CHAPTER - III
FINANCING AND SERVICE INSTITUTIONS

3.0.0. **Introduction:**

The principal aim of financing and service institutions is to provide the foundation for a self-sustained growth of the economy. This is achieved through establishing institutional setups which promote and aid the industrial units. They assist the development of the industrial atmosphere in any region by motivating the entrepreneurs, providing them with technical and financial help, acquiring first hand information about the developments and present position of industries, drawing their attention towards particular problems faced by the units and finding out their solutions.

They can be divided into Pure Financing Institutions (like Banks and Financial Corporations) which deal with financial aspects, the Service Institutions which draw their attention wholly on the matters relating with service (like District Industries Centre, Small Industries Service Institute, Poly-technology Transfer etc.,) and the third category of Institutions deals with both finance and service aspects (like Meghalaya Industries Development Corporation and North Eastern Council). The financial institutions like banks are also engaged in service activities and the service institutions like District Industries Centre are doing financial help. Thus these institutions are interlinked and their activities are overlapping, for meeting the requirements of the region.
3.1.0. The Banks:

The banks are important in providing financial support for the development of any region. In the present environment the trade and industry depend upon banks not only for their financial needs but for other services. Their main object is to raise funds from the general public and invest them for maximum returns. The banks' branch network is wide and powerful which stretches from cities to remote rural areas.

Their terms and conditions for lending have been liberalised and various schemes have been introduced for the purpose of facilitating the lending and other promotional activities within the reach of the general public particularly the small entrepreneurs.

3.1.1. General Requirements to be satisfied by the Industries:

3.1.1.1. Viability of the Project:

The initial task of the banker is to carefully study the project. He observes the viability of the project and checks several related factors like demand for the product, availability of raw materials, use of machinery, manufacturing process, need of skilled labour, technology needed, market for the finished product and financial requirements etc. If any alterations are to be made, the banker normally advises the entrepreneur in this respect.

3.1.1.2. Borrower's Stake:

Once the project is accepted the next important factor is to observe the borrower's character, his capacity to utilise the
borrowed money for proper use and his means for its repayment. The repaying capacity is difficult to assess because it depends on various factors like nature of business, amount of loan, period and purpose of advance and source of repayment etc. The banker should use his discretion and judgement through evaluating the creditworthiness of the customer.

3.1.1.3. Registration:

The banker should check the registration of the firm. The firm acquires temporary registration either from District Industries Centre or State Industries Department. Once the firm is able to stand it will be given permanent registration. The banker normally prefers units which have attained permanent registration for their lending purposes. The firm's name will be included in the registrar of Industries Department and it will become eligible to claim subsidies, grants and concessions etc., from the state government.

3.1.1.4. Security:

The security provided against the loan may be movable or immovable property. It should be free from encumbrances and must be readily marketable. The fluctuations in market value often cause difficulties in estimating the real value of the property. The banker takes great care to evaluate the property.

3.1.1.5. Safety Margin:

The safety margin is generally not required for the loans given by national level organisations like Industrial Development Bank of India. The safety margin is also not required if the entrepreneur belongs to the lower middle or the poorer sections of the society.
But, the commercial banks prefer the margin money from the entrepreneurs to create borrower's stake in the business.

3.1.1.6. Financial statements:

They give the total picture of the assets and liabilities, sources and uses of the mst along with profit figure. They will be useful to develop analysis about the creditworthiness of the borrower.

These requirements to provide a loan are more or less same in every financial institution.

3.1.2. Types of Banks:

The banks can be majorly grouped as commercial banks, co-operative banks, Regional Rural Banks and Development Banks. Let us study the objectives and functions of each bank. The following table gives the picture about the number of bank branches existing in Meghalaya (1983 & 1986).

