CHAPTER V

INSTITUTIONAL INFRASTRUCTURE ASSISTANCE AND INCENTIVES FOR THE PROMOTION OF ENTREPRENEURSHIP IN SMALL SCALE INDUSTRIAL SECTOR IN INDIA.

The Small Scale industry has emerged as the most dynamic sector of the Indian industrial economy accounting for over 55 percent of total value of industrial production, 40 percent of country's exports, and providing employment to 175 lakh people in 31.75 lakh units. Small scale industrial units have contributed over 100 lakh entrepreneurs. The structure of small scale industrial sector has been deepened and widened. A wide range of new small industries have come into being. In the field of capital and producer goods small industries units are manufacturing such items as machine tools, electrical and engineering equipment, chemicals etc. Among consumer goods small scale industrial units have been producing such items as bicycles, sewing machines, plastic products etc.

The scale and scope of operation of Small scale industries have brought to the fore the importance of provision of institutional infrastructure and assistance at various levels. The success of small scale industries today depends solely on the well established institutional setup which is quite unique in the country.

An attempt has been made in this chapter to discuss the institutional
infrastructure and the schemes of assistance provided to the small scale sector. The institutional support to the small scale sector in the country broadly consists of:

i. Industrial Estates

ii. Advisory Bodies

iii. Government Institutions and

iv. Corporate Institutions

Some of the major institutions at National, State and District level have been described in relation to their assistance to SSI units.

**Industrial Estates:**

Industrial Estates are group of factories constructed on an economic scale in suitable sites with facility of water, transport, electricity, steam, bank, post office, canteen, watch and ward and first aid, and provided with special arrangements for technical guidance and common service facilities to the occupants. Important attributes of industrial estates are the planned clustering and group character of industrial enterprises. These units are let out on rent or sold to industrialists. Small industrialists who have no capital to build their own premises or do not want it right in the beginning are in a position to acquire factory space at a reasonable rent.

Industrial Estates have got the advantages of economies of scale and economies of agglomeration. Economies of scale can be realized by industrial estates in providing infrastructural facilities to small entrepreneurs. Economies of scale arise because an estate shelters a large number of small enterprises. All of them enjoy the advantages in common in the form of overheads and take the character of a single firm.
Industrial estate constitutes a strong inducement to invest because it can capture the otherwise volatile external economies of agglomeration. An industrial estate with a number of industrial enterprises becomes a complex of interdependent and interrelated industries and avails of the advantages of agglomeration and external economies. An individual entrepreneur can save a great deal of effort, trouble and expenses in erecting a factory. Industrial estates serve as risk-absorbing device because the capital investment of the entrepreneurs for starting enterprises in the estates gets considerably reduced with the provision of large variety of facilities & services by the sponsors. Industrial estates by reducing the risk and by raising the profit for potential entrepreneurs can serve as a nursery for new entrepreneurs. The social overhead capital (SOC) in the form of industrial estates created by public investments aims at inducing directly productive private investment and enterprise.

Industrial Estates are covered by all the four variants of the concepts

i. industrial areas

ii. industrial estates

iii. industrial townships and

iv. galas

Functional classification has divided industrial estates into two types (i) Conventional or general and (ii) Special type Conventional or general industrial estates provide accommodation to wide variety and range of industrial concerns. Special type of estates attempt the establishment of industrial units which are vertically or
horizontally interdependent, Industrial estates in India are general & of conventional type.

The organizational classification has four types of industrial estates.


**Industrial Estates in India**

Industrial Estates Programme is one of the major policy components in the area of industrial development in the post independence period. The first Industrial Estate in India was set up at Rajkot in September 1955. The major objectives underlying the establishment of industrial estates in India are:

i. To encourage the growth of small scale industries
ii. To shift small scale industries from congested areas to estate premises with a view to increasing their productivity.
iii. To achieve decentralized development in small towns and big villages.
iv. To encourage growth of ancillary industries in the townships surrounding major industrial undertakings both in public and private sectors; and
v. To foster the development of industry as well as entrepreneurship by providing economies and incentives.

