A Study of Entrepreneurship Development in Small-scale Industries:

A Case Study of Jalna District.

Chapter No. 4.

Government Policies and Programmes for Entrepreneurship Development in SSI

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Introduction:

The development of entrepreneurship depends very much on organization, education, stimulation and motivation of the clientele through a concerted and systematic approach focusing on individual and groups. The government developmental agencies and institution have made serious attempts to promotional activities are directed towards the financial and physical facilities with a strong belief that there will be an automatic flow of entrepreneurs if such facilities are created especially in the backward states of India. The Government of India has taken many steps through Financial Institutions, public policies and public sector enterprises in accordance with the national objectives to create the climate for the promotion of the entrepreneurial talent in the country. Formation of industrial estates, establishment of financial institutions and institutes for motivation, training and services.¹

Entrepreneur Development Programmes have become a novel approach for harnessing the vast untapped human talent and are of the most talked social development activities. The success of these EDPs depends on proper participant selection, proper training, making suitable organizational arrangement for disseminating information, putting efforts to impart more technical and practical training and providing full assistance not only in
preparation of project reports but also in meeting their financial requirements. The various financial institutions and organizations and the different departments of the central and state governments engaged in entrepreneurship development should establish a greater degree of co-operation, liaison, closer working relationship and better understanding. No tangible results can, therefore, be expected unless all the agencies involved in the task of entrepreneurship development work with determination, and a sense of dedication and commitment.

To accelerate the process of industrialization in the country and also to support economic development, Government at Central as well as State level have made good efforts by way of taking various measures. The strategies worked out in five year plans are the witness in this regards. Government has set up number of promoting agencies and institutions to assist and help emerging and established entrepreneurs to set up and develop their business particularly at Small-scale level. These institutions are supporting the business and industries in various aspects such as training, finance, marketing, etc.
Conceptual Framework:

Small Scale Industries: The small scale industries are playing an important role in the GDP of India. The small scale industries have nearly 40 per cent share in the total industrial output and 35 per cent share in exports. The definition of small scale industries have changed from time to time. The investment ceiling for small scale industries has been enhanced from time to time in view of the changing requirements. Recently, the Government has raised the investment ceiling up to Rs. 3 crores for small scale industries, but reduced to Rs. 1 crore subsequently. Earlier they were classified under two categories:

- Using power with less than 50 employees.
- Using no power, but strength of employees is more than 50, less than 100.

However according to the latest definition a industry is said to be a small scale industry if its investment in fixed assets like plants and equipments either held on ownership terms or on lease or on hire purchase is less than Rs 10 million. And it is also essential that the unit is not controlled by any other industrial unit.
Small Scale Service & Business (Industry related) Enterprises (SSSBEs):
SSSBEs industry related service/ business enterprises with investment up to Rs 500,000 in fixed assets, excluding land and building, are called Small Scale Service/ Business Enterprises (SSSBEs). This limit has been raised to Rs.1 million w.e.f. September 2000.

Ancillary Industrial Undertakings: The following requirements are to be complied with by an industrial undertaking for being regarded as ancillary industrial undertaking: - An industrial undertaking which is engaged or is proposed to be engaged in the manufacture or production of parts, components, sub-assemblies, tooling or intermediates, or the rendering of services and the undertaking supplies or renders or proposes to supply or render not less than 50 per cent of its production or services, as the case may be, to one or more other industrial undertakings and whose investment in fixed assets in plant and machinery whether held on ownership terms or on lease or on hire-purchase, does not exceed Rs 10 million.\(^5\)

Tiny Enterprises: Tiny Enterprises are those whose investment limit in plant and machinery is Rs 2.5 million irrespective of location of the unit.\(^6\)

Women Entrepreneurs: A Small Scale Industrial Unit/ Industry related service or business enterprise, managed by one or more women entrepreneurs in
proprietary concerns, or in which she/ they individually or jointly have a share capital of not less than 51 per cent as Partners/ Shareholders/ Directors of Private Limits Company/ Members of Cooperative Society.\textsuperscript{7}

The Government of India has helped the small scale sector through supportive policy measures since adoption of planned economy model. The basic policy support for SSI sector has its roots in the Industrial Policy Resolution of 1956. Further, the Industrial Policy Statement, 1977, laid emphasis on reservation of items. The reservation of economically viable and technologically feasible products to be exclusively manufactured by SSIs began with a list of 47 items which gradually extended too many products. Presently, 811 items are on the reserved list.\textsuperscript{8} Other policy supports which could be listed are excise exemption, credit under priority sector lending from banks and financial institutions, marketing support through reservation of items for products from SSI sector for government purchases, providing infrastructure facilities like sheds, plots in industrial estates, technological support, new management techniques, training and entrepreneurship development.
Table No. 4.01:

**Key Parameters of Enterprises.**

<table>
<thead>
<tr>
<th>No.</th>
<th>Parameters</th>
<th>Tiny</th>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Investment in Plant &amp; Machinery.</td>
<td>Up to Rs. 25 Lakhs</td>
<td>Up to Rs. 100 to 300</td>
<td>Up to Rs. 5 Crore</td>
<td>Above Rs. 5 Crore.</td>
</tr>
<tr>
<td>2</td>
<td>Employment</td>
<td>Less than 5</td>
<td>Less Than 100</td>
<td>Less than 200</td>
<td>Above 500</td>
</tr>
<tr>
<td>3</td>
<td>Production</td>
<td>Tiny</td>
<td>Small</td>
<td>Medium</td>
<td>Large</td>
</tr>
<tr>
<td>4</td>
<td>Technology</td>
<td>Nil</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>5</td>
<td>Brands</td>
<td>Nil</td>
<td>Rarely</td>
<td>Few</td>
<td>Good</td>
</tr>
<tr>
<td>7</td>
<td>Management</td>
<td>Direct</td>
<td>Professional</td>
<td>Organized</td>
<td>Modern</td>
</tr>
<tr>
<td>8</td>
<td>Gestation</td>
<td>Nil</td>
<td>Short</td>
<td>Medium</td>
<td>Long</td>
</tr>
<tr>
<td>9</td>
<td>Human Resource</td>
<td>Nil</td>
<td>Nil</td>
<td>Fari</td>
<td>Good</td>
</tr>
<tr>
<td>10</td>
<td>Profit</td>
<td>Low</td>
<td>Good</td>
<td>V. Good</td>
<td>Huge.</td>
</tr>
</tbody>
</table>

