CHAPTER III
THE EMERGENCE OF DISTRICT INDUSTRIES CENTRES (DICs)

3.1. Background

In the bid to solve unemployment problem within a short span of ten years, Janatha Party placed much more stress on the development of small and cottage industries. In its election manifesto (1977) this party clearly stated that, the objective of a just and egalitarian society can "become a realisable ideal only if one move towards the establishment of an economy in which agriculture and cottage and small industries have primary role, and are not sacrificed to big machines and the big city...the only way to steer clear of the evils of capitalism and state capitalism and to ensure full employment and the decentralization of economic power is to follow the Gandhian persect that whatever can be produced efficiently by the decentralized industry should be so produced. This spirit must guide us in framing the nation's economic policy" (Janatha Party 1977).

In the last thirty years, the village economy was divorced from industrial activities. This led to unbalanced and undeveloped rural economy solely dependent on agriculture. This has to be reversed by appropriate and intermediate technology. The investment needed for providing employment to one person ranges between less than Rs.1,000/- and Rs.6,000/- in village and small industries, the corresponding range of investment in the large scale industries is between Rs.40000 and Rs.100000. If seventy to eighty millions are to be provided with employment in the next decade, large industries do not offer a solution because of the enormous investment required for this purpose (Gupta and Singh 1990).

In the light of the important role of the small scale sector in the Indian economy, the government in its Industrial Policy of 1977 has accorded a prestigious place to the development of small scale and cottage industries. The main thrust of this industrial policy was on the effective promotion of cottage and small industries widely dispersed in rural areas and small towns. In the past, there was a tendency to proliferate schemes,
agencies and organizations, which have tended more to confuse the average small and rural entrepreneur than to encourage and help him. Under the Industrial Policy of the government there will be one agency in each district to deal with all the requirements of small and village industries. This will be called the District Industries Centre (DIC). In pursuance of the Industrial Policy Resolution, 1977, a programme for setting up DICs as an effective nodal agency for the promotion of cottage and small industries widely dispersed in rural areas and small towns. The DIC programme was started on 1st May 1978. as a centrally sponsored scheme. Under the programme each district was to have an agency to deal with all the requirements of small and village industries.

3.2. Origin of DIC

One of the basic programmes of assistance required by small entrepreneurs in the developing countries is a programme providing industrial extension service to transmit knowledge and skill to persons engaged in industrial activities. Such assistance is required in four main areas viz. economic, technical, management development and product improvement (UNIDO 1969)³.

Economic assistance starts with the counselling required for pre-investment appraisals. for example, assessing the prospects of a particular industry, selecting a location and estimating capital requirements and potential markets. After an enterprise is started, small entrepreneurs will continue to require assistance regarding credit, raw materials, labour, factory space, marketing, etc. Existing firms also needed such counselling to diversify their products and to improve their efficiency.

Technical assistance covers, principally guidance in choice of raw materials, machinery and tools, and their productive utilization. It includes advice on installation of machinery, on plant layout and on techniques of production, maintenance, repairs and testing.

Management development covers all aspects of business, such as obtaining finance, production planning and control, marketing of products etc. It includes advice on sources of credit, tools, costing, bookkeeping, advertising, publicity, sub-contracting etc. Product Improvement covers improvement of design and standardisations.

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In this context it is suggested that the SSI units will be in need of industrial extension services, which should be provided by the government. In view of the multifarious functions expected of an institution for the development of SSI and the speed and promptness with which services are expected to be rendered it is advisable to give such institutions maximum freedom and flexibility in their operations. In India, the district as a focal point of industrial development gained currency from the middle of 1970s.

Prior to the establishment of DICs, there was no agency exclusively to look after the development of industry except the district industries office with some supporting staff. However, in 1962 government introduced the Rural Industries Programme (RIP) and Rural Artisan Programme (RAP) in order to bring about industrial development in rural and backward areas in a phased manner. These programmes could not achieve the desired effect and produced only partial results. The main reasons were that various agencies operating at the district level were not in a position to provide enough assistance to existing as well as potential entrepreneurs in establishing industrial units. This is due to the absence of necessary expertise with the district industrial promotion officers and lack of enough authority. As a consequence, small entrepreneurs were subjected to a lot of hardship and delay in conceiving and executing their industrial projects. They were forced to run from pillar to post to get various clearances / licences to establish a unit, which involved a lot of expenditure and time. This led to the realisation of the need for establishing an agency exclusively for assisting and promoting industries at the district level. The Small Industrial Extension Training Institute (SIET), Hyderabad, advised the Government of India during the 6th Plan period, to establish a strong developmental agency for industrial promotion at the district level, so that all problems of entrepreneurs could be tackled and solved under a single roof. Following the SIET report, the Government of India in the Industrial Policy Statement of 23rd December 1977 announced the establishment of District Industries Centres.

Announcing the Industrial Policy Statement of 1977 Mr George Fernandes the then Union Minister of Industries made the following statement in the Parliament: “That in each district there will be one agency to deal with all the requirements of small and village industries. This will be called DISTRICT INDUSTRIES CENTRES (DIC).
Under the single roof of DIC, all the services and support required by small and village entrepreneurs will be provided. These will include economic investigation of the district’s raw materials and other resources, supply of machinery and equipment, provision of raw materials, arrangement for credit facilities, and an effective step for marketing and a cell for quality control, research and extension" (Industrial Policy 1977)\(^4\).

The DIC, therefore, is expected to provide all the services and facilities to entrepreneurs under a single roof for setting up small and village industries. Looking at the objectives of DICs there are three important functions, which the DICs could discharge effectively.

DICs should act as a data bank, an information bank and a dissemination centre, for giving prompt up-to-date and reliable information to anybody trying to set up a small scale unit and the information should cover not only with regard to licensing procedures, but also about what is in the realm of feasibility and what is not.

Another area is regulatory work of registration, deregistration, monitoring and utilization of credit, raw materials, processing of cases regarding supply of machinery of hire purchase, marketing assistance etc.

The third aspect in which the DICs can play an effective role is with regard to inter linkages with different institutions such as electricity department, department of water supply, municipality / panchayat, town planning, commercial planning, etc. The DICs should function in close coordination with all agencies related to industrial development at the district level. To ensure this there should be a single line of command operating from the DIC for the entire field staff connected with industrial promotion activities and diffusion of direction and responsibility should be provided to enable DICs to adopt a result-oriented approach.

The DIC programme made rapid progress soon after its introduction by the Central Government. The state governments were quick in responding to the centre’s initiative and established DICs in a number of districts quite fast. This can be noted from table 3.1.
Table 3.1

Number of DICs Sanctioned

<table>
<thead>
<tr>
<th>Year</th>
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<td></td>
<td>1996-97</td>
<td>442</td>
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So far 442 DICs are established covering 442 districts. The four metropolitan cities of Delhi, Mumbai, Kolkata and Chennai are outside the purview of the DIC programme. In a number of districts created in recent years, proposals for formation of DICs are pending with Development Commissioner, Small Scale industries, (DC,SSI). In various states the urban part of the capital city or the major industrial city is separated from rural parts. The DICs funded by the centre covers the rural parts, whereas for the urban part separate DICs were established by the State Directorate of Industries with its own finances. DC (SSI) does not fund those DICs covering the urban part of the major industrial city of the state. Hyderabad district of Andhra Pradesh is of this category where DIC is promoted by the state government. The tremendous progress in the establishment of DICs can be attributed to the funding policy of the Central Government.

3.3. Conceptualisation of DIC

A District Industries Centre is an institution at the district level which provides all the services and facilities to entrepreneurs at one place, so that they may set up small and village industries. It provides a focal point for the promotion of small, tiny, village and cottage industries and to offer all the services and support to
decentralized industries under a single roof at the pre-investment and post-investment stages. The "District Industries Centres" (DICs) at the district headquarters make available all the facilities to entrepreneurs under one roof at pre-investment and post-investment stages (Srivastava, 1981)\(^5\). It provides the services and facilities like the identification of a suitable scheme, the preparation of a feasibility report, arrangements for the supply of machinery and equipment, provision of raw-materials, credit facilities and input for marketing and extension services, quality control, research and entrepreneurial training.

