Growth of Small Scale Industries:**

1. Lack of access to credit because of their inability to provide collateral security.
2. High interest charged by financial institutions.
3. Lack of specialised managers in Small Scale Industries.
4. Unable to provide quality products due to increasing input cost.
5. Poor database.
6. Low level of technology.
7. Absence of R& D (Research and development) facilities in Small Scale Industries.
8. Unable to incur advertising cost due to low finance or capital.
10. Absence of consortium leading to increasing cost of raw materials.
11. Unable to hire consultancy for poor financial structure.
12. Poor infrastructural base for Small Scale Industries.
13. Lack of training for the personnel in keeping updated with the changing times.
14. Lack of sub-contract exchange facilities at national, regional and international levels.
(15) Lack of design development centres.

(16) Delayed payment by the large-scale industries to small-scale industries.

(17) No proper support from financial institutions to revive the loss making units.

(18) Poor marketing skills among small-scale industries personnel.

(19) Faulty project preparation and evaluation.

(20) Under utilisation of capacity.

(21) Unable to participate in trade fairs due to lack of capital or finance.

(22) Slow adoption to information technology due to large capital investment requirement.

(23) Insufficient export credit.

2.6 Major Constraints of Small Scale Industries:

2.6.1 Problem of Finance:

Finance is the life-blood of industry as it is a key input of production, distribution and development. But considering the vital role finance plays in accelerating the process of Small Scale Industries development, the total amount of loan sanctioned to it forms a very insignificant part of the total loan to Indian industry. Because of
inadequate credit the viability of the unit is affected greatly and it results in their sickness and ultimate closure. The flow of credit to the small scale sector is affected because of “a weak financial base, which eventually prompts the entrepreneurs to bring in funds by way of loan rather than capital, improper maintenance of books of account, inability to provide collateral security, delay in payments by the larger units, lack of appreciation of financial data required by banks or financial institutions etc., the administrative cost of lending to small borrowers, high mortality rate or sickness amongst the SSI units, the concessional interest rate does not motivate the financial institutions intrinsically to invest in SSI units etc.” Moreover, many established small units hesitate to approach institutional financial agencies (including government agencies) because of their traditional tie-ups with non-institutional bodies and also because of their lack of training, especially in financial matters. Therefore, to increase the credit flow to the small scale sector the Thimmaiah Committee (1997) of the Planning Commission suggested that “The Reserve Bank of India may examine the feasibility of fixing the share of small scale industries, tiny and village industries in the total bank credit and term loan provided to SSI units in proportion to the gross output of SSI units in the total GDP. RBI viewed that the increase in allocation would necessarily lead to curtailment of
share enjoyed by some other sector. The Nayak Committee recommended, ‘if the genuine need based demand of the SSI sector as reflected in the budget requires diversion of a part of the resources flowing to the medium and large industries at present, the same should be mandated’. It should be admitted that given a decent step up in the credit flow to the sector the overall production, export and employment performance could go up very substantially.”

In addition to these, the government has appointed a high level committee, S.L. Kapur Committee (1998), which has made in all 126 recommendations of which the RBI has decided to accept 40 recommendations which include “enhancement in limit of composite loan from Rs.2 lakh to Rs.5 lakh, delegation of more powers to Branch Managers for granting ad-hoc facilities (to the extent of 20 percent of sanctioned limit) strengthening of recovery mechanism, opening of more specialised bank branches for small scale industries etc.”

Moreover, SIDBI has recently decided to try out a whole new approach to financing, by teaming up with commercial banks, which will ease finance to this sector.
2.6.2 Problem of Marketing:

Marketing is a vital factor for the survival and growth of a firm. It is a place where goods and services are bought and sold. In India, in spite of the vast domestic market, marketing remains a problem area for the small-scale sector. Marketing has been identified as an important aspect affecting small-scale industries performance. Besides finance, marketing is the key element which, if not pragmatically assessed leads to the closure of units.

"According to the second census of small scale industrial units in 1997-98 about 1.48 lakh or one half of the total units were closed because of finance and marketing problems."\textsuperscript{17} The main problem of marketing in the Indian small scale sector are "product quality, service to customers, cost effectiveness, consistency and reliability, adherence to delivery schedules, lack of proper market information and the mindset of entrepreneurs".\textsuperscript{18}

Moreover, entrepreneurs are facing critical problems at the time of planning for an investment due to the unawareness of proper planning, lack of knowledge of market survey, selection of appropriate type of plant and machinery, etc. Also some units in the small-scale sector are totally dependent on government purchase.
The government from time to time has adopted various schemes through institutional sources by providing marketing assistance to lessen these problems. In spite of these, the situation with respect to marketing problems does not seem to have improved.

“Since individual promoters being the main stay of SSI units they have to be imaginative and must have access to modern market information if he has to stay in the market, which are gradually being opened up generating competition. The entrepreneurs have to rise to the occasion. With growing competition the SSI units would need to strengthen their marketing system or use marketing companies to survive and grow.”

“The marketing companies will be useful to SSEs in a number of ways. Many SSEs finding it difficult to market their products because of financial constraints and inadequate marketing skills will be better-off with the help of marketing companies. These marketing companies will market goods on behalf of several SSEs and will also ensure minimum quality standards to maintain a good image for their brands. To further benefit the small entrepreneurs, credibility and performance rating should be given to the marketing companies, based upon their credit worthiness, sales volume, area of sales and other important indicators. Those marketing companies that have good ratings
would be able to attract better tie-ups with SSEs.”\textsuperscript{20} Apart from all these, marketing research should be undertaken because producers cannot sell what they like. Today’s market has become highly customer oriented and it is only through marketing research customers psyche can be known. It also helps in planning the future requirements of the enterprise and coping with the fast changing environment. But market research requires specialised knowledge and experience. Small Scale Industries lack these because they do not possess technical personnel of their own and it becomes difficult for them to employ the professional experts to accomplish this task due to paucity of funds.

2.6.3 Problem of Technology:

Technology is also an area of challenge for small sector units. Inadequate attention to technology upgradation has acted as a hindrance on the way of modernisation of SSI sector. Majority of the units are still carrying on with outdated technology. Although technology upgradation is being stressed since sixties and several programmes have been launched by the government the achievement there to have not been satisfactory. Therefore, there is need for modernisation and upgradation of technology with a view to reduce costs and prices and increase competitive power of the products of this sector. This has become
necessary because the comparative advantage of this sector is being eroded with the advent of new technology, liberalisation, which has opened the doors to unrestricted competition.