Source: Desai Vasant - Himalaya Publishing House, New Delhi, p.11
Policy of Reservation:

Reservation of products for exclusive manufacture in the SSI Sector has been one of the important policy measures for promoting this sector. This policy was initiated in 1967 with 47 items which was enlarged to 807 items in 1978. At present 812 items are reserved for manufacture in this sector.\(^9\)

Criteria for Reservation:

The overwhelming consideration for reservation of an item is its suitability and feasibility for being made in the small scale sector without compromising quality aspects.

Review of Reservation List:

After the introduction of economic reforms with emphasis on liberalization, de-licensing and de-regulation, a need was felt by the Government to review the reservation policy. Accordingly, a Committee was constituted under the Chairmanship of Shri T.S Vijayaraghavan, former Additional Secretary in the Ministry of Commerce who has recommended to the Government for de-reservation of 91 items out of 821 items presently reserved in this sector. Another committee known as Expert Committee under the Chairmanship of Shri Abid Hussain was also constituted to review the
policies in the changed economic scenario for SSIs sector who had recommended for total abolition of the reservation for SSIs.

812 products reserved for exclusive production in the small scale sector.

The reserved items fall under the following broad categories:-

i. Food and allied industries;

ii. Textile products including hosiery;

iii. Wood and wood products;

iv. Paper products;

v. Leather and leather products including footwear;

vi. Rubber products;

vii. Plastic products;

viii. Chemical and chemical products;

ix. Glass and ceramics;

x. Mechanical engineering;

xi. Electrical machines, appliances etc.;

xii. Electronic equipments and components;

xiii. Transport equipment, auto-parts, bicycle parts and

xiv. Miscellaneous (sports goods, stationery items etc.)
Traditional and Modern Small Scale Industries and Their Products:

The traditional small scale industries are more labour intensive than capital intensive whereas the modern small scale industries are more capital intensive. The traditional small scale industries use old machinery and their output is also very low. But the modern small scale industries use the modern machinery and the quality of their output is also very good. Some of the traditional small scale industries are that of Khadi and Handloom, coir, village industries etc. The modern small scale industries are that of garments, leather products etc. But in today's scenario, most of the small scale industries in India are modern small scale industries. The products manufactured by these small scale industries are electrical items, hardware, sports goods, stationary items, clocks, watches, automobile parts, chemical products etc. They are also helped by the business enterprises in India in their production.\textsuperscript{10}

Entrepreneurship Development:

Capacity building in the SSI sector, both for entrepreneurs as well as workers, will be given top priority. The Ministry of SSI & ARI and Ministry of Labour will work out the strategy jointly.
Facilitating Prompt Payment:

The Reserve Bank of India is being requested to appoint a Task Force to go into the question of strengthening and popularizing factoring services, without recourse to the SSI suppliers. The Task Force shall give its report within six months of its constitution. RBI is being requested to take up with the banks, the question of sub-allocating overall limits to the large borrowers specifically for meeting the payment obligations in respect of purchases from the SSIs, either on case basis or on bills basis.

Rehabilitation of sick units:

RBI is being requested to draw up revised guidelines for the rehabilitation of currently sick but potentially viable SSI units. Such guidelines should be detailed, transparent and non-discretionary.

Promoting Rural Industries:

To support the Handloom Sector "Deendayal Hathkarga Protsahan Yojna" has been announced. The scheme has a total financial implication of Rs. 447 crores and will provide comprehensive financial and infrastructural support to weavers. The Government is working out new comprehensive package to strengthen Khadi and Village Industries that will further upgrade the skills of Khadi Workers.
**Improving Data Base:**

A fresh Census of Small Scale Industries will be conducted covering inter-alia, the incidence of sickness and its causes.

**Micro, Small and Medium Enterprises (MSME):**

The Micro, Small and Medium Enterprises (MSME) sector has been recognized as engine of growth all over the world. Many countries of the world have established a SME Development Agency as the nodal agency to coordinate and oversee all Government interventions in respect of the development of this sector. In the case of India, also Medium establishment has for the first time been defined in terms of separate Act, governing promotion and development of Micro, Small and Medium Enterprises (MSME) i.e. Micro, Small and Medium Enterprises (MSME) development Act, 2006 (which has come into force from 02nd Oct, 2006) the Office of Development Commissioner (Micro, Small and Medium Enterprises) functions as the nodal Development Agency under the Ministry of Micro, Small and Medium Enterprises (MSME).

Office of Development Commissioner (SSI) was established in 1954 on the basis of the recommendations of the Ford Foundation. Over the years, it has seen its role evolve into an agency for advocacy, hand holding and facilitation.
for the small industries sector. It has over 70 offices and 21 autonomous bodies under its management. These autonomous bodies include Tool Rooms, Training Institutions and Project-cum-Process Development Centers. Office of the Development Commissioner (MSME) provides a wide spectrum of services to the Micro, Small and Medium Industrial sector. These include facilities for testing, tool melting, and training for entrepreneurship development, preparation of project and product profiles, technical and managerial consultancy, assistance for exports, pollution and energy audits etc. Office of the Development Commissioner (MSME) provides economic information services and advises Government in policy formulation for the promotion and development of SSIs. The field offices also work as effective links between the Central and the State Governments.