The District Industries Centre should also ensure that small industries continue to be viable. For this purpose, it provides all the facilities to the entrepreneur under one roof at the district and sub-district levels. Suitable powers have now been delegated by several departments of the state government to the District Industries Centre, so that an entrepreneur may get form one agency all the needed assistance. Efforts have been made to cover each district in the country with an industries centre. By the end of 1978-79, the number of approved DICs had gone upto 346. At the end of March 1998 the total number of DICs stands 442 (Desai Vasant, 1983)\(^6\).

3.4. Rationale of DIC

There are several schemes for assisting rural entrepreneurs, and several government corporations, banks etc are involved in implementing schemes such as Seed Money Assistance, Scheme to Assist Educated Unemployed, Margin Money Assistance Scheme, Financial Assistance to Backward Class Entrepreneurs, Central Subsidy Scheme and Special Capital Incentive Scheme. The rural based entrepreneurs are often unaware of such schemes, and even if they are aware of them, the requirement of approaching different authorities and complicated procedures and endemic delay at each point have been causing considerable frustration. The rationale of DIC programme is that, by channelling assistance under all these schemes through the DICs, an entrepreneur is enabled to get full benefit of various schemes with a minimum effort and without inordinate delay.

\(^5\) Srivastava, 1981

\(^6\) Desai Vasant, 1983
Today almost every country is aware of the possible causes and the horrible consequences of regional disparities. India, with its politico-economic federal structure, is not free from regional disparities. Thus the Government of India in its Fourth and Fifth Five Year Plans have accepted the goal of regional development more clearly, and have taken steps for setting up agencies and formulating policies having greater spatial orientation (Seshadri.1991)\(^7\). The programme of District Industries Centre was launched, on 1\(^{st}\) May 1978 to lessen the regional imbalance in the industrial development through dispersal of industries from urban areas to semi-urban and rural areas.

Rural Industrialisation through the development of small scale industries has been the goal of development in India since a long time. Various Industrial Policies in the past emphasised development of small industries. However, institutional setup to promote rural industrialisation was highly uncoordinated and therefore it cannot promote the task effectively. Thus there was a need to develop an integrated approach to promote rural industries through a single agency, which could provide all types of assistance from pilot survey to marketing of products for the entrepreneurs. Thus the DIC programme were initiated with a avowed objective of providing an integrated administrative framework at the district level to promote effective development of small industries widely dispersed in rural and semi-urban areas (DC, SSI.1980)\(^8\).

In view of the large employment potential in rural areas, the new industrial policy has assigned an important role to the development of village and cottage industries in those areas. To achieve these objectives the focal point of development has been shifted from cities to small towns. To implement this policy, the Government launched the DIC programme on 1\(^{st}\) May 1978 to provide a focal point for the promotion of small, tiny, village and cottage industries and to offer all the services and support to the decentralised industries sector under a single roof at the pre-investment and post-investment stages. The main thrust of the DIC programme is on the development of such industrial units as to create larger employment opportunities in rural and semi-urban areas.

As a part of ensuring people's participation in the planning process, the Ashok Metha Committee recommended a two-tier Panchayath Raj structure -- Zila
Parishad at district level and Mandal Panchayath at Mandal (being a village cluster of 15000-20000 population) level -- which would provide opportunities for the elected peoples' representatives to identify the needs and aspirations of the local people. As a complement to this, the process of decentralised administration began with the subject experts posted at district level, setting up of DICs having expertise leading to industrial matters and setting up of district planning units (Aziz Abdul 1989).

3.5. Functions of DIC

3.5.1. To survey existing, traditional and new industries, and raw materials and human resources; to identify schemes and make market forecasts for different items; to prepare sample techno-economic feasibility reports and other investment advice to entrepreneurs.

3.5.2. To assess the machinery and equipment requirements of small scale, tiny and village industries; to indicate the locations where machinery and equipment for different plants may be available for entrepreneurs to liaison with research institutions and arrange for the supply of machinery on hire purchase basis;

3.5.3. To arrange for training of entrepreneurs of small and tiny units and liaison with Small Industries Service Institute, Small Industrial Extension Training Institute and other institutions, to keep abreast of the latest research and development in selected product lines and quality control methods.

3.5.4. To ascertain the raw material requirements of various units, their sources and prices and to arrange for their bulk purchases and distribution to entrepreneurs.

3.5.5. To liaison with lead banks and other financial institutions, appraise applications, monitor the flow of industrial credit in the district, and arrange for financial assistance to entrepreneurs:

3.5.6. To organise marketing outlets, to liaison with government procurement agencies, convey market intelligence to entrepreneurs, organise market surveys and market development programmes.
3.5.7. To give particular attention to the development of Khadi and Village and other cottage industries, liaison with State Khadi and Village Industries Board and organize training programmes for rural artisans.

3.5.8. To provide immediate aid required by entrepreneurs in respect of power supply, licences required under municipal and health departments and Factories Act for the establishment of industries.

3.5.9. To assist entrepreneurs in allotment of work sheds or sites required for establishment of industries in industrial estates.

3.5.10. To help in arranging cent per cent loans to educated unemployed belonging to scheduled castes, scheduled tribes and socially or economically backward communities for starting industries under special employment schemes;

3.5.11. To help in extending suitable technical training to rural youth to pursue self-employment schemes;

3.5.12. To assist in arranging grant of central and state government concessions and interest free sales tax loans, to provide capital for purchase of plant and machinery, construction of buildings and allotment of sites to new industrialists;

3.5.13. To assist entrepreneurs of small scale units in establishing industries collectively by formation of industrial cooperatives;

3.5.14. To arrange for the issue of guarantee deeds to new industries in respect of supply of electricity by giving rebate.

3.6. Objectives of DIC

It was realised that unless the process of industrialisation is well dispersed over the country and taken to the semi urban and rural areas, no real impetus to the economic development could be possible. The main objective of DIC programme for the development of the small industries have been to create large scale employment opportunities, to promote decentralisation and to disperse industries, to develop agro-
based and ancillary industries, to improve the skills of artisans and quality of their products, to reduce the role of subsidies and to step up the production of economic goods and other essential articles having a large potential for exports. The small and rural industries have therefore been treated as among the nation’s priority sectors. The District Industries Centre constitutes an institutional device to provide the industrial infrastructure at the door step of the entrepreneurs and to tackle the problems of small scale sector with an integrated approach.

3.7. Role of DICs

An underlying consideration for the present approach to decentralised industrial growth is that, small and tiny industries have the maximum employment potential and in a capital-scarce and labour-surplus economy, any meaningful approach to industrialisation should take into account the creation of new employment opportunities with a minimum capital outlay. The rural bias in the policy reflects government’s anxiety to reverse the present trend of large scale migration of labour to urban centres as also to provide scope for utilisation of resources and skills available in rural areas for setting up employment-oriented ventures, partly or meeting local needs.

The DICs are being conceived as a single agency for making available all the necessary facilities under one roof so that an entrepreneur can avoid the complicated time-consuming process of getting various permissions and facilities form a large number of departments and financial institutions.

Another role assigned to DICs is that of providing entrepreneurial advisory services. Entrepreneurs intending to set up units in rural centres naturally should have information about the prospects and marketability and availability of raw material inputs etc. Guidance may be required in conducting feasibility studies and preparation of project reports. The rural centres are not served by technical/commercial consultants, and naturally the DICs are expected to provide these services to the prospective entrepreneurs who need such services.

The manager of the economic investigation department of a DIC is responsible for the survey of the position in respect of raw materials and human skills,
for the identification of potential industries, for data collection on existing industries and for the preparation of sample techno-economic feasibility studies.

The manager of the machinery and equipment section assesses the requirement of the machinery and equipment needed by various small scale industries, including simple machines for village industries, he ascertains their sources of supply in the country, maintains list of prices and of suppliers, places orders on behalf of small entrepreneurs, and liaison with various research institutions for the provision of R&D technology.