Table No 1

<table>
<thead>
<tr>
<th>Districts</th>
<th>Number of Banks at the end of 1983</th>
<th>Number of Banks at the end of 1986</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Commer</td>
<td>Co-op</td>
</tr>
<tr>
<td>East Khasi Hills</td>
<td>44</td>
<td>5</td>
</tr>
<tr>
<td>West Khasi Hills</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Jaintia Hills</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>East Garo Hills</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>West Garo Hills</td>
<td>19</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: Directorate of Industries.
3.1.2.1. **The Commercial Banks:**

The Commercial Banks run their business mainly on commercial terms. They are mostly security conscious and their principles are quite rigid. After nationalisation they have introduced several schemes like Composite loan Scheme, Self-employment for Poor Urban People etc., which liberalised the lending activities and formalities. The table number 2 reveals that the commercial banks occupy the highest position. Out of total bank branches (153) the commercial banks are 89 which is 58%. There is an increase of 10 banks in 2 1/2 years. The East Khasi Hills consists of 45 branches followed with 24 branches in West Garo Hills. The growth of 5 banks in West Garo Hills alone shows the preference given to this area in setting up bank branches.

**Table No - 2**

The List of Bank Branches as on 15th Dec 83'

<table>
<thead>
<tr>
<th>Name of Banks</th>
<th>E.Khasi</th>
<th>W.Khasi</th>
<th>Jaintia</th>
<th>W.Garo</th>
<th>E.Garo</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial Banks</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Bank of India</td>
<td>18</td>
<td>3</td>
<td>3</td>
<td>17</td>
<td>6</td>
<td>47</td>
</tr>
<tr>
<td>United Bank of India</td>
<td>5</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>United Commercial Bank</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Bank of India</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Allahabad Bank</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Central Bank</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Indian Bank</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Punjab National Bank</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Indian Overseas Bank</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Union Bank</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Vijaya Bank</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Purbanchal Bank</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Federal Bank</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Central Bank</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Syndicate Bank</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
</tbody>
</table>
The above statement will indicate the district-wise position of the branches of different banks in the state.

It will appear that the total number of bank branches in East Khasi Hills is 56 and 28 in West Garo Hills. Among the commercial banks the State Bank of India consists of 47 branches in Meghalaya out of the total 79 branches. But the remaining commercial banks like Central Bank, Syndicate Bank and Bank of Baroda etc., have their banks in Shillong, the capital itself. There was a branch expansion program in 1982-85 and it was as follows:

<table>
<thead>
<tr>
<th>Districts</th>
<th>Number of Identified Centre</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Khasi Hills</td>
<td>21</td>
</tr>
<tr>
<td>West Khasi Hills</td>
<td>21</td>
</tr>
<tr>
<td>Jaintia Hills</td>
<td>1</td>
</tr>
<tr>
<td>East Garo Hills</td>
<td>15</td>
</tr>
<tr>
<td>West Garo Hills</td>
<td>10</td>
</tr>
</tbody>
</table>

The licenses were issued by Reserve Bank of India to State Bank of India in favour to open branches in Amlaram of Jaintia, Selshella and Zikzak in West Garo Hills. The licenses to United Commercial Bank (2 branches) and United Bank of India (1 branch) are still pending. The Reserve Bank of India allotted 13 centres to RRBs (Regional Rural Banks) in East and West Khas and Jaintia Hills.

Various schemes of Commercial Banks:
1) **Lead Bank Scheme**: The scheme is an area approach for the
development of banking and credit structure in a particular district or locality. In Meghalaya the State Bank of India (SBI) has been working as a lead bank for all the districts.

2) **Differential Interest Rate:**

The scheme is meant for backward and weaker sections whose family income per annum does not exceed 2000/- in rural and Rs. 3000/- in urban areas. The total amount of loan is 6500 (1500 for working expenditure and 5000 as term loan) given at 4% interest rate. In Meghalaya the banks and other financial institutions have adopted this policy. The total advances under this scheme were 27.83 lakhs which was 2.42% out of the total advances (1146.00). This amount was fixed in 1971 and apparently has not been changed since then.

3) Under Self Employment for the Educated Unemployed Youths Scheme the entrepreneurs can set up Services, Industry or Business as a source of self employment. A composite loan of 25000/- with 10% interest rate and a moratorium of 6 - 18 months is given to the entrepreneurs. The District Industries Centre sponsors the cases to the financial institutions in this respect. Another scheme of similar nature is (SEEPUP) Self-Employment for Educated Poor Urban People. Under this Scheme the eligible entrepreneurs are given Rs.5000/- with very nominal rate of interest without any safety margin.