Consequent to the increased globalization of the Indian economy, MSMEs are required to face new challenges. Office of the Development Commissioner (MSME) has recognized the changed environment and is currently focusing on providing support in the fields of credit, marketing, technology and infrastructure to MSMEs. Global trends and national developments have accentuated Office of the Development Commissioner (MSME)'s role as a catalyst of growth of MSMEs in the country.11
**Organizational Structure of MSME:**

The Ministry of Micro, Small and Medium Enterprises is the administrative Ministry in the Government of India for all matters relating to Micro, Small and Medium Enterprises. It designs and implements policies and programmes through its field organizations and attached offices for promotion and growth of MSME sector. The Office of the Development Commissioner (MSME) is an attached office of the Ministry of MSME, and is the apex body to advise, coordinate and formulate policies and programmes for the development and promotion of the MSME Sector. The office also maintains liaison with Central Ministries and other Central/State Government agencies/organizations financial institutions.

**Institutional Network**

The Development Commissioner have a network of 30 MSME-Development Institute, 28 Br. MSME-Development Institute, 4 MSME-Testing Centres, 7 MSME-Testing Stations, 21 Autonomous bodies which include 10 Tool Rooms (TRs) and Tool Design Institutes, 4 MSME-Technology Development Center, 2 MSME-Technology Development Center-Footwear, 1 Electronics Service & Training Centre, 1 Institute for Design of Electrical...
Measuring Instruments 2 National Level Training Institutes, and 1 Departmental Training Institute and one Production Center.

**State Level Institutional Support:**

State Government executes different promotional and developmental projects/schemes and provides a number of supporting incentives for development and promotion of MSME sector in their respective States. These are executed through State Directorate of Industries, who has District Industries Centers (DICs) under them to implement Central/State Level schemes. The State Industrial Development & Financial Institutions and State Financial Corporations also look after the needs of the MSME sector.

**Services rendered by DC-MSME:**

The main services rendered by DC-MSME office are:

1. Advising the Government in policy formulation for the promotion and development of MSMEs.
2. Providing techno-economic and managerial consultancy, common facilities and extension services to MSMEs.
3. Providing facilities for technology up gradation, modernization, quality improvement and infrastructure.
4. Developing Human Resources through training and skill up gradation.

5. Providing economic information services.

6. Maintaining a close liaison with the Central Ministries, Planning Commission, State Governments, Financial Institutions and other Organizations concerned with development of MSMEs.

7. Evolving and coordinating Policies and Programmes for development of MSMEs as ancillaries to large industries.

**MSME-Testing Centers:**

MSME Testing Centers provide testing and calibration facilities to industries in general and small scale industries in particular for raw materials, semi finished and finished products, manufactured by them. At present there are four MSME-Testing Centers located at Delhi, Mumbai, Chennai and Kolkata. These centers are equipped with the State of art indigenous and important equipments in the disciplines of Chemical, Mechanical, Metallurgical and Electrical Engineering to undertake Performance test, Type test and Acceptance test of semi finished, finished products etc. The centers also undertake calibration works for measuring instruments and equipments confirming to international standards. These centers are accredited by internationally recognized National Accreditation Board of Testing & Calibration Laboratories (NABL) certification as per ISO(17025).
National Institute for Entrepreneurship and small Business Development (NIESBUD):

The National Institute for Entrepreneurship and small Business Development (NIESBUD) was established in 1983 by the Ministry of Industry (now Ministry of Small Scale Industries), Govt. of India, as an apex body for coordinating and overseeing the activities of various institutions/ agencies engaged in Entrepreneurship Development particularly in the area of small industry and small business. The Institute which is registered as a society under Govt. of India Societies Act (XXI of 1860) started functioning from 6th July, 1983.12

Training Programmes of NIESBUD::

A. Trainers Training Programmes:

1. Enterprise Launching and Management.

2. EMT Accreditation Programmes.


4. Self-Employment / PMRY.

5. Project Formulation & Appraisal.

6. Planning & Organizing EDPs.
B. Small Business Promoters Programmes:

1. Entrepreneurship Orientation for Weaker Sections/DWACRA Functionaries.
2. Grassroots’ Management Training.
3. Women Empowerment through Enterprise Development.
4. Orientation Programmes for Voluntary Organizations.
5. Small Business Development.
7. TRYSEM/ISB Beneficiaries.

C. Development Officers Orientation Programmes:

1. DICs-Managers and General Managers.
2. SIDO Officers.
3. Voluntary Organizations.
4. Income-Generating Activities
5. ITI/Vocational Institute Instructors and Principals.
6. KVIC.
7. Performance Improvement and Personal Effectiveness.
8. Techniques for Identification & Selection of Entrepreneurs.
D. Continuing Education Programmes for SSI Entrepreneurs:


2. Opportunity Identification & Guidance.


6. Creative Selling & Promotion for Small Enterprise.


8. TQM for Small Business.


11. Accounting Business and Industry.


13. Managing Finance SSI.


15. Leadership & Team Building Skills for Small Business Owners


18. Small Enterprise Management Assistants Programme

19. Enhancing Productivity & Improving Quality

E. International Training Programmes:


3. Entrepreneurship for Small, Business Trainers/Promoters.


6. Case Development.

7. Curriculum Development.


10. Small Business Planning & Promotion.


F. Entrepreneurship Development Programmes:

These are done on-campus in Delhi or off campus in different locations.

These are of two types:
(a) Target specific such as:

General, Women, Science & Technology Graduates, School Leavers, SC/OBC, Ex-Servicemen (Veterans), Self-Employment (SEEUY, TRYSEM, PMRY etc.)

(b) Product/Process Oriented:

Leather, Builders Hardware, Food, Plastics, Chemicals, Sports Goods, Readymade Garments, Electronics, Information Technology etc.