The present barriers for technological upgradation are: 21

- There is little motivation among small-scale units or entrepreneurs to create in-house research development cells.
- Unwillingness to change product lines or bring changes in product dimensions with the help of technical support and faster technological growth to meet changing market demand.
- Aspiring entrepreneurs often do not pay attention to improving levels of communication through faster technological growth.
- Funding institutions often fail to provide credit support to technological innovation.
- Technological innovation are often offered without a proper cost-benefit study with the result that they fail to earn the entrepreneurs confidence.
- There is at present, no effective mechanism for helping the small-scale sector to forecast technological change which is vital for economising the use of productive resources like the raw materials, man-power and core technological applications.
But the main factor, which restricts and inhibits upgradation of technology and modernisation, is that of finance. Recently, SIDBI has set up Technology Development and Modernisation Fund, which assist small entrepreneurs, as well as Technological Bureau for Small Entrepreneurs, which gives information about the advanced technology to SSI units of different countries. The government has also set up Technology Trust Funds with contributions from State Governments and Industry Associations for transfer and acquisitions of latest technologies. Moreover, to provide technological support and training to SSI sector, tool rooms have been set up in different parts of the country. Apart from these the government should do the following:²²

- Establish design or process development centre so that application of design, research for alternative raw materials, improved packaging, applied HRD and changed technology can take place with full vigour.

- Cheap and affordable technical consultancy exclusively for the small sector should be made available to entrepreneur.

- Establishment of in-house research and development wings should be made compulsory and they should be funded by the available credit package.
An effective technology data base with responsive servicing wings should be set up to cater to the various needs of small entrepreneurs.

Promotional process with faster developmental strategies should be put in place like regular technological fair should be conducted for the promotion of technology and information.

Finally there should be mechanism for evaluating whether
(a) The best technology is being adopted and
(b) The project is viable and has good potential.

2.7 Institutional and Supportive Infrastructure for Promotion of Small Scale Sector:

There are various institutions and organizations, which are promoted by the Central Government and State Government as well as industry associations for the promotion of SSI sector in the country. They are as under:

The main Central Government Organizations are:

2.7.1 Small Industries Development Bank of India (SIDBI):

The SIDBI was established under the ‘Small Industries Development Bank of India Act 1989, as a wholly owned subsidiary of IDBI. It commenced its operations from April 2, 1990 by taking over the
outstanding portfolio and activities of IDBI pertaining to the small-scale sector. SIDBI is operating through its head office at Lucknow, with a network of five regional and twenty-seven branch offices in the country. Since its inception, SIDBI is doing well in the area of financing small-scale industries. The main objective of SIDBI is to serve as a principal financial institution for promotion, financing, development of industries in the small-scale sector. It also co-ordinates the functions of institutions engaged in promoting, financing or developing industry in the small-scale sector. The SIDBI, which was initially functioning as a refinancing institution has now diversified its activities and introduced several new schemes to meet the varying needs of the small-scale sector. The SIDBI now offers a wide range of financial assistance through its direct finance, refinance, bills finance, equity finance and other schemes of assistance besides support services.

2.7.2 Small Scale Industries Board (SSIB):

SSI Board was set up in 1954. It is an apex advisory body formed to give advice to the Government on all issues concerned to SSI sector. The Board facilitates the co-ordination and inter-institutional linkage for the development of SSI sector.
The Chairman of the SSI board is the Union Minister of Industries. It also includes State Industry Ministers, selected Members of Parliament, Secretaries of various departments of the Central Government, Financial Institutions, Public Sector undertakings (PSUs), Industry Associations and eminent experts in the SSI sector as the member.

2.7.3 Small Industries Development Organization (SIDO):

SIDO was established in 1954 upon the recommendations of the Ford Foundation team of the Government of India, which also suggested the creation of a support network for the development of SSIs. It is headed by the Development Commissioner (SSI), who is an ex-officio Additional Secretary to the Government of India. That is the reason, the office of Development Commissioner (Small Scale Industries) is commonly known as the SIDO.

SIDO is the nodal organisation, which implements Central Government policies. It plays a constructive role in strengthening the SSI sector. SIDO has been working under the Department of Agro and Rural Industries since 1991. It operates through a network of 28 Small Industries Services Institutes (SISIs), 30 branch SISIs, and a host of other centres. These centres includes, 4 Regional Testing Centres, 8 Field Testing Stations, 10 Tool Rooms, 2 Central Footwear Training Institutes,
1 Production Centre, 6 Product-cum-Process Development centres and 3 Training Institutes.

The major activities of SIDO are as follows:

- Evolving an all India policy and programme for the development of SSIs.
- Coordinating the policies and programmes of various State Governments.
- Maintaining liaison with different State and Central Ministers, Planning Commission, Reserve Bank of India and Financial Institutions.
- Dissemination of economic information.
- Providing a comprehensive range of extension services through allied institutions.
- Providing facilities for technological upgradation, modernisation, quality improvement, etc.
- Monitoring the Prime Minister’s Rojgar Yojona (PMRY) Scheme.
- Offering services such as consultancy in technical and managerial aspects, training, common facility assistance, testing and tool room facilities and marketing assistance for SSIs.
SIDO and its associate institutions mainly provide the following support services:

1) Entrepreneurship Development and Management Training.
2) Extension and Training Services.
3) Skill Development.
4) Entrepreneurship Development Institutes (EDIs).
5) Preparation of Project Profiles.
6) Plant Modernisation Studies.
7) Testing Centres.
8) Sub-contract Exchanges (SCXs) at SISIs.
9) Tool Rooms.
10) Marketing Support.
11) Collection of Data.
12) Prime Minister’s Rojgar Yojana (PMRY).
13) National Awards.

2.7.4 Small Industries Services Institutes (SISIs):

The SISIs were set up in state capitals and other industrial cities all over the country and their performances are overseen by the office of the DC(SSI). There are altogether 28 SISIs and 30 branch SISIs in India.
SISIs performs the following functions:

- Interface between Central and State Governments.
- Technical support services and consultancy services.
- Entrepreneurship Development Programme.
- Developmental Efforts.
- Promotional Programmes.
- Export promotion and liaison activities.
- Ancillary Development.

The reports, which are prepared by SISI, used to give importance in the implementation of programmes on modernisation, energy conservation, quality control upgradation and pollution control for the benefit of entrepreneurs.

2.7.5 Product-cum-Process Development Centre (PPDCs):

PPDCs have been set up at six places to provide services to SSIs. These are at the following places.

- Ferozabad (for glass industry)
- Kannauj (for essential oils)
- Meerut (for sports goods)
- Ramnagar (for electronic industry)
- Mumbai (for electrical measuring instrument)
- Agra (for foundry and forging)

The main functions of PPDCs are:

- To serve as Research and Development Institutions in areas of dense industry clusters.
- To look into the specific problems of industry.
- Product design and innovation.
- To develop new process and upgrade the existing level of technology.
- To act as centres of excellence in the concerned field.
- To render technical support services.
- Manpower development and training.

