Chapter- 3

ROLE OF FINANCIAL INSTITUTIONS IN THE DEVELOPMENT OF ENTREPRENEURSHIP AND MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)

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Chapter 3

ROLE OF FINANCIAL INSTITUTIONS IN THE
DEVELOPMENT OF ENTREPRENEURSHIP AND MICRO,
SMALL AND MEDIUM ENTERPRISES (MSMEs)

Introduction:

Generally, a 'Financial institution' is established mainly to provide long-term capital for Industries & agriculture. These financial Institutions play an important role in the development of SSIs and entrepreneurship.

They have mostly been set up statutorily by the government but some private sector participation in the ownership and functioning of some of them may also exist. Usually recognized as specialized institution, they are also recognized as "Development Bank" or Term Lending Institution or "Special Development Financial Institution."

In this context Government of India (GOI) started a series of financial institution since independence to provide term finance to the industry such as IFCI, SFCs, ICICI, IDBI, Unit Trust of India (UTI), National Industrial Development Corporation (NIDC) and National Small Industries Corporation (NSIC) etc. which are discussed as under:

Industrial Financial Corporation of India (IFCI):

To meet the longterm finance needs of entrepreneurs several commission and committees such as "Industrial Commission (1916-18), the External Capital Committee (925) and the Indian Central Banking Enquiry Committee (1929-31) had stressed the need for setting up of such institutions, but no action was taken by the Government. But the greater need to finance the over-worked units during the Second World War period forced the Government to set up Industrial Finance Corporation of India, which came into existence on the 1st July 1948. The Corporation came into existence with an aim to provide medium and long term credit to large scale
industries, organized as public limited companies or cooperative societies in India, engaged or proposing to engage in manufacturing, preservation or pricing of goods, mining, generation and distribution of electric power or any other source of power, shipping and hotel industries in India particularly in circumstance when normal banking accommodation is inappropriate or resource to capital issue method is impracticable.

IFCI is the first term-financial Institution which was set up in July 1948 by the Government of India under the IFCI Act 1948 with objective of providing medium and long-term loans to largest small Industrial concerns in the private sector. However, joint and public sector also have been made eligible for its assistance. It provide direct rupee and foreign currency loans for new industrial projects and for expansion, diversification, renovation and modernization of existing units. It also underwriter and directly subscribe to industrial security, provided financial guarantees merchant banking services and leave finance.

Main resources of the IFCI are:

(a) Loan from RBI,
(b) Share capital,
(c) Repayment of loans,
(d) Retained earning,
(e) Loan from Government,
(f) Lines of credit from foreign lending agencies; and
(g) Commercial borrowings in international capital market.

It has introduced a number of financial promotional schemes on its own. The letter includes eight consultancy fee subsidy schemes, and two entrepreneurship development schemes. It has formed IFCI Financial Limited.

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The constitution of IFCI was changed in 1993 from a statutory corporation to a company under the Companies Act to encash greater flexibility. In future the IFCI Ltd. would lay emphasis to cater the needs of small & medium enterprises and serve as a mid-corporate specialist. As an end-March 2003, the principal holders of the total paid-up capital of IFCI Ltd. along with share were IDBI (18.96%) Nationalized Banks (19.89%) SBI (9.69%) LIC (5.02%) GIG site subsidiaries (5.97%) and so on.

Functions of Industrial Finance Corporation of India (IFCI):

The Corporation performs the following functions: (1) Underwriting the shares, bonds or debentures of industrial enterprises; provided such stocks, shares or debentures are disposed of by the Corporation within a period of seven years from the date of acquisition, (2) granting loans or subscribing to the debentures of industrial undertakings repayable within a period not exceeding 25 years, (3) guaranteeing loans traded in the public market by the industrial concerns, repayable within 25 years or raided from scheduled banks or State co-operative banks, (4) subscribing directly to the stock or shares of any industrial concerns, (5) guaranteeing deferred payments in respect of import of capital goods' by industrial concerns who are able to make such arrangements with foreign manufacturers or in connection with the purchase of capital goods manufacturing in India, (6) guaranteeing loans raised from any banks or financial institutions in and country outside India, (7) acting as the agent of the Central Government and IDBI in respect of loans sanctioned by them to industrial concerns, (8) undertaking Merchant Banking Operations, (9) providing technical and administrative assistance to any industrial concern for the promotion, management by expansion of any industry, and (10) undertaking research and surveys for evaluating or dealing with marketing or investments and
undertaking and carrying out techno-economic studies in connection with
the development of industry.²

Table 3.1 Showing Financial Assistance Sanctioned and Disbursed by IFCI

<table>
<thead>
<tr>
<th>Year</th>
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<td>2007-08 P</td>
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Source: RBI

Table 3.1 shows that in 1990-91 the total amount sanctioned by IFCI
was Rs. 242.8 crores which rose to 2550.5 crores in 2007-08 and financial
disbursed during 1990-91 was Rs. 1574.3 crores which went upto Rs. 2280.1
crores in 2007-08

National Industrial Corporation (NIDC):

The NIDC was set up in October 1954 as statutory Corporation owned
by Government of India.

Functions of NIDC:

(i) To formulate and execute projects for setting up new industries,

² Khairoowala, Ziauddin, Role of Financial Bodies in Capital Market Industry and Economics,
Feb., 1982, pp 35-36
Graph 3.1 showing Financial Assistance sanctioned and disbursed by IFCI (Source: Table 3.1)
(ii) To provide consultancy services

(iii) To finance the rehabilitation and modernization of certain Industries, such as cotton & Jute textiles and machine tools. It is a financial PSU, a wing of Ministry of Commerce & Industry, Government of India.

**Industrial Development Bank of India (IDBI):**

For coordinating the activities of the existing financial institutions, it became necessary to set up a new financial institution. Hence, a decision was taken by the Government of India in pursuance of the above object, to set up a new institution to be called Industrial Development Bank of India. The Government of India introduced the IDBI Bill in Parliament in February 1964 initiating discussion on the Bill, the then Finance Minister emphasized the need for an institution like Development Bank to arrange medium and long-term loans for industries.

The IDBI was set up as wholly-owned subsidiary of the RBI on July 1, 1964, under an act of Parliament. In February 1976, the IDBI was declined from the RBI and since then, it has become apex institution in the field of industrial finance. The Bank was taken over by the Government of India in 1976.³

The main object of setting up this institution have been to bridge the gap between demand and supply of finance by providing direct financial assistance to industrial concerns wherever necessary and to bring into existence an apex body to coordinate activities of various financial institutions providing term finance to industries. Therefore, IDBI has been created not only as a financial agency but also for the purpose of integrating activities of all the financial institutions providing short, medium and long-term benefits for the industry.

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Functions of IDBI:

The main function of the Industrial Development Bank of India, as its name itself suggest is to finance Industrial enterprises in both private and public sector. Financial assistance is provided either directly or through special financial institutions.

(a) Direct Assistance: IDBI assists Industrial unit directly by way project loan, underwriting of and direct subscription to industries securities (Share & Debentures) soft loans, technical development fund loans and equipment finance loan.

IDBI provides direct assistance for project costing more than Rs. 3 Crore under the Project finance scheme.

(b) Indirect Finance: IDBI Indirect assistance is provided basically to tiny, small and medium enterprises mainly.

(i) By way of refinance of Industrial loan granted by SFCs, SIDCs, and commercial banks, co-operative banks an RRB.

(ii) Rediscounting of bills arising out of sale of Indigenes machinery a deferred payment basis.

(iii) Seed Capital assistance to new enterprise never generally through SFCs & SIDCs.

(c) Special Assistance: IDBI Act 1964, provide Development Assistance fund. This fund to be used by the IDBI to assist those Industrial concerns which are not able to secure funds in the normal course either because of heavy investment or low rate of return both.

(d) Direct Assistance to Industries: The IDBI has been empowered to finance industrial concerns directly under the following structural arrangements: (i) To grant financial accommodation up to a 16 year period for export of capital goods and other commodities, (ii) To grant loans or to subscribe to the shares and debentures of industrial concerns. Such loans, advances, and debentures can be convened into equity shares at the option of the Bank, (iii) To underwrite new issues of Industrial
concerns and accept, discount or rediscount bonafide commercial bills or promissory notes of industrial concerns, (iv) To guarantee deferred payment due from industrial concerns for loan raised by them in the market or from scheduled banks etc.

(e) **Assistance to other financial institutions**: IDBI has carried out the following refinancing functions: IDBI can refinance term advances of 3 to 25 years maturity made to industrial concerns by IFCI, SFCs and other financial institutions which may be notified by the Government. It can similarly refinance term loans of 3 to 10 years maturity made by scheduled banks and State Co-operative Banks. It can also refinance export credit of 15 years' maturity where primary lending institutions grant loans to persons in India and to persons outside India repayable within a period of 12 years.

(f) **Creation of Development of Assistance funds**: The Bank created a development assistance fund in 1965 with an initial contribution from Central Government. This fund is intended to provide assistance for industries which for various reasons like, heavy investment involved or low anticipated return on capital, may not be able to obtain funds in the normal course. The prior approval of the Central Government is necessary for any assistance from the Fund.

(g) **Soft loan scheme**: The soft loan scheme came into existence in November 1976 for financing the modernisation programme of five selected industries, namely, cotton, textiles, jute, cement, sugar and specified engineering industries. The scheme aims at modernisation, replacement and renovation of industry which has become necessary to achieve a more economic level of production in order to enhance their competitiveness in domestic and international markets.

(h) **Technical Development Fund Scheme**: Technical Development Fund Scheme was introduced in March 1979 with the object of promoting fuller capacity utilization, technologies upgradation, and export development. The
fund can provide foreign exchange for small value imports with the object of procuring technical know-how, foreign consultancy service, drawings and designs.

(i) Automatic Refinancing Scheme: The main features of Automatic refinancing scheme are as follows: (a) Sanction and disbursement of refinance in respect of loans upto Rs. 5 lakhs from the eligible institutions to small scale industries including those in the tiny sector which are normally covered under the IDBI Credit Guarantee Scheme, (b) The IDBI will not levy commitment charges on credit institutions in respect of refinances under the ARS (c) Only one general agreement will be taken from the eligible institution covering drawals of refinance under different schemes of the IDBI.