The manager of the research, extension and training section ascertains the problems faced by small scale entrepreneurs in their production processes and methods and in the procurement of quality raw-materials, and keeps abreast of R&D in select product lines and quality control methods. He is also responsible for arranging training courses in production management.

The manager of the raw materials department ascertains the raw materials requirements of various units, their sources of supply and prices at which they are available, and arranges for their co-operative or bulk purchases.

The manager in charge of the credit section explains various credit schemes to entrepreneurs and helps them in filling up applications forms to financial institutions and acts as a liaison of application received from small units. He also monitors the flow of industrial credit in the district.

The manager for marketing organises market surveys and market development programmes, conveys market intelligence to entrepreneurs, organises marketing outlets, and liaison with the Government procurement agencies.

The manager for cottage industry pays special attention to khadi and village industries, maintain liaison with the State Khadi Board, and similar organisations engaged in promoting these industries, and organises training programmes for rural artisans.
3.8. Works Programme of DIC

The DICs are expected to prepare development programmes, in accordance with the direction given by the Development Commissioner, Small Scale Industries. The development programmes incorporated in the action plans, spell out the resources available, skills, demand estimates, input, requirements of credit, raw-materials and industrial accommodation. The action plans indicate the types of industries which can be encouraged to be undertaken by the entrepreneurs in an area, target of new units to be set up, generation of employment, production and investment in the new units. The details of other programmes such as entrepreneurial development and training, assistance to sick units, supply of raw-material finances, technical and technological inputs and marketing assistance are also incorporated in the Action Plan.

3.9. DIC as a Co-ordinating Agency

The DICs which have been envisaged essentially as coordinating agencies seek guidance from the existing agencies and utilise the expertise so gained for service of small scale units (Desai Vasant, 1983)\textsuperscript{10}. The DICs are expected to develop close linkage with the various organisations at central and state levels. In some states the lead banks have already deputed their officers to act as Managers for credits in DICs, while arrangements have also been made in several states to draw officers from State Financial Corporations who act as managers. But in Kerala, DIC officers are not on deputation from other agencies, but were appointed and promoted from the industrial department itself. In order to have a close coordination with the Small Industries Development Organization (SIDO) a branch of Small Industries Service Institute (SISI) is situated at Thrissur, so that DICs can be easily accessible to the functions and programmes of SIDO.

From the above discussion it is observed that the DICs maintain a very close link with the State as well as Central Level Organisations. These Organisations should work hand in glove with DICs and provide all the necessary assistance to General Manager of DICs, so that all inputs of these organisations are also made available to the entrepreneurs under the DIC scheme.
3.10. Financial Assistance to DIC

The DIC programme continues to be centrally sponsored scheme during Ninth Plan Period. At the time of initiation of the DIC programme in 1978 the pattern of central assistance envisaged was to provide a non-recurring grant of Rs.5 lakhs per DIC for the construction of office buildings, purchase of furniture and other office equipments including vehicles. The recurring grant for establishment of expenditure was given to the extent of 75 per cent of the actual expenditure incurred which was limited upto Rs.3.5 lakhs per DIC per annum (DC, SSI, 1984-85) 11. This pattern of central assistance was, however, changed during 1979-80. According to the pattern of central assistance approved by National Development Council, which was effective from 1979-80, the central and state government share expenditure on 50:50 basis on each financial component of the programme, namely (1) one time non-recurring grant for capital expenditure and (2) recurring establishment grant for incentives and promotional schemes and loans. The central assistance has been limited to Rs.3 lakhs per DIC regarding both recurring and non-recurring grants, however, this limit was enhanced to Rs.4 lakhs per DIC from 1985-86 onwards. In the case of Union Territories 100 per cent assistance is provided by the central government, subject to the approved expenditure pattern and availability of funds (SIDO1988-89) 12.

From the above discussion it is clear that DIC scheme will continue as centrally sponsored during the Ninth Plan and it poses an important question about the Central Government Policy regarding the scheme in the subsequent Five Year Plans. It would be pertinent to mention that unless the central government is satisfied with the working of DICs, the scheme needs to be monitored and assisted at the Central level. In this way, central and state governments can mutually share and utilise their experiences in the implementation of DIC schemes.

3.11. Monitoring the Programme of the DIC

The DIC programme is monitored at district, state, regional and the central levels with a view to ensuring that each DIC works effectively to achieve the objectives for which it has been set up (Desai Vasant 1998) 13.
3.11.1. Central Level Coordination Committee

A Central coordination Committee has been set up with the Minister of Industries as its Chairman and the Development Commissioner (SSI) Ministry of Industries as its member secretary (Pillai, V.R.1986). It reviews the programmes, policies and formalities at central level in the light of experiences gained.

3.11.2. Regional Coordination Committee

Five regional committees have been formed in the country to provide coordination and exchange of information among the different states in the region. The entire country has been divided into five regions, and includes the states mentioned as under:


3.11.22. Eastern Region: - West Bengal, Bihar, Orissa, Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Sikkim, Andaman & Nicobar Islands.

3.11.23. Central Region: - Madhya Pradesh, Rajasthan and Uttar Pradesh.

3.11.24. Western Region: - Gujarat, Maharashtra, Dadra and Nagar Haveli, Goa.


3.11.3. State Level Coordination Committee

Under DIC Scheme the States were advised to constitute state level coordination committees. Accordingly in Kerala State the state level coordination committee was constituted in 1978. In the state level committee, Minister of Industries acts as Chairman. The committee was formed to review the functioning of DIC schemes in the state, and formulate programmes at the state level and report to central government on the progress and problem encountered in the implementation of DIC scheme and solutions identified to enable the central government to review the progress of DIC scheme, from time to time (Development commissioner1985).
3.11.4. District Advisory Committee

At district level, District Advisory Committee headed by District Collector as Chairman was constituted in 1978 to provide suitable arrangement for effective coordination between the DICs and other state government departments, local bodies and non-official agencies. The committee was formed to review the DIC programme and make recommendations for implementation of DIC scheme.

3.11.5. Monitoring Cell at the State Headquarters

A special cell has been constituted in the state level with the main objective of reviewing the progress in various DICs in the state and ensuring adequate exchange of information, so that the experience gained by one DIC could be utilised by other DICs. The cell has to test the information of the DICs regarding the promotional activities as well as achievements. The outstanding achievements and problems are to be intimated to the State Level Coordination Committee.

3.11.6. Monitoring Cell at the Development Commissioner (SSI)

This cell has been constituted at the national level with a view to watch and guide in the implementation of the DIC schemes. The analysis of DIC scheme is made on the basis of monthly and annual progress reports, which are being sent by DICs and proper guidelines were issued to the state governments to ensure the proper implementation of DIC scheme.

From the above discussion, it is observed that the central government has given great importance to DIC scheme. In order to make DIC effective, delegation of powers is required. Accordingly, a brief account of the delegation of powers is given below.

3.12. Delegation of Powers

In order to make DIC effective, arrangements are further made to have adequate delegation of powers from various agencies. For instance the powers for allotment of land, work sheds etc, have been given to DICs. The state government has already delegated administrative powers and some of the financial powers of the...
department of industries. The powers delegated to DICs may be broadly divided into three groups:

3.12.1. Administrative Powers

(a) For running the office of DIC and for efficient discharge of regulatory functions.
(b) To carry out effective promotional and developmental activities.

3.12.2. Financial Powers

(a) Powers of Head of Office in respect of financial matters.
(b) Powers for promotion and developmental activities.
(c) Powers under the provision of Import Trade.

3.12.3. Control Policy

(a) Powers under Indian cooperative societies.
(b) Miscellaneous including those delegated by other departments.

Almost all the states have delegated administrative and financial powers to the General Managers of DICs, but administrative and financial powers for the promotional and development activities have not been delegated adequately or formally over the states (SIDO 1985-86)\(^6\).

The researcher feels that the adequate delegation of powers to the General Manager of DIC is important, so that entrepreneurs may not experience any delay in availing of the assistance from DIC. Further adequate delegation of powers may develop more interest, enthusiasm and job satisfaction for managers of DICs, otherwise they may feel themselves as messengers and not managers.