The establishment of Industrial Estates is primarily the responsibility of the state Governments. The role of the Central Government is mainly to laying down of the policies of the purchase of the state Governments and advancing funds for implementation of the programme.
An estimated 705 industrial estates have been completed of which 210 estates have been set up in rural areas, 179 in semi-urban areas and 316 in urban areas with population of above 50,000. Further the utilization of sheds in the industrial estates is low in rural areas, as out of 3725 sheds completed in rural industrial estates 3043 are occupied as compared to 9811 out of 10562 sheds in urban industrial estates. The occupancy rate in rural industrial estates was 81.7 percent compared to 92.9 percent in urban industrial estates.

The State Governments have been advised by the Central Government to provide essential facilities like electricity, water etc to enhance the full utilization of sheds in industrial estates.

The industrial Estates set up in the early period up to the late sixties gave a boost to the growth of small industry particularly in the urban areas. The programme has helped in

i. Creating new employment opportunities in urban and semi urban areas.

ii. Dispersing industry outside the metropolitan towns.

iii. Relocating existing units operating in congested areas.

iv. Providing sub-contracting opportunities to small industry and

v. Raise the efficiency of operation of small units through common facilities.

However the programme of industrial estates has run 'out of stream' by the late sixties and problems have surfaced. The small entrepreneurs have found the rentals charged too high after the subsidy period of five year period was over. Entrepreneurs
demanded that the sheds allotted to them be transferred to them on a hire-purchase basis which has been eventually done. Common facilities were not available on many estates. Even some basic facilities like electricity were also not found adequate by some units. Maintenance of some existing facilities was poor. Roads fell into disrepair. “Since most of the estates were ‘general purpose’ estates in diverse product groups, there was no organic relationship between them and the possibility of establishing common production facilities which could have forged such a relationship was limited” Homogeneity is to be the guiding criterion while selecting industrial units in an estate so that it would lead to better planning and utilization of common facilities, inter-firm cooperation and interlinked development. There should be increased scope for inter-servicing and inter-trading development of complimentarity in production and creation of spirit of cooperation. Industrial estates should accelerate an integrated development of small scale industries in the country.

Industrial Estates should be planned with a view to developing them into focal points of healthier industrial growth in an area rather than as a cluster of merely inward-looking group of production units.

The Small Industries Development Organization

Small Industries Development Organization functions as a policy formulating coordinating and monitoring agency for the development of small scale industries.

1. Ram K. Vepa: Modern Small Industry in India p-82
This organization maintains a close liaison with the relevant Central Ministries, the Planning Commission, State Governments, financial institutions and other organizations which are involved in promoting the development of the small scale sector. Its activities relate to all small scale industries excluding those which fall within the purview of specialized Boards or agencies like the All India Handloom and Handicrafts Board, the Coir Board, the Central Silk Board etc.

SIDO provides a comprehensive range of consultancy services and technical, managerial, economic and marketing assistance to small scale units through its network of various offices. The Development Commissioner of the SIDO is assisted by the following officials:

i. Joint Development Commissioner
ii. Director For Industrial Development and Raw Materials.
iii. Director For Chemical Industries
iv. Director For Industrial Estates
v. Director For Economic Investigation and Statistics
vi. Director For Industrial Management and Training
vii. Director who functions as Secretary of the Small Scale Industries Board and looks after the State Government Schemes, Publications and Publicity.