Ministry of Small Scale Industries:

Ministry of Small Scale Industries is the nodal Ministry for formulation of policy, promotion, development and protection of small scale industries in India. The Ministry of Small Scale Industries (SSI) designs and implements the policies through its field organizations for the promotion and growth of small scale industries. The Ministry also performs the functions of policy advocacy on behalf of small scale industries (SSI) sector with other Ministries/Departments.13

Small Industries Development Organization (SIDO):

SIDO was established in 1954 on the basis of the recommendations of the Ford Foundation. Over the years, it has seen its role evolve into an agency for
advocacy, hand holding and facilitation for the small industries sector. It has over 60 offices and 21 autonomous bodies under its management. These autonomous bodies include Tool Rooms, Training Institutions and Project-cum-Process Development Centers. SIDO provides a wide spectrum of services to the small industries sector. These include facilities for testing, tool-meting, training for entrepreneurship development, preparation of project and product profiles, technical and managerial consultancy, assistance for exports, pollution and energy audits etc. SIDO provides economic information services and advises Government in policy formulation for the promotion and development of SSIs. Consequent to the increased globalization of the Indian economy, small industries are required to face new challenges. SIDO has recognized the changed environment and is currently focusing on providing support in the fields of credit, marketing, technology and infrastructure to SSIs. Global trends and national developments have accentuated SIDO’s role as a catalyst of growth of small enterprises in the country.

The National Small Industries Corporation Limited (NSIC):

The National Small Industries Corporation Ltd., an ISO 9001:2000 Company, was established in 1955 by the Government of India with a view to promote, aid and foster the growth of Small Industries in the country. NSIC continues to remain at the forefront of industrial development throughout the
country, with its various programs and projects, to assist the small scale sector in the country. The Corporation provides integrated Technology, Marketing and Financial support to Small Scale Sector.\textsuperscript{16}

**National Institute for Small Industry Extension Training (NISIET):**

The NISIET, since its inception in 1960 by the Government of India, has taken gigantic strides to become the premier institution for the promotion, development and modernization of the SME sector. An autonomous arm of the Ministry of Small Scale Industries (SSI), the Institute strives to achieve its avowed objectives through a gamut of operations ranging from training, consultancy, research and education, to extension and information services.\textsuperscript{17}

**The Indian Institute of Entrepreneurship (IIE):**

The Indian Institute of Entrepreneurship (IIE) was established in 1993 by the Ministry of Industry, Government of India with its Headquarter at Guwahati to undertake training, research and consultancy activities in the field of small industry and entrepreneurship. The Institute was registered under the Societies Registration Act XXI of 1860. It started its activities from April 1994. Besides the Government of India, North Eastern Council, Small Industries Development Bank of India and the Government of Arunachal Pradesh is its sponsors.\textsuperscript{18}
Small Industries Development Bank of India (SIDBI):

Small Industries Development Bank of India (SIDBI) was established in April 1990 under an Act of Indian Parliament as the principal financial institution for Promotion, Financing, and Development of industry in the small scale sector and coordinating the functions of other institutions engaged in similar activities. Since its inception, SIDBI has been assisting the entire spectrum of SSI Sector including the tiny, village and cottage industries through suitable schemes tailored to meet the requirement of setting up of new projects, expansion, diversification, modernisation and rehabilitation of existing units.

The Khadi and Village Industries Commission (KVIC):

The Khadi and Village Industries Commission (KVIC) is a statutory body created by an Act of Parliament (No.61 of 1956 and as amended by Act No. 12 of 1987). Established in April 1957, it took over the work of the former All India Khadi and Village Industries Board. The broad objectives that the KVIC has set before it are - The social objective of providing employment, the economic objective of producing saleable articles, and the wider objective of creating self-reliance amongst the poor and building up of a strong rural community spirit. The KVIC is charged with the planning, promotion, organization and implementation of programs for the development of khadi and
other village industries in the rural areas in coordination with other agencies engaged in rural development wherever necessary.¹⁹

**Coir Board:**

Coir Board is a statutory body established by the Government of India under a legislation enacted by the Parliament namely Coir Industry Act 1953 for the promotion and development of Coir Industry in India as a whole.²⁰

**Entrepreneurship Development Institute of India (EDI):**

Entrepreneurship Development Institute is an autonomous body set up in 1983, sponsored by the IDBI, IFCI, ICICI and SBI. EDI is a national resource institution committed to entrepreneurship education, training and research, striving to provide innovative training techniques, competent faculty support, teaching and training material, besides sharing benefits of in-house research as well as experience in relevant sphere. EDI has been spearheading entrepreneurship movement throughout the nation. EDI has linkages with a nationwide network of organizations and institutions commuted to entrepreneurship development. It is an interregional centre for entrepreneurship and investment training sponsored by UN Industrial Development Organization and Government of India, a national facility for Science and Technology based
entrepreneurial innovations sponsored by National Science and Technology Entrepreneurship Development Board.\textsuperscript{21}

\textbf{District Industries Center (DICs):}

The District Industries Center programme was started on 1\textsuperscript{st} May 1978 as a central sponsored scheme during the seventh plan period with the government of India sharing its expenditure with the State Government on 50-50 basis. DICs have been established in almost all districts of the country and the total numbers of approved DICs are 422 covering 431 districts.\textsuperscript{22} The main objective of the DIC programme is to develop and promote small, tiny, cottage sector industries in the country and to generate employment opportunities especially among the rural and backward areas of the countries. The DICs are envisaged as a single window interacting agency with the entrepreneur. At the district level, services and support to small entrepreneurs are provided under the single roof through the district industry centers. Registration of small industries is done at the respective district industry centre. DICs play an important role in providing assistance to entrepreneurs at the pre-investment and post investment stages, in setting up industries, particularly in rural and backward areas of the country.
Industrial Policies in India:

The industries (Development and Regulation) Act was first made in the year 1951. Since then, there have been many amendments to the IDR Act 1951 in the form of the policy statements. The Governments major policy statement came from the Industrial policy Resolution of 30th April 1956.23

The specific socio-economic objectives of the policy are as follows:

a. Higher employment generation.

b. Correction of regional imbalances through a preferential development of industrially backward areas.

c. Strengthening of the agricultural base by promoting optimum interspectral relationship.

d. Faster promotion of export oriented and import substitution industries.

e. Consumer protection against high prices and bad quality.

f. Government would devise an early warning system for identifying symptoms of sickness; the merger of sick undertakings which show adequate potential for revival with healthy units would be encouraged.