3.1.2.2. **Co-operative Banks:**

In Meghalaya the State Co-operative Bank was registered in Shillong on 6th Feb. 1971. It has 6 branches in E.Khasi
hills and 8 in West Garo Hills. The Apex bank of the co-operatives controls all the branches from its head quarters. The policies of the co-operative banks are considerably flexible when compared with the commercial banks. They provide direct financing and financing through co-operative societies. The direct financing can be obtained through acquiring a temporary membership from the bank. The co-operative bank mostly concentrate s on small and pigmy sectors. The requirements to obtain finance are more or less the same as that of commercial banks. But certain concessions regarding term of repayment and interest rate etc., will be given. In Meghalaya various industries are benefited through establishing societies like honey growers co-operative society, leather wear manufacture co-operative society and others.

3.1.2.3. The Regional Rural Banks (RRBs):

Development of rural economy is to be considered important to achieve social stability and economic growth. In the rural sector the credit requirements of village artisans, craftsmen and cottage units are in a pitiable state.

The commercial banks and others have been extending their help for the development of rural areas but they normally do not venture without fulfilling their requirements. Moreover the total help given by these banks may be only a fraction when compared with the total assistance required for their proper development.

In Meghalaya, there is only one RRB - Ka Bank Nongkya dong Ri Khasi and Jaintia hills with its branches extending in East Khas West Khasi and Jaintia hills district. It came into existence on 29th Dec, 1981. In 1983 only 11 branches used to exist out of which 6 were in E. Khasi hills. By 1986 there was a tremendous increase in the number of branches(41) which was nearly a 400% increase.

Source of the data: Directorate of Industries.
The distribution of banks is rather uneven. The E.Khasi Hills, W.Khasi hills and Jaintia hills contain all the branches but East and West Garo Hills are left with no branch. The functioning of the bank is efficient but it has not been able to accumulate the deposits like that of commercial banks. The RRB does not concentrate on all districts but is limited to a particular region. It looks after the needs of small and marginal industrial units, rural artisans and small entrepreneurs and persons who are engaged in small businesses.

3.1.2.4. The Development Banks:

An important feature in the structure and organisation of the banking system is the establishment of the financial corporations, which provide to those sectors to which the commercial banks do not provide finance. The development banks mainly concentrate on long term finance to the industrial units.

The Industrial Development Bank of India (IDBI) is an organisation which deals with a systematic development program to provide finance to the industries and concentrates on solving the problems of industrial finance. It grants loans, subsidies and concessional finances to the industrial units. It also subscribes debentures, purchase bonds and stocks of industrial concerns, underwrites the equity capital and by far the most important function is that it creates refinance facilities to the financial institutions.

The various services done by this institution are providing technical and administrative assistance, conducting investment and market research programs, surveys on techno-economic needs of industries and restoring the lacuna between various industrial sectors.
In Meghalaya the branch IDBI came into existence in 1986. Though the IDBI is an important organisation the branch IDBI in Meghalaya is rather a new institution and will take time to participate actively. The various schemes implemented by this organisation in Meghalaya are refinancing of industrial loan scheme, soft loan scheme, seed capital scheme and concessional refinance scheme etc. At present it is providing financial help to various institutions to conduct the training programs, workshops etc. The setting up of Meghalaya mainly helps to overcome the difficulties of raising finances and providing refinance facilities to the various financial and service institutions.

3.1.3.0. The Financing and Servicing Institutions

3.1.3.1. Introduction:

In between the financial organisations which provide the necessary help to acquire resources and purely service organisations which are interested in the development of the region, there are some institutions which try to balance the dual function of financing and servicing. They provide finances after a careful study of the viability of the proposals of the industries. Sometimes they may take a risk of promoting an industry of doubtful viability but of social utility. Generally these institutions are either wholly financed by the government or supported (Guaranteed or Underwritten) by the government. There are four such major institution operating in this state with these policies. They are Meghalaya Industries Development Corporation (MIDC), Assam Finance Corporation (AFC), North Eastern Council (NEC) and Khadi and Village Industries Board/Commission (KVIC/KVIB).
The first two institutions are interested in the regional development. The AFC concentrates on four states of the North East, whereas the third one the NEC is interested on the balanced growth of the entire North Eastern Region. The last one is targeting on the development of pigmy, small and village industries of Meghalaya.