(j) Rediscounting: IDBI has introduced a scheme for rediscounting of bills against the sale of machinery to enable the indigenous machine manufacturing industry to purchase equipment on deferred payment basis.

Table 3.2 Showing Financial Assistance Sanctioned and Disbursed by IDBI

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<td>$6183.3</td>
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Source: RBI
Graph 3.2 showing financial assistance sanctioned and disbursed by IDBI
(Source: Table 3.2)
Table 3.2 shows that in 1990-91 the IDBI sanctioned Rs. 6278.3 crores which rose to Rs. 10799.0 crores in 2004-05 and financial disbursements during 1990-91 was Rs. 121.2 crores which went upto Rs. 6183.3 crores in 2004-05. There has been a significant increase in total financial assistance sanctioned and disbursed by IDBI.

**Small Industries Development Bank of India (SIDBI):**

The SIDBI was set up in October 1989 under the act of Parliament as a wholly-owned subsidiary of IDBI. It is the principal financial institution for promotion, financing and development of Industries in the small scale sector. SIDBI also coordinate the activities of agencies which provide finance to small enterprises. In pursuance of the SIDBI (Amendment) Act 2000, 51.1 percent of the share of SIDBI held by IDBI have been transferred to select public sector banks, LIC, GIC, and other Institutions owned and controlled by the Control Government.

The main objectives of SIDBI are to serve 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. The Bank, right from its inception has strived to make effective use of the existing network of institutions serving the small scale sector. Further the bank has collaborated with various national and international development organisations to synergise the efforts in serving the small scale sector. The network of SIDBI consists of 5 regional offices (Appendix III) and 73 branches with its head office at Lucknow. It extends reliance assistance through 888 primary lending institutions such as commercial banks, SFCs which in turn have over 60,000 branches throughout India.

SIDBI was ranked 21st in terms of assets, 34th in terms of capital among the 50 development banks of the world by ‘The Banker’, London in its May 1997 issue. The schemes of assistance of SIDBI for the small scale sector is through three routes.
Indirect assistance, namely, refinance and bills rediscounting is channelised by SIDBI through a network of 888 primary lending institutions including banks and state financial corporations which have over 65,000 outlets. While direct assistance is through its own network of 38 offices (5 regional and 73 branch offices) in India.

Development and support services of SIDBI are focussed at enterprise promotion with emphasis on rural industrialization, HRD of small scale industry sector, technology upgradation, special emphasis programmes like quality and environment management and information dissemination.

The programmes for enterprise promotion include microcredit schemes, rural industries programmes, Mahila Vikas Nidhi and entrepreneur development programmes. Programmes for HRD of SSIs are Small Industries Management Assistance Programme (SIMPA) and Skill-cum Technology Upgradation Programmes (STUP). Quality and environment and management programmes and workshops on quality management technology and assistance to create awareness among the SSIs for abatement of environmental pollution and information dissemination aims at promoting new units by identification and publicity of viable project ideas and business opportunities through publication of project profiles, broadcasting, Udyog Sadhana-radio programmes and production of video films on various entrepreneurship themes and telecasting them through electronic media. SIDBI also coordinates its efforts with the non government organisations (NGOs), marketing and training institutions, research organisations, etc., for effective reach.

It a prate two funds. Small Industries Development Fund and Small Industries Development Assistance Fund. The operation of the farmed and national Equity Fund which were earlier looked after by the IDBI are now handled by the SIDBI. The financial assistance is channeled through the existing credit delivery system consisting NSIC, SFCs, SIDCs, SSIDCs, commercial bank, Cooperative banks and RRBs. The total number of
Institution eligible for assistance from SIDBI is 869. It discounts and reads counts bill assisting from the sale of machinery to small units extends seed/capital /soft loan assistance through National Equity Funds through seed capital scheme of specialized lending Institution, refinances loans and provides services like factoring, leasing & loan.4

Functions of Small Industries Development Bank of India (SIDBI):

The major function undertaken by SIDBI are as following-

(i) Refinancing of term loans granted by banks & other eligible financial institution namely SFCs and SIDCs.

(ii) Direct discounting as well as rediscounting of bills arising out of sale of machinery or capital equipment by manufacturing in small Scale Sectors on deferred credit.

(iii) Equity type assistance under National Equity Funds by way of seed capital to entrepreneurs.

(iv) Rediscounting of short term bills arising out of sales of products of Small Scale Sector.

(v) Resources Support to National Small Industries Corporation & institution concerned with small industries.

(vi) Share capital & recourses support with small Industries.

State Financial Corporations (SFCs):

The State Financial Corporation (SFCs) are state level financial institutions playing an important role in the development of small & medium enterprises in their respective state in tandem with national priorities. There are 18 SFCs at present. Seventeen (17) of them have been set up under State Financial Corporation Act 1951, by the respective state govt. as region of institution. The Tamil Nadu Industries Investment Corporation Ltd. set up in 1949 under companies Act as Madras Industrial Investment

Corporation also function as SFC. They play an effective role in the development of small and medium enterprises and bringing about regionally balanced economic growth.

**Assistance Provide by SFCs:**

SFCs aim at wider dispersion of small scale industries within each state they meet term credit needs of such units. SFCs provide assistance to small scale industries by way of soft loans, direct subscription to equity share /debenture guarantees, discounting of bills of exchange and seed capital /special capital. Their main objectives are to finance and promote these industries in the state for achieving the balanced growth. The activities of SFCs were under the overall control and supervision of the IDBI and RBI till about 1990 after which the SIDBI and RBI have been performing the overseeing function.

SFCs operate a number of schemes of refinance and equity type assistance on behalf of IDBI/SIDBI. Beside, they also have special scheme for artisans and special target groups such as SC/ ST women, ex-servicemen, physically handicapped etc. Over the year, they have diversified their activities and increased the scope and coverage of their assistance.

The annual growth rates of their sanctions and disbursements have been quite high (13 to 45 percent) most of the year.

Under the single window scheme of SIDBI, SFCs have also extending the working capital along with term loan to mitigate the difficulties faced by SSIs in obtaining the working capital limits on time.

**State Industrial Development Corporation (SIDCs):**

State Industrial Development Corporations were established under the Companies Act as wholly-owned undertaking of the state government. The SDCs acts as catalysts for Industrial development and provide impetus to
investment in their respective states the first SIDC was established in Bihar in 1960.5

Besides SFCs there are 28 State Industrial Development Corporations (SIDCs) which promote states and also provide financial assistance to small scale units. Now there are 28 SIDCs in the country, these are in Andaman and Nicobar, Arunachal Pradesh, Goa, Mainpur, Meghalya, Mizorum, Nagaland, Tripura, Pondicherry and Sikkim function as SFCs.

The main objectives of SIDCs are as follows.
1). To develop Industrial Areas.
2). To ensure Market Facilities.
3). To establish New Development Centres.

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

The State Industrial Development Corporations are in the forefront of the industrialization in the state. SIDCs/SIICs were established under the Companies Act 1956 as wholly owned undertaking of the state government. They act as a catalyst for industrial development in their respective States. SIDCs provide land, infrastructure facilities like factory sheds, developed plots, roads, power, water supply, drainage and other amenities.

SIDCs were set up mainly to cater to the financial requirements of medium and large-scale industries. But they also provide assistance to small-scale sector by way of term loan, subscription to equity and promotional services.

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

State Small Industrial Development Corporations (SSIDCs) were set up under the Companies Act 1956 as State Government undertakings. They are mainly concerned with the needs of small, tiny and village industries in the State/Union Territories. SSIDCs are operationally flexible and can undertake a variety of activities for the overall development of the SSIs

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sector. They provide assistance to small-scale sector and act as promotional agencies. The activities of SSIDCs are both assistance-oriented and promotional in nature.

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

- State Infrastructure Development Corporation.
- State Export Corporation.
- State Cooperative Banks.
- Regional Rural Banks.
- Agro Industries Corporations.
- Handloom and Handicraft Corporations.

**Small Industries Development Organization (SIDO):**

SIDO was established in 1954 on the recommendations of the Ford Foundation team of Government of India for the development of SSIs. It is headed by the Development Commissioner (SSI) who is an ex-officio Additional Secretary to the Government of India. That is the reason, the office of the Development Commissioner (SSI) is generally known as SIDO.\(^6\)

It is the nodal organization, which implements Central government policies. It operates through a network of 30 small industries services institutes (SISIs), 28 branches of SISIs setup in states capital.

Pioneering the institutional infrastructure for the development of small scale industries at the central level is Small Industries Development Organisation at New Delhi with a large number of field outfits and subordinate formations providing a wide ranging techno-economic consultancy services and support. SIDO is headed by the Development Commissioners, Small Scale Industries and is an attached office of the Department of Small Scale Industry, Agro and Rural Industries, Ministry of

\(^6\) SIDO, Various Annual Reports.
Industry, Government of India. It is an apex body and a nodal agency for formulating, coordinating and monitoring policies and programmes for promotion and development of small scale industries. SIDO renders comprehensive services including consultancy in techno-economic and managerial aspects, training common facility services, testing and tooling facilities, marketing assistance, etc., for small scale units. These services are provided through a network of field agencies and institutions created for the purpose. Important among them are Small Industries Service Institutes and Branch Small Industry Service Institutes, Regional Testing Centres and Field Testing Stations, Tool Rooms and Tool Design Institutes and Process-cum Product Development Centres.

SISIs are 28 in number and branch SISIs 30—which are set up in state capitals and other places all over the country. The important functions of these institutes constitute conducting EDPs and promotional programmes, providing technical support and consultancy services to entrepreneurs and conducting state industrial and district industrial potential surveys. There are four regional testing centres and ten field testing stations providing testing and consultancy facilities and conducting training programmes. The tool rooms and tool design institutes assist in tool design, manufacture of tools, figs, fixtures, etc., provide training facilities to tool makers and offers consultancy.

The product-cum-process development centres serve as Research and Development (R&D) Institutions in areas of dense industry clusters. They aid in product design and innovation, product and process improvement and development of improved packaging technology, manpower development and training, etc. Apart from the above field agencies, there are other associated specialised institutions like National Small Industries Corporation (NSIC), New Delhi providing machinery for small scale industries on hire purchase basis, marketing support, technology assistance, equipment leasing, etc. National Institute for Entrepreneurship and Small Business Development, New Delhi and National Institute of Small
Industry Extention Training, Hyderabad for entrepreneurship development and training and SIDBI for financing SSI projects. Coordination between central and state/union territory governments is effected by SSIs Board which is an apex advisory body constituted to render advice to the government on all issues pertaining to small scale sector.