2.7.6 Regional Testing Centres (RTCs):

RTCs are established at Chennai, New Delhi, Mumbai and Calcutta. They spread quality awareness amongst industrial units through systematic testing and by providing technical consultancy services. All these centres are equipped with modern sophisticated machinery and equipment for testing mechanical, chemical, meteorological and electrical products. They are accredited to the Bureau of Indian Standards (BIS), Pollution Control Boards, etc. RTCs have been assisting eight Field
Testing stations that provide testing services to SSI units in different product lines. These are located in different parts of the country viz., Dehradun, Jaipur, Bhopal, Kolhapur, Hyderabad, Bangalore, Pondicherry and Changanacherry.

2.7.7 Central Footwear Training Institutes (CFTIs):

CFTIs were earlier known as Central Footwear Training Centres. It support SSI units in the leather and footwear industries at Agra, Chennai, Calcutta and Mumbai. Modernisation of existing CFTIs is underway at Chennai and Agra with UNDP funds of 90 million.

The main of objectives of CFTIs are:

- Training of manpower for the footwear industry.
- Developing of design and new types of footwear to promote export.

2.7.8 National Small Industries Corporation (NSIC):

NSIC was established in 1955 by the Government of India. It plays a very important role in the promotion of SSIs. The main aim of NSIC is to promote, aid and foster the growth of SSIs in the country. NSIC helps the SSI sector in the country through its various programmes and projects. Thus, NSIC continues to remain at the forefront of industrial development.
During the last four decades when there is transition and growth in the SSI sector, NSIC has played a significant role through modernisation, upgradation of technology, quality consciousness, strengthening linkages with large and medium scale enterprises and boosting exports of products from small enterprises. Moreover, NSIC has been able to provide leasing and hire purchase facilities and other services to SSIs extensively.

Some of the main services provided by NSIC are:

1. **Machinery and Equipment (Hire purchase Scheme):**
   - Supply of indigenous and imported machinery (the value of which would not exceed Rs.30 million inclusive of the value of machinery and equipment already installed) on easy financial terms, mainly targeted at first generation entrepreneurs, women entrepreneurs, weaker sections, the handicapped and ex-serviceman.

2. **Machinery and Equipment (Lease Scheme):**
   - 100 percent finance to facilitate SSIs in diversification and technology upgradation.
   - Tax rebate on full year rentals.

3. **Financial Assistance Scheme:**
There are five financial centres, which are in operation in New Delhi, Mumbai, Ahmedabad, Bangalore, Goa. They provide finance to SSIs for the following activities:

- Marketing.
- Bills discounting.
- Raw material purchases.
- Exports.

4. **Assistance for procurement of raw material:**
   - Supply under the off the shelf basis scheme.
   - Import of raw materials.
   - Providing scarce materials on priority basis.
   - Supplies through NSIC depots godowns.

5. **Marketing Assistance:**

   The objectives of the marketing programme of NSIC are the following:

   - Ensure fair margin to producer of goods.
   - Standardisation and quality control with testing facilities.
   - Market products under a common brand name.
   - Provide publicity to SSI products.
➢ Upgrade technology for supplying sophisticated machinery and equipment.

6. **Government Store Purchase Programme:**

Eligible SSIs (those competent to execute government orders) are registered under the Single Point Registration Scheme of the NSIC. Bonafide SSI units registered with the Directorate of Industries or District Industries Centre are enlisted under this Scheme and become an important source of supplies to Central and State Governments, Public Sector Undertakings, etc.

The units registered under the Single Point Registration Scheme with the NSIC are given following facilities.

➢ Issue of tender forms / sets free of cost.

➢ Advance intimation of tenders issued by DGS&D.

➢ Exemption from payment of earnest money.

➢ Waiver of security deposit up to the monetary limit for which the unit is registered.

➢ Issue of competency certificate in case the value of an order exceeds the monetary limit after due verification.
In addition, these units also get other facilities such as the consideration of price preference up to 15 percent on merit over the price quoted by large units and the procurement as per the reserved list.

7. **Technology Transfer Centre (TTC):**

NSIC has set up a TTC at Okhla (Delhi). This was established in order to upgrade technology in the changed economic scenario under economic reforms. At the enterprise level the main aim of TTC is to help Small Scale Enterprises in technology acquisition, adoption and upgradation through its technology information and promotion services.

TTC offer the following services to industries:

- Matching of business partners and search for technology worldwide.
- Training, consultancy and technology evaluation.
- Technology transfer programmes such as technology missions or delegations and expositions.
- Facility for a reference library publications (periodicals) catalogues.
- Setting up a network to access database.
2.7.9 National Productivity Council (NPC):

NPC is an autonomous institution. It functions under the overall supervision of the Ministry of Industry, Government of India. The main aim of NPC is to help all sectors of the economy including agriculture and industry in increasing its productivity. A tripartite Government Council (GC) administers NPC. It consists of equal representation from the Government, the Industry and the Trade Unions. The Minister of Industry, Government of India is the ex-officio President of the Council. The Chairman is the Secretary, Industrial Development. The Chief Executive Officer is the Director General of the NPC. He deals with the day-to-day management of the council.

NPC provides consultancy and training services. It has number of specialised divisions, which used to give tailor-made solutions to the agriculture and industry. Trained consultants manned these divisions. The issues, which these divisions deal with, are related to Industrial Engineering, Plant Engineering, Energy Management, Human Resource Development, Informal Sector agriculture, etc.

The head office of NPC is in New Delhi. Its Regional Directorate is found in almost all the State Capitals. Due to the existence of this type of structure, the Council can take up assignments, which have all-India
coverage. Since NPC has tripartite constitution, it is called in to take up sensitive assignments like manpower assessment, wage fixation, time and motion studies etc. NPC also co-ordinates the Annual Productivity Awards which have been instituted by the Ministry of Industry and the Ministry of Agriculture for various sub-sectors of the economy.

NPC is also a member of the Asian Productivity Organisation (APO), Tokyo. It is an umbrella body of all Productivity Councils in the Asian Region. NPC organise number of conferences, seminars and workshops of APO. Moreover, it also nominates suitable or eligible persons from different organisations in India for APO training courses abroad.

SIDBI has entered into collaboration with the Council in order to channelise the expertise of NPC to the small scale and informal sector. The agreement was made mainly to promote the concept of productivity in small industry clusters and for technological upgradation in small units.

The main State Government agencies are:

The Commissioner / Director of Industries implements the policies for the promotion and development of small scale, cottage, medium and large-scale industries. The SSI policy of the Central Government act as
guidelines but each state bring forth its own policy and package of incentives. The Commissioner or Director of Industries in all States or Union Territories looks after the activities of field officers viz., District Industries Centre (DIC) at the district level.

