
UNIT 3 INSTITUTIONAL INTERFACE FOR SMALL SCALE ENTERPRISES

Objectives

After going through this unit you should be able to:

- Discuss the government policy towards developing and promoting small-scale industry and small-scale business.
- Explain the role of the various Central Government and State Government bodies and other autonomous bodies in assisting the implementation of small-scale industry and small-scale business.
- Discuss the various rules, regulations and procedures relevant for small-scale industries and small-scale business.

Structure

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3.1 INTRODUCTION

In response to its specific employment generation and income generation needs and the kind of capital resources available, India opted for a policy of development of the small-scale sector along with a heavy industrial sector. Over the past five decades, Government policies have been designed to protect the interests of the SSI sector. To facilitate the rapid development of this sector, the Government, in pursuance of its policies, has initiated various support measures from time to time which include policy of reservation, revision of investment ceilings, modernization, technological upgradation, marketing assistance, fiscal incentives etc.

This unit discusses the policy framework for small-scale enterprises and also describes the institutional infrastructure that has been developed to facilitate this sector.



3.2 INSTITUTIONAL INTERFACE - THE CONCEPT

The term institutional interface refers to a part of economic environment of industry and business consisting of authorities and institutions whose decisions and activities influence activities of different business units. The institutions could be government owned - statutory - semi-autonomous or autonomous. The authorities are generally governmental and in a sense wield governmental powers granted to them in specific fields or activities. Since in Block one our major focus is on small enterprise and entrepreneurship development, the institutional interface that we describe here is related to that sector of industry and business in India.

A business or industrial unit - enterprise in short - interacts with the institutional interface essentially at three stages in its development viz. (i) inception i.e. establishment of an enterprise (ii) day-to-day operations which would mean day-to-day management and (iii) expansion and/or diversification. In this unit our emphasis will be on the institutional interface at the inception stage. To formulate the preposition, the question we are trying to answer is: how do policies and activities of the institutions discussed influence, provide assistance, resources and technical advice to an entrepreneur whose aim is to set up a small enterprise. The term small enterprise covers a range consisting of household, tiny and small-scale units, small businesses and service establishments. They will be referred to as SSI/SSE/Small-Scale Industry and Small-Scale Enterprises in this and later units of this course.

3.3 GOVERNMENT POLICY - INDUSTRIAL POLICY RESOLUTIONS AND OTHER DEVELOPMENTS

Major Environment

After attaining independence in 1947, India adopted economic planning as a method to achieve economic development. The pattern of planning that came to be accepted was of a mixed economy, meaning thereby that industrial units in the public and private sector would both be operating to meet the goals of economic development. The mixed nature of economy meant that on crucial areas the policy of the Government was decisive and changes therein were of great relevance to industrial units. In the field of industry, Government's objectives and intentions were announced through six successive industrial policy resolutions (IPRs)/Statements. These resolutions were announced in 1948, 1956, 1977, 1980, 1990 and 1991. In 1997, there was a major upward revision in the investment limit in Plant and Machinery for the purpose of defining SSI and Tiny Sector units. The limit was brought up to Rs. 3 crore. However, the limit was brought down to Rs. One crore from December 1999, which is still continuing. In August 2000 comprehensive Policy Package for SSIs and Tiny Sector was announced, which has had a remarkable impact on the development of this Sector. Keeping in view the provisions of this Policy Package, with effect from October 2001, the investment ceiling in Plant & Machinery in respect of 41 items covering two broad groups of Hosiery & Hand Tools was enhanced to Rs. 5 crores. (You will find a summary of IPRs/Statements/Comprehensive Policy Package in Appendix A).

It may be noted that a separate Ministry of Small-Scale Industries & Agro Rural Industries (SSI & ARI), came into being in October 1999. However, the Ministry was bifurcated into two separate ministries namely, Ministry of Small



Scale Industries and Ministry of Agro and Rural Industries on 1st September, 2001. The range of functions of the Ministry include the setting up of a network of institutions to render services of a varied nature like, techno-economic and managerial aspects, training, testing facilities, marketing assistance, etc. The implementation of policies and various programmes/schemes for providing infrastructure and support services to small enterprises is undertaken through Ministry's Attached Office, namely Small Industry Development Organisation (SIDO), and National Small Industries Corporation (NSIC) Ltd. Further the various activities are also supported by a host of other Central/State Departments, Agencies and Autonomous Institutions all over the country. It must be added that the government policy and activities of the different-interfaces institutions have covered SSE in addition to SSI.

IPR 1948

The industrial sector in 1948 was not different from the one existing in pre-1947 days and hence the SSI sector meant mainly rural industrial units, small jobs cum repair shops, units making agricultural implements, a few urban small units and handloom units weaving cloth. The greatest economic significance of these units to the Indian economy was their employment potential. It was this potential which called for a protection through policy and the main thrust for IPR 1948 as far as small scale sector was concerned was protection.