The main functions of the Small Industries Development Organization (SIDO) include

i. Coordination
ii. Industrial Development and
iii. Industrial extension service

The following chart provides a detailed functional role of small Industrial Development Organization (SIDO)

SIDO

- Co-Ordination
- Extension Service
- Training and Consultancy
- Economic Information
  - Development
  - Policy and Programmes
  - Stores Purchase
  - Programmes of State Governments
  - Large and Small Industries
  - Industrial Estates

Fig: 7. Small Industries Development Organization (SIDO)

SIDO is the nodal agency that advises the Ministry of Industry in formulating policies and programmes for the development of small scale industry. It helps the SSI sector in the following areas:

i. Consultancy and Workshop Services SIDO offers a comprehensive range of technical processes, production planning, selection of machinery, use of modern machines and processes, preparation of factory layouts and designs, materials handling etc.
ii. Modernization of selected Industries. The SIDO has been implementing a programme of modernization of selected industries and others on the basis of concentration in certain areas. SIDO has arranged seminars, workshops, industrial clinics, modernization courses, etc. It has conducted quick and intensive inplant studies with a view to assisting selected small scale units in implementing the suggestions made by various study teams.

iii. Consultancy Services, Management Development and Training. SIDO has rendered consultancy services in order to improve competitive strength of small entrepreneurs. Such services include management, cost accounting, personnel management documentation etc.

iv. Entrepreneurial Development

SIDO has initiated some activities in respect of the development of entrepreneurship. They include organization of training programmes for engineer entrepreneurs, unemployed graduates, diploma holders and science graduates. Other activities for the development of entrepreneurship include preliminary and advanced courses for entrepreneurial development amongst students, the war widows, scheduled castes, schedules tribes, exservicemen and people from backward, rural, tribal and hilly areas.

V Exhibitions and Technical Publicity.

SIDO has taken up the publicity efforts for information and guidance of existing and prospective entrepreneurs on the policies relating to the development of small industries. SIDO has been running a monthly Journal
Laghu Udyog Samachar in Hindi and English. The publications of SIDO relate to the new programmes of the DICs, the entrepreneurial development programme of Small scale industries, the development of ancillary industries etc.

VI Ancillary Development

The SIDO has been providing necessary institutional support to the programme of the growth of ancillary units. The Bureau of Public Enterprises has issued fresh guidelines to public sector undertakings to encourage the growth of ancillary units.

VII Government's Stores Purchase Programme

The SIDO has been encouraging the small scale units to participate in the Government's Stores Purchase Programme. It gives them the necessary guidance, market advice and assistance in fulfilling various formalities.

VIII Economic Information Services

The SIDO has been furnishing the requisite economic information to large number of entrepreneurs, artisans, and technocrats in selecting new items of production or in the expansion of their existing activities.

National Small Industries Corporation (NSIC)

NSIC was set up in 1955 with the objective of supplying machinery and equipment to small enterprises on a hire purchase basis. It assists the SSI units in procuring Government orders for various items of stores.
The following chart provides the main functions of the National Small Industries Corporation.

**Fig:8. Activities of National Small Industries Corporation (NSIC)**

The main functions of the National Small Industries Corporation are:

i. To provide modern machines on a hire-purchase basis to small scale industries.

ii. To assist the SSI units to participate in the Stores Purchase Programme of the Central Government.

iii. To develop small scale industries as ancillary units to large scale industries.

iv. To start emporia and sales depots and arrange for the marketing of products of small industries and to promote their exports.

v. To distribute basic raw materials through their raw material depots.

vi. To import and distribute components and parts to actual small scale users in specific industries.
vii. To construct industrial estates and establish and run prototype production cum training centers.

NSIC has adopted an 'integrated approach' to achieve its socio-economic objectives. It has created a proper 'industrial' atmosphere and has infused confidence in the small entrepreneurs.

**Small Scale Industries Board**

The Small Scale Industries Board was set up in 1954 to advise the government of India on the programme and work of the different agencies looking after the development of small scale industries in the country.

The Board consists of 50 members including representatives of the Central and State Governments, the Reserve Bank of India and the State Bank of India and some non-officials etc. The following chart indicates the coordinating activities of the Board.

![Small Scale Industries Board Diagram]

**Fig: 9. Small Scale Industrial Board**

The Board strives for providing adequate and timely credit facilities to the small scale industrial units through the government and financial institutions. These credit facilities relate both the term loan and working capital at concessional rate of interest.
The Board coordinates the provision of technical assistance through Small Industries Service Institutes (SISI). The assistance covers systematic assessment of the prospects for specific kind of small industries in different regions of the country, preparation of Model Schemes for various kinds of industries for the use of State Governments and others, scrutiny of State Schemes, and organization of demonstration and training workshops etc.