2.7.10 District Industries Centre (DICs):

DIC programme was initiated in May 1978 for the promotion of small scale and cottage industries beyond big cities and state capitals to the district headquarters. It was started as a centrally sponsored scheme with the main aim of developing, small, tiny and cottage sector industries in the country. DICs were also set up because it can generate greater employment avenues especially in rural and backward areas of the country. These centres extend support facilities or concessions or services in widely dispersed rural areas and other small towns. The Central Government withdrew the sponsorship in 1993-94 and at that time there were 430 Centrally approved DICs, which covered almost all the districts of the country (leaving aside the metropolitan cities). Now, at present DICs are functioning under respective state budgetary provisions.

DICs extend services of the following nature:

- Economic investigation of local resources.
- Supply of machinery and equipment.
➢ Provision of raw material.
➢ Arrangement for credit facilities.
➢ Marketing.
➢ Quality inputs.
➢ Consultancy and extension services.

2.7.11 State Financial Corporations (SFCs):

SFCs were set up in 1951 under the SFCs Act. It plays an important role in the development of small and medium enterprises. The main aims of SFCs are to finance and promote small and medium enterprises in their respective states. This is done for achieving balanced regional growth, increase in investment, generate employment and widen the ownership base of industry. There are at present 18 SFCs in the country of which 17 were established under SFCs Act, while Tamil Nadu Industrial and Investment Corporation (TICC) Ltd. was established under the Companies Act.

SFCs provide financial assistance to small and medium enterprises through

➢ Term loan
➢ Direct subscription to equity / debentures.
➢ Guarantees.
➢ Discounting of bills of exchange.
➢ Seed capital assistance.

Moreover, SFCs operate a number of schemes of refinance of IDBI/SIDBI and also extend equity type assistance. SFCs have tailor-made schemes for artisans and special target groups such as S.C./S.T., women, ex-servicemen, physically handicapped and also provide financial assistance for small road transport operators, hotels, tourism related activities, hospitals, nursing homes, etc. Under the Single Window Scheme of SIDBI, SFCs have also been extending working capital along with term loan to mitigate the difficulties faced by SSIs in obtaining working capital limits on time.

2.7.12 State Industrial Development / Investment Corporations (SIDCs / SIICs):

The State Industrial Development Corporations are in the forefront of industrialisation in the states. SIDCs / SIICs were established under the Companies Act 1956 as wholly owned undertakings of the State Governments. They act as a catalyst for industrial development in their respective States.

SIDCs provide land, infrastructure facilities like factory sheds and / or developed plots, roads, power, water supply, drainage and other amenities.
SIDCs were set up mainly to cater to the financial requirements of medium and large-scale industries. But they also provide assistance to small-scale sector by way of term loan, subscription to equity and promotional services. There is at present 28 SIDCs in the country of which 11 also functions as SFCs. Therefore, these 11 that undertakes the functions of both SFCs and SIDCs are termed as Twin-function IDCs.

2.7.13 **State Small Industrial Development Corporations (SSIDCs):**

SSIDCs were set up under the Companies Act 1956 as State Government undertakings. They are mainly concerned with the needs of small, tiny and village industries in the State / Union Territories. SSIDCs are operationally flexible and can undertake a variety of activities for the overall development of the SSI sector. There is at present 22 SSIDCs in the country. They provide assistance to small-scale sector and act as promotional agencies. The activities of SSIDCs are both assistance oriented and promotional.

Some of the important activities undertaken by SSIDCs include

- Procurement and distribution of scarce raw materials.
- Supply of machinery to SSI units on hire-purchase basis.
- Providing assistance for marketing of products.
Construction of industrial estates, provision of allied infrastructure facilities and their maintenance.

Extending seed capital assistance on behalf of State Governments.

Providing management assistance to production units.

Other State level agencies that extend facilities for SSI promotion include:

- State Infrastructure Development Corporations.
- State Co-operative Banks.
- Regional Rural Banks.
- State Export Corporations.
- Agro Industries Corporations.
- Handloom and Handicrafts Corporation.

The other agencies are as follows:

2.7.14 Housing and Urban Development Corporation Ltd. (HUDCO):

HUDCO is a wholly owned company of the Government of India. It was started as a private limited company in April 1970 but later it became a public limited company in 1986. The main aim of HUDCO is
to extend assistance for urban, social sector infrastructure and the creation of housing facility but recently the corporation has also undertaken activities to create infrastructure for the SSI sector. Assistance is also provided by HUDCO for the promotion of building material industries, besides imparting consultancy, training and technical assistance in related matters.

2.7.15 Technical Consultancy Organisations (TCOs):

TCOs were established during the seventies and eighties by all India financial institutions in association with State level financial development institutions and commercial banks in order to meet the consultancy needs of small and medium industries and new entrepreneurs.

TCOs extend consultancy services to small and medium scale enterprises, individual entrepreneurs, government departments and agencies, various state level institutions, commercial banks and other institutions for activities relating to industrial development and financing. The main focus of TCOs were on pre-investment studies but over the years they have diversified their services to include:

- Preparation of project profiles and feasibility studies.
- Undertaking industrial potential surveys.
- Identification of potential entrepreneurs and provision of technical and management assistance to them.
- Undertaking market research and surveys for specific products.
- Carrying out energy audit and energy conservation assignments.
- Project supervision and wherever necessary rendering technical and administrative assistance.
- Taking up assignments on a twin-key basis.
- Undertaking export consultancy for export-oriented projects based on modern technology.
- Offering management consultancy services especially for diagnostic study of sick units or for improvement in the existing units and their rehabilitation programmes.
- Conducting entrepreneurship development programmes, and skill up gradation programmes.