Policy Support:

The investment limit for the Tiny Sector will continue to be Rs. 25 lakhs. The investment limit for the SSI sector will continue to be at Rs. 1 crore. The Ministry of SSI & ARI will bring out a specific list of hi-tech and export
oriented industries which would require the investment limit to be raised upto Rs. 5 crores to admit of suitable technology up gradation and to enable them to maintain their competitive edge.\textsuperscript{24}

**Fiscal Support:**

To improve the competitiveness of Small Scale Sector, the exemption for excise duty limit raised from Rs. 50 lakhs to Rs. 1 crore.

**Credit Support:**

The composite loans limit raised from Rs. 10 lakhs to Rs. 25 lakhs. The Small Scale Service and Business Enterprises with a maximum investment of Rs. 10 lakhs will qualify for priority lending. In the National Equity Fund Scheme, the project cost limit will be raised from Rs. 25 lakhs to Rs. 50 lakhs. The soft loan limit will be retained at 25 per cent of the project cost subject to a maximum of Rs. 10 lakhs per project.\textsuperscript{25} Assistance under the NEF will be provided at a service charge of 5 per cent per annum. The eligibility limit for coverage under the recently launched Credit Guarantee Scheme has been revised to Rs. 25 lakhs from the present limit of Rs. 10 lakhs. The Department of Economic Affairs will appoint a Task Force to suggest revitalization / restructuring of the State Finance Corporations. The *Nayak* Committee's
recommendations regarding provision of 20 per cent of the projected turnover as working capital is being recommended to the financial institutions and banks.

**Infrastructural Support:**

The Integrated Infrastructure Development (IID) Scheme will progressively cover all areas in the country with 50 per cent reservation for rural areas. Regarding upgrading the Industrial Estates, which are languishing, the Ministry of SSI & ARI will draw up a detailed scheme for the consideration of the Planning Commission. A Plan Scheme for Cluster Development will be drawn up. The funds available under the non-lapsable pool for the North-East will be used for Industrial Infrastructure Development, setting up of incubation centers, for Cluster Development and for setting up of IIDs in the North-East including Sikkim.

**Technological Support and Quality Improvement:**

Capital Subsidy of 12 per cent for investment in technology in select sectors. An inter-ministerial Committee of Experts will be set up to define the scope of technology up-gradation and sectoral priorities. To encourage Total Quality Management, the Scheme of granting Rs.75,000/- to each unit for opting ISO-9000 Certification will continue for the next six years i.e. till the end of the 10th plan. Setting up of incubation Centers in Sunrise Industries will
be supported. The TBSE set up by SIDBI will be strengthened so that it functions effectively as a Technology Bank. It will be properly networked with NSIC, SIDO (SENET Programme) and APCTT. SIDO, SIDBI and NSIC will jointly prepare a Compendium of available technologies for the R&D institutions in India and abroad and circulate it among the industry associations for the dissemination of the latest technology related information. Commercial Banks are being requested to develop Schemes to encourage investment in technology upgradation and harmonise the same with SIDBI. One time Capital Grant of 50 per cent will be given to Small Scale Associations which wish to develop and operate Testing Laboratories, provided they are of international standard.26

Marketing Support:

SIDO will have a Market Development Assistance (MDA) Programme, similar to one obtaining in the Ministry of Commerce & Industry. It will be a Plan Scheme. The Vendor Development Programme, Buyer-Seller Meets and Exhibitions will take place more often and at dispersed locations.

Streamlining Inspections/Rules and Regulations:

To minimize harassment to Small Scale Sector a Group will be set up to recommend within 3 months, means of streamlining inspections. This will
include repeal of laws and regulations applicable to the sector that have since become redundant. Self-certification will be progressively encouraged in lieu of inspections, which should be prescribed under the three following conditions:

- On receipt of specific complaint;
- Selection of unit for sample check; and
- For audit and safety purposes.

**Incentives & Subsidy Schemes offered by the Maharashtra Governments:**

In order to achieve dispersal of industries outside the well developed areas of the State and to attract them to the underdeveloped and developing areas of the State, Govt. of Maharashtra has been implementing the Package Scheme of Incentives since 1964. The talukas in the State are classified into A, B, C, D, D+ and No Industry District. The area "A" is industrially most developed area of the State where as the area classified as "No Industry District" is industrially most backward area of the State. The incentives are offered to the Industrial Units in these areas on graded scales in the ascending order.

Under the last Scheme – the *Package Scheme of Incentives 1993*, the sales tax incentives were offered. The last date for completion of final effective steps under the Package Scheme of Incentives 1993 was 31st March, 2002.
Accordingly, the eligible applicant units who have completed the final effective steps will be entitled for incentives under the Package Scheme of Incentives 1993. In the wake of the national consensus to discontinuing sales tax based incentives, The new scheme – *The Package Scheme of Incentives 2001* effective from 1st April 2001, the classification of areas remaining unchanged, does not provide for sales tax based incentives. Recently Government of Maharashtra has declared Package Scheme of Incentives, 2007 which is to be implemented in the next four financial years starting from 1st April, 2007.27

SICOM has been instrumental in the formulation of the Package Scheme of Incentives over 30 years ago. The organization has been associated with every revision that has occurred in the package since then. The incentives are available to small, medium and large scale units in the Private sector, State Public Sector, Joint Sector and Co-operative sector. As per a recent amendment in the scheme, industrial units applying for incentives will not be eligible to claim any sales tax incentives.