3.1.3.2. The Meghalaya Industries Development Corporation (MIDC):

The MIDC is a premier institution which functions as a policy formulating, co-ordinating and monitoring agency for the development of the industries of the state. It maintains close relations with various financial and service institutions at state and central level. It provides both financial help and service to the large, medium and small industrial sectors. The corporation provides a comprehensive range of consultancy services like technical, economic, managerial and marketing assistance to the entrepreneurs.

Objectives:

1. The organisation encourages the entrepreneurs to set up, expand and modernise the industrial units of public and private sectors.

2. It undertakes the responsibility of establishing business units in particular lines where there is no sufficient demand from entrepreneurs.

3. The corporation underwrites or participates in equity capital and provides medium and long term loans.

4. It helps the unit through evaluating the projects, prepares feasibility reports, undertakes the responsibility of supplying raw materials and machinery on a hire purchase basis.
5. It takes active interest in bringing technology and expertise from other parts of the country. This encourages setting up of industries through collaboration with prominent industries at the national level.

6. It conducts the motivational programs like seminars, workshops, demonstrations, and various technical training courses like Entrepreneurial Development Programs (EDP) and Entrepreneurial Motivational Programs (EMP) etc.

The MJD is eligible to advance a loan up to 90,000 to an individual unit with 12.5% as interest rate. The loan requirements above 90,000 will be recommended to the banks on the guarant given by MJD.

The requirements:

1. The firm should be a registered unit.
2. The project should be viable.
3. The borrower should contribute 25% as margin money out of the total project cost.
4. Loans are to be guaranteed by the third person who is financially sound or the borrower should provide security for the same.
5. The formalities like mortgage and hypothecation should be complete in all respects.
6. The loan is to be insured and all assets of the unit are to be in the favour of the corporation.
7. The borrower should periodically submit the financial statement which reveals his financial position.

Source 1: MJD Corporation.
Subsidies:

1. A capital subsidy of 25% on fixed capital investment (only plant and machinery) is given to the entrepreneurs.

2. A transport subsidy of 90% will be given to local entrepreneur whose purchases and sales are from outside the state.

3. An exemption of 50% of stamp duties and preferential treatment to sanction the loans to the tribal entrepreneurs.

4. Price concessions upto 15% are allowed.

The MIDC identified certain projects which have good scope

**TABLE 3**

<table>
<thead>
<tr>
<th>Name of the Project and location</th>
<th>Project Cost (Crores)</th>
<th>Year of expected commissioning of the factory</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. SIDU Cement Plant Garo Hills</td>
<td>Rs. 68.60</td>
<td>1988-89</td>
</tr>
<tr>
<td>2. Tantalum Capacitors Project, Khasi Hills</td>
<td>Rs. 5.00</td>
<td>1985-86</td>
</tr>
<tr>
<td>3. Clay Washery (Nucleus Plant for a number of downstream small scale units)</td>
<td>Rs. 1.26</td>
<td>N.A.</td>
</tr>
<tr>
<td>4. Meghalaya Phyto Chemicals (Rehabilitation)</td>
<td>Rs. 5.45</td>
<td>Existing</td>
</tr>
<tr>
<td>5. Steel Rolling Mill Burnihat Indi. Area</td>
<td>Rs. 1.20</td>
<td>1986-87</td>
</tr>
<tr>
<td>6. Hotels at Shillong, Jowai and Tura</td>
<td>Rs. 1 Crore Each</td>
<td>During the 7th Plan</td>
</tr>
<tr>
<td>7. Tapioca Starch Project, W.Garo Hills</td>
<td>Rs. 2 Crores</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

for coming up through utilising locally available resources. As a developing agency it is encouraging new entrepreneurs by providing accommodation and organising technical and marketing assistance to set up the industries in industrial estates. The units in industrial estates are being provided with various benefits like concessions in rent, water and power supply and raw materials. The technical training courses by this organisation are beneficial to improve technical processes, selection of machinery, use of modern techniques, layout and designs etc. The entrepreneurial Development Programs (EDP) are helpful for the development of entrepreneurship in the state. The trained unemployed graduates and diploma holders are also being financed under Self Employment for Educated Unemployed Youth(SEEUY) scheme by MIDC or it sponsors the cases to banks or other financial institutes.