2.7.16 Non-Governmental Organisations (NGOs):

Apart from the Central, State Governments and autonomous bodies, NGOs are playing an important role in different states by providing financial assistance, information, training, marketing support,
legal advice etc. to small scale industries. The 1991 SSI policy of the Government of India favoured assistance to SSIs through NGOs. Some of the NGOs have been assigned by the State Government to impart training to unemployed youths to set up industries under the PMRY. The role of the NGOs in the present scenario is assuming importance for assistance to entrepreneurs, particularly under micro-financing activities. Moreover, the following things are set up by NGOs. They are:

(i) **Sub-contract Exchange set up by NGOs:**

A one-time grant up to Rs.0.50 million is extended to NGOs Associations since 1995 under the scheme of the Establishment of SCXs for Ancillary Development to set up exchanges. SIDO organises the training programme of SCX staff. The number of Exchanges, which were provided financial assistance during 1995-96, was 15 out of which 12 have started functioning. Seven more exchanges were in the process of being established during 1997-98. The NGOs / Associations which have established SCXs with the financial assistance from the Government are listed below:

1. Karnataka Small Scale Industries Association, Bangalore.
5. Ambattur Industrial Estate Manufacturing Association, Chennai.
7. Small Industries Development Council.
8. PHD Chamber of Commerce and Industry, New Delhi.
11. All Assam Small Scale Industries Association, Guwahati.
13. Tamil Nadu Small and Tiny Industries Association, Chennai

(ii) **Testing Centres set up by NGOs:**

In 1994-95 a scheme was started under which a one-time grants-in-aid to industry associations (maximum limit of Rs.2 million) is given on a matching contribution basis by the State Government for the purchase of machinery and equipments needed for the setting up of testing centres. The main aim of the scheme is to establish counseling-
cum-testing facilities for raw materials components and products (as per standards). It is hoped that the scheme will help small-scale industries to obtain ISI certification and improve the quality of standardised products. Lately, the scheme has been modified in order to include the existing quality of marketing centres run by the State Governments for the modernisation of facilities. The Centres, which were provided assistance, are located at Hubli, Gadag, Bangalore, Imphal and Gangyal.

2.7.17 Entrepreneurship Development Institute of India (EDII):

EDII was established in 1983 as an autonomous non-profit institution. It is situated in Ahmedabad. The main sponsors of EDII are Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), Industrial Credit and Investment Corporation of India (ICICI) and State Bank of India (SBI). The Government of Gujarat has also provided assistance for the setting up of EDII.

EDII has a belief that entrepreneurs are not born but they can be made through well-conceived and well-directed activities.

In accordance with this belief, the main objectives of EDII are the following:

- Augment the supply of trained entrepreneurs through training.
Generate a multiplier effect on opportunities for self-employment.

Improve managerial capabilities of Small Scale Industries.

Contribute to the dispersal of business ownership and thus, expand the social base of Indian entrepreneurial class.

Contribute to the creation and dissemination of new knowledge and insight into entrepreneurial theory and practice through research.

Augment the supply of trainer-motivators for entrepreneurship development.

Participate in institution building efforts.

Sensitise the support environment to facilitate potential as well as existing entrepreneurs to establish and manage their enterprises.

Promote micro enterprises at rural level.

Inculcate the spirit of ‘Entrepreneurship’ amongst youth.

Collaborate with similar organisations in India and other developing countries to accomplish the above objectives.

The training programme of the Institute are grouped under 4 heads:

Entrepreneurship in education.
Micro-finance and micro-enterprise development.
Performance and growth of existing entrepreneurs.
Performance improvement of ED institutions and ED programmes.

2.7.18 National Institute for Entrepreneurship and Small Business Development (NIESBUD):

NIESBUD was established by the Ministry of Industry, Government of India in 1983. It is an apex body for coordinating and overseeing the activities of various institutions or agencies engaged in entrepreneurship development especially in the area of small-scale industry.

NIESBUD performs the following activities:

- Conducts training programmes for trainees and entrepreneurs preparing model syllabi for training various target groups.
- Undertaking research or documentation.
- Conducting seminars.
- Developing training as well as teaching aids.

Apart from these, the institute acts as a nodal agency in the field of entrepreneurship for small business. It organises about 29 national and 6
international training programmes every year. Finally, it has given much emphasis on widening the entrepreneurial base by providing training to women entrepreneurs and youth under Entrepreneurship Development Programmes (EDPs).

2.7.19 National Institute of Small Industry Extension and Training (NISIET):

NISIET was set up in the early 1950s at Hyderabad. It has been providing training to entrepreneurs, managers and various development functionaries of State Governments, Financial Institutions and other agencies. NISIET organises about 45 national level and 15 international level programmes every year. Moreover, it also acts as an important resource and information centre for small units and undertakes research and consultancy for small industry development.

2.7.20 Export Promotion Councils:

Small Scale Industries generally face problems in exports and marketing of products in overseas markets. Therefore, to overcome these problems Export Promotion Councils were set up so that consortium approach could be adopted. The export promotion councils for different industries help in the promotion of exports of their member units. This is done through direct marketing, developing vendor relations, opening
respective sales outlets abroad etc. as a collective export marketing strategy. The main aim of different councils is to increase the exports from the sector.

Apart from the Central and State Government agencies, industry associations also used to provide institutional support to the SSI sector. Moreover, they give SSI a common platform to raise industry related issues and to initiate co-operative efforts for promoting SSIs. In recent years Government has given greater emphasis on the role of industry associations in setting up common facilities and other co-operative ventures in the areas of technology, marketing and other support services.

The following are some of the major associations and the services provided by them.

2.7.21 Confederation of Indian Industry (CII):

Five British firms formed the Engineering and Iron Trade Association (EITA) in 1895. This association assumed new name as the Indian Engineering Association (IEA) in 1912. Later in 1942, it was again changed in to the Engineering Association of India (EAI) by a group of indigenous entrepreneurs. But both these associations were merged in 1974 i.e. IEA and EAI and a new Association of Indian Engineering (AIE) came into existence. Thereafter, with the onset of
liberalisation and competitiveness in the eighties AIE was renamed as the Confederation of Engineering Industry (CEI). In 1992, the CEI was again changed and thus the Confederation of Indian Industry (CII) was born. After the CII came into being the coverage of confederation has widened.

The principal objective of CII is to provide information. Moreover, they also give advisory, consultative and representative services to industry and the Government. CII is represented on major policy making bodies concerned with the industry. Trade Fairs and Exhibitions such as India Engineering Trade Fair, specialised sectoral trade fairs and the Industry Exhibitions are organised by CII. Finally, they also play an important role in promoting international industrial co-operation.

2.7.22 Federation of Indian Chamber of Commerce and Industry (FICCI):

FICCI was set up in 1927. It represents India’s industry and trade with a network of over 400 chambers and associations. Moreover, it maintains cordial relations with apex business bodies in 65 countries. FICCI convince the Central and State Governments for business friendly policies.

FICCI is the nodal organisation in India for the International Chamber of Commerce (ICC), Confederation of Asia-Pacific Chamber of
Commerce and Industry (CACC1) and SAARC Chamber of Commerce and Industry. It has established the Indian Ocean Rim Initiative. Apart from these, the Chamber has set up Joint Business Councils for promoting international business activities. These Councils will act as a platform for promoting trade, investment and technology flows.

2.7.23 PHD Chamber of Commerce and Industry (PHDCII):

PHDCCI was established in 1905. It mainly acts as a northern India serving trade and industry. PHDCCI is confined to eight States and the Union Territory of Chandigarh. It used to give a common platform for meetings of representatives of trade, business and industry with senior Government Officials both at the State and Central Government level. It functions through expert committees and task forces. Here members of various interests pool knowledge and experience for the overall benefit of the business community.