The Board keeps a close watch on the progress achieved in the establishment of industrial estates and their requirements and problems.

The Board has been insisting that the State Governments should follow the example of central Government in respect of their stores purchase programmes. Certain classes of stores should be reserved exclusively for purchase from village and small industries and that price differentials should be allowed to them over the products of large scale industries.

**Small Scale Industries Service Institutes**

There are a number of small industries service institutes in different centers in the country. These institutes which are under the overall supervision of SIDO render the following services to the Small Scale industries:

i. Technical and managerial counselling to small scale industrial units.

ii. Organizing of training camps in technical and management subjects.

iii. Conducting of Entrepreneurship Development programmes to entrepreneurs.
iv. Providing of common facility services and vocational training in workshops attached to service institutes.

v. Conducting of techno-economic surveys for selected areas and industries.

vi. Identification of potential for ancillary development.

vii. Preparing of study reports for modernization programme.

viii. Organizing of seminars, workshops and industry clinics for the benefit of entrepreneurs and

ix. Providing of backup support for the Directorates of Industry at the state level and District Industries Centres at the district level.

The SISI has a wide spectrum of tasks to perform which includes technological management and administrative aspects.

Small Industry Extension Training Institute

The Small Industry Extension Training Institute was set up in 1962 at Hyderabad as an autonomous body. The Institute is registered under the Societies Registration Act. It is engaged mainly in training Central and State Government officers who are responsible for implementing the small industry development programmes.

The SIET conducts courses in:

i. industrial management and

ii. area development techniques.

The Institute conducts intensive courses in certain aspects of industrial management viz
i. production management
ii. financial management
iii. cost accounting etc.

The SIET undertakes research in fields which are related to development of small industries.

**National Institute For Entrepreneurship and Small Business Development (NIESBUD) New – Delhi**

This Institute is an apex body established in 1983 at New Delhi for coordinating and overseeing the activities of various institutes agencies engaged in entrepreneurship development in small industry and small business.

The NIESBUD is engaged in performing the following functions

i. Conducting training programmes for trainers/motivators and entrepreneurs.

ii. Preparing model syllabi for training various target groups.

iii. Undertaking documentation/research.

iv. Conducting Seminars/ Workshops/conferences etc

v. Designing and developing training/teaching aids and acts as a nodal agency in the field of entrepreneurship and

vi. Development of small business in the country.

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

KVIC is a statutory organization engaged in the task of promoting and developing khadi and village industries with a view to creating employment
opportunities in the rural areas and thereby strengthening the rural economy. The KVIC was established in 1957 by an Act of Parliament. It is an autonomous body which took over from its predecessor the All-India Khadi and Village Industries Board set up in 1953.

The major objectives of the KVIC are:

i. The social objectives of providing employment.

ii. The economic objective of producing saleable articles and

iii. The wider objective of creating self reliance amongst the people and building up a strong rural community spirit.

The functions of the KVIC relate to planning, organizing and implementing programmes for the promotion and development of Khadi and village industries. It strives to promote marketing of khadi and village industries products. The commission tries to encourage and promote research in the technique of production of khadi and the development of village industries. The KVIC also tries to promote and encourage cooperative efforts among manufacturers of khadi and persons engaged in village industries.

**Assistance and Incentives for Small Scale Industries**

**Financial Assistance:**

The post-independence period has witnessed an emergence of a network of specialized financial institutions with a fairly big capital base to provide financial assistance to all types of industries including small scale industries.
Finance is made available to entrepreneurs on a totality basis by commercial banks. In some cases however State Financial Corporations and other similar financing agencies step in to meet their medium term requirements. Credit is granted for the construction of the factory building, the purchase of plants, machinery and equipment and for working capital requirements. In deserving cases loans are sanctioned for expansion, renovation and modernization of plant and machinery. Small industries obtain export finance from banks for letters of credit, issuance of guarantees and extension of pre-shipment and post shipment credit facilities.