3.13. Development of Linkages

The State Government has been advised to take initiative in developing linkages with State and Central Institution and take steps for coordinating their activities with those of the other bodies concerned with decentralised industrial sector. There should be a fuller integration of the DIC programmes, which will have an impact on the development of small and cottage industries. The Government of Tamil Nadu has issued
instructions for reserving purchases of the Government Departments, Boards, Corporations, etc, exclusively from cottage and small industries in respect of 13 groups of items. It has also simplified procedures, so that no permission is required for establishing units involving an investment of less than Rupee one lakh. The DICs are actively engaged in developing linkages with programmes exclusively meant for artisans, e.g. the Integrated Rural Development Programme. To provide additional marketing outlets for the products of rural artisans and tiny units, the DICs have been involved in the establishment of rural marketing and service centres. The procedure and performa for obtaining small loans have been simplified to meet the requirements of most of the units. A scheme of composite loan up to Rs.25000 for equipment or working capital or both has been introduced.

3.13.1. Training

To ensure that the functional managers in the DICs have a clear idea of their duties and that they effectively discharge their responsibilities, it has been proposed to conduct training programmes for them. The first such training course for General Managers was arranged at Hyderabad and Ahmedabad.

In order to ensure that the General Managers and Functional Managers have a clear idea of their duties and they effectively discharge their duties, special training programmes were organised by reputed organisations in the country. The training programmes included the communications of knowledge of the concept and policies of the DIC programme, behavioural sciences, and technical component of the respective disciplines of the Managers participating it.

3.13.2. Recommendations of the Working Group

The Working Group on the delegation of powers to District Industries Centres and linkages with Central and State Government organisations was set up at the Workshop on Industries Centres which was convened in Delhi on 6th and 7th March 1978. This Working Group was comprised of:
3.13.21. Secretaries of Industries from the State Government of Uttar Pradesh, Gujarat and West Bengal, and
Representatives from the Department of Economic Affairs, Department of Supply, the Reserve Bank of India, National Small Industries Corporation and the Development Commissioner, Small Scale Industries. The Working Group held its first meeting in New Delhi on 23rd March 1978. Among its recommendations on the question of powers to be delegated to the DIC to finalise the sanction and disbursement of loans, it was decided, after considerable discussions of the various implications, to make the following recommendations.

3.13.221. The project of new entrepreneurs should be appraised by officers of the DICs. If they are found to be viable and bankable the party's banker, if any, or the State Financial Corporations or both, if necessary, should be invited to the DIC to participate in the proceedings for their final clearance. If a project is cleared, the decision of the DIC should be accepted by all without any further scrutiny. If an entrepreneur does not have any banker, it should be the responsibility of the DIC to invite the bank in the district to join the proceedings for the purpose of a financial assessment of the project, and financial assistance should be extended, thereafter, by the participating bank or SFC or both, wherever necessary.

3.13.222. As regards the availability of funds for any individual project, a DIC's decision should commit a bank or SFC, or both where necessary, to the extent of Rs.2 lakhs by way of term loans and an aggregate of Rs.3 lakhs, including working capital loan.

3.13.223. The Working Group also recommended that the powers to sanction loans upto a total of Rs.2 lakhs, including the working capital, should be delegated to the district level officer by the banks and SFCs to ensure that no reference to an authority above all this level may be necessary to sanction and disburse loans upto these amounts.

3.13.224. Under the existing scheme of margin money, the Group recommended that a specific sum of money may be allotted by the concerned Director of
Industries to the DICs to be utilised for margin, so that assistance to the extent of 10 per cent of the total investment, including fixed capital, of Rs.20000--whichever is less--may be disbursed to an entrepreneur by a DIC.

3.13.225. The Group further recommended that all the subsidy schemes, which were being implemented at the state level, should be made at the level of the DIC by a delegation of powers to the General Manager of DIC.

Under the district industries scheme, a Group on "Target Audience and Approach in Rural Areas" was formed, which held a workshop in Delhi. The terms of references of the Group were:

(a) To define the target audience under a DIC
(b) To review the existing facilities under the various programmes as backward areas of developments, rural artisans and rural industries projects for the target population and
(c) To suggest package of Assistance for the Target Audience.

In the area of financial assistance, Group suggested that:

(i) The nationalized banks may be asked to provide loans upto Rupees 1 lakh of the amount of investment in plant and machinery at 10 per cent interest without demanding any collateral security.

(ii) Loans advanced by banks to the target population may be recovered as areas of land revenue.

(iii) No collateral security should be demanded from the entrepreneurs for the state aid.

(iv) In a district in which a district industries centre has been set up, the deposit investment ratio of the nationalized bank should be 1:1.

(v) At the state levels 15 per cent of the funds of the nationalized bank should be earmarked for rural industrialisation.

(vi) The nationalized banks may be asked to operate the IDBI's refinance scheme on loans given to the tiny and small entrepreneurs so that the advantages available through the IDBI's refinance scheme are passed on to the small and tiny entrepreneurs.
(vii) Under the lead bank scheme, it may be made mandatory for banks in a district industries centre to adopt each block. For villagers which are located in interior, the nationalized banks in the districts may operate a mobile van scheme; each bank van may visit each village twice a week, collect deposits and advance loans to small and cottage industries.

(viii) The banks operating agricultural branches may be asked to give industrial loans to small and tiny entrepreneurs through such branches.

3.13.3. Linkage with other state level organisations

The DIC maintains a very close link with other state level organisations such as State Financial Corporations (SFC) and State Small Industries Development Corporations (SSIDC). These state level organisations work in close cooperation with the DIC and provide all the necessary assistance to their General Manager so that all the inputs of these organisations are also made available to the entrepreneurs under the DIC.

The linkages among Government, State Financial Corporations (SFC), Small- Scale Industries Development Corporation (SSIDC), Bank, DIC and Small scale sector are shown in the figure 1 given below.

Linkage with state level organizations

The function of the DICs is to help small industries and rural artisans in backward areas. So far various facilities for the development of small industries have benefited mainly the more well to do entrepreneurs who manufacture sophisticated items in the small scale sector. The DIC must help the weaker section of the community in rural and backward areas so that they may get all the assistance they need to set up village industries and improve their own economic condition.

3.14. Organisational Set up of DIC

The DIC scheme was started as a centrally sponsored scheme, but the responsibility for its implementation has been entrusted with state governments. Under the organisational set up suggested by Government of India, each DIC includes a General Manager who is assisted by seven Functional Managers' to deal within the following subjects:

1. Economic Investigation
2. Machinery and Equipment
3. Research, Extension and Training
4. Raw-materials and Infrastructure
5. Credit
6. Marketing and Ancillary
7. Technical Officer

The number of functional managers was kept flexible keeping in view of the size, population and potentialities of various districts and this number varies from four to seven (DC,SSI 1980).¹⁷

3.15. Restructuring of the DIC

The organisational structure of DICs was reviewed during the year 1980 and it was decided to restructure their composition and functioning to make them more relevant to the area with effect from 1st April 1981.

In order to have an intensive review of the working of DICs and to make it the base for restructuring of DICs, a study was conducted by the Ministry of Industries, to collect information and views of all the state governments in respect of the performance and other promotional aspects of the DIC programme. The Study Team...
selected one from each from the Northern, Central, Western, Southern and Eastern regions of the country. The Study Team comprises of the representatives of the Ministry of Industries, Ministry of Commerce, Ministry of Rural and Reconstruction, RBI and Development Commissioner, Small Scale Industries. The selected DICs were Anantnag in Jammu and Kashmir, Alwar in Rajasthan, Surendernagar in Gujarat, Sundargarh in Orissa and Ramanathapuram in Tamil Nadu. It was, therefore, decided to modify the organisational structure of DICs. The restructured DICs would have a General Manager and four Functional Managers, of which there would be mandatory in the fields of

1. Economic Investigation
2. Credit and

The state Governments were free to appoint a fourth manager for any of the other areas such as raw materials, marketing, training, information and infrastructure, depending upon the specific requirements of each district.