PHDCCI has launched SIB (Small Industries and Business) Help line in 1995. This is done with a view to assist and supports the small-scale sector. SIB help line has 289 SSI units and 11 Association members. They provide assistance by way of information to entrepreneurs and acting as a forum for interaction with banks, FIs and other bodies connected with the small-scale sector. PHDCCI in
collaboration with the Konard-Adenauer Foundation (KAF) of Germany organises Commercial Training programmes.

2.7.24 Associated Chamber of Commerce and Industry of India (ASSOCHAM):

ASSOCHAM came into being in 1920. It represents the cross section of business, industry, services and professions located in all regions of the country. Among these are constituent Chambers and Associations comprising of their members in different segment of business and industry. Recently ASSOCHAM has given thrust on “Infrastructure for accelerating economic growth”. The main agenda of ASSOCHAM’s professional services are productivity, quality and competitiveness.

2.7.25 Federation of Indian Exporters Organisation (FIEO):

FIEO was set up in October 1965, by the Ministry of Commerce, Government of India. It represents the Indian entrepreneurs spirit of enterprise in the global market. FIEO is an apex body of Indian Export Promotion Organisation and it works as a partner in the Indian export promotion process. It has kept pace with the changing economic scenario and helps in India’s expanding international trade.
Members of the FIEO include Export Houses, Trading Houses, Star Trading Houses, Super Star Trading Houses and Consultancy exporting firms. These members together contribute 72 percent of the total exports of India. FIEO members export mainly consultancy services, manufactured products (including those of SSIs) etc. Moreover, its members are involved in manufacturing, international trading, investment and joint ventures abroad.

FIEO has also developed strong links with similar organisations in several countries, which helps in direct communication and interaction between Indian and world businessman. It is registered as NGOs in UNCTAD. FIEO has access to information / data originating from international organisations. Apart from these, it has bilateral arrangements for exchange of information as well as for liaisoning with several overseas chamber of commerce, trade and industry associations.

2.7.26 World Association for Small and Medium Enterprise (WASME):

WASME is a non-government organisation, which is registered under the societies Act, Delhi. It is an 18-year-old organisation and is managed by a governing body. Representatives from Chambers of Commerce, Banks and Financial Institutions, Small Business
Development Corporations, Government etc. are in the governing body. WASME helps in the business co-operation amongst enterprises of the developing countries by facilitating technology transfer, training and marketing.

WASME usually provide the following facilities:

- Information on policies, strategies and support systems for the promotion of SMEs in member countries.
- Providing opportunities for marketing of products.
- Facilitating contacts with sources offering latest technologies, equipment and services for SMEs.
- Identification of facilities for training of entrepreneurs, managers and production personnel.

Moreover, some of WASME’s thrust areas are:

- Technology transfer.
- Training.
- Maintaining a roster of experts / consultants.
- Organising or sponsoring seminars / workshops / conferences.
- Acting as a clearinghouse of information relating to SMEs.
➢ Undertaking special studies and research on areas of relevance to SMEs.

➢ Strengthening or assisting in the setting up of associations of SMEs and of women entrepreneurs.

2.7.27 Federation of Association of Small Industries of India (FASII):

FASII was established in 1959. Individual SSI units and associations of small industries are represented by FASII.

The major objectives of FASII are as follows:

➢ To promote the development of small scale, tiny and cottage industries.

➢ To cooperate with industrial, business, educational and research institutions in collecting and exchanging information related to the small industries sector.

➢ To undertake professional, technical and management consultation services.

➢ To undertake studies, surveys and research assignments.

➢ To further the cause of small industries by interacting with Union and State Governments and other bodies.
➢ To establish and operate trade centres, display centres, sub-contract exchanges and other promotional institutions for the benefit of the small-scale sector.

➢ To establish test centres, laboratories and common facility centres for the SSI sector.

Moreover, FASII offers the services such as:

➢ Organizing meeting / conferences.

➢ Liaisoning with policy makers.

➢ Analysis and interpretation of policies.

➢ Taking up the members difficulties with the concerned departments / organisations for redressal.

2.7.28 **Consortium of Women Entrepreneurs of India (CWEI):**

CWEI is a common platform to help the women entrepreneurs in finding innovative techniques of production, marketing and finance. This has become necessary with the onset of liberalisation, which has ushered in a new competition and the need for technological upgradation. CWEI consists of NGOs, voluntary organisations, self-help groups, institutions and individual enterprises, both from the rural and urban areas. These groups are highly benefited by the activities undertaken by the consortium.
CWEI takes the following works:

- Product development.
- Manpower training.
- Acts as an intermediary between Indian entrepreneurs and overseas agencies for marketing and exports.

2.7.29 Laghu Udyog Bharti (LUB):

LUB was set up in 1995. Its main aim is to promote and safeguard the interest of small-scale industry. Other activities include entrepreneurial training, support for technology, upgradation and marketing. Moreover, LUB has its representation on the national and state level government bodies connected with SSIs.

2.7.30 Indian Council of Small Industries (ICSI):

ICSI was formed in 1979. It represents around 1500 associations of the decentralised sector. The main aim of the council is to help the tiny, small and cottage enterprises and artisans. They also try to enhance the contribution of SSI sector in the overall growth of Indian economy. ICSI performs the following functions:

- Consultancy.
- Information dissemination.
- Entrepreneurship development.
- Training
- Research.

Moreover, they act as representatives of its member enterprises by giving suggestions for appropriate policy making. The council follows consortium approach to provide market related services and extends facilities relating to the testing centre and quality control outlets.

The Infrastructural Facilities for SSIs are:

Development of infrastructure is very much necessary for the growth of small-scale industries. So, the Central as well as State Governments has planned various schemes for the development of suitable infrastructure for small-scale industries. The main schemes undertaken by the Government of India are viz., Industrial Estates programme, Integrated Infrastructure Development Scheme and the Growth Centres Schemes.

**2.7.31 Industrial Estate Programme:**

The Industrial Estate programme started in 1955. The main aim of the programme was to encourage entrepreneurs to set up small industries and to expand existing units. The programme thought of the following facilities for entrepreneurs.

- The acquisition of suitable land and its development.
➢ The contribution of factory sheds.

➢ The provision of infrastructure like water, electricity, transport, banks, canteens, watch and ward, all weather approach roads.

IE Programme had several objectives.

➢ To facilitate the growth of SSIs.

➢ Shift industries from congested areas to Estate premises.

➢ Achieve decentralized development in small towns and villages.

➢ Develop sub-contracting relationship with the large industries.

➢ Establish common facility service centre etc.