In addition there are a large number of organisations and institutions in States/Union Territories to provide various specialised inputs and services like the DICs, Small Industry Development Corporations, State Small Scale Industries Development Corporations, Commissioners and Directorates of industries, etc. Apart from organising entrepreneurial development and training programmes and offering technical and testing assistance, SIDO also organises awareness and motivational programmes to educate and train the small scale industries in the matter of pollution abatement and energy conservation programmes keeping in view the high cost of energy and high levels of energy consumption in some of the specific industrial sectors, namely, foundry, forging, re-rolling, glass/ceramic/porcelain industries, plywood industries, etc. In addition Awareness and Educational programmes on total quality management and ISO-9000 are organised and SSIs are given financial support by way of reimbursement of 75 per cent of their expenses for obtaining ISO-9000 certification subject to a maximum of Rs. 75,000.

The main function of SIDO is as follows:

- It is evolving an all India policy and programme for the development of SSIs.
- Maintaining liaison with different state and central Ministries, Planning Commission, RBI and financial institution.
- Coordinating the various programmes and policies of State Government.
- Dissemination of economic information.
- Assisting SSI units in technological upgradation by providing quality tool facility.
- Increasing efficiency of SSI units by providing consultancy and common service facilities in the areas of design and production of tools
- Monitoring the Prime Minister Rojgar Yojna (PMRY)
- Helps in preparation of project file.
- Helps in skill development
- Helps in entrepreneurship development and management training.

**Small Industries Services Institutes (SISIs):**

The SISIs were set up in state capitals and other industrial cities in the country. There are all together 28 SISIs and 30 branch SISIs in India. Their performances are overseen by the office of the DC (SSI).

The main functions of SISIs include:
- Technological development services and consultancy services
- Interface between Central and State Government.
- Entrepreneurship Development programme.
- Promotional programmes.
- Ancillary development.
- Promotion of export.

**Small Scale Industries Board (SSIB):**

SSIB was set up in 1954. This board facilitates the coordination and inter-institutional linkage for the development of SSI sector. Union Minister of Industries (India) is the Chairman of SSIB. It also includes State Industry Ministers, selected members of Parliament, Secretaries of various departments of Central Government, Financial Institutions, Public Sector Undertakings (PSUs), Industry Association and eminent experts in SSI sectors as the member.

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

PPDCs have been set up to look into specific problems of an industry, develop new technologies, render technical support services, and manpower
development. PPDCs have been set up at 6 places to provide services to SSIs these are at Meerut (sports goods), Ramnagar (electronic), Agra (foundry), Mumbai (electrical instrumentation), Firozabad (glass industry) and Kannauj (essential oil).

**National Small Industries Corporation (NSIC):**

The Government of India established NSIC in 1955, its aim is to promote, aid and foster the growth of SSIs in the country. It helps the SSIs through its various programmes and project. NSIC plays a very important role through modernization, technological upgradation, quality consciousness, strengthening linkages with large and medium enterprises and boosting exports of products from small enterprises.

Formerly the corporation had four subsidiary corporations at Delhi, Mumbai, Calcutta and Madras. However, since 1961 all the subsidiary corporations have been amalgamated with the main corporation and three branch offices have been set up at Mumbai, Calcutta and Chennai. The Delhi subsidiary corporation has been merged with the parent corporation and its work is looked after by a separate Delhi Cell set up in it.

The National Small Industries Corporation Ltd. (NSIC) was established by the Government of India in Feb. 1955. The main objectives of NSIC are to aid, counsel, assist, finance, protect and promote small scale industries in the country.

The Corporation provides support to small scale sector in the following areas:

1. Supply of both indigenous and imported machines on easy Hire-purchase items. Special concessional terms have been introduced for units in backward areas and also for units promoted by entrepreneurs from weaker sections of society.

2. Marketing of small industries products, based on consortia approach.

3. Export of products from small industries and developing export worthiness of small scale units.
4. Enlisting the competent units and facilitating their participation in Government stores Purchase Programmes.

5. Developing prototypes of machines, equipment and tools which are then passed on for commercial production.

6. Training in several industrial trades.

7. Development and upgradation of technology for projects based on wastes.

8. Supply and distribution of indigenous and imported raw material.

9. Setting up small scale industries in other developing countries on turnkey basis.

Training Centres of NSIC:

The National Small Industries Corporation (NSIC) is presently running four Prototype Development and Training Centres in Okhla (New Delhi), Rajkot, Howrah and Madras. The objectives of these centres are as:

(a) To impart practical and class room training in several industrial trades. Special training programmes have been introduced for rural artisan (b) To develop prototypes of machines, equipment and tools. These prototypes are then passed on to manufacturing units for commercial production, (c) To provide common facilities in such areas as testing machining castings, electroplating etc. (d) To take up production of machines and equipment partly or fully as per market acceptability, (e) To install testing and inspection facilities for use by small scale units, (f) To develop technology and equipment in such critical areas as waste utilisation, energy-saving etc., and, (g) To design, develop and produce improved tools for use by rural artisans for increasing their productivity and earning capacity.

NSIC's Common facilities and Training Centres:

NSIC has now taken up a programme to make the services of its PDFCs available in industrially backward areas. A Common Facilities and Training Centre (CFTC), a Sub-centre of Prototype Development and Training Centre, Okhla has been set up in Kashipur in Udhamsingh Nagar
district of Uttarakhand, this CFTC is located in a central place and as such, its services are available to other towns such as Moradabad, Dhampur, Bijnore, Ramnagar, Haldwani, Rudrapur, etc. The Centre has the following objectives:

(a) To provide technical training in metal-working trades with provision for introducing wood-working trades at a later stage; (b) to take up courses for upgradation of skills; (c) to provide common facilities in precision machining sheet metal work, welding, forging etc; (d) to take up development of improved tools and equipment for raising productivity and product quality; and (e) to take up programmes for upgradation of technology and methods of production for the benefit of artisans in rural and hilly areas. Training Programmes of CFTC: The training programmes at the Centre are as under:

(i) One year general course in machining, burning, fitting, forging and welding, (ii) Four-month courses in turning, machining and welding (iii) Four-month upgradation courses.

The main State Government agencies are as follows:

District Industries Centre (DICs):

In May 1978 DIC was initiated for the promotion of small scale and cottage industries beyond big cities and state capitals to the district headquarters. It was started as a centrally sponsored scheme with the aim of developing small, tiny and cottage industries in the country.

The District Industries Centres (DIC) Programme was launched on 1st May, 1978, with a view to providing an integrated administrative framework at the district level which would look at the problem of the industrialisation in the district in a composite manner. Till then, the entrepreneurs had to run to several agencies, many of them away from their sites for getting the facilities available for small entrepreneurs and had to approach various authorities for this purpose. Under the new programme of DIC, the entrepreneurs will get all the facilities and assistances under one
roof at the district and sub-district level. The main purpose of the programme is to weave all the Government functionaries in a single institutional framework so that the District Industries Centres can act as a focal point for the entire industrial growth of the district. The centres provide all services and support required by small entrepreneurs which include identification of a suitable scheme, preparation of feasibility report, arrangements for supply of machinery and equipment, provision of raw materials, credit facilities and inputs for marketing and extension services.

For effective functioning of the DICs, by and large, the State Governments have delegated most of the administrative and financial powers of the Department of Industries as well as these under the Import Trade Control Policy to the General Manager and functional managers so that all the inputs are provided to the entrepreneurs on the spot without referring the matter to the State level or the Central level. The State Governments have also developed linkages with the State and Central institutions for close inter-meshing of their activities. Efforts have also been made for fuller integration of the DIC programme with the Integrated Rural Development Programme and other programmes having impact on the development of small and village units.

Basically, the DIC Programme is a Centrally sponsored scheme which would be implemented by the respective State Governments under the overall coordination of the Central Government.

A DIC is manned by a General Manager supported by seven functional Managers.

The General Manager is the head of the institution and holds a key position, coordinating the work of all the functional managers and has close linkage with different agencies dealing with the development of small, cottage and village industries.

The DIC Programme is monitored at the District level, State level, Regional level and at the Central level. This is being done so that it is
ensured that the DICs work effectively to meet the objective for which they have been set up. A Central Coordination Committee has been set up with the Minister of Industry as its Chairman and the Development Commissioner (Small Scale Industries), Ministry of Industry as its member secretary. Similarly, State level committees have been set up with the Chief Minister or Minister of Industries as the Chairman. The District Advisory Committees will have District Collector as the Chairman and will provide guidance to the DICs on various aspects of development. The entire country has been divided into five regions: Northern, Eastern, Central, Western and Southern.

**Main services of DICs are:**

- Provide machinery and equipment
- Economic investigation of local resources
- Provide raw material
- Marketing
- Quality input
- Consultancy and extension services.

**Functions of the District Industries Centres (DICs):**

The main functions of the DICs are enumerated as follows:

1- To survey existing traditional and new industries, raw materials, and human resources to identify schemes and give a market forecast for different items and to prepare sample techno-economic feasibility reports and to offer investment advice to entrepreneurs.

2- To assess the requirements of machinery and equipment for various types of small scale, tiny and village industries to assess sources of availability of machinery and equipment for different machines to advise entrepreneurs, to liaise with Research

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7 Developing Commissioner (SSIs), *Incentives for Small Industries in Backward Areas*, April, 1981, p.33
Institutions regarding research and development, arrange machinery on hire-purchase basis.

3- To arrange for training courses for entrepreneurs of small and tiny units and liaise with SISIs, SIET, and other institutions. To keep abreast of research and development in selected product lines and quality control methods.

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

5- To liaise with lead banks and other financial institutions, apprise applications, monitor flow of industrial credit in the districts and to the entrepreneurs.

6- To organise marketing outlets, to liaise with Government procurement agencies, convey market intelligence to the entrepreneurs, organise market surveys, market development programmes, etc.

The DIC has a very close link with other State level organisations like State Financial Corporation and State Small Industries Development Corporation, etc. These State level organisations work in close cooperation with the DIC and provide all necessary assistance to the DIC so that all the inputs of these organisations are also made available to the entrepreneurs under DIC.