Institutional support and economic factors are stimulating entrepreneurial activity.

Small scale industrial sector obtains working capital and term capital from commercial banks, cooperative banks regional rural banks and State Financial Corporations. The banking system provides mainly working capital and the State Financial Corporation mainly investment capital.

SSI sector also gets assistance from National Small Industries Corporation (NSIC) at national level and the State Small Industries Development Corporations at the state level in the form of supply of machinery on hire-purchase basis.

The Small Industries Development Bank of India (SIDBI), the National Bank for Agriculture and Rural Development (NABARD) and the Industrial Reconstruction Bank of India (IRBI) provide refinance facilities to banks and financial corporations for financing small scale industrial sector.
Commercial banks and financial institutions have played a significant role in supporting the SSI movement in India. Banks have continuously been evolving special schemes and approaches to suit the rapidly growing and changing needs of the sector. Provision of liberal credit facilities to the small scale units has been a hallmark of banks' support to the SSI over the years—"2.

The following Chart provides the details of credit supply to the small scale sector.

```
Fig:10. Institutional Frame-work for the flow of financial assistance to the SSI sector

```
Karnatak Government has set up some Boards, Public corporations and other institutions for the promotion of industrial activities and entrepreneurship. These institutions with a network of branches at district and other centers have been providing assistance to small scale industries in different areas such as finance, marketing, supply of raw materials, training, technical services etc.

**Karnatak State Small Industries Development Corporation. (KSSIDC)**

The Karnatak State Small Industries Development Corporation takes up the work of construction and maintenance of industrial estates in some selected areas. It allots sheds to industrial entrepreneurs at the rental stage on ownership basis. It helps the small scale industries in supplying raw materials. KSSIDC distributes raw materials to small scale industrial units as per the suggestions of the District Industries Centres and ensures a steady supply of raw materials.

**Karnatak State Khadi and Village Industries Board**

Karnatak State Khadi and Village Industries Board is promoted by the All India Khadi and Village Industries Corporation. The following functions are performed by the KSKVB

i. To help the rural people to establish cottage industries

ii. To help the rural people creating employment opportunities

iii. To help the rural industries through loans and grants.

**Karnatak Small Industries Marketing Corporation Ltd**

The KSIMC is engaged in providing a package of marketing assistance to small scale industries set up in Karnatak.
1. It participates in tenders floated by government, quasi-government organizations, boards, corporations and public sector undertakings on behalf of small scale industrial units.

2. Exemption from payment of earnest money deposit and security deposit for the tenders participated.

3. Procurement of bulk orders and distribution among manufacturing small scale industrial units on their plant capacity.

4. Dissemination of information to the manufacturing units about market potential through bulletins, brochures etc.

5. Participating in the tenders issued by DGS and D and other organizations.

6. Participation in the national and international fairs and exhibitions on behalf of small scale industrial units.

7. Assisting small scale industrial units for testing products through recognized Central/state Government institutions

8. KSIMC helps the small scale industrial units in identifying the products for exports with the help of ELCP and TDA.

9. Assisting the SSI units in product development, product improvement etc in collaboration with National Institute of Design, Export Promotion Council, ISI etc.

10. KSIMC provides the facility of bill discounting up to 75 percent of the value on the spot on producing acceptance certificates from the indenting departments for which 16 ½ percent interest is charged.
11. In bill discounting the KSIMC immediately releases, as against direct orders 75 percent of the value of bill on the spot on producing acceptance certificate from the indenting department and 1 percent service charges is charged.