In 1984, on the basis of the observation of Coordination Committee of the DICs, a more positive role was assigned to the DICs in the seventh plan, which emphasises the need for greater delegation of powers to the DICs by the State Government particularly relating to raw materials, allotment of industrial sheds, power, margin money, investment subsidy and incentives. The DICs are being restructured to make them technically and professionally competent. With a view to enable the DICs to recruit project managers (Technical) and other functional managers of desired calibre etc. The ceiling on Central Assistance for establishment expenditure has been raised (Government of Kerala 1986)\textsuperscript{18}.

3.16. Performance of DIC

Efforts have been made to cover each district in the country with a District Industries Centre. The performance of the DIC during the last 20 years has been presented in Table 3.2.

Over the years the DICs have identified 79.84 lakh entrepreneurs; new provisional registration was done in the case of 47.95 lakhs, number of units established 23.54 lakhs small scale industries and 57.27 lakhs artisan units by providing credit of Rs.230.94 crores. The additional employment generated was of the order of 197.43 lakhs.
If these figures are to be believed, the performance of the DICs are exemplary and it also indicated that the country has abundance of entrepreneurial and artisan talent. At this rate, the country should have prospered immensely, but that is not happened. Thus it can be presumed that the figures are deceptive. There is something missing and a correct picture is not seen emerged. The gap between the other statistics is quite wide and beyond comprehension.

**Table 3.2**

**DIC’s Physical Achievements**

<table>
<thead>
<tr>
<th>Year</th>
<th>No.of Entrepreneurs identified, (Lakhs)</th>
<th>No of New Provisional Registrations done (Lakhs)</th>
<th>No. of units established</th>
<th>Credit Provided by Financial Institutions (Rs.Crore)</th>
<th>Additional Employment generated in Lakhs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978-79</td>
<td>----</td>
<td>------</td>
<td>0.26</td>
<td>0.62</td>
<td>0.88</td>
</tr>
<tr>
<td>1979-80</td>
<td>----</td>
<td>------</td>
<td>0.27</td>
<td>1.50</td>
<td>1.77</td>
</tr>
<tr>
<td>1980-81</td>
<td>2.93</td>
<td>1.53</td>
<td>0.6</td>
<td>1.78</td>
<td>2.38</td>
</tr>
<tr>
<td>1981-82</td>
<td>3.49</td>
<td>1.89</td>
<td>0.7</td>
<td>2.38</td>
<td>3.08</td>
</tr>
<tr>
<td>1982-83</td>
<td>3.65</td>
<td>2.7</td>
<td>0.74</td>
<td>2.91</td>
<td>3.65</td>
</tr>
<tr>
<td>1983-84</td>
<td>5.17</td>
<td>3.01</td>
<td>0.75</td>
<td>2.74</td>
<td>3.49</td>
</tr>
<tr>
<td>1984-85</td>
<td>5.22</td>
<td>3.42</td>
<td>0.91</td>
<td>2.86</td>
<td>3.77</td>
</tr>
<tr>
<td>1985-86</td>
<td>4.64</td>
<td>3.72</td>
<td>0.97</td>
<td>2.65</td>
<td>3.62</td>
</tr>
<tr>
<td>1986-87</td>
<td>5.11</td>
<td>3.74</td>
<td>1.06</td>
<td>3.16</td>
<td>4.22</td>
</tr>
<tr>
<td>1987-88</td>
<td>5.29</td>
<td>3.48</td>
<td>1.24</td>
<td>3.59</td>
<td>4.83</td>
</tr>
<tr>
<td>1988-89</td>
<td>5.3</td>
<td>3.13</td>
<td>1.21</td>
<td>3.01</td>
<td>4.22</td>
</tr>
<tr>
<td>1989-90</td>
<td>5.08</td>
<td>2.71</td>
<td>1.22</td>
<td>3.01</td>
<td>4.23</td>
</tr>
<tr>
<td>1990-91</td>
<td>4.88</td>
<td>2.54</td>
<td>1.20</td>
<td>3.13</td>
<td>4.43</td>
</tr>
<tr>
<td>1992-93</td>
<td>4.22</td>
<td>2.18</td>
<td>1.46</td>
<td>3.28</td>
<td>4.74</td>
</tr>
<tr>
<td>1993-94</td>
<td>4.10</td>
<td>2.01</td>
<td>1.56</td>
<td>3.33</td>
<td>4.89</td>
</tr>
<tr>
<td>1994-95</td>
<td>4.00</td>
<td>1.99</td>
<td>1.62</td>
<td>3.2</td>
<td>4.82</td>
</tr>
<tr>
<td>1995-96</td>
<td>4.20</td>
<td>2.03</td>
<td>1.79</td>
<td>3.56</td>
<td>5.35</td>
</tr>
<tr>
<td>1996-97</td>
<td>4.30</td>
<td>2.80</td>
<td>2.18</td>
<td>3.68</td>
<td>5.86</td>
</tr>
<tr>
<td>1997-98</td>
<td>3.64</td>
<td>2.7</td>
<td>2.32</td>
<td>3.89</td>
<td>6.21</td>
</tr>
<tr>
<td>Total</td>
<td>79.84</td>
<td>47.95</td>
<td>23.54</td>
<td>57.27</td>
<td>81.08</td>
</tr>
</tbody>
</table>

3.17. Package of Assistance offered by DICs.

It is a matter of gratification that a DIC aims at providing all types of assistance as far as possible and practicable at pre-investment and post-investment stages at district level. This is discussed below:

3.17.1. Assistance offered at Pre-Investment stages:

With the formation of DICs, the change took place in the mode of registration as the powers have been decentralised. At present the registration is granted by the DIC concerned. It is explained hereunder:

3.17.1.1. Grant of Registration

With the establishment of DICs powers have been delegated to this agency to make a registration. Therefore, the primary function of DICs is to grant registration to the entrepreneurs, so that entrepreneurs can avail of the special incentives offered by government for the development of small scale industries.

The registration of small scale industries is done in two stages:

3.17.1.1.1. Provisional Registration

Provisional registration is accorded in order to enable an entrepreneur to take the necessary steps to bring the unit into existence. "Provisional Registration" is converted into a "Permanent Registration" after the unit provides satisfactory proof of its having come into existence. Government has introduced "Single Window System" to obtain all licences / clearances / certificates required for an industry within a prescribed time limit. The provisional registration is valid for one year which can be extended to two years by the intervals of six months. Total validity is three years. But the extension of period is subject to the production of satisfactory proof that the party is taking active steps to establish the unit but could not complete the same (DI&C 1998).19

Provisional Registration may entitle the party to
(a) Apply for a shed in industrial estate and material for construction of shed.
(b) Apply to Corporation/ Municipal or Local authorities for permission to construct the shed for the establishment of the unit.

(c) Apply for power connection.

(d) Apply for financial assistance to banks and other financial institutions on the basis of project report as may be required by them.

(e) Apply to National Small Industries Corporations (NSIC) or other institutions for procuring machinery on hire purchase basis.

(f) Take other steps that may be necessary for the establishment of the unit.

3.17.112. Permanent Registration

When the party has taken all the steps to establish the unit, i.e. when the factory building is ready, power connection has been given, the machinery has been installed etc., he may apply for the regular registration of the unit. Powers have been delegated to DICs for issuing the Permanent Registration Certificates.

On the receipt of application from the unit-holder, the Manager of DIC inspects the unit. On being satisfied that the unit is capable of production activity, a "Registration" certificate is issued.

All registered units are required to submit half-yearly reports of the raw materials received/utilised, stock in hand, production and sales to DIC. Failure to submit such statements within the prescribed period may constitute adequate ground for refusing to sponsor application for import/allocation of raw-materials (DIC 2001)20. SSI registration fees are given in Table 3.3.
Table 3.3

SSI unit’s registration fees in Kerala.

<table>
<thead>
<tr>
<th>Serial Numbers</th>
<th>Description of units</th>
<th>Registration of units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Units having investment in machinery and equipment upto Rs. 2 lakhs</td>
<td>Rs. 100/-</td>
</tr>
<tr>
<td>2</td>
<td>Above Rs. 2 lakhs but below Rs. 10 lakhs</td>
<td>Rs. 500/-</td>
</tr>
<tr>
<td>3</td>
<td>Above Rs. 10 lakhs but below Rs. 25 lakhs</td>
<td>Rs. 1000/-</td>
</tr>
<tr>
<td>4</td>
<td>Above Rs. 25 lakhs but below Rs. 50 lakhs</td>
<td>Rs. 2000/-</td>
</tr>
<tr>
<td>5</td>
<td>Above Rs. 50 lakhs</td>
<td>Rs. 4000/-</td>
</tr>
</tbody>
</table>

Source: G.O.M.S. No.665/99/ Fin dated 1.3.99.

Record numbers of 99909 units were provisionally registered in the state, which reflects the intentions of potential entrepreneurs to start small scale units (DI&C 1999).

3.17.113. Deregistration of Units

The DIC has been empowered to de-register any unit if it fails to fulfil its requirements. Thus a small scale unit already registered may be deregistered on any one or more of the following grounds:

1. If the unit remained closed continuously for a period exceeding one year.
2. If the unit has been proved to have misutilised raw materials allocated to it.
3. If the unit failed/refused/avoided to give full and truthful information as called by the registering authority from time to time and particularly the half yearly report.
4. If the unit is found to be a subsidiary of or owned or controlled by medium and large scale industries.
5. If the fixed investment in plant and machinery exceeds the fixed investment ceiling prescribed in the definition of small scale industries.

The orders for deregistration are signed by the General Manager of DIC, where the unit is situated. However, the General Manager is should send a show cause notice to the party and give 30 days time for reply.
3.17.114. Grant of Registration for units intending to expand / diversify

The DIC has laid down a complete system of procedures for introducing any kind of diversification or expansion in the units. Thus, according to those norms, a unit which wants to expand by increasing the production of the item for which it is already registered need not obtain any fresh registration or any endorsement on its registration certificate unless it involves the additional plant and machinery and consumption of additional scarce and imported raw materials. A unit which may desire to diversify its production by addition of one or more item for which it was not already registered will have to get its registration certificate duly endorsed for such items after technical inspection.

In case of an entrepreneur who intends to manufacture new products and has installed or proposes to install additional machinery and require scarce raw materials will have to apply to the DIC concerned.

3.17.12. Prime Minister's Rozgar Yojana (PMRY)

The objective of the scheme is to provide sustainable employment to educated unemployed youth in micro enterprises, which will include manufacturing, business and service ventures. An amount of Rs.311.04 crores was sanctioned to 56690 persons and Rs.182.83 crores was disbursed to 34175 beneficiaries for setting up of their own self employment ventures during the period of 1996-1999 (DI&C1999) 22.

3.17.13. Single Window System

Government has introduced “single window system” to obtain all clearances or certificates or licenses required for an industry within a prescribed time limit. It is expected that this will positively change the industrial scenario of the state rapidly.

A green channel committee has been constituted in every district with District Collector as Chairman, General Manager District Industries Centre, as Convener and with the district heads of all related departments as members. The committees facilitate timely issue of licences and clearances and function as a single window for industry.
3.17.14. Preparation of Feasibility Reports

A feasibility report is an appraisal of project based on certain information and factual data. Feasibility report enables an entrepreneur to know the inputs required and if rightly prepared conforms to the conviction that he is proceeding in the right direction. To appraise the units DICs perform the different types of activities. A brief classification of these activities is given below:

(a) Economic and Commercial Analysis: To determine whether the project is sound from the economic point of view and assess the demand and marketability of product.

(b) Financial Feasibility: To determine whether the project is financially viable.

(c) Technical Feasibility: To determine whether the specification of technical parameters are realistic.

(d) Miscellaneous aspects depending upon the peculiarities of a particular area where the project is to be undertaken.

It is generally believed by the financial agencies that the project reports prepared by DICs are not based on factual information and, therefore, most of the cases are refused by financial agencies though recommended by DICs. Cost of project report and technical know-how is subsidised to the extent of 100 per cent from National Research Development Corporation of India (NRDC) and 50 per cent from other approved sources, upto a maximum limit of Rs.10000 (DI&C 2000) 23.

3.17.15. Women Industries Programme

Units which are owned or managed by women and with not less than 80 per cent women employees are considered as women industrial units. There are special assistances to these units, such as

3.17.151. Fifty per cent of the cost of building as grant subject to a maximum of Rs.50000/-

3.17.152. Fifty per cent grant on cost of machinery and equipment subject to maximum of Rs.75000/-

78
3.17.153. Rent grant for four years up to a maximum of Rs.750/- on a tapering basis of 100 per cent for first year, 75 per cent for second year, fifty per cent for third year and 25 per cent for the last and fourth year.

3.17.154. Salary grant to one expert and one manager for four years up to a maximum of Rs.750/- on tapering basis as referred above in the rent grant.

3.17.155. Stipend to trainee's up to maximum of Rs.500/- per trainee per month for six months and maximum wastage allowance of Rs.2000/- per annum. Both stipend and wastage allowance together should not exceed Rs.10000/- per annum per institution.

3.17.156. Fifty per cent of the hire purchase charges limited to a maximum of Rs.25000/- to units housed in Mini Industrial Estates will be sanctioned as grant.

3.17.157. Share capital to Women's Industrial Co-operative Society subject to a ceiling of Rs.3.50 lakhs. The scheme is implemented through district panchayat.

During the period 1996 to 1999, 4431 industrial units were registered under Women Industries Programme. An intensive programme has been launched to generate more employment opportunities to women. In order to achieve this goal, coordinating and monitoring of the implementation of various women employment generating schemes are being operated by various departments and agencies. Government found it necessary to form a state level body and accordingly a state level women cell has been constituted. Units owned and managed by women entrepreneurs are eligible for 50 per cent subsidy for building and machinery (each limited to Rs.25000/-), rent subsidy, managerial grant, stipendiary, training etc (DI&C 1997) 24.

3.17.16. Training and study tour programmes for potential entrepreneurs

If there are some entrepreneurs who are interested in the establishment of a particular unit but lacking the knowledge about it, in this connection, it is pleasure to note that the DICs have made the arrangements for training of those entrepreneurs. The entrepreneurs are sent to the already established units of the same nature for training. Assistance is also provided to the entrepreneurs for acquiring necessary technical know-how.
3.17.17. Training of Managers of Small Scale Industries

According to Singh (1977) 25, more than 60 percent of new units never last over five years and the reasons for majority of failures is a lack of proper organisation and management know-how. Thus DIC organises training courses in reputed training institutions to the managers, executives and assistant executives of small scale units. It is pertinent to state here that small units are mostly managed by owners of the units, but some of them are lacking the efficiency in the field of management. They are overenthusiastic about their projects. Inefficient managers shift their responsibilities to other shoulders and hold external factors responsible for their failure.

3.17.18. Training to various activities

It is a pleasure to note that DICs are imparting training to the boys and girls in various activities viz. leather footwear manufacturing, printing, candle manufacturing etc. Each session of a training course runs for three months to six months and during this period stipend is paid to the trainees.

District Industries Centres organises Entrepreneurial Development Programme (EDP) with the help of Directorate of Industries and Commerce, Small Industries Service Institute, Kerala Industrial and Technical Consultancy Organisation (KITCO), SIDBI, Centre for Management Development (CMD), State Financial Corporations, Commercial Banks and other agencies concerned for the development of awareness in the minds of the people consisting of skilled /semiskilled and educated/uneducated persons. The DICs refer the entrepreneurs to these institutes for seeking knowledge in wide range of subjects.