Performance:

The DIC framework has been designed to take up a systematic programme of identifying new entrepreneurs in the rural areas. Once such an identification is made, DICs, go a long way with entrepreneurs in providing them all assistance required for engaging themselves successfully in the chosen activities. Identification and development of entrepreneurship has, therefore, been given a place of prime importance in the DIC programme. In addition, the DICs are assisting the Integrated
Rural Development (IRD) and the Training of Rural Youth for Self Employment (TRYSEM) authorities in selection of beneficiaries from the target groups and making adequate arrangement for their training as well as their follow up. \(^8\)

DICs were supposed to function effectively as a single window clearance. But, unfortunately, in the majority of the States power had not been delegated as a result of which even minimal dispensing function of providing land, power, water, raw materials etc. were not being performed by the DICs. \(^9\)

According to S.S. Verma, the then D.C. (SSI), "the largest amount of money for any single activity in the small industries field in the sixth plan had been earmarked to the DIC programme. The total number of the DICs was 392 extending coverage to 405 districts in all. Although the DICs thus covered practically the entire country, their working and progress had not been uniform. \(^10\)

**Suggestions for Better Performance of the DICs:**

A Working Group was set up by the Government to suggest ways for effective working of the DICs. The main recommendations of the working group were as follows: \(^11\)

1. Restructuring of DICs.
2. New thrust in DIC programme.
4. Training of DIG Personnel.

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Uttar Pradesh Small Industries Corporation (UPSIC):

A State Undertaking, the U.P.S.I.C., is a multi-service agency with an objective to promote, stimulate and accelerate the development of small industries in the State. It provides following assistance to small entrepreneurs:

1- Procurement and supply of scarce raw materials.
2- Import of raw materials on behalf of small units.
3- Supply of machines on Hire-Purchase basis.
4- Package assistance like interest subsidy, margin money, sheds, finances from banks in industrial complexes.
5- Establishment of joint sector projects in backward areas.
6- Running of commercial undertakings such as electro-planting plant, sports goods factory, wood seasoning plants, etc.
7- Assist small units in marketing their products.

To assist small entrepreneurs in setting up new units and to encourage the expansion of existing units, the corporation in collaboration with State Bank of India arranges to supply machinery on Hire-Purchase basis on liberal terms.

Under its marketing assistance scheme, the Corporation assist small entrepreneurs in marketing of their products to the various departments of Central and State Government, Semi-Government Organisations and other bulk consumers. Units registered with the Corporation under this scheme are provided with following facilities.

1. Free tender enquiry relating to supplies through the Directorate of Industries, U.P. and D.G.S.D., Government of India.
2. Price Preference of 15% over large scale units.
3. Suitable orders in specific items based on bulk orders received by the Corporation.
To encourage the development of entrepreneurs in the backward areas of the State, the Corporation has also entered the field of direct investment participation. Under this scheme, the Corporation seeks to establish new industries in collaboration with local entrepreneurs of the backward areas. In such units, the local entrepreneur has 49 per cent of the share while the Corporation has 51 per cent of the share of the equity. Once the unit goes into production and becomes viable, the local entrepreneur can buy out the share of the Corporation to become the sole owner of the unit. So far, the Corporation has established many joint sector projects in backward areas of the State.

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

In 1983, the Ministry of Industry, Government of India established National Institute for Entrepreneurship and Small Business Development (NIESBUD) for entrepreneurship development especially in area of SSIs.

NIESBUD was established as an apex body to co-ordinate the activities of various institutes and agencies engaged in entrepreneurship development to organise and conduct training programmes for them. The Institute is registered as a society under Government of India Societies Act, XXI of 1860 and started functioning from 6th July, 1983. It is also the secretariat of the National Entrepreneurship Development Board the apex body which determines policy for entrepreneurship in the country. The institute provides training to various target groups by evolving standardised model syllabi for the respective groups. The programmes organised by the Institute are government funded and its training activities are restricted to stimulating, supporting and sustaining entrepreneurship, in areas where the demand for such programmes is high or where there are no organisations conducting such programmes.
NIESBUD plays a supportive role in developing the efficiency of organisations which are directly or indirectly engaged in promoting entrepreneurship. The main objectives of the Institute are to accelerate the process of entrepreneurship development and to support and help institutes/agencies involved in entrepreneurship development to improve their efficiency. The other objectives are to evolve standard processes of selection, training, support and sustenance to potential entrepreneurs, to provide vital information and to provide functional forums, for interaction and exchange of experiences helpful for policy formulation and modification at various levels. The policy direction and guidance to the institute is provided by its governing council whose chairman and vice-chairman are the Union Industry Minister and Union State Minister of Industry respectively.

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

National Institute of Small Industry Extension and Training (NISIET) was set up in the early 1950s at Hyderabad for the training to entrepreneurs, managers, and various development functionaries of State Government, financial institutions and other agencies.

NISIET was established as a Central Training Institute (CTI) in 1960. It aims at providing training initially for officers of SIDO. Later the activities were expanded and was renamed as SIET and later declared as NISIET.

The major activity of the institute is to provide entrepreneurial training and to meet the varied requirements of entrepreneurs. A number of new programmes were planned which covered almost all aspects such as development, management documentation and behavioural aspects. North East regional centre of NISIET was set up at Guwahati during 1979 as to develop that region. Major part of training takes place at the Institute which has facilities like well-equipped seminar rooms, Audio-visual section for providing training, a documentation centre and a hostel attached to train 160
participants at a time. The institute organised training programmes for other developing countries of Afro-Asia, the Pacific and the Caribbean regions. The institute organised and conducted ten international programmes of duration of 88 weeks in which 183 officers from 32 countries participated. The centre has been organising a series of EDPs which are jointly sponsored by NEC, IDBI, IFCI, ICICI and department of Industries of the respective state governments of the region.

Entrepreneur Development Institute (EDI)

Entrepreneur Development Institute was set up in May 1933 at Ahmedabad by All India Financial Institutions like Industrial Development Bank of India, Industrial Credit & Investment Corporation of India, Industrial Finance Corporation of India and the State Bank of India.

**Main Functions of EDI:**

The EDI performs the following functions:

1. It trains to new generation of entrepreneurs.
2. It identifies and selects the individual with some entrepreneurial traits and potential for the purpose of training.
3. It conducts result oriented development programmes in enterprise, lacking regions like the Andaman, Kerala, Goa, Sikkim, Bihar and Arunachal Pradesh in a systematic and methodical manner.
4. It is promoting Small Scale Industries in industrially backward and rural areas by developing local, and human resources.
5. It conducts special programmes for Science and Technical graduates for self employment and for existing entrepreneurs.
6. It conducts extension motivation programmes for officers of financial institutions and development organizations.
7. It offers exciting avenues for self help, for Ex-serviceman, war widows, sons and daughters of dead soldiers.
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 inhouse research as well as experience in relevant sphere. EDI has been spearheading Entrepreneurship movement throughout the nation with the belief that entrepreneurs need not necessarily be born but can be developed through well-concerned and well-developed activities.

**Small Industry Extension Training Institute (SIET):**

SIET institute came into existence on ad-hoc basis to support the activities of State Government and Development Corporations with the following objectives:

1. Identification of industrial opportunities.
2. Identification of growth centers.
3. Preparation of regional development plans,
4. Industrial profiles,
5. Feasibility studies,
6. Organisational development, and
7. Designing of information systems.

The Development Commissioner, Small Scale Industries initiated a scheme in 1956 on experimental basis to develop manpower for the small sector. Under the scheme, part time courses in business management were introduced for the proprietors and senior managerial personnel of small industries in the small industry service Institutes (SISIs) at Bombay, Madras, Calcutta and New Delhi. The scheme proved useful and was gradually extended to other institutes. Later on, it was thought that technical training of workers employed in small units and the industrial extension personnel is also essential to enable them to acquire better skills and proper outlook for improving the quality of their services. For this, need was felt of a national level organisation.
In 1959, the Working Group on Small Scale industries (third plan) recommended the establishment of a Central Industrial Extension Training Centre where all the extension personnel could be given training for 8 to 12 weeks so that they could extend their technical and management knowledge efficiently to small entrepreneurs.

**Functions of S.I.E.T.**

S.I.E.T. Institute performs the following functions and activities in Jammu and Kashmir, Karnataka, Nagaland, Manipur Assam, Andhra Pradesh: 1. It provides entrepreneurial development training to the educated unemployed. 2. It provides management counselling for sick industrial units. 3. It conducts training for trainees and consultants for entrepreneurs.

The main objectives of the Institute were defined as follows:

(i) To provide, supervise and plan training for persons engaged in the small industry development and management activities.

(ii) To undertake, sponsor or plan research programmes relating to the development of small industry.

(iii) To execute technical assistance agreement with international or other organisations for provision of services for the development of small industry.\(^2\)

The functional objectives of the Institute have grown to accelerate the growth of Small Industries in the country through training, research and consultancy.\(^3\)

(a) Training: Training has been the major function of institute since its inception. The increasing emphasis on creating self-employment opportunities has induced SIET to train young engineers and technologists with a view to developing latent entrepreneurship, especially in industrially backward areas.


\(^3\) Sharma, S.V.S.; (ed), *Developing Commissioner (SSI) Small Scale Industries*, 1968, pp 209-210
(b) Research: S.I.E.T. undertakes research and survey as essential tools to strengthen its training and also to enhance the effectiveness of its factory as trainers. Some of the areas in which it has done a good deal of study are entrepreneurial development, small industry promotion techniques, industrial dispersal, growth centres, regional development, appropriate technology and management.

S.I.E.T's research is taken up on its own initiative as well as sponsored by the Government and other agencies. It also engages in collaborative research. S.I.E.T. is recognised as a lead Institute for research in entrepreneurial development in eight countries.

(c) Consultancy: The consultancy work in the Institute broadly relates to the following aspects.

(i) Area and regional studies to identify the industries potential,
(ii) Identification of various lines of ancillary development in the large and medium industries under the public and private sectors,
(iii) Integrated development of industrially backward areas with special emphasis on entrepreneurship development,
(iv) In company training programmes to upgrade organisation and skills in the company and the departmental training programme for the officers of industrial units, government departments etc,
(v) Preparation of industrial profiles, feasibility reports industrial manuals, etc.
(vi) Revival of sick units back to health, and
(vii) Collaborative studies with international development and research bodies.