12. Marketing of consumer goods manufactured by small scale industrial units through its hire/purchase scheme.

**Karnatak Leather Industries Development Corporation**

KLIDC is established for the following activities for the benefit of scheduled castes and scheduled tribes to promote their traditional occupations in this area.

i. Supply of roadside leather wear sheds

ii. Training in manufacturing of shoes.

iii. Supply of tools of shoe making free of cost.

iv. Supply of leather wears decorating articles

v. Supply of ready made raw materials for making shoes.

vi. Purchase of ready made shoes from the shoe manufacturers & selling them through its marketing stalls.

**The District Industries Centre**

The District Industries Centre has emerged since 1978 as the nodal agency for the development of small & village industries. It provides all the support services needed for the small scale industrial units. More than 400 DICs have been set up to cover almost every district in the country. The funds for the programme are shared by the State & the Centre. The DICs are staffed by a General Manager assisted by
managers in economic investigation, machinery, credit, raw materials, village industry, training & marketing.

The organized working of the DICs has resulted in a systematic process of industrialization. The DIC has emerged as the focal point for all industrial activities in the district. A wide variety of powers have been delegated to the General manager of the District Industries Centre. This has resulted in avoiding the frequent visits of the small entrepreneurs to the state capital for every small matter. The presence of specialists at the DIC has brought a new dimension to the effort to utilize local raw materials & skills. State Finance Corporations have accorded a high priority to development of small scale industries. A bulk of their sanctions have gone to this segment of priority sector. More than 67.3 percent of assistance extended by SFCs have gone to the SSI sector.

Karanatak State Financial Corporation

The KSFC provides long & medium term financial assistance to new units in the medium & small scale sector. Finance is given to existing industrial units for expansion renovation, modernization & diversification.

The KSFC has some of the special schemes of assistance.

(1) Technician scheme (2) Educated Unemployed scheme (3) Scheme for disabled entrepreneurs (4) Equipment finance scheme (5)Modernization scheme (6) Mahila Udyam Nidhi scheme (7) Scheme for quality control facilities (8) Electro medical equipment (9) Finance for hospital/nursing homes (10) Transport (11)Hotel industry (12)Industrial estate (13) Scheme
for Rehabilitation of sick units (14) Finance to ex-servicemen (15) Scheme for research and development (16) Finance for tourism related facilities (17) Single window Scheme (18) national Equity Fund Scheme etc.

**Incentives & Subsides:**

Incentives are offered to small scale entrepreneurs in India to bring about decentralization of economic power & to facilitate the transformation of traditional technology into a modern technology which is characterized by improved skills, high productivity, better earnings & high standard of living. Incentive is a motivational force which makes an entrepreneur to take right decisions & act upon it.

Incentives include concessions, subsidies & bounties. Economic incentives - both financial & non financial - push an entrepreneur towards a decisive action.

![Incentives Diagram](image)

**Fig: 11. Incentives to SSI units**

Subsidy is a single lump sum amount given by a government to an entrepreneur to cover the cost. 'Bounties refer to bonus or financial aid which is given to industry to help it to compete with other units in the country or in a foreign market.

Incentives as motivational force has been illustrated through the following chart.
Market Assistance for SSI Units

Some specific assistance programmes in domestic market for the products of SSI units have been initiated in India. Price preference & purchase reservations are the two important marketing assistance programmes.

Price Preference

The policy of price preference is followed in respect of products where offers are received from both small & large units. In such cases price given to a small unit may exceed not more than 15 percent over that of a large unit. However in practice the policy of price preference is not strictly followed. The products of small units are rejected on the ground of inferior quality. Further the price preference policy is
followed only when government agencies are purchasing not when public sector organizations are the buyers.

**Purchase Reservation**

The products for purchase reservation are categorized as under

i. those products which are to be purchased exclusively from the small scale sector

ii. those products which are to be purchased from small scale sector up to 75 percent of the requirement &

iii. those products which are to be purchased from small scale sector up to 50 percent of the requirement

In addition to these some products of handicraft & handloom are reserved for purchases by the government.