The organisation invites private finance from industrial units or from recognised financial institutions in setting up new industrial units. Various industrial units are requested to open ancillary units and subsidiaries in Meghalaya. The Meghalaya Phyto-chemicals in E.Khase Hills is a collaboration with India Carooh Limited Group. The Associated Beverages Limited is a collaboration with Parle Exports Limited. Out of the total financing a certain amount is financed by MIDC in all these industries. The MIDC invited a group of experts from SIEI, Hyderabad, to study the scope of setting up cement-based industries in Meghalaya. A watch assembling unit in Shillong, is an ancillary of HMT and was sponsored by MIDC. It is also making efforts to establish a Meghalaya Electronics Corporation with the imported technology from France.
The organisation is also providing special assistance to small and pigmy units. The government purchase stores program provides much assistance to the small units. The products manufactured by these small units are exclusively purchased under this program. The corporation is encouraging the Common Production Program under which a group of entrepreneurs are collectively engaged in a particular product. Thus the MDBC is adopting an integrated approach for the development of industrialisation in state.

3.1.3.2. The ASSAM Financial Corporation: (AFC)

The AFC is a development institution which concentrates on the sectors where the commercial banks gives least or no preference in providing finances. Meghalaya does not have a financial corporation of its own but depends upon the AFC. The AFC looks after the affairs of four states i.e. Assam, Meghalaya, Tripura and Manipur. At the state level, AFC is the second important financial institution immediately after MDBC. A branch of the AFC has started functioning in Shillong.

The Objectives:

1. The corporation renders financial help to medium and small units. It assists the entrepreneurs in setting up new units.
2. It encourages the establishment of business units in remote villages and backward areas.
3. It assists in utilising locally available resources as raw materials for industries.
4. The corporation underwrites and participates in capital investment.

The conditions for sanctioning loans are the same as that of MDBC and the commercial banks. The various schemes adopted
by APC are:

1. Special Capital Scheme: It assists the entrepreneurs who are unable to bring the 25% margin money to start the business. The gap between the required margin money and entrepreneurs' contribution is financed by APC under this scheme.

2. Composite Loan Scheme: (Already discussed under Banks)

3. Seed capital Scheme: A qualified new entrepreneur who could not start a business unit due to lack of sufficient money will be financed with a minimum of two lakhs and maximum of 15 lakhs under this scheme.

4. Scheme for SC/ST Entrepreneurs: This scheme helps the SC/ST entrepreneurs for establishing new units with a minimum of 3500 and a maximum of three lakhs.

5. Equipment Finance Scheme: It provides assistance to medium and small scale units to purchase the plant and machinery and other capital goods required for their business.

6. Small Loan Scheme: This is mainly for the self-employment of the qualified unemployed entrepreneurs or persons who desire to stand on their own.

The evaluation of the project at the branch level is done by a manager. The project should be technically, economically and financially feasible. Once the conditions are satisfied the credibility of the borrower is observed. The time consumed to accept a proposal is considerably less than other financial institutions.

The following table reveals the interest rates charged for different schemes:
**TABLE - 5**

AFC Interest Rate Structure

| 1.  | Small scale units in backward areas | 12.50 |
| 2.  | Other new units in specified backward areas | 12.50 |
| 3.  | Modernisation Assistance (All units) | 11.50 |
| 4.  | Rehabilitation Assistance (Small units) | 10.00 |
| 5.  | Composite loan upto Rs. 25000/- per unit to artisan, Village and Cottage and small industries in tiny sector | 10.00 |
| 6.  | For units promoted by scheduled caste/ Scheduled Tribe Entrepreneurs |  |
|     | Loan above Rs. 25000/- | 12.50 |
|     | Loan up to Rs. 25000/- | 7.50 |
| 7.  | Technical and Medical Graduate Scheme | 11.00 |
| 8.  | Small Loan Schemes (up to 10,000/-) | 11.00 |
| 9.  | Equipment Finance Scheme (IFS) | 14.00 |

The AFC in Meghalaya is active and is making efforts to develop the region industrially.