IPR 1956

The second IPR was announced against the background of a bolder second five-year plan, with a long term strategy for industrial and economic development. As to the SSI sector, the resolution envisaged a dual role viz. (i) manufacture of consumer goods such as cloth and (ii) manufacture of components for the newly established industry as part of the program for long term industrial development. Thus to the earlier emphasis of protection was added development. Industrial policy for SSI aimed at "Protection plus Development". IPR 1956 in a manner initiated the modern SSI in India.

IPR 1977

The next IPR was announced after a lapse of 2 decades. During the preceding decades, two major problems had been witnessed. First was the lopsided industrial development - large, medium and small scale industries had become more of an urban phenomena and the other was large scale unemployment - the issue of urban and rural, educated and uneducated unemployed had started becoming difficult.

This situation led to a renewed emphasis on promotion of typical employment generating small-scale industry, located in rural areas and small towns. As a formula it was proposed that for small scale unit ideally the scale of output should be small, location semi urban /rural and technology, labour intensive.

This was the IPR, which assigned a positive role to SSI in terms of wage employment of worker and self-employment of the entrepreneur, and which therefore, offered a wider scope to policies and programmes for SSI development. To the earlier thrust of protection (IPR 1948), development (IPR 1956) this resolution added promotion. The SSI sector was thus, to be protected, developed and promoted.

IPR 1980

This IPR re-emphasized the spirit of IPR 1956 with its strategy of large-scale, high technology and heavy investment based key or basic industry. Nevertheless,



the SSI sector remained as perhaps, the best sector for generating wage and self-employment based opportunities in India.

IPR 1990

This IPR was announced during June 1990. Its basic aim was to introduce measures of economic liberalization and simplified rules and procedures with a view to enhancing the technological base of industry and accomplishing higher levels of output. It gave a special emphasis on the SSI/SSE sector where employment opportunities were likely to be high. In order to enable the SSI units to update their technology, the investment limit of SSI was raised to, Rs'. 60 lakhs.

Industrial Policy Statement of 1991

The Industrial Policy measures announced in 1991 contained a special thrust on the promotion and strengthening of Small, Tiny and Village Industries. The investment limit for tiny industries was raised to Rs. 25 lakhs. In addition, locational conditions were withdrawn. Equity participation by other industrial undertakings was permitted up to a limit of 24% of the shareholdings in SSIs. This was done with a view to boost the, ancillarisation and strengthening of the capital base of the SSI units. Steps were taken to include services in the SSI sector. A new scheme of Integrated Infrastructural Development for SSIs was, brought into being with the participation of State Governments and Financial Institutions. A pro-active role for Non-Governmental Organisations and Industry/ Trade Associations was also mooted. Besides the above measures, steps were initiated to bring about substantial deregulation and simplification of roles and procedures.

To protect the interests of SSIs and to improve their viability, measures taken by the Government, from time to time, include reservations of items for manufacture exclusively by this sector, revision of investment ceilings in the definition, modernisation, technology upgradation and market assistance. 812 items are currently reserved for exclusive manufacture in the SSI sector. However, there is no regulation or restriction on marketing the reserved items by large industries. The reservation of products for exclusive manufacture by SSIs is reviewed ' regularly. The Government has also been extending preferences in respect of purchase of items manufactured by SSIs. In the recent-post-reform period, a number of new steps have been initiated by the Government with regard to foreign direct investment, establishment of growth centres, export promotion, marketing etc.

Comprehensive Policy Package for SSIs and Tiny Sector 2000

As already mentioned, with a view to provide more focused attention on the development of SSI, the Government of India created a new Ministry of Small Scale Industries & Agro and Rural Industries in October 1999. Immediately after the formation of the Ministry, a Mission for the Millennium giving a blue print for small scale and village industries was announced. To carve out a road map for this sector in the New Millennium; the Hon'ble Prime Minister A.B. Vajpayee constitutes: a Group of Ministers under the Chairmanship of Shri L.K. Advani, the Home Minister of India. The Group of Ministers came out with a Comprehensive Policy Package for the Small Scale and Tiny Sector based on the Interim Report of the S.P. Gupta Study Team constituted by the Planning Commission. The provisions of the Comprehensive Policy Package are given below:



Policy Support: The policy-package clearly stated that to support the sector, the following policy measures would be in place. (i) The investment limit for the SSI sector to continue at Rs. 1 crore; (ii) To bring out a specific list of hi-tech and export oriented industries requiring substantial investment and raise the investment limit in their case upto Rs. 5 crores; (iii) The Limited Partnership Act to be drafted quickly and got enacted.

Fiscal Support: Raising of excise duty exemption from Rs. 50 lakhs to Rs. 1 crore.