The price & purchase preferences as stipulated by the Government have not helped the SSI sector much. The purchases by the Government agencies from the SSI sector are very much Limited – as little as 10 percent of the requirement. In USA the purchases by the Government from the SSI sector is 35 percent. "If the price preference & purchase reservation policies are to confer a measure of real benefit, they need to be monitored closely at government level to ensure that they are not being violated openly or bypassed on some flimsy ground or the other. Government can do a great deal to encourage local procedures to supply the wide variety of articles required by government institutions like schools, hospitals & offices, many of
which can be supplied by the small units locally.\(^3\)

**Production Reservation for SSI Sector**

This is one of the important features of development of entrepreneurship in the Small Scale Industrial Sector in India. The production of certain product groups have been exclusively reserved for small scale industries. The product groups which are covered by the reservation policy are a wide variety of products viz food products, textile goods, paper products, wood products, leather goods, including foot wear, rubber products, plastic products, chemicals & chemical products, essential oils, organic chemicals & drug intermediaries, glass & ceramics, mechanical engineering items, electrical goods, electronic items, auto ancillaries, survey & nautical instruments, stationary items etc.

Production reservation for exclusive production by the SSI sector amounts to tariff protection. The number of items so reserved went up from just 8 in 1968 to 180 in 1977 & further have risen to 834 items.

Production reservation is considered as artificial device to protect small scale industries since such protection makes the small industries less competitive and results in technological obsolescence. However selecting product for reservation on the basis of proven capacity to produce items at a reasonable cost & of quality may be useful in promoting small scale industries & for development of entrepreneurship in the SSI sector.

---

\(^3\) Ram K Vepa: Small Industry in India Sage Publications New Delhi 1988. p 95
Training Effectiveness of Entrepreneurship Development

A number of Entrepreneurship Development Organizations are working in the country. They vary from a pure Government organization to Semi-Government, Autonomous & Non-Government organizations. It is estimated that more than 1200 organizations are working at National, State, District & sub-divisional levels including EDII, NIESBUD, NISIET, IEDs/CEDs, TCOs, DICs & a number of NGOs for different types of entrepreneurial activities. These ED organizations are conducting various types of short term, as well as long term orientation/training programmes for popularizing entrepreneurial activities.

Long-term training programmes have helped trainees in not only preparing themselves for identification & launching of certain enterprise but also in managing the same successfully. Short term orientation/training programmes have helped trainees in deciding their career goal.

Fiscal Incentives to Small Scale Industries

Fiscal incentives for the promotion of small scale industries & for the development of entrepreneurship in the SSI sector are given in the following areas.

Income Tax Concessions

1. The benefits of tax holiday is applicable to SSI units (under Section 80-1A) for an initial period of 5 assessment years to a tune of 100 percent of the profits derived.

2. Newly established SSI unit located in backward area is allowed a deduction of 20 percent on its profits and gains under certain conditions (Section 80-HHA)
3. Amortisation of certain preliminary expenses of Indian companies and resident persons are allowed deductions for specified expenditure. The aggregate amount of expenditure allowed to be deducted is limited to 1/10th of the total cost of the project (section 35 D).

4. Any expenditure incurred on the acquisition of a patent right or copyright used for business shall be allowed as deduction in 14 equal installments over a period of 14 previous years commencing from the previous year in which the expenditure is incurred (Section 35A)

5. The amount of interest paid in respect of capital borrowed for the purpose of business or professions is allowed a deduction (Section 36)

6. The income of an institution established as a trust or society for the purpose of development of khadi and village industries not for profit from the production, sale or marketing of khadi or products of village industries are exempt under section 23B.

7. Income of Khadi and Village Industries Boards established in a state by or under a state or Provincial Act for the development of khadi or village industries in the state is fully exempt under section 23BB.

8. Profits of newly established industrial undertakings in free trade zone will not be included in the total income of the assessee for any five consecutive assessment years falling within a time frame of 8 years beginning with the assessment year relevant to the previous year in which the industrial undertaking begins to manufacture or produce articles under section 10A.
9. Any profits or gains derived by an assessee from newly established 100 percent export oriented undertaking will not be included in the total income of the assessee under Section 10B.