**3.1.3.3. The North Eastern Council: (NEC)**

This organisation has come into existence in 1972 as a Central government agency. It is an institution which endeavours to bring the economic development in the North Eastern Region. To encourage this trend the council has co-ordinated several developmental activities for the greater use of locally available resources. The NEC acts as a financial institution and provides finance to the state government. It does not provide direct financing to the state government. It organises surveys and area research programs which are useful for inter and intrastate
development. The North East states differ in their language, cultural and social factors. The size of the states is small and the proximity between these states causes them to influence each other in various aspects. The schemes and policies of NEC as a whole concentrates on socio-economic development of the entire north east.

The various activities of the NEC are:

1. It conducts surveys through appointing a set of experts on different fields like planning, industry, banking (finance), minerals, power and water resources.

2. Conducting special training programs by inviting institutional heads and information officers from other parts of the country.

3. The study is made to understand the problems of the NE region. It formulates co-ordinated schemes and projects for the development of the north east.

4. It provides finances to various schemes, arranges workshops and seminars on different aspects like development of manpower, horticultural growth, pilot projects for watershed management and rural development workshops etc.

5. The council assists the state governments in raising finances from various financial institutions through participating in seed/equity capital. The projects should be beneficial for more than one state. The organisation takes interest on the developmental activities of border areas like construction of roads, setting up of power projects after carefully study. The state governments usually show lack of interest to do any sort of investment
programs in these areas. The NEC thus provides the necessary infrastructural requirements and other service activities which are important for the development of the industries of this region. It finances the total expenditure for the training programs given by various institutions like National Institute of Small Scale Extension Training (NEITCO) etc. It prepares feasibility reports on various schemes which consists ample potentiality like Hydro-electric Projects, Projects on Raad Research Laboratory and watershed management.

The council invites various institutions like National Remote Sensing Agency, Polytechnology Research Institute, North Eastern Electric Power Corporation (NEEPCO), Institutes on Hotel Management for advising on relevant branches. Thus the NEC is envisaging a bright future for the development of the North East.

3.1.3.4. The Khadi and Village Industries Commission: KVIC/KVIB:

Most of the financial institutions provide financial assistance to large industrial units. The other sectors like village industries, small traders and pigmy entrepreneurs often suffer to raise finances for their needs. The KVIC is mainly a financial institution which helps the business units run by very small entrepreneurs in remote village localities. It is provided with various package schemes like supply of raw materials, tools and equipment, provides marketing facilities etc. In Meghalaya the KVIC is instituted at Shillong in 1975 by an act of Meghalaya
Legislative Assembly. Later two branch offices have started functioning in turn, the West Garo hills district.

The Objectives:

1. To develop the small and pigmy industries in rural areas.
2. To create employment opportunities to the entrepreneurs who desires self-reliance.
3. To produce the goods which can satisfy the local demand.
4. To utilise the locally available resources as raw materials to the industrial units.
5. To provide financial assistance for fixed and operating expenditure.
6. The corporation provides machinery, tools and implements required by the unit at concessional rates.
7. Various grants, rebates and subsidies are given to the entrepreneurs.
8. The organisation offers training programs to the individual artisans, entrepreneurs members of registered institutions and co-operative societies who seek loans from the KVIC.

The qualified entrepreneurs or individuals are selected for the training by the KVIC. They will be given Rs. 200/- as stipend and get their training from KVIC Training Institute. Once the entrepreneur is a qualified trained, he will be given a loan to start a business. The loan will be given either by KVIC or the KVIC sponsors the case to the bank or any other financial institution. As a part of the loan the entrepreneur will be given machinery, tools and equipment from KVIC or any other authorised supplier.
A subsidy of 25% on the total capital investment will be given as grant by the state government. The grant may extend up to 75% if the entrepreneur belongs to the hill, border, tribal or weaker section of the society. This opportunity will be given to a permanent registered unit.