In view of the increasing requests for training research and consultancy services throughout the country, the institute has opened a branch S.I.E-T. Institute at Gauhati, which would cater to the requirements of the North Eastern States.
Small Industries Service Institute (S.E.S.I):

Small Industries Service Institutes are located at Ahmedabad, Bangalore, Kolkata, Cuttack, Guwahati, Hyderabad, Jammu and Kashmir, Indore, Kanpur, Kerala, Ludhiana, Chennai, imparting training to young engineers.


National Productivity Council (N P.C.)

National Productivity Council provides package consultancy services to small scale industries, which are as follows:

1. It trains to young and prospective entrepreneurs.

2. It undertakes market surveys in the state/areas for identifying investment opportunities and consumption patterns for the prospective entrepreneurs.

3. It develops data bank for providing information in respect of investment opportunities and financial resources required for obtaining loans.

4. It undertakes techno-economic feasibility studies either on behalf of prospective or existing entrepreneurs or on behalf of financial institutions.

5. It assists the entrepreneur in repayment of loans in the minimum possible time by helping them in improving the productivity level of their enterprises through periodical visits.

6. It assists the small scale industries in training of workers in specific trades and supervisory and managerial personnel in techno managerial subjects.
7. It assists the existing enterprises in improving their enterprises productivity level through training and consultancy services; and assisting them in market studies and Sales promotion.14

Technical Consultancy Organisations (TCOs):

The TCO was established in Kerala in June 1972. The latest one is Haryana Industrial Consultants Ltd, set up in June 1986. At present, there is a network of 16 TCO's (8 under IDBI lead 3 under ICICI and 5 under IFCI) catering to the needs of small and medium enterprises all over the country.

Activities of TCO'S:

TCO'S performs the following activities:

1. Selection of machinery,
2. Providing process know-how,
3. Determining plant layout,
4. Erection and installation of machinery,
5. Industrial survey,
6. Preparation of project ptofiles and feasibility studies,
7. Conduct of entrepreneurial development programme,
8. Provision of technical and administrative assistance to small/ medium enterprises where necessary,
9. Assisting such entrepreneurs in their modernisation, technical upgradation pro grammes, etc., and
10. Revival of sick units, right from the stage of carrying out diagnostic studies to the actual implementation of rehabilitation schemes.

PDTC Okhla:

Prototype Development and Trading Centre in Okhia came into existence in 1962 in collaboration with Federal Republic of Germany. The Centre specializes in general purpose machine tools, and it has performed following activities.

1. PDTC has trained 7373 persons in various trades. 2. It has developed 50 prototype equipments. 3. PDTC has taken the following items for batch production: Die casting machines, Fuel briquetting machines, Lathes and soap making machines.

National Alliance of Young Enterprises:

NAYE was established in the year August 1972 under the sponsored programme of Entrepreneur Development Scheme, with Bank of India. The main objectives of the scheme is to help young entrepreneurs in identifying investment and self-improvement opportunities; securing property arrangements or their training including developing their manufacturing capabilities; providing necessary financial assistance on the basis of properly prepared reports; securing package of consultancy services on appropriate terms and arranging for all possible assistance, facilities and incentives being extended to young entrepreneurs by Government and other institutions. Apart from looking into the interests of young entrepreneurs, the organization takes special care of the interests of women entrepreneurs. Some of the major achievements of NAYE may be mentioned as follows:

a. Establishing its credibility in both governmental, and non-governmental circles as a highly professional, competent, effective and efficient non-governmental organization representing small and medium enterprises; b. establishing its affective presence in the area of international co-operation in small and medium enterprise sector; and c. creating and nurturing a new class of women entrepreneurs and enabling them to acquire their rightful place in the Indian economy.\(^{15}\)

NAYE's Activities:

After accomplishing the above mentioned task, the dynamic organization, the National Alliance of Young Entrepreneurs is moving towards newer areas of activities which will meet the needs of young entrepreneurs. Some of such areas are:

\(^{15}\) Medha Dubashi Vinje, *Women Entrepreneurs in India*, Mittal Publications, New Delhi, p. 164-165
(1) Developing technical computerized information service for guiding, advising and counselling members on matters, relating to investment markets and technologies; (2) establishment of technology trade centre for transfer of technologies upgradation of schemes and supply of equipments and services to the third world countries who are looking increasingly to India for meeting their requirements for accelerated industrial growth; (3) Creation of a system for induction of new technologies from industrialised countries for adaptation and assimilation by Indian small and medium enterprises, and to promote technology missions to meet identified needs and requirements of individual members; (4) bringing out series of research and publications on small and medium enterprise; (5) establishing institutional cooperation between NAYE and its counterpart bodies in both industrialized and world countries in mutuality of interest; and (6) organizing appropriate institutional system for prompting marketing the products of member units in the world market as well as in domestic market.\[^{16}\]

**Industrial Credit Investment Corporation of India (ICICI):**

ICICI was established on the recommendation of World Bank team in 1954 and it started functioning from 5th June 1955 with an authorised capital of Rs. 25 crores and paid up capital of Rs 22.5 crores.\[^{17}\]

**Objectives of ICICI:**

The objectives of the Corporation are as follows:

1. To encourage and promote the participation of foreign capital, both internal and external, in industrial concerns. 2. To ensure rapid expansion of the investment markets and to promote private ownership of industrial investments 3. To assist in the expansion, modernization and creation of private enterprises.

\[^{16}\] ibid; pp164-165.
Table 3.3 Showing Financial Assistance Sanctioned and Disbursed by ICICI

<table>
<thead>
<tr>
<th>Year</th>
<th>Sanctions</th>
<th>Disbursements</th>
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<tbody>
<tr>
<td>1990-91</td>
<td>3744.0</td>
<td>1967.5</td>
</tr>
<tr>
<td>1991-92</td>
<td>4094.9</td>
<td>2351.3</td>
</tr>
<tr>
<td>1992-93</td>
<td>5771.8</td>
<td>3315.2</td>
</tr>
<tr>
<td>1993-94</td>
<td>8491.4</td>
<td>4413.3</td>
</tr>
<tr>
<td>1994-95</td>
<td>14527.9</td>
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<td>1995-96</td>
<td>14594.9</td>
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<td>2000-01</td>
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<td>31664.6</td>
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<tr>
<td>2001-02</td>
<td>36229.1</td>
<td>25831.0</td>
</tr>
</tbody>
</table>

Source: RBI

Table 3.3 shows that in 1990-91 the ICICI sanctioned financial assistance amounting to Rs. 3744.0 crores which went up to Rs. 36229.1 crores in 2001-02. The financial assistance disbursed by ICICI in 1990-91 was Rs. 1967.5 crores which rose to Rs. 25831.0 crores in 2001-02.

State Bank of India (SBI):

SBI is the only bank amongst the commercial banks in India, which has evolved a comprehensive programme for entrepreneurship development. From the traditional role of commercial banks, SBI pioneered as a premier banking institution by assuming the role of a development bank. It has formulated an elaborate plan to conduct entrepreneurship development programmes, particularly in the backward areas and started conducting EDPs since 1978. As per the bank's model, the EDPs consist of one month intensive training in behavioural sciences, management aspects and field training and during this period the entire cost of boarding and lodging is borne by the bank. The EDPs consists of three phases:

(i) the initiation phase aimed at identifying persons with potential for development and entrepreneurial disposition,
Graph 3.3 showing financial assistance sanctioned and disbursed by ICICI
(Source: Table 3.3)
(ii) the development phase to impart training programmes in developing motivation and management skills, and

(iii) the support phase to encourage and support entrepreneurs to establish and operate the enterprise effectively.

The Bank recognised the importance of small scale industries in Industrial development and started financing SSIs on a large scale. A package of schemes and programmes was formulated by the bank to cater to the specific needs of the small scale sector. The schemes are— (i) the liberalised scheme of financing SSIs wherein 75 per cent of the project cost is met as bank loan; (ii) entrepreneurs scheme for financing technically qualified persons where under the entire project cost could be financed by way of term loan, and equity fund scheme for providing interest free loan to meet the equity gap up to Rs.1 lakh.

**Directorates of Industries of the State Government and State Small Industries Corporations:**

The work relating to the development of industries in general and small scale industries in particular is looked after by the Directorates of Industries in each state and Union Territory. There are 22 such directorates all over the country. The state directorates run various training schemes, production schemes and common facilities schemes. They also provide facilities to develop industrial land and build up factory sheds in industrial estates, allocate quotas of scarce raw materials, certify import requirements and organise industrial cooperatives. Their functions are varied and have grown with the development and diversification of small industry sector. The general assistance of these directorates include organizing EDPs, providing industrial accommodation, raw materials, machinery on hire-purchase basis, etc. Its activities under marketing assistance involve export assistance, price preference, quality marking, etc. These directorates provide financial assistance in the forms of loans, subsidies, margin money loans, rebates on handicrafts, raw material units, etc. State Small Industries
Corporations (SSICs) have been set up by 13 state governments as private limited bodies to undertake a number of commercial activities.

**Khadi and Village Industries Commission (KVIC)**

The coveted KVIC is a statutory organisation established in 1957 by an act of the parliament and is engaged in promoting khadi and village industries with a view of creating employment opportunities in the rural areas thereby strengthening the rural economy. It is an autonomous body which took over from its predecessor the "All India Khadi and Village Industries Board" set up in 1953. KVIC has 27 state board, 148 registered institutions and over 29,955 industrial cooperatives. KVIC has over 11,000 sales outlets in the country.

The Commission functions with the social objective of providing employment, economic objective of producing suitable saleable articles and the wider objective of creating self reliance amongst the people and building up a strong rural community spirit.

**Main Rural Development Programmes**

1. **IRDP**: The main objective of Integrated Rural Development Programme (IRDP) is to increase the income generating power of the families who are below the poverty line. Thirty per cent women should be the beneficiaries in Rural Development Programme run by the government. The main rural development programme are elucidated below.

2. **IMY**: Indira Mahila Yojana (IMY) was launched in August, 1995. Its main objective is to give a forward thrust to education, awareness, income generation capacity and empowerment to women. The platform for the forward thrust is to be done through self-help groups at the grassroots level.