The IE Programme was a centrally sponsored programme, but the implementation is done through State / UT Government. In 1979, there were 796 IEs in different parts of the country. They were set up with the aid of the Government of India. But the IE programme was transferred to SIDC after 1979. This encouraged the State Governments to continue with the development of Industrial Estates / Areas through the SIDCs.

Moreover, different States provided additional facilities to entrepreneurs who were setting up new units as well as to those units
which were moving out of sub-standard areas and relocating to the developed IEs/ Areas. These facilities included subsidy on rent for factory accommodation, allotment of sheds on hire purchase as well as on outright sale. Apart from these, other incentives like concessional charges for water and power, exemption from sales tax and octroi duty (building material, transport subsidy, etc.) were also offered.

**2.7.32 Development of Export Processing Zones / Industrial Parks:**

(i) **Export Processing Zones:**

EPZs (Export Processing Zones) and EoUs (Export Oriented units) are under the purview of the Ministry of Commerce, Government of India. Though Export Oriented units (EoUs) were set up outside of EPZs but they were set up to provide special incentives to companies for undertaking manufacturing activities for exports.

EPZs are special areas designated for providing export production or the processing of manufactured products at a low cost. They mainly consists of the following:

- Basic infrastructural facilities at reduced rates.
- Developed land sites.
- Standard designed factory buildings.
- Roads.
- Power.
- Water
- Drainage.

Moreover, EPZs also includes
- Banking
- Post offices.
- Custom clearing agents.

The units which are located within EPZs / EoUs are allowed to sell up to 25 percent of the value of production in the Domestic Tariff Area.

There are 7 EPZs in our country, which were set up by the Government of India. They are the Kandla Free Trade Zone (1965), the Santa Cruz Electronics Exports Processing Zone (1974) and the Falta EPZ (1984). Apart from these, new EPZs were established at Chennai, Cochin, Vishakapatnam and Noida.

(ii) Industrial Parks:

The new theme on specialised industrial clusters led to the development of Industrial or Technology Parks. These were aimed at both for the domestic and the export market.

The Government of India launched a scheme for computer hardware development in 1984. Thus, the Electronics Hardware
Technology Parks (EHTPs) came into being. Later in 1986, it shifted its policy towards computer Software development that led to the establishment of STPs. The EHTPs and STPs functioned under the Department of Electronics, Government of India.

Now, India’s one-fifth of the total software exports is from STPs. The success in the software exports through the creation of STPs should be followed by other theme parks such as Bio-Tech Park, Leather Park, etc. with specialised infrastructure technology back-up and escort services.

The consortium approach adopted through public-private partnerships among the Tata group, the Singapore and the Karnataka Government in the success of Information Technology Park in Bangalore are among the good experiences, which can be considered and followed by other states.

2.7.33 Integrated Infrastructure Development Scheme (IID):

After the announcement of the Industrial Policy in July 1991, and the policy towards the small scale sector in 6th August 1991, the Scheme of Integrated Infrastructural Development (IID) (including technological backup services) in rural or backward areas was announced by the
Government of India on 7th March 1994. The IID Scheme that was launched during Eighth Plan continues under the Ninth Plan as well.

The main aim of the scheme is to increase infrastructural facilities in the rural and backward areas with a special importance attached on the linkage between agriculture and industry. The areas covered under the scheme are centrally backward districts. The other places have been given coverage under Growth Centres Schemes. The selection criteria of a site are based on a comprehensive industrial potential survey, which sees the potentiality for SSI and tiny units. Moreover, it is determined by the proximity to the railhead and road links, availability of water and telecommunication facilities. Till 1998, 40 IID Centres have been sanctioned under the IID scheme and they are on the verge of completion.

The objectives of the IID schemes are as follows:

➤ To establish approximately 50 IID Centres in rural areas or backward districts in the country (excluding those districts covered under the scheme of Growth Centres).

➤ To promote SSI and tiny unit clusters with a view to creation of employment opportunities and to develop exports.

➤ To promote stronger linkages between agriculture and industry.
➢ To provide Common Service Facilities and technological back up services in selected Centres.

➢ To create or upgrade infrastructure facilities like power, water, telecommunication etc. in new or existing Centres or Industrial Areas.

Apart from the establishment of new IID Centres, the Central Government and SIDBI used to give grant and term loan respectively. This is provided with the aim of upgrading deficient infrastructural facilities in the existing Industrial Areas or Estates. The financing pattern for each project is the same as in the case of new IID Centres and is given below:

➢ If the size of each centre is 15-20 hectares then it can accommodate 450 SSI units.

➢ Financing pattern of each Centre (up to Rs.50 million) : Central Government : Rs.20 million and Loan Component : Rs.30 million. The State / UT Government will meet the cost in excess of Rs.50 million.

➢ Each Centre is expected to promote 450 SSIs.
The project is to invest in components like land development, roads, water supply, drainage, service complexes, effluent facilities, common service facilities etc.

State agencies, public sector undertakings, corporate bodies or non-governmental organisations having a sound financial position to serve as implementing Agencies.

The share of cost component in the northeastern region is in the ratio 4:1 for the Central Government and SIDBI. In the case of upgradation of infrastructural facilities, the financing pattern is the same, i.e. 40 percent by way of grant and 60 percent through a SIDBI loan.

2.7.34 Industrial Growth Centre Scheme:

The schemes of setting up growth centres were aimed at promoting industries in backward areas. This was undertaken in 1988 for the establishment of 100 Growth Centres around the country. The main criteria for the location of Growth Centre are as follows:

- Outside 50 km of cities with a population above 2.5 million.
- Outside 30 km of cities with a population of above 1.5 million but below 2.5 million.
- Outside 15 km of cities with a population of 0.75 million but below 1.5 million.
The main objective of the scheme has been to provide infrastructure facilities in the Growth Centres in the best possible manner. The other criteria to be followed in setting up Growth Centres were:

(i) The proximity to rail heads, National or State Highways.

(ii) Access to adequate and dependable sources of water, power, telecommunication facilities, educational and health facilities and sufficient land for the development of housing and for the promotion of tertiary activities. Growth Centres should not be located in ecologically sensitive areas and the location for such Centres should cover an area of the radius of 20-25 km. The State Governments, Union Territories have been furnishing proposals for the final selection of Growth Centres.

The Government of India gave guidelines on financing pattern for infrastructure development in the selected Growth Centres. The financing pattern for each Growth Centre comprises Central Government equity of Rs.100 million, State Government equity of Rs.50 million, financial
institutions (including 20 million as equity) Rs.40 million, nationalised banks Rs.10 million and market borrowings Rs.100 million. The total outlay for the setting up of one Growth Centre has been estimated at 300 million. The investment required in the State of Arunachal Pradesh, Goa, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Pondichery and Tripura is much less and could be made taking into account special condition in these states.