The institution advises in the operation of machinery, maintenance and quality of the products, economic usage of raw materials etc. Thus the organisation has been implementing various developmental activities for the upliftment of small village units of Meghalaya.

Section - II

The Service Institutions

3.2.0. Introduction:

Let us now take into consideration about the various institutions in brief whose main objective is to provide service assistance to the industrial units and entrepreneurs. They can be advisory bodies like District Industries Centre (DIC), Small Industries Service Institute (SISI), Polytechnic Transfer Centre and the Government Institutions like Directorate of Industries and The Directorate of Economics and Statistical Evaluation Centre.

3.2.1. Districts Industries Centre (DIC)

The DICs are such institutions which were introduced during the Janata party period. They are primarily service institutions at district level which look after the needs of small and village industries of that district. In Meghalaya
The DIC was set up in 1982. Since then it has been taking active participation and considerable interest in building up an industrial environment in the state. To facilitate its activities three branches DICs are functioning in East and West Garo Hills and Jaintia Hills.

The Objectives:

1. To make a survey of the number of industries already existing and about new entrants, to identify the potential projects, evaluating, preparing techno-economic feasibility reports and offering advices to entrepreneurs.
2. To develop the entrepreneurship, to prepare action plans on each district and to upgrade the skills of rural artisans.

The Services:

1. The DIC provides temporary registration to the viable projects for a period of one year. This helps the entrepreneur to avail the benefits like bank credit at concessional rates, industrial accommodation, acquiring raw materials on quota systems etc.
2. The centre recommends the projects to various financial institutions like banks, MIDC, APF etc. Under different schemes the units can acquire the loans at concessional rates once the unit starts functioning the DIC will recommend for permanent registration.
3. The unit can be benefited by claiming various subsidies from the state government under DIC's recommendation.

The various subsidies are:

a) Cash subsidy: The projects identified by DIC will be eligible to get a subsidy of 25% on Plant and Machinery with a maximum up to 250,000/-.
b) Interest subsidy: The gap between the interest rates charged by financial institutions and the effective rate of interest which is 6%, is covered by the state government.

c) Transport subsidy: The local units purchasing raw materials and selling finished goods outside the state are given a subsidy ranging between 75% to 90%.

d) The raw materials: The units which depend wholly or partially on scarce raw materials are provided with the raw materials under priority basis.

The DIC is headed by a General Manager and seven functional managers who are specialised in different fields like raw materials, economic investigation and research, machinery and equipment credit, marketing, cottage industries, extension and training assists the General Manager.

They are helpful in evaluating the project applications advising the G M in necessary situations, acts as consultancy to the entrepreneur on relevant matters. The DIC provides technical consultancy which helps the entrepreneur in solving technical problems. It provides various training programs to young enthusiastic entrepreneurs like:

RIP/RAP: The Rural Industries Project and Rural Artisans Project provides training programs with stipend, loans at concessional rates and preference in allotting the raw materials under specified areas.

EDP & EMP: They are the training programs to encourage the entrepreneurship in the state.
SEEPUR & SEEUY: (Discussed under the Banks).

Demonstration-cum-Training Program: It introduces various modern methods and techniques for modernisation and expansion of existing and new units.

The centre conducts workshops, arranges demonstrations and exhibitions, Industrial fairs, market meets, buyer and seller meets, seminars and meetings for the benefit of entrepreneurs. DIC acts as a link between state level organisations like SFC, MIDC and central level organisations like IDBI and NRI etc. It is a co-ordinating agency which accepts assistance from several institutions. The activities of KVIC, SISI, State Industries Department and other institutions at state and central have been integrated with DIC. Thus the DIC operates with the co-operation of all the above institutions.