3. **RMK**: Rashtriya Mahila Kosh (RMK) was established in 1992 with a fund of Rs. 31 crores to meet the needs of poor women by giving them loans. RMK is also organising training, apprenticeship and orientation programmes for trainers under the Indian Mahila Block Societies (IMBS). The objective of RMK is that credit becomes a widely known and used
facility for enhancement of the daily income of poor women. The experience of RMK is that the women would have been able to double or triple their daily income with the credit support of Rs. 2500 or Rs. 5000. The activities followed may be dairying, petty shop keeping and investment on the agricultural operations. RMK has disbursed Rs. 16 crores out of the sanctioned credit limit of Rs. 26 crores and the recovery is 92 per cent consequently for the last three years. This only proves that poor women are extremely creditworthy if NGO's give them the necessary support and guidance.

4. **STEP**: STEP was started in 1987 with the objective to provide training to rural women for increasing their production capacity and income generation. In this programme, they give training in the areas of traditional business like—agriculture, milk, fisheries, hand-loom, Khadi development, etc.

Around 2.5 lakh women have been benefitted by the programme since its inception. Maximum number of beneficiaries is from milk producing area. In 1996-97 (up to 31st December 1996), this programme had an expenditure of 1.44 crore and the number of women beneficiaries are 2400.

5. **NORAD Programme**: NORAD (Norwegian Agency for International Development) was established in 1982-83 to help the educated and uneducated women financially in non-traditional areas of business like electronics, computer programming, manufacturing of watches, printing, readymade garments, etc. 64200 women were benefitted by NORAD programme. In 1996-97 (up to 31st December 1996), it had an expenditure of 335.91 lakhs and the beneficiary women are 6065.

6. **ARVIND**: The National Bank for Agriculture and Rural Development (NABARD) has started a rural women development programme called ARVIND. It provides loan up to Rs. 10 lakhs to the women who work collectively in agriculture for their economic development.

7. **DWCRA**: DWCRA is the Rural Development Department's Scheme to support women's income generation activities through a group of 15 to 20
women each. The Government of India has launched this women and children development programme in 1982. The main objective of this programme is to strengthen the economy of rural women by giving them loan and economic assistance to develop their skills, efficiency and abilities to meet their liabilities effectively.

8. TRYSEM: TRYSEM is a sub-plan of Integrated Rural Development programme. It gives training to the young unemployed men and women for self-employment. The trainees get a stipend of Rs. 150 per month during training period. In this programme 40 per cent of total seats are reserved for women. Over 16 lakh women have been trained from its inception till now.

Central Institute of Tool Design, Hyderabad (C.I.T.D.):

A Central Institute of Tool Design, Hyderabad was started as a Government Department in 1968 under the Small Industries Development Organisation with the assistance of United Nations Development Programme and International Labour Organisation as the executing agency to serve the needs of small industries by training technical personnel in designing and making jigs, fixtures, tools, dies and moulds and providing advising and consultancy services to the industry in designing and development of tools for various processes. The Institute also undertakes, production of tools, jigs, fixtures, guages, dies, moulds, etc., subject to the condition that the jobs undertaken suits the Institute's training programmes.

The management of the Institute's affairs, which is a registered society, is entrusted to a governing council consisting of members drawn from the Government and the Industry. The Development Commissioner, S.S.Is, New Delhi, is the ex-officio Chairman of the Governing Council.

The CITR provides following services:

(a). Tool room facility.

(b). Design and development assistance.

(c). Standardisation of tooling.

(d). Consultancy'and Advising Services.
STATE LEVEL ORGANISATIONS:

State Small Scale Industries Board:

First and foremost among the State agencies, mention may be made of ‘State Small Scale Industries Boards’, which have been set up parallel to the ‘All India Small Scale Industries Board’.

The State Boards generally comprise representatives of State and Central Government Departments, State Financial Institutions and the Associations of small scale industries in the concerned states. The broad functions of these boards are:

1. To advise the State Governments on the organisation and development of small scale industries.
2. To initiate, examine and supervise schemes for the development of small scale industries and to recommend such grants as the Board may deem fit.
3. To assist in coordination of activities of various departments with a view to developing small scale industries.
4. To advise on any other matter as may be necessary.

Thus, the main functions of these Boards are to advise and assist at the State level to foster growth of small Industries.

Directorates of Industries of the State Governments

Small industry is a State subject under the Indian Constitution and, therefore, the primary responsibility for all executive actions in regard to the development of small industries and implementation of the programme of assistance is that of the state governments. The work relating to the development of industries in general and small industries in particular in the states is looked after by the Directorate of Industries in each State and the Union Territories. Each directorate is staffed with administrative and technical officers at the state headquarters and district industries officers, now known as general managers, with appropriate supporting staff in each district. The State Directorates run various training schemes, production
schemes and common facilities schemes. They also provide facilities of
developed industrial land and built-up factory sheds in Industrial Estates,
allocate quotas of scarce raw materials, certify import requirements and
organise industrial cooperatives.

In Uttar Pradesh, the Directorate of Industries is located at Kanpur. It
covers all the districts of the State through District Industries Centres,
Engineer managers of Industrial Estates, Deputy Directorates in Project
Areas and Area Development Offices. The State has been divided into
eleven zones, each zone under the charge of a Joint Director of Industries.
The main functions of the Directorate of Industries, Uttar Pradesh, are as
under\textsuperscript{18}:

1. Registration of small industries and regulation of development of
industries in the state.
2. Provision of financial assistance to small industries under the
State Aid to Industries Act.
3. Distribution of Scarce and indigenous raw materials to the
industrial units.
4. Granting of Essentiality certificate for import of raw material,
component etc.
5. Development of Industrial Estates at the strategic points
6. Giving technical guidance, plant location services, etc,
7. Undertaking Industrial surveys, and collection of market
information and existing position of Capacities available.
9. Arrangement for land, water, power etc.
10. Arranging concessions and incentives.

\textsuperscript{18} Developing Commissioner (SSI), \textit{Entrepreneurship Development Programme, State Profile No. 2,}
U.P. Financial Corporation:

The U.P. Financial Corporation was established on Nov. 1, 1954, by the Government of Uttar Pradesh, under the provisions of the State Financial Corporation Act, 1951 with its headquarters at Kanpur. The main aim of the corporation is to promote the industrial growth of the State by providing financial assistance to small and medium sector industrial units in the following manner.¹⁹

1. Granting of loans for acquisitions of block assets, i.e., land, building, plant & machinery, and also for meeting the expenses on stamps and registration, interest during construction and consultancy fees.

2. Foreign Exchange loans under the I.D.A. line of Credit,

2. Deferred payment to the industrial concerns for the purchase of indigenous machinery.

3. Acting as an agent for schemes sponsored by the Central and State

4. Govt. applicable to backward areas, technical entrepreneurs of small industries.

5. Sporanteaing of loans/advances to the industrial concerns.

6. Equity participation in backward areas or with technical entrepreneurs by its special class of share capital.

The corporation has now 13 regional offices in each division of the State to meet the credit requirements of the entrepreneurs. The regional offices have been assigned the following functions.

1. Processing of loan application upto Rs. 8 lakh;

2. Sanction of loans upto Rs. 2 lakh;

3. Completion of legal formalities of all cases, irrespective of loan amount.

4. Disbursement of loan in all cases.

¹⁹ Government of U.P., Industries Department, Guidelines to Entrepreneurs, p. 46.
5. Processing of subsidy or margin money loan and other special schemes of the central or State Govt. upto Rs. 5000 at a time.

6. Maintenance of accounts in respect of all the cases pertaining to the region including special schemes.

7. Recovery of all loans under the control of the region.

The Corporation provides loan amounting from Rs. 5,000 to Rs. 30 lakh for acquisition of block assets for establishing new units and/or for renovation, expansion, or modernisation of existing units. The loans are secured by mortgage of the entire existing assets of an industrial concern, including land, building, plant/machinery and the fixed assets to be created in the form of a legal or equitable mortgage. Loans can also be granted against the guarantee of State Govt., Cooperative Banks or the Scheduled Banks. Indirect financial assistance is also provided by the Corp. by issue of deferred payment guarantee on behalf of industrial units for purchase of indigenous machinery to their manufacturers or suppliers.

The Corporation has been authorised to work as an agent of the government on the schemes listed below:

(i) Capital subsidy of the Central Government,

(ii) State Capital Subsidy.

(iii) Interest subsidy scheme of the Central Government for Engineer Entrepreneurs.

(iv) Margin money loan scheme of the State Government for educated unemployed,

(v) Interest subsidy scheme of the State Government.

Uttar Pradesh Export Corporation (U.P.E.C.):

UPEC was established in 1966 by the State Government for providing assistance to units manufacturing items for export. The corporation itself is a Government recognised Export House and enters directly into export
business in respect of both conventional and non-conventional items manufactured in the State.

The functions of the Corporation are as follows:

1. Arrangement of short term credit and marketing.
2. Coordination with various export promotion councils for cash incentives.
3. Securing import licenses against export obligations.
4. To act as exporter for the assistance of small exporters.
5. Survey of foreign export markets.
6. Post-shipment advance facility against export documents.
7. Internal marketing.

During the year 1982-83, total exports of the corporation were of Rs. 392.27 lakh as against of Rs. 229.7 lakh in 1976-77. The corporation has sponsored 3 export oriented industrial complexes during 1977-78 at Bulandshahar, Meerut and Aligarh. For marketing assistance, the export corporation has set up a number of show rooms in various parts of the country.

Uttar Pradesh State Industrial Development Corporation (U.P.S.I.D.C.):

UPSIDC is a government agency, designed to serve as a special instrument for planned and rapid industrialization. It was set up in 1961 with its headquarters at Kanpur and branch offices located at Ghaziabad, Lucknow, Agra, Rai Bareilly and Sikandarabad. The Corporation develops land in industrially potential areas and provides sites or sheds to entrepreneurs on easy terms. Mainly it provides infrastructural facilities to the entrepreneurs by developing industrial areas. The corporation also provides financial assistance to entrepreneurs in the form of underwriting of share capital for the projects located in the state.

The main activities of the corporation are:  

1. Acquisition of land and its development into industrial areas in different district of Uttar Pradesh.  
2. Setting up of Joint Sector Projects.  
3. Equity participation for technical entrepreneurs.  
5. Construction of Industrial Estates.  