Credit Support: (i) Raising of the composite loans limit from Rs. 10 lakhs to Rs.25 lakhs; (ii) Small Scale Service and 'Business (Industry Related) Enterprises (SSSBs) with a maximum investment of Rs. 10 lakhs to qualify for priority lending; (iii) Under the National Equity Fund Scheme, the project cost limit to be raised from Rs. 25 lakhs to Rs. 50 lakhs. The soft loan limit to be retained at 25% of the project cost subject to a maximum of Rs. 10 lakhs per project. Assistance under the NEF to be provided at a service charge of 5% per annum; Revision of eligibility limit for coverage under the Credit Guarantee Scheme to Rs.25 lakhs from the present limit of Rs. 10 lakhs; (v) Task Force (set up by Deptt. of Economic Affairs) to suggest revitalization/restructuring of the State Finance Corporations; (vi) Recommendation of 20% of the projected turnover as working capital (as suggested by Nayak Committee) to the financial institutions and banks.

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

Technological Support and Quality Improvement: (i) Capital Subsidy of 12% for investment in technology in select sectors; (ii) Encouraging of Total Quality Management; (iii) Scheme of granting Rs.75,000 to each unit for opting ISO-9000 Certification to continue for the next six years i.e. till the end of the 10th plan. (iv) Setting up of incubation Centres in Sunrise Industries to be supported;

TBSE set up by SIDBI to be strengthened so that it functions effectively as a Technology Bank. And to get it properly networked with NSIC, SIDO (SENET Programme) and 'APCTT'; (vi) SIDO, SIDBI and NSIC to' jointly prepare a Compendium of available technologies for the R&D institutions in India and abroad and circulate it among the industry associations for the dissemination of the latest technology related information; (vii) Commercial Banks to be requested to develop Schemes to encourage investment in technology upgradation and harmonise the same with SIDBI; (viii) One time Capital Grant of 50% to be given to Small Scale Associations which wish to develop and operate Testing Laboratories, provided they are of international standard.

Marketing Support: (i) SIDO to have a Market Development Assistance (MDA) Programme, similar to one obtaining in the Ministry of Commerce & Industry; (ii) Vendor Development Programme, Buyer-Seller Meets and Exhibitions to take place more often and at dispersed locations.

Streamlining Inspections/Rules and Regulations: (i) To minimise harassment to Small Scale Sector a Group to be set up to recommend within 3 months, as a



means of streamlining inspections. This will include repeal of laws and regulations applicable to the sector that have since become redundant; (ii) Self-certification to be progressively encouraged in lieu of inspections and inspection to be prescribed only on receipt of specific complaint or selection of unit for sample check or for audit and safety purposes.

Entrepreneurship Development: Capacity building in the SSI sector, both for entrepreneurs as well as workers, to be given top priority.

Facilitating Prompt Payment: (i) Task Force, set up by RBI to go into the question of strengthening and popularising factoring services, without recourse to the SSI suppliers; (ii) RBI is being requested to take up with the banks, the question of sub-allocating overall limits to the large borrowers specifically for meeting the payment obligations in respect of purchases from the SSIs, either on cash basis or on bills basis.

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

Promoting Rural Industries: (i) "Deendayal Hathkarga Protsahan Yojna" having a total financial implication of Rs. 447 crores to support the Handloom Sector and to provide comprehensive financial and infrastructural support to weavers; (ii) A new comprehensive package to strengthen Khadi and Village Industries that will further upgrade the skills of Khadi Workers.

Improving Data Base: A fresh Census of Small Scale Industries to be conducted covering inter-alia, the incidence of sickness and its causes.

Activity 1

Visit a bank which finances small entrepreneurs. Try to meet at least 2 prospective entrepreneurs there. Discuss with them the current policy and find out if they find the measures adequate. What, according to them, are the gaps in support provided.

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TINY SECTOR

Policy Support: (i) Investment limit for the tiny sector to continue at Rs. 25 lakhs; (ii) Under the Prime Minister's Rozgar Yojna, which finances setting up of micro enterprises and generates employment for the educated unemployed, the family income eligibility limit of Rs. 24,000 per annum being revised to Rs. 40,000 per annum.

Credit Support: (i) Recommendation of 20% of the projected turnover as working capital (as suggested by Nayak Committee) to the financial institutions and banks; (ii) The National Small Industries Corporation to continue to give composite loans upto Rs. 25 lakhs to the Tiny Sector and continue to charge one per cent concessional interest rate; (iii) SIDBI to continue to give concessional rate of refinance to the tiny sector; (iv) Under the National Equity Fund Scheme, 30 per cent of the investment to be earmarked for the Tiny Sector.

Infrastructure support: Under Integrated Infrastructure Development (IID) Scheme 50 percent of to be remarked for the tiny sector (as against



40 per cent done earlier); (ii) Under the National Programme for Rural Industrialisation, cluster development to be taken up by KVIC, SIDO, SIDBI and NABARD. The major beneficiaries of Cluster Development Programme will be Tiny Sector Units. The sponsoring organisation for each cluster will provide for design development, capacity building, technology intervention and consortium marketing. A Cluster Development Fund to be created under the Plan.

Technological Support: Under the Scheme of Capital Subsidy