3.2.2. The Small Industries Service Institute: (SISI)

The SISI primarily concentrates on small scale, village and handi-craft industries. It is a subordinate institute of SIDO (Small Industries Development Organisation), which is a national level organisation for small units. The SISI in Meghalaya was established in 1973 at Shillong in E.Khasi Hills and a branch SISI in Tura was set up on 31st Oct, 1983., in W. Garo hills. The state government takes the responsibility regarding the functioning of the organisation but the policy frame work is drawn from SIDO.

The services provided by this organisation are more or less the same as that of DIC. They are:
The technical services: The institute prepares various schemes and project profiles, provides technical literature, equipment and designs which are useful for the existing units.

Consultancy Services: These organisations in Meghalaya are not provided with experts on various fields but this work is being done by the manager himself. He assists the entrepreneurs by giving advices on how to set up new units, evaluates the project report, helps in writing feasibility reports, purchase of machinery, installation and operation of machinery etc. He also provides assistance in giving information about raw materials, finance and market.

The organisation conducts area surveys to identify the ideal locations to set up industries and market research to understand the demand of the new product and consumer satisfaction.

The training programs: Various courses on different management aspects like industrial management, finance, marketing and production management etc, are being given. The courses on technical aspects like carpentry, electroplating, welding, automobile repairing are given to the interested entrepreneurs. The institute bears the expenses of the trainees who get training from reputed training institutions like Central Foot Wear Training Centre etc. It also demonstrations on the process of production like chalk crayon, detergent powder and metal sheets.

Those training programs help the trainees to learn various skills in a specialised field. It will be useful for them to start setting up industries in that particular field, in
which they were trained. Certificates are given after the completion of the course. The preference will be given to the trained entrepreneurs than untrained, in getting finances, accommodation, raw materials etc., to set up an industry. The Entrepreneurial Development Programs and Entrepreneurial Motivational Programs also conducted by SIET will be encouraged by this organisation.

The Market Assistance: The units which are registered under NSICs (National Small Industries Corporation) Single Part Registered Scheme get the benefit of selling their produce to the Government Preferential Purchase Stores. It also provides information about competition. Besides setting up new units the organisation encourages ancillary units by providing services for their development. Thus the organisation supplement various activities of the small industries in Meghalaya.

3.2.3. The Polytechnic Transfer Centre: (PTC)

The PTC is an agency which bridges the gap between the technology generation and technology users in the North East Region. It primarily concentrates on identifying the scientific and technological problems of the industries of the NER. The PTC in Meghalaya was established in August 1979. The institute helps to find out solutions to the various problems from Research and Development Centres and research organisations in terms of scientific and technological methods.

Several units were recovered from the industrial sickness. In Meghalaya a dal mill had recovered due to the adoption of modern technology and knowhow, a wheat mill had found
a solution to the economic utilisation of its waste bran and a manufacturer of caffeine was benefitted by utilising the de-caffeinated tea waste into briquetted fuel.

In the basis of the surveys made the institute proposed to start a rice mill which minimises the investment and operation costs, to set up Tapioca based industries, fruit processing industries and manufacture of citronella oil etc. It also conducts workshops, meetings, seminars, get-togethers and consultative meetings. It also invites representatives from Government Departments, Educational and Educational and Research organisations and Industry to advise on different aspects of development. Thus it is an institution which provides guidelines on several aspects for the development of industries in Meghalaya.

3.2.4. The State Industries Department:

Apart from supervising the programs of its branches such as Meghalaya Industries Development Corporation (MIDC), DIC, SISI, The Polytechnology Transfer Centre and the Industrial Estates (all of whose activities are described else where), they also operate a number of industrial units themselves such as cherra cement factory, and Watch Assembling Unit etc.

They are also responsible for licensing and registering industries, supplying raw materials and power etc. They also co-ordinate the requirements under Industries Act and Employment State Insurance Act etc. They also monitor the industrial hazards and pollution. In few instances they also joined hands
with private entrepreneurs in establishing joint sector undertakings.

3.2.5. **Directorate of Statistics and Economics Evaluation Centre:**

This institution monitors and collects and compiles all the information including information about the statistics of industrial units, number of financial institutions, banks and their credit deposit ratio, raw materials available etc. However, the compilation is not very timely and comprehensive. Consequently the information compiled by this directorate is only of marginal interest.