**Uttar Pradesh Industrial Consultants Ltd. (U.P.I.C.O.):**

UPICO was established in 1976 as a subsidiary concern of Industrial Development Bank of India for providing technical and management consultancy to industries being set up in the state. The corporation extends assistance to entrepreneurs in the preparation of feasibility reports, market surveys, etc. The Corporation also conducts Entrepreneurial Development Programmes and Executive Development Programme in the State. Since its inception in 1976, it has successfully conducted the entrepreneurial development programmes in many districts of the State and imparted training to small entrepreneurs. The Corporation has a data bank to furnish economic and industrial information to existing and prospective entrepreneurs. It also assists sick industrial units in their rehabilitation by providing several facilities declared from time to time by the Central and State Government.  

**Subsidies and Fiscal Incentives Provided by the Central Government:**

The Government of India has recognised small industry sector as a priority sector and is according a number of incentives to the development of small industries in the country. In nutshell, following are the main types of incentives provided to the small entrepreneurs.

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22 U.P. Industrial Department Corporation, Kanpur, Catalyst for progress pp. 2-3.
(a) Raw Material Supplies

The raw materials required by small industries have to be procured at moderate rates and in moderate quantities. Left alone the entrepreneurs may not be able to do this job because they cannot face the stiff competition in the market. Big industrialists, brokers, private stockists, auctioneers and the like will fleece them if there is no control in the pricing and quantity of raw materials required. To ensure easy availability of raw materials which are scarce and controlled, the Government has made arrangements to make them available to them at reasonable and fixed price through the channels like Small, Industries Development Corporation, Directorate of Industries etc. Raw materials are distributed through the depots of State Small Industries Corporations and District Industries-Centres.

(b) Supply of Machinery on the Hire-Purchase Basis

A small entrepreneur is not able to purchase whatever he requires to set up an industry from his own monetary resources. He has to depend upon the Government assistance in various ways. He faces problem of purchasing machinery by himself. This problem has been solved by the Government through the auspices of National Small Industry Corporation (NSIC), which helps small entrepreneurs to purchase and procure machinery on hire-purchase scheme of NSIC. However, its role is not restricted to just making the machinery available on hire-purchase basis but it also offers training as to how this machinery is to be handled, operated and maintained. Moreover, it also offers training on transfer of know-how and testing facilities.

(c) Assistance in Marketing

The success of small industries depends almost solely upon the ability and efficiency to market its products. On their own, the entrepreneurs may face problems in selling their products hence, they need some help from the Government. Therefore, the Government offered marketing assistance to them for the development of small industries.
The biggest department of Government which has been entrusted with the marketing assistance to be offered to the entrepreneurs is Directorate General of Supply and Disposal (DCS & D). It undertakes purchases for Government offices. Apart from the DCS & D, there are other departments, which have to purchase their goods from the small industries compulsorily. These are Indian Railways, Post and Telegraph Department, Defence Organisations, Canteen Stores, State Governments etc.

(d) Training Facilities

Training of entrepreneurs has been one of the important activities of the Small Industries Development Organisation and its allied agencies. Training facilities to entrepreneurs to improve their technical managerial and marketing skills are offered by the SISIs, SIET Institute, Hyderabad, NSIC and specialised training institutions set up at the Centre and by the State Directorates of Industries. The Central Institute of Tools & Designs at Hyderabad, the Proto-type Training Centre at Okhla in Delhi under the NSIC, and several special training programmes in various states are providing facilities for imparting technical skills to the entrepreneurs; in plant training programmes are also arranged in some cases.\(^{23}\)

(e) Financial Assistance

Non-availability of Credit on easy terms has been one of the major handicaps of Small Industries in India. The Government and the financial institutes have introduced various schemes to assist these industries in obtaining Credit facilities.

Long and medium term credit requirements of Small Industrial Units are met by the State Financial Corporations, State Directorates of Industries and Scheduled Commercial Banks. These organisations provide financial assistance to small units on comparatively liberalised terms.

Besides the above, certain other schemes have also been devised by the Government to provide financial assistance to the small entrepreneurs which are furnished below:-

(i) Composite Loan Scheme

Since February 1979, Industrial Development Banks of India has framed this scheme to meet the credit requirements of individual artisans and units in tiny sector upto Rs. 25,000 inclusive of equipment finance or working capital or both. Repayment period in such cases ranges from 7 to 10 years or even more with an initial moratorium of 12 to 18 months both for interest and principal amount of the Loan. With a view to providing speedy flow of institutional finance to this sector composite loans are covered under Automatic Refinance Scheme. Financial institutions are not expected to insist on any margin on such loans because the Deposit Insurance and Credit Guarantee Corporation covers 90 per cent risk on such loans.\(^\text{24}\)

(ii) Guarantee Cover for Loans to Small Industries

Commercial Banks including Regional Rural Banks, State Financial Corporations and certain Cooperative Banks and Industrial Development Corporations which give loans to Small Industries can now get Guarantee cover from the Deposit Insurance and Credit Guarantee Corporation (DICGC) under a new scheme introduced by it with effect from April 1, 1981. The extent of guarantee cover (as percentage of the amount in default) is as under:

Borrowers having total credit facilities or loan amount not exceeding Rs. 25,000.  
90%

Borrowers having total credit facilities over Rs. 25,000 but not exceeding Rs. 2 lakh.  
75%

Backward districts specified by Government and other areas as may be specified by DICGC.  
66.67%

(iii) Seed or Margin Money Scheme

Margin money or Seed Capital may be called 'Equity' assistance for convenience. There was a dire need to assist new Small Entrepreneurs with soft loans to supplement their equity. Such assistance improves the debt-equity ratio, which is essential to enhance the capability of the entrepreneurs to withstand stresses and strains in the initial period of operations and also for reducing the interest burden during this period.

The margin money or Seed Capital Scheme was introduced as a centrally sponsored scheme in 1973. The scheme was operated through the State Governments. Under the scheme, the funds were made available to State Governments as loans and grants in aid for providing soft loans assistance to entrepreneurs to supplement the promoters' contributions for meeting margins while taking loans from banks and machinery on hire-purchase from Small Industries Development Corporations etc.

Margin money assistance is available to the units whose investment in plant and machinery does not exceed Rs. 2 lakh. The extent of assistance is 10% of the total investment comprising fixed capital investment, pre-operative expenses and 3 months working capital requirements or Rs. 20,000, whichever is less.

In case of entrepreneurs belonging to Scheduled Castes or Scheduled Tribes, the margin money assistance may be 15% of the total fixed investment or Rs. 30,000, whichever is less.

The scheme covers the areas having a population of less than 50,000 as per the 1971 Census.²⁵

(iv) Central Interest Subsidy

Interest subsidy amounting to the difference between interest rate of 7 per cent per annum and the rate of interest charged on the loans advanced by the financial institutions subject to maximum of Rs. 20,000 per annum is paid by the Government of India under this scheme. The scheme of interest

subsidy shall be limited to a period of 5 years for the engineer entrepreneurs, who set up small industries in any of the selected backward districts/areas and to a period of 3 years for the units, which are set up in area other than the backward ones.\textsuperscript{26}

(v) \textbf{Price Preference}

Small units are entitled to 15 per cent price preference over medium and large scale units in the country irrespective of the place of location. An additional price preference at varying rates by different states is also given in respect of State Government purchases.\textsuperscript{27}

(vi) \textbf{Capital Subsidy}

Central Government provides a capital subsidy at the rate of 15 per cent of the fixed investment (land, building and machinery) units as also for expansion, diversification and modernisation programmes of expansion in specified backward areas in different States. This is in addition of Capital subsidy given by various State Governments. Maximum limit of such subsidy is Rs. 15 lakh.

(vii) \textbf{Reservation of Items for Exclusive Manufacture in Small Sector}

During the First Five Year Plan period a number of industries including furniture making, sports goods, slates and pencils, beedies, writing inks, chalks and crayons and candles had been specifically reserved for small industry sector with the objective of discouraging large scale undertakings to take up such items. Afterwards many other items were reserved exclusively for the small industry sector. The idea was that medium and large scale units should not be allowed to enter into the fields where small units have already established. Substantial capacities, taking advantage of the liberalisation of licensing procedures. The intention was that all items—consumer goods or producer goods, which are technically feasible and economically viable for being produced in the small industry

\textsuperscript{27} Ibid, p. 21.
sector should be excluded from the purview of the medium and large sectors. This, it was hoped, would broaden the base of entre-preneurship and help to canalise the flow of new investment in Small industry sector. At present, 874 items have been reserved for exclusive manufacture in Small industry sector.  

(viii) Income Tax Rebate

With a view to give a fillip to the growth of small industries, the Income Tax Act, 1961 provides for special incentives to the entrepreneurs for establishing small units. There are two sections in the Act, viz., Section 32 (A) and Section 80 HHA, which have the effect of giving preferential tax investment to small scale units vis-a-vis large scale units. Section 32 (A) deals with Investment Allowance which provides for a deduction of 25% of the cost of the new plant or machinery in respect of the previous year in which the new plant or machinery was installed. This allowance has been broadly designed on the lines of the Development Rebate which had been discontinued since May 31, 1974. During the first year of its operation i.e. 1977-78, Investment allowance was not allowed to a small unit if it was engaged in the manufacture of articles of low priority specified in the Eleventh Schedule of the Act. But from the assessment year 1978-79 the benefit of investment allowance is being extended to all small scale undertakings.

The other provision of the Income Tax Act dealing with the small scale undertaking for the purpose of providing tax relief to the assessee is the section 80 (HHA) of the Act which was introduced by the Finance Act 1977, to be effective from the assessment year 1978-79. This section lays down that where the gross total income of an assessee includes any profits and gains derived from a small scale industrial undertaking set up in any rural area, the tax payer shall be entitled to a deduction of an amount equal

to 20 per cent of such profits and gains. This deduction is admissible for a period of ten assessment years beginning from the first year of production.