**Excise Duty Concessions to Small Scale Industrial Units**

An excise duty concession scheme for small industrial units has been introduced by the Government of India through its Notification No 1/993 CE to give tax benefits. The main features of the scheme are described below:

A unit which is not registered as a small scale industry may clear up to Rs 30 lakhs worth of goods without payment of duty but after filing a declaration with the department.

Registered small scale units are eligible to enjoy duty free clearance up to Rs 30 lakhs limit whether they are manufacturing only goods covered by one tariff item or several items. Small scale units which are availing themselves of the Modavat facility would have to pay the concessional rate of duty. However the concessional rates are subject to minimum of 5 percent.

Clearances of such small scale industrial units between Rs 30 lakhs and up to Rs.50 lakhs would suffer duty as the effective rate less ten percent. Clearances of small scale industrial units over Rs.75 lakhs would suffer duty at an effective rate less of five percent. For turn over, over Rs.75 lakhs there would be no concessions and the effective rate of duty in full would be payable.
**Sales Tax Exemptions for Small Scale Industries**

Sales tax exemptions to small scale industrial units have been given by state government in their respective states to encourage small scale industrial units by reducing the tax burden.

In Karnataka the sales tax exemption for small scale units is for six years and deferment up to eight years with the ceiling being 100 percent of the value of fixed asset.

The growth centers set up in different areas offer sales tax exemptions for seven years and eight years for tiny and small scale units respectively with the ceiling being 100 percent of the value of the fixed assets.

There is sales tax exemption for six years and deferment of eight years for SSI units of specified category in case of expansion, diversification and modernization in developed areas and exemption of seven years and deferment of eight years in growth centers.

**Investment Subsidy:**

The Government of Karnataka provides subsidy to all new Tiny/Small Scale Industries.

The subsidy in the 'Developing Areas' is 10 percent of the value of fixed assets subject to a maximum of Rs. 5 lakhs.

The subsidy in the 'Backward Areas' is 20 percent of the value of fixed assets subject to a maximum of Rs. 12.50 lakhs.
Investment subsidy would also be available to all existing Tiny and Small Scale Units undertaking expansion, diversification or modernization without exceeding prescribed monetary ceiling as applicable to new Tiny/Small Scale Industrial units subject to the condition that grant of this facility as per the Government order shall be available only on additional investments made.

Additional subsidy is given to special category of entrepreneurs like scheduled castes and Scheduled Tribes and Women Entrepreneurs.

**Exemption of Stamp Duty:**

The exemption of stamp duty for tiny and small scale industries is hundred percent for units in zone B, C and D where the charges are Re 1.00 per Rs. 1000 in the areas in these zones.

**Conclusions:**

**Incentives**

i. Various incentives discussed above have given fillip to small industry. Entrepreneurs are motivated to set up new ventures in diverse fields. To the existing entrepreneurs incentives have stimulated them to expand their business, diversify modernize and above all given them strength to withstand competition in domestic as well as foreign markets. In an endeavour like this there are slippages, leaks, misuses. These have to be overcome by monitoring, counselling, and efficient administration. Incentives have given fillip to entrepreneurial spirit and culture.
ii. Institutional Infrastructure

The growth of institutions to promote, assist and develop entrepreneurs to initiate industrial growth in the country has been the most important development in the post-independence period. These institutions have been striving to mould the entrepreneurs to accelerate the process of industrial economy. The country has laid a strong foundation, has broad based its infrastructure and has provided all needed support and assistance. It can be generalized that there are a number of institutions to cater to numerous needs of entrepreneurs. "The need of hour is a nucleus centre in each industrial pocket/area where all these services are provided through one centre. Effective linkages will provide the necessary impetus to entrepreneurs to embark upon the prime move of industrial development. The accent ought to be on institutional innovation and efficiency. It is on the foundation of a strong and efficient institutional infrastructure that we can build a vibrant and dynamic industrial economy"4

********