*The salient features of the Package Scheme are listed below:*

*Area Classification:*

Maharashtra State has been classified into A, B, C, D and D+ areas for purposes of incentives. This classification is based mainly on the degree of
development in that particular area. Thus a highly developed area is classified ‘A’ and a least developed area is classified as ‘D+’. Industrial Units in the areas classified as B, C, D and D+ are offered incentives on graded scales in the ascending order, according to size of investments in the category of Small Scale, Medium and Large Scale units.

**Implementing Agency:**

Industries Department is the implementing agency for all projects in Medium and Large Scale and NRI sponsored projects. Implementing agencies for small-scale projects are the District Industry Centers located at the district headquarters of all the districts in Maharashtra. Maharashtra State Financial Corporation (MSFC) is the disbursement & monitoring authority for SSI units financed by it. Maharashtra Tourism Development Corporation (MTDC) is the monitoring agency for tourism projects in the state.

**Exemption from Electricity Duty:**

New industries establishing in C, D, and D+ areas and No-industry District will be exempted from payment of Electricity Duty for a period of 15 years. In other parts of the State, 100 per cent Export Oriented Units, Information Technology and Bio-technology units, and industries setting up in
Special Economic Zone, and Electronic Hardware Technology Parks will be exempted from payment of Electricity Duty for a period of 10 years.

**Waiver of Stamp Duty and Registration Fees:**

At present, IT units in public IT Parks are exempted from Stamp Duty and Registration fees up to 31st March, 2006. New industrial units and expansions were exempted from payment of Stamp Duty and Registration fees up to 31st March, 2006 in C, D and D+ areas and No-industry District. However, 50 per cent of the Stamp Duty and Registration fees will be waived for IT units set up in other IT Parks in talukas /areas in the State in "A" and "B" categories.

**Octroi Refund:**

The scheme of refund of octroi provided under the Package Scheme of Incentives, 1993 included in the new Scheme up to 31st March, 2006 on the same pattern. Where account-based cess or other levy is charged instead of or in lieu of octroi, such charge will also be eligible for refund in the case of octroi.

**Incentives to SSI units: Special Capital Incentives for SSI units:**

New small-scale industries (including IT and BT units) setting up in different parts of the State will be eligible for Capital Subsidy as follows:
Table No. 4.02:

Area wise Capital Subsidy:

<table>
<thead>
<tr>
<th>Taluka/Area Classification</th>
<th>Ceiling as percentage of fixed capital investment</th>
<th>Monetary ceiling (Rs. in lacs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>B</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>C</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>D</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>D+</td>
<td>35</td>
<td>25</td>
</tr>
<tr>
<td>No Industry District</td>
<td>40</td>
<td>35</td>
</tr>
</tbody>
</table>

The subsidy will be disbursed in equal annual installments over 5 years. Existing SSI and small-scale IT and BT units will be eligible for 75 per cent of the subsidy admissible as above for expansion, diversification or modernization involving additional investment to the extent of 25 per cent or more.

**Interest Subsidy to new textile, hosiery and knitwear SSI units:**

New textile, hosiery and knitwear small-scale industries setting up in different parts of the State will also be eligible for Interest subsidy on the interest actually paid to the financial institution/bank on the term loan for creating fixed capital assets, equal to the interest payable at 5 per cent per
annum as stated in the table below. The monetary ceiling will be applicable for the complete period of eligibility.

Table No. 4.03:

Monetary Ceiling- Interest Subsidy To New Textile, Hosiery And Knitwear SSI Units:

<table>
<thead>
<tr>
<th>Taluka/Area Classification</th>
<th>Monetary ceiling (Rs. in lacs)</th>
<th>Maximum period in years</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>B</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>C</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>D</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>D+</td>
<td>25</td>
<td>6</td>
</tr>
<tr>
<td>No Industry District</td>
<td>35</td>
<td>7</td>
</tr>
</tbody>
</table>

**Development of non-conventional energy:**

In order to give an impetus to the development of non-conventional energy, such projects will be eligible for benefits under the new Package Scheme of Incentives.

**Financing of capital incentives and refunds under the Package Scheme:**

A budgetary provision of at least Rs. 200 crores will be made each year from 2001-2002 onwards to meet past commitments and the incentives under
the new Scheme. Additional resources will also be raised through bonds linked with Sales Tax repayments under past Schemes.

**Exemption from Sales Tax for Khadi & Village Industries:**

24 khadi and village industries are exempt from Sales Tax up to Rs. 20 lakhs per annum. Considering the potential of the sector for employment generation and rural industrialization, Sales Tax will also be waived in respect of the 72 remaining industries. This concession would be available to khadi and village industry units registered with and assisted by the Maharashtra State Khadi and Village Industries Board.

**Sales Tax on IT products:**

Up to 31st March, 2006 the Sales Tax rates on IT products would be maintained at the level of the minimum floor rates, wherever applicable. No turn-over tax, additional Sales Tax, surcharge of any other additional levy related to Sales Tax shall be applied to IT products.

**Sick SSI units:**

Issues relating to the rehabilitation of sick SSI units are reviewed in the State-Level Institutional Committee and Sub Committee which has been set-up as an adjunct of the Zilla Udyog Mitras. Sick SSI units taken up for nursing by
the banks and financial institutions are at present eligible for re-scheduling of arrears of Government and electricity dues, to be repaid in 36 monthly installments at 13 per cent interest. The interest rate on the rescheduled arrears will now be reduced to 10 per cent, in all except 'A' areas of the State. The repayment of such arrears would be allowed in 60 monthly installments.  