(ix) **Excise Duty Exemption**

An important protective measure given to Small Units in certain production lines is their exemption from the payment of excise duties. Excise duty is imposed by the Government of indigenous production of selected items in order to raise-revenue. It has been found that such excise duties applied uni-formally on large and small sectors were having adverse effect on the establishment and growth of small units. Therefore, in respect of some specified groups of small industries, the excise duty is completely abolished up to a certain level of production and on additional production, the excise duty is levied or reduced rates. So far as current position of excise duty on small industries is concerned, the Finance Bill, 1985 envisages, "the excise duty mechanism has been used to encourage the growth; of small sector. Under the present general scheme relating to specified groups of commodities, full exemption is available up to first clearances of Rs. 7.5 lakh and clearances thereafter up to Rs. 25 lakh are charged to duty at 75 per cent of the duty otherwise payable. However, unit whose clearances had exceeded Rs. 25 lakh in the preceding financial year is not eligible for the concession. In order to see that the cut-off limit of Rs. 25 lakh does not inhibit the growth of the small scale sector, the eligibility limit was raised to Rs. 75 lakh. This scheme was further liberalised by providing for slab rates. For clearances between Rs. 7.5 lakh and Rs. 15 lakh the rate will be 25 per cent, for clearances between Rs. 15 lakh and Rs. 25 lakh the rate will be 50 per cent and for clearance between Rs. 25 lakh and Rs. 40 lakh the rate will be 75 per cent of the duty otherwise payable. The revised scheme envisages that even when a manufacturer exceeds the limit of Rs. 40 lakh, he does not lose the concessional rates applicable at the lower slabs, till he exceeds Rs. 75 lakh.\(^{29}\)

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Fiscal Incentives and Subsidies Provided by the U.P. State Government

The U.P. Government, like many other States of the country, has devised appropriate strategy and adopted a dynamic and result oriented policy to the industrial growth in the States. The main thrust of the policy is on speeding up of the development of small industries, especially in semi-urban and rural areas. A number of measures have been initiated by the Government for the same. A package of attractive incentives is being offered for small industries which are being discussed below

(i) Power Subsidy:

Under the scheme from April 1, 1976, industrial units of the State using upto 20 H.P. of power are allowed subsidy for 5 years from the date of connection at the rate of 9 paise per unit of consumption. Amount of expenditure exceeding 9 paise per unit is to be borne by the Unit itself. Such new units whose demand of contracted power load exceeds 100 KW are given 15 per cent rebate on their bills for 3 years.

(ii) Exemption from Electricity Duty

All such units whose capital investment does not exceed Rs. 25 lakh and are located in backward areas of the State have been exempted from electricity duty for 3 years. Those having generating sets installed after 2nd January, 1973 would be exempted from electrical duty irrespective of the area in which they are located.

(iii) Exemption from Sales tax

All the new units starting production in certain group of industries are exempted from payment of sales-tax on purchase of raw materials and packing materials for five years if located in backward districts and for 3 years if located in non-backward districts.
(iv) Conversion of Sales-Tax into Interest Free Loan

The State Government through the Pradeshiya Industrial & Investment Corporation of U.P. (PICUPJ gives interest-free sales-tax loans to units which are registered under the Indian Factories Act and those registered with Directorate of Industries. Maximum limit of loan is the amount of sales-tax paid by an unit on sale of manufactured goods within the State for a period of five years from the date of commencing production or Rs. 50 lakh in case of backward areas and Rs. 40 lakh in case of non-backward areas, whichever is less. The amount is repayable in 6 annual instalments after 12 years from the date of first disbursement of such loan.\(^\text{31}\)

(v) Exemption from Octroi Duty

All new industrial units are exempted from payment of Octroi duty, toll or terminal tax leviable on plants and machinery and building materials for a period of five years from the date of grant of letter of intent or licence or Sales Tax registration. Certificate for the exemption is given by PICUP, UPFC and UPSIDC in respect of units which have been financially assisted by these Corporations and by Zonal offices of the Directorate of Industries for others.\(^\text{32}\)

(vi) Transport Subsidy

Transport subsidy is provided to new small industrial units established after July 1, 1971 in the 8 districts of Uttar Pradesh through PICUP and UPFC. The rate of subsidy is 50 per cent of the cost of transporting raw materials from the nearest Railway station to the site of factory and finished products from the factory site to the railway station.

Special Programmes for the Development of Entrepreneurship

Development of entrepreneurship in small industry sector has been one of the main objectives of the planned economic development of the country. In addition to the activities of the All India Boards and

\(^{31}\text{Government of U.P., Industries Department, Guidelines to Entrepreneurs, p.21.}\)

\(^{32}\text{Developing Commissioner (SSI), Training Programmes of Small Scale Industries Development Organisation, p.2.}\)
Commission, the SIDO has been operating a comprehensive industrial extension service in the form of technical economic and managerial consultancy and have taken up special programmes for development of entrepreneurship in the small scale sector. Various Entrepreneurship Development Programmes are conducted to convert certain categories of persons into prospective entrepreneurs and to enable them to set up their own small scale units. The following are the different types of programmes to develop entrepreneur-ship.\(^{33}\)

(i) Entrepreneurial Development Programme for Engineers

The rising rate of unemployment among engineers during early 1970s, necessitated special measures to be taken for providing self-employment opportunities in their respective fields. Accordingly, the Ministry of Industry in 1970 devised a special scheme for training of unemployed engineers in industrial entrepreneurship with a view to orienting them towards small industries and motivating them to take up self employment ventures by setting up small units of their own. The course content of such training programmes included planning for small industry, fulfilment of procedural formalities, preparation of bankable project reports, marketing surveys, etc.

(ii) Entrepreneurial Development Programme for Non-Engineers

This programme was started by Small Industries Development Organisation for non-engineers during 1978-79 to develop a new category of entrepreneurs from amongst women, rural artisans, technicians and foremen, students, weaker sections of the society, physically handicapped persons, etc. The main objective of the programme is to motivate the participants to set up the manufacturing units in order to employ themselves and many others. This programme was divided into two categories, viz., (a) identification, selection and motivation of entrepreneurs; and (b) 

\(^{33}\) Developing Commissioner (SSI), Training Programmes of Small Scale Industries Development Organisation, p.2.
entrepreneurial development, training programmes for women, rural artisans, etc.

In addition to various Entrepreneurship Development Organisation conducts following types of training programmes34.

(a) Training in Industrial Management

These courses are designed for small entrepreneurs and their supervisory personnel engaged in managerial duties. These are conducted in the evening at places of concentration of small industries. In most of the states, SISIs conducts these courses without charging any fee for such courses. The main types of management courses are as under:

(i) Industrial Management Courses.
(ii) Specialised courses in management.
(iii) Techno-managerial courses,
(iv) Ad-hoc courses in Management subjects.

(b) Technical Training Courses

SIDO conducts various regular and ad-hoc training courses in technical areas through the SISIs with a view to improving the existing skills and competence of skilled and semiskilled workers. Trainees of these courses are paid regular stipend of Rs. 100 per month. Main types of Technical Training Courses are following:

(a) Shop practice courses.
(b) Trade oriented courses.
(c) Process oriented courses.
(d) Product oriented courses.
(e) Blue print reading courses,
(f) Ad-hoc courses.

34 Quoted in Rural and backward Areas- Special Incentives and Programmes for Industrilisation, Developing Commissioner (SSI), Jan., 1977.
Some Special Programme for the Development of Small Industries in Backward Areas

In order to evolve a strategy for development of small industries in backward areas, the Central Government had set up a committee, known as Nayak Committee\(^{35}\) to examine the proposal for the setting up of a Central body to direct such development and to review the working of the existing incentive schemes. The committee has made several significant recommendations to quicken the pace of industrialization of backward areas. On the basis of these recommendations various efforts were made for development of industries in rural and backward areas. A brief discussion of these is as follows:

(a) Establishment of Rural Industries Project (R.I. P.)

With a view to accelerating the development of rural areas so that they may have direct effect on the economy, the R.I.P. Programme was initiated as a Centrally-sponsored scheme by the Planning Commission in 1962-63. Initially the programme covered 45 areas in 15 States and in 4 Union Territories. By 1978, 92 districts were covered under this programmes.\(^{36}\)

(b) Establishment of Rural Artisans Programme (R.A.P.)

The R.A.P. Programme was launched during 1971-72 by the Agriculture Ministry. Later on, this was transferred to the Ministry of Industry. From April 1, 1976, this programme was in operation in 41 R.I.P. areas of the country.

Now with the setting up of District Industries Centres, the contents of R.I.P. and R.A.P. promotional schemes have been merged with D.I.C. programme\(^{46}\).

\(^{35}\) Developing Commissioner (SSI, Incentives for Small Industries in Backward Areas, April, 1981, p.34.

\(^{36}\) Developing Commissioner (SSI, Incentives for Small Industries in Backward Areas, April, 1981, p.34.
(c) TRYSEM and ISB Programme

The National Scheme of 'Training of Rural Youth for Self-Employment' (TRYSEM) and 'Industries, Services and Business' (ISB) Programmes aim at planning strategy for the rural industries sector by providing reasonable income to the rural artisans and a substantial increase in employment opportunities. These programmes aim at identifying 40 youth under TRYSEM and 100 families under ISB Programmes in a block. Income is the main criterion for identification of beneficiaries under these schemes. The families below the poverty lines have to be listed under different income groups starting from the lowest and priority is given to the poorest families in conformity with the Antyodaya approach.

Scheme Regarding Establishment of Nucleus Plants

The Individual Policy statement made in the Lok Sabha on the 23rd July, 1980, laid emphasis on development of ancillaries through the concept of 'Nucleus Plants'. The Nucleus Plants would concentrate on assembling the products of the ancillary units falling within the orbit of producing the inputs needed by the large number of small units and making adequate marketing arrangements. It is envisaged that such complexes will also ensure a widely spread pattern of investment and employment. With the above objective in view, it is proposed to establish a chain of Nucleus Plants in the industrially backward districts/areas in the country and thereby generate a spread out network of small scale units in these areas. These Nucleus Plants will also have necessary forward and backward linkages with various small industries in the area.

Conclusion

This chapter studies role, objectives, functions and progress of various financial institutions, organizations and institutions in the development of entrepreneurship and Micro, Small and Medium Enterprises

37 ibid, p.40.
(MSMEs). The next chapter studies the background and state of economy of Uttar Pradesh, financial assistance to SSI by SIDBI, overview of promotional and development initiatives of SIDBI in U.P. and their progress.