The manager of Ernakulam DIC has reported that at the instance of DIC Ernakulam the Kerala State Productivity Council conducted a training programme for 30 trainees (SC/ST) each from seven backward taluks. But none of them was able to start units due to the inability of the DIC to provide financial assistance for lack of funds (Government of Kerala 1994-95) 26.
3.17.2. Assistance offered at post-investment stages

3.17.21. Assistance for supply of raw materials

Though there are nearly 2 lakhs registered SSI units in Kerala, many of them are not properly functioning due to shortage of raw materials. In Kerala state raw materials are issued by Small Industries Development Corporation on the basis of assessment made by DICs. General Managers of DICs were authorised to recommend the cases of units directly to those agencies for the supply of raw materials. The supply of raw materials being made by SIDCO is confined to supply of scarce raw materials for SSIs. It is argued that there is a strong need to streamline the activities of SIDCO to procure and distribute raw materials to SSI units. Many small units are facing the problem of lack of raw materials and fall into the category of sick units.

To overcome this problem, the General Manager of DICs should be empowered to recommend the cases directly to the agencies concerned or SIDCO should undertake the supply of all types of raw materials to the units or in alternative DICs should have their own ‘Raw materials Banks’ in order to supply the raw materials of required quality, and at the required time. The establishment of these banks should not only put an end for procedural delay but also provide all facilities to the unitholders under one roof. However the strict vigil of DIC’s on the units is strongly recommended to see that the raw materials allotted to the units are not misused.

In addition to above, DICs also recommend the cases of units requiring imported raw materials to the Director of the Industries and Commerce which, in turn, recommend the cases to the Controller of Imports and Exports for the grant of import licences in favour of the said units. Further Central Sales Tax (CST) charged on the raw materials brought from outside the state is refunded to the unitholders for a period of five years from the date of commencement of production at the rate of 4 per cent of Central Sale Tax.

3.17.22. Supply of machinery on hire purchase

One of the major conclusions of International Planning Team 1953-54 was that deficiencies in small scale industries arose from the then prevailing methods of
production. The reluctance of small units to install modern and up-to-date machinery due to insufficient funds. It was, therefore, against this background that the scheme for the supply of machinery on hire purchase basis was formulated. The unitholder can purchase the machinery from National Small Industries Corporations (NSIC) on hire purchase basis.

The forms for the purchase of machinery from the National Small Industries Corporation (NSIC) are obtained from Small Industries Service Institute (SISI) or Directorate of Industries and Commerce or from the Regional Office of NSIC. These forms are prepared in quadruplicate. The original and two copies of these are submitted to the concerned office of National Small Industries Corporation. The Regional office of NSIC forward two copies of application to the General Manager of DIC. After obtaining recommendation / comments from the Directorate of Industries and Commerce, the application is placed before the State Level Committee (SLC) for consideration. The applications recommended by state level committee are considered for supply of machinery.

From the above discussion it is learnt that DICs also helps the entrepreneurs in the procurement of machinery on hire purchase, but procedure for procurement of machinery from NSIC is circuitous. Due to this lengthy procedure, some entrepreneurs are frustrated and hence give up the idea of procuring the machinery on hire purchase from NSIC. It is, therefore, suggested that the forms for purchase of machinery from NSIC be made available in the office of each DIC. The General Manager of the DIC should be authorized for the submission of the forms directly to the office of NSIC.

3.17.23. Marketing Assistance

Marketing occupies an important place in the management of small scale industries. But, unfortunately, in Kerala the state small scale units suffer much on account of competition. In order to help to boost the products of small scale units DIC have undertaken various activities, which are as follows:

(1) To organize market survey, market development programmes.

(2) To organize market outlets.
(3) To keep and assist small industries in maintaining and developing standards, quality control measures and liaison with testing centres.

(4) To assist small units for participation in purchase programmes of State and Central Governments, Local Bodies and Public Undertaking

In spite of the above activities undertaken by DICs the field survey revealed that unawareness about the procedure for participation, tedious formalities, understandisation of the products and insufficient production have been the main barriers in the way of participation by small unitholders in the purchase programme of the Central Government, though the procedure for participation in Central Government purchase programme has been revised and made easy. Now the units registered with the National Small Industries Corporation (NSIC) would be treated at par with those registered with the Director General of Supplies and Disposals (DGS &D). The application form for registration has now to be submitted to the SISI set up in Thrissur. The application should be considered for supply of machinery on the recommendation of DIC or in alternative of this, the Small Industries Development Corporation should undertake the supply of machinery on hire purchase basis as Uttar Pradesh State Small Scale Industries Development Corporations (UPSICOP) provides machinery on hire purchase basis in UP in collaboration with the State Bank of India.

3.17.231. Exhibition

In order to display the end-product of small scale units and to project achievements made in various other industrial fields, DICs organises the exhibition. The exhibition helps the entrepreneurs in identification of potential avenues of marketing and product development. Additional advantage of exhibition is that the interaction among various unitholders is generated, which augurs well for the development of an industrial culture.

Over and above this, small scale unitholders are provided assistance in other respects discussed as under:
3.17.232. Price preference

In order to compete with the large scale industries, 15 per cent price preference is allowed in the purchase of products by Government and Government-controlled organisations from products of the small scale units registered by the DICs, manufactured within the state. A 5 per cent price preference is allotted to products of industries outside the state and products of large and medium units within the state. No price preference over products of government units. SSI units are exempted from earnest money deposit and security deposit in tenders by government and government-controlled institutions (DI&C 1997) 27. A 2 per cent additional price preference for the product having SSI registration (SIDCO 1991) 28.

3.17.233. Sales Tax exemption

New SSI units other than that notified from time to time set up on or after 1.4.93 are eligible for exemption in KGST, CST, Purchase Tax and surcharge for a period of seven years up to a monetary limit equal to 100 per cent of the fixed capital investment. Existing SSI units which effect expansion, diversification or modernisation on or after 1.4.93 are eligible for three years tax exemption up to a monetary limit equal to the value of machinery and equipments installed for expansion, diversification and modernisation.

3.17.24. Reservation of items

In order to assist the small scale industries for participation in Central Government purchase programme 409 items have been reserved by Central Government for exclusive purchase from small scale units (DCSSI 1997) 23. In addition to this the government has reserved 822 items for exclusive manufacture in small scale units (Nadakarni 1983) 29. Table 3.4 shows the reservation of items (SIDCO) for exclusive production by the small scale sector.

However, the purchases by government from small scale units are possible in case the quality of products are good and supply sufficient. But it has been observed
that the poor quality of goods produced by the small scale units is one of the barriers for participation in the government purchase programme.

Therefore, the role of DICs in this respect is significant. The DICs should ensure the regular supply of required quality and quantity of raw materials. Further the DICs should extend assistance to unitholders in the field of exports. In this connection, the activities of DICs should include dissemination of information about the foreign markets, consultancy service in the matter of export procedures and package of incentives being offered by the government, identification of small scale units already possessing necessary equipments and skills to undertake production of item having export potential, organisation of training programmes on export marketing, maintaining liaison with concerned export development agencies, meetings and seminars on export promotion etc.

**Table 3.4**

<table>
<thead>
<tr>
<th>Years</th>
<th>Number of Items</th>
<th>Addition /Deletion</th>
</tr>
</thead>
<tbody>
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<td>1967-68</td>
<td>47</td>
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</tr>
<tr>
<td>69-70</td>
<td>51</td>
<td>+4</td>
</tr>
<tr>
<td>70-71</td>
<td>124</td>
<td>+73</td>
</tr>
<tr>
<td>73-74</td>
<td>177</td>
<td>+53</td>
</tr>
<tr>
<td>76-77</td>
<td>180</td>
<td>+3</td>
</tr>
<tr>
<td>77-78</td>
<td>504</td>
<td>+324</td>
</tr>
<tr>
<td>78-79</td>
<td>807</td>
<td>+303</td>
</tr>
<tr>
<td>81-82</td>
<td>832</td>
<td>+25</td>
</tr>
<tr>
<td>82-83</td>
<td>837</td>
<td>+5</td>
</tr>
<tr>
<td>83-84</td>
<td>872</td>
<td>+35</td>
</tr>
<tr>
<td>85-86</td>
<td>873</td>
<td>+1</td>
</tr>
<tr>
<td>86-87</td>
<td>863</td>
<td>-10</td>
</tr>
<tr>
<td>Dec 88</td>
<td>846</td>
<td>-17</td>
</tr>
<tr>
<td>Dec 1992-96</td>
<td>836</td>
<td>-10</td>
</tr>
<tr>
<td>March-1997</td>
<td>822</td>
<td>-14</td>
</tr>
</tbody>
</table>

One of the handicaps being faced by industrialists is the lack of space (escalating land value) to carry on manufacturing activities. This difficulty discourages many entrepreneurs in the establishment of their own units, because a lot of money is required to buy land and construct building at a place having all the required facilities, viz. transport, lighting, banks, post office etc. What role is being played by DICs in this respect will be a matter of discussion.

3.17.25. Industrial estate

The entrepreneurs are facing the problem in the selection of suitable locations. The main problems connected with the selection are availability of labour, power, lighting, roads, banks, transport, post office etc. With the establishment of industrial estates a solution to this problem has been found. The industrial estate programme was launched in India in 1955 with the objectives of encouraging the small scale units.

Kerala adopted the industrial estate programme during the Second Five Year Plan, during which seven industrial estates were established in seven districts. Eleven more were established during the Third Plan period. The Industries Department acquired development plots also in suitable areas and allotted them to small scale entrepreneurs on hire purchase basis. This arose the chemical estate at Aroor and the Kalamassery estate at Ernakulam. Functional estates were also organized for rubber and plastics at Changanacherry and for ceramics in Kollam. The first series of seven major industrial estates were constructed by Government, but the second series of eleven estates were constructed by the Kerala State Small Industries Corporation (KSSIC), which was also entrusted with the management of all the 18 estates according to the pattern adopted by the Central Government, when the KSSIC and the Kerala Employment Promotional Corporation (KEPC) was amalgamated in 1975 to form the Kerela State Small Industries Development and Employment Corporations Limited (SIDECO). It becomes the promotional agency for the development of SSI sector and management of all the industrial estates through the concerned DICs. Details of these industrial estates are given in the Table 3.5. The information given in Table 3.5 reveals that there are 348 units in major industrial estates in Kerala out of these 300 units are functioning and 48
units are not functioning. In Mini industrial estates there are 329 units among them 159 are functioning units and 170 units are not functioning.

**Table 3.5**

**Major Industrial Estates in Kerala**

<table>
<thead>
<tr>
<th>Name of the Industrial Estate</th>
<th>Total Number of Units</th>
<th>Units Working</th>
<th>Units Idling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pappanamkode</td>
<td>39</td>
<td>28</td>
<td>11</td>
</tr>
<tr>
<td>Umayanalloor</td>
<td>26</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>Karunagappally</td>
<td>7</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Kollakadavu</td>
<td>26</td>
<td>22</td>
<td>4</td>
</tr>
<tr>
<td>Changanacherry</td>
<td>23</td>
<td>23</td>
<td>-</td>
</tr>
<tr>
<td>Ettumanoor</td>
<td>31</td>
<td>24</td>
<td>7</td>
</tr>
<tr>
<td>Shertallai</td>
<td>13</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Palluruthy</td>
<td>6</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Mudickal</td>
<td>13</td>
<td>13</td>
<td>-</td>
</tr>
<tr>
<td>Kallettinkara</td>
<td>14</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>Ollur</td>
<td>44</td>
<td>43</td>
<td>1</td>
</tr>
<tr>
<td>Karakkad</td>
<td>14</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>Olavakot</td>
<td>22</td>
<td>21</td>
<td>1</td>
</tr>
<tr>
<td>Manjeri</td>
<td>16</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>West Hill</td>
<td>35</td>
<td>33</td>
<td>2</td>
</tr>
<tr>
<td>Palayad</td>
<td>9</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td>Kasargode</td>
<td>10</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>348</strong></td>
<td><strong>300</strong></td>
<td><strong>48</strong></td>
</tr>
</tbody>
</table>

Source: Government of Kerala, (1986): Formulation of the Five Year Plan, 90-95, Background Paper on SSI, State Planning Board, Thiruvananthapuram

3.17.26. **Industrial land and plots/ factory sheds**

Developed land is made available to entrepreneurs at subsidised cost. This is available on outright purchase or on hire purchase basis. The entrepreneur has to make an initial payment of 10 per cent of the cost of land and the balance of 90 per cent has to
be paid in 10 instalments with an interest of 15.5 per cent. Factory sheds with all the infrastructural facilities are also made available to entrepreneurs in the industrial estates and mini industrial estates. Industrial shed will be available for SC/ST categories exclusively on rental basis.

3.17.27. Margin Money Loan (Seed Capital Loan)

All newly registered SSI units other than those categories of industries specifically excluded by the Government shall be eligible for assistance under this scheme. An amount upto Rs.2.5 lakhs at an interest rate of 9 per cent will be extended to the units. The loan is to be repaid in sixteen equal quarterly instalments. The first instalment due is 3 months after the date on which the last instalment of term loans fell due and shall full originally scheduled by the bank/finance institutions or on completion of the 51st month of disbursement of Margin Money Loan (MML), whichever is earlier. Penal interest is 2.75 per cent. Margin Money Loan is also paying to Non Resident Keralites (NRKs). This scheme is to assist the technically qualified Non Resident Keralites (NRKs). The limit is Rs.5 lakhs. Interest is 9 per cent and penal interest is 2.75 per cent.

3.17.28. State Investment Subsidy

New industrial units are eligible for an investment subsidy of 10 per cent subject to a maximum of Rs.5 lakhs. But units set-up in the industrial parks, growth centres and units set-up in Idukki and Wayanad districts are eligible for a maximum of Rs.10 lakhs and for thrust industries like Export Oriented Units (EOUs), Rubber Based Units, Information Technology, Food Processing, Ready Made Garments, Tourism, Ayurvedic Medicines, Mining, Light Engineering, Bio Technology, Sea Foods etc. The ceiling of investment subsidy is 15 per cent subject to a maximum of Rs.15 lakhs except of IT. Thrust sector industries in Idukki and Wayanad districts are eligible for 25 per cent State Investment Subsidy subject to a maximum of Rs.25 Lakhs.

3.17.29. Sick Unit’s Revival Programme

Industrial sickness may manifest in several forms depending upon the cause and nature of sickness. "A sick unit is an unhealthy unit to a common man, a profit-
postponing unit to an investor, a discouraging unit to an industrialist, a doubtful debtor
and a weak borrower to a creditor, an industrial problem to the government; a victim of
technological change to a technocrat, a bad employer to workers and a source of wastage
of resources to the economy” (Reddy 1987) 30.

In terms of the definition evolved by the Reserve Bank of India, an
industrial unit is regarded as sick if it has incurred cash loss for one year and in the
judgment of bank, it is likely to continue to incur cash loss in the two following years
and it has imbalance in its financial structure as current ratio being less than 1:1 and
worsening debt-equity ratio.

Available data on Indian industrial scenario indicate that industrial sickness
has been growing. Industrial sickness continues to remain a major area of concern.
During 1998-2000 Kerala Government has already created professional groups in the
state at the district level, to provide necessary assistance to sick SSI units. The
specialised teams will survey individual sick units and also incipient sick units suggest
appropriate measures for revitalizing and will help in preparing feasible revival project
report and provide them with necessary marketing support. As a result 856 units were
identified as sick, 152 units were registered as sick and 42 units were revived for the
period from 01.04.1998 to 31-12-1999. At present Rs.1 lakh is given as margin money
loan under Sick Unit Revival Programme. Also rescheduling facility and deferment of
recovery action etc. are available. The cost of Rehabilitation Project report subject to a
maximum of Rs.2000/- which will be reimbursed to each unit (DI&C 2001) 31.

From the above discussion it is observed that DICs have been provided with
broad-based organisational structure to carry out various programmes and activities.
DICs play the role of a facilitator for promoting the growth of small scale units within
the district. After a general review of the functions, role and importance of the DICs, the
study goes on to evaluate the performance of DICs in Kerala, and the various
operational problems faced by them, including those related to organisational structure
of the DICs and their working methods in the next chapters.
3.18. References and Notes:-


20. DIC (2001): Information received from the office of the District Industries Centre Malappuram