**Maharashtra Industrial Development Corporation (MIDC):**

In order to achieve planned and systematic growth throughout the state, MIDC is developing industrial areas with essential infrastructure like internal roads, water, electricity and other internal services to entrepreneurs. To achieve decentralized as well as faster industrial development, the State Government is implementing the following important programmes through MIDC:

**Table No. 4.04:**

**Data Regarding MIDC Industrial Areas in the State of Maharashtra. (As on 31\textsuperscript{st} March, 2007.)**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Region</th>
<th>MIDC Industrial Areas</th>
<th>Industrial Units</th>
<th>No. of Plot Alloted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Major</td>
<td>Mini</td>
<td>Growth Centre</td>
</tr>
<tr>
<td>1</td>
<td>Mumbai</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>Konkan</td>
<td>22</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>
In view of globalization, the local industries, specifically MSMEs, need support from the Governments, both at Centre and State. The State Government is taking steps towards ease of administration and enforcement, to minimize compliance burdens, to address competitive concerns, financial and technical support, etc. through the state level agencies like MSFC, MIDC, MSSIDC, etc. and central level financing agencies such as SIDBI, IFCI etc.

**Maharashtra Small-Scale Industries Development Corporation (MSSIDC):**

The Maharashtra Small-Scale Industries Development Corporation (MSSIDC) was set up in the year 1962 with the objective of assisting the development of small scale industries. Maharashtra Small Scale Industries Development Corporation Limited was established in 1962. Initially, it was conceived as an agency for supply of raw materials to SSI Units and also to extend marketing assistance to these units in selling their products. Over the
years, MSSIDC has grown to become India’s leading Small Scale Industries Development Corporation, continuously responding to the expanding and diversified needs of Small Scale Industries, with growing emphasis on assisting village and cottage industries, providing support services like Consultancy, Counseling, Marketing, Training in technical and managerial aspects, Commercial Warehousing, Exports. Imports, Entrepreneurship Development Programme etc. The basic objective was to help the small scale Industries to develop and grow to the fullest extent enabling them to play their role towards realization of the national objective of accelerating the place of Industrial Development, generation of employment and income. For bringing in a revolutionary change in the quality of life of the people in general.²⁹

**The main activities of MSSIDC are:**

- Procurement and distribution of raw materials required by small-scale industries,
- Providing assistance in marketing their products and making available facilities for warehousing and handling of material.
- Assisting small-scale industries for import & export.
- Helping handicraft artisans and
- Organizing exhibitions.
Maharashtra State Khadi & Village Industries Board (MSKVIB):

The Maharashtra State Khadi & Village Industries Board (MSKVIB) was established in the year 1962. The main functions of the Board are to organize, develop and expand activities of Khadi and Village Industries in the state. The board provides financial assistance to entrepreneurs, registered institutions and co-operatives. It also provides technical guidance and training to individual beneficiaries and makes arrangements in marketing of products of village industries. Presently, 116 categories of industries are under the purview of the KVI sector.  

Prime Minister Rozgar Yojana (PMRY):

The Prime Minister’s Rozgar Yojana was launched on Oct. 2, 1993, to provide gainful income and self-employment opportunities through industry, services and business activity to educated unemployment persons. Since Sixth Five year Plan the Planning Commission of India introduced special employment programmes for the weaker section of the society, on micro approach to get the benefit of development and redistribution. By introducing various self employment schemes the Central Government wanted to increase income as well as standards of the life of the people living below poverty line.
Therefore, the initial objective of the self employment schemes is to eradicate poverty.

Among the various self employment Programmes, Prime Minister Rozgar Yojana (PMRY) is one such programme in achieving the goals of self reliance and self development among the youth. The Prime Minister’s Rozgar Yojana was launched on October 2, 1993 by Govt. of India with a view to generate gainful mass employment opportunities through micro enterprises in industry, service and business sectors. This scheme provides the youth of the nation to involve themselves in any worth economic activity by mean of self employment. The scheme basically aims at providing self-employment to educated unemployed youth. Initially, this scheme was experimentally tried out in the State of Maharashtra, where, under the name, Employment Guarantee Scheme, it was successful, The Government of India decided, therefore, to introduce it at the national level. Now The scheme is implemented in the entire State of India.. The Self-Employment to Educated Unemployed Youth (SEEUY) scheme has been subsumed into Prime Minister Rozgar Yojana since 1993-94. Any educated unemployed or a group of educated unemployed can apply for financial assistance under the Scheme. The performance of PMRY during the year 1998-99 to 2006-07 in Maharashtra is given below.
Table No. 4.05:

PMRY Performance Statement in Maharashtra.

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Sanction</th>
<th>% Sanction against target</th>
<th>Disbursed</th>
<th>% disbursed against sanction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-1999</td>
<td>42,500</td>
<td>40,344</td>
<td>94.93</td>
<td>29,395</td>
<td>72.86</td>
</tr>
<tr>
<td>1999-2000</td>
<td>43,600</td>
<td>38,478</td>
<td>88.25</td>
<td>25,674</td>
<td>66.72</td>
</tr>
<tr>
<td>2000-2001</td>
<td>45,000</td>
<td>37,015</td>
<td>82.26</td>
<td>22,224</td>
<td>60.04</td>
</tr>
<tr>
<td>2001-2002</td>
<td>27,900</td>
<td>27,763</td>
<td>99.51</td>
<td>14,375</td>
<td>51.78</td>
</tr>
<tr>
<td>2002-2003</td>
<td>27,650</td>
<td>27,201</td>
<td>98.38</td>
<td>13,803</td>
<td>50.74</td>
</tr>
<tr>
<td>2003-2004</td>
<td>22,800</td>
<td>26,181</td>
<td>114.83</td>
<td>13,892</td>
<td>53.06</td>
</tr>
<tr>
<td>2004-2005</td>
<td>39,000</td>
<td>37,007</td>
<td>94.89</td>
<td>15,984</td>
<td>43.19</td>
</tr>
<tr>
<td>2005-2006</td>
<td>36,000</td>
<td>35,626</td>
<td>98.96</td>
<td>21,941</td>
<td>61.59</td>
</tr>
<tr>
<td>2006-07</td>
<td>38,200</td>
<td>36,750</td>
<td>96.20</td>
<td>21,374</td>
<td>58.16</td>
</tr>
</tbody>
</table>

(Source: Maharashtra at a glance -Sept.-2007, Directorate of Industries.