The necessary condition for the identification of a Growth Centre has been that its sphere of influence should cover an area of about 400 to 800 hectares. A Growth Centre selected under this scheme will be included in category B (unless it is always included in category A) of the list of backward areas and will be entitled to all incentives available from time to time for areas in Category B.

The number of Growth Centres taken up in phase I is 70. The Government of India has so far approved 66 Centres and funds have been released to the State Governments for the implementation of the scheme.

2.7.35 Marketing Infrastructure:

The SSIs faces problem in sales promotion and advertising due to lack of resources. Marketing of SSI products is an important form of
assistance to the sector. The marketing infrastructure which are available for SSIs includes number of incentive schemes such as:

1. **National Small Industry Corporation (NSIC):**

   NSIC registers SSI and tiny units under a single point registration. They secure orders for the supply of various stores, on preferential term tendered by the DGS&D.

2. **Sub-contracting Exchanges:**

   The number of sub-contracting exchanges are 16 and they functions through the Small Industries Service Institutes. They enlist SSI and identify items for ancillarisation from various Public Sector Undertakings. These offices promote contacts between large and medium scale industries on the one hand and SSI ancillary units on the other to secure sub-contacting jobs.

3. **Quality Certification:**

   (a) The Bureau of Indian Standards (BIS) sets the standards for different manufactured products and it registers SSIs for the adoption of quality standards as a measure of marketing support.

   (b) 4 Regional Testing Centres has been established by SIDO. They give training facilities to SSI units as per BIS standards. Moreover,
there are 10 field-testing stations extending testing facilities and assistance to SSIs.

(c) A scheme is under operation of SIDO that reimbursement up to 75 percent is made subject to a maximum of Rs.0.075 million the cost of acquiring ISO 9000 certification.

4. **MDA (Marketing Development Assistance Scheme):**

Under the scheme, SSI delegation, which visits foreign countries, is provided reimbursement of up to 60 percent of the expenditure made by the delegation by the Ministry of Commerce, Government of India. This delegation visits foreign countries for the purpose of exploring marketing possibilities. This incentive is extended to admissible items only.

5. **Training Programmes for Export Packaging:**

SIDO organises training programmes for SSI exporters in collaboration with the Indian Institute of Packaging on packaging for exports. Information is also given to exporters on the latest packaging standards and techniques in order to boost exports.

6. **Organising Exhibitions and International Trade Fairs:**

ITPO (Indian Trade Promotion Organisation) organises trade fairs and exhibitions abroad in order to promote exports. SIDO annually
participate in these scheduled exhibition and trade fairs. Expenditure made on space hiring, display, shipment, insurance, handling and clearance, publicity etc. are borne by SIDO. The participating SSI units meet the expenses made on transportation of SSI products (to and from Mumbai).

7. *Export Promotion Councils:*

Export Promotion Councils for specific industries were set up to provide SSI units a common platform for export marketing. A number of export promotion councils used to provide marketing infrastructure through.

- Procurement of direct orders
- Distribution of items among member units for production and sale.

Moreover, these councils also make arrangements for quality testing of products, pre-shipment inspection, packaging and sales transactions assistance. They also help the SSI units to participate in various exhibitions and trade fairs.

8. *SIDBI’s Marketing Finance and Development Department:*

In January 1996, SIDBI set up its Marketing Finance and Development Department (MFDD). This was created in order to oversee
the market related activities undertaken by the SSI sector. The Bank started a comprehensive scheme to provide financial assistance to small-scale industries so that they undertake various marketing activities. Moreover, assistance is also provided under this scheme to institutions/agencies engaged in strengthening the existing marketing channels and infrastructure for the SSI sector. A special fund named “Marketing Assistance Development Fund” has been established with sub-allocation for women entrepreneurs. Moreover, a number of development and support services have also been undertaken by the department to assist the marketing efforts of the SSI units.

2.7.36 Development of Clusters:

The Government has developed clusters in various parts of the country so that industries grow in concentrated pattern and in specific locations. These industries grow due to the easy availability of raw materials or trained artisans or proximity to the market. Clusters help in reducing costs and suppliers find easy to supply raw materials equipments, machinery, spares, repair and other sources to units to which otherwise wouldn’t have been possible. Moreover, they also encourage specialization in manufacturing process, inter-firm relationships in production activities, division of labour, sharing of information/
experiences. These things led to increase in productivity on a continued basis and it also develops a network of sub-contracting firms.

Some well-known clusters in India are:

1) Pottery cluster at Khurja (Uttar Pradesh)
2) Forging Industry at Ludhiana, Jallandhar (Punjab) and Hyderabad, Vijaywada (Andhra Pradesh).
3) Food Processing Industry Clusters at Pune (Maharashtra) and Chittor (Andhra Pradesh).
4) Neem and Perfumery Industry at Kannauj (Uttar Pradesh).
5) Bulk Drug and Formulation Industry at Kushaiguda (Andhra Pradesh)
6) Auto Component Industry at Pune (Maharashtra) Indore (Madhya Pradesh) and Chennai (Tamil Nadu).
7) Tile Industry along the west coast.
8) Toy Industry at Delhi (NCT) and Noida (Uttar Pradesh)
9) Tannery Industry at Vannaiyaram badi (Tamil Nadu).
10) Hosiery Industry at Kanpur (Uttar Pradesh)
11) Sports Goods Industry (Meerut)
12) Glass Products Industry (Firozabad)
Small Scale Industries are playing a very important role in the overall development of the country. With the development of SSIs maximum utilization of local resources both human and material is possible and it helps to minimize inter-regional gaps. The SSIs units in the country are increasing over the years. The government has also set up various institutions, organizations and supportive infrastructure for the promotion and development of SSIs in the country. The main institutions and organisations are SIDBI, SSI Board, SIDO, NSIC, DICs, SFCs, NISIET, EDII etc. Moreover, the government has also established industrial estates, industrial areas, growth centers, export processing zones, industrial parks etc. Apart from these, the government also set up clusters in various parts of the country. Some well-known clusters are sports goods industry (Meerut), glass products industry (Firozabad), foundry industry (Agra) etc. Inspite of all these efforts the SSIs are facing a lot of problems due to increasing input cost, absence of R&D facilities, under-utilization of capacity, delayed payments by the large scale industries to small industries etc. But the major hindrance the SSIs are getting difficult to tackle are the problem of finance, the problem of marketing and the problem of technology.
REFERENCES:


5. Government of India, Planning Commission, the First Five-Year Plan New Delhi, p.17.


7. ICSI Herald, Vol IX No. 9 & 10, September-October 1998. p-16

8. Ibid., p.17


20. Ibid, pp.89-95.