The overall analysis of growth and development of entrepreneurship in India indicates that in the different states, the number of units promoted by the entrepreneurs is increasing manifold. Their contribution in overall production, employment, investment and exports had a multiplier impact on the different sectors. The different factors had affected the performance of entrepreneurship over a period of time. The government has changed its policy to give a boost to...
the entrepreneurship in the country. With the advent of an era of liberalization and globalization, the small scale entrepreneurs are facing an acute competition.

**Impact of Industrial Reforms:**

In 1991, Industrial Reform was initiated in a big way. Liberalization of the domestic economy made it easy for fresh capacity came up in the form of large units across industry segments. Despite substantial increase in the number of players in each industry segment, the Small scale sector has managed to hold on its own and withstand the onslaught of competition. The post liberalization scenario has witnessed a number of initiatives aimed at easing controls and regulations, supportive measures such as the Delayed Payment Act and schemes for ISO-9000 quality certification and the Prime Minister’s Rozgar Yojana. In certain categories, the SSI units have proved themselves to be extremely adopted at beating large industrial houses, which were enabled to respond promptly to changing market needs or innovate in time; due to the removal of quota regiment from all items imported into India w.e.f. 1st April 2001, the small-scale sector is facing much greater competition. Government of India responded to this situation. It announced to comprehensive policies package in August 2000 to strengthen the small scale sector and enhance its competitiveness both domestically and globally. The policy package provides
for easier access to credit, availability of collateral free composite loans up to Rs. 2.5 million capital subsidies for technology up gradation and improved infrastructure. The SSI sector accounts for about 95 per cent of industrial units in the country, 39.52 per cent value added in manufacturing sector, 34.03 percent of national export and 6.81 per cent of GDP. The size of the total SSI sector is estimated to be over one crore, about 42.26 per cent of these units are SSIs and the rest are small scale services business enterprises. The Service sector emerged as the dominant component in the total SSI sector.

**Maharashtra Centre for Entrepreneurship Development (MCED):**

Maharashtra Centre for Entrepreneurship Development (MCED) is a Nodal Agency promoted by Government of Maharashtra as a joint venture of its State Level Industrial Development Corporations to conduct training activities related to Entrepreneurship Development. MCED conducts a variety of training programs aimed at promoting entrepreneurship across the state, catering to the training related needs of society. To mention a few, Entrepreneurship Development Programme, Skill Development Programme, Performance Improvement Programme, Faculty Development Programme etc. constitute its core activities, which are popular and have been very useful to the entrepreneurs. Apart from this, MCED is instrumental in imparting training to
beneficiaries identified under various Self-Employment Schemes of States as well as Central Government. To promote entrepreneurship on mass level, MCED conducts Awareness Programmes for students in educational institutions. MCED has its own pool of 45 Trainers, accredited by National Level Institutions to impart training for Entrepreneurship Development. Moreover, a dedicated team of around 150 coordinators supported by more than 5000 resource persons covering cross section of entire disciplines drawn from state as well as national level is associated with MCED to help and facilitate the cause of Entrepreneurship Development. To help facilitate the support work, MCED has a Project Officer in each district with office. Additionally the Technical Support Team is a cohesive group of professionals supporting, strengthening and nurturing the network.32

Maharashtra State Financial Corporation:

MSFC is a statutory Corporation set up under the State Financial Corporations (SFCs) Act, 1951. State of Maharashtra (since 1962), State of Goa and the union Territory of Daman & Diu (since 1964) is the jurisdiction of MSFC. The function of MSFC is to provide mainly the term loan assistance to small and medium scale industries for acquiring fixed assets like land, building, plant & machinery. Loans are presently extended for expansion, diversification, technology development, enlarging product mix / product range, quality
improvement including ISO 9000 series certifications and also for Take-Over of Term Loan accounts from Banks, other Financial Institutions in case of good borrowers of the Corporation. Preparation of Project Appraisal / Feasibility Report etc. Besides the Head Office at Mumbai (Bombay), MSFC has 7 Regional Offices and 12 Branch Offices in Maharashtra and Goa. The Regional Offices are located at Aurangabad, Kolhapur, Nagpur, Nashik, Pune & Thane in Maharashtra and at Panaji in Goa. The Branch Offices are located at Ahmednagar, Akola, Amravati, Beed, Chandrapur, Chiplun, Jalgaon, Latur, Nanded, Sangli, Satara and Solapur.

Activities:

- Industrial Activities such as manufacturing, assembling, servicing, processing, preservation, transportation, setting-up industrial estates, etc.
- Activities such as Nursing Homes, Hotels, Restaurants, Tourism Related Activities
- Medical Practitioners are eligible for loan for acquiring Electro Medical and other equipment for professional use.
- Qualified Professionals in Management, Engineering, Architecture, Accountancy etc desiring to undertake expansion of their professional practice / consultancy ventures.
B.T. Park Jalna:

The Bio-Technology Part is established in Jalna for the development of SSI in biotech sector. The characteristics of the B.T. Park are as follows:

- This park focuses on the Agriculture Biotechnology.
- Total 32.90 Hectors of land is developed in first stage.
- The park is located in Jalna, the seed capital of India.
- This park is declared as a Industrial Township with MIDC providing land at concessional rates to help set up common research / scientific facility and for creating an Academic Centre of Excellence in the park.
- The major thrust area of the park will be Gene discovery, Bioremediation, Fermentation Technology, Post Harvest Technology, Bioinformatics & Diagnostics.
- MoU has been signed with MAHYCO to develop the Park and to provide basic infrastructure.
- 11 plots are made available for commercial support services.

References:


31. Dr. Rohini Hattangadi – Entrepreneurship Need of the Hour (2007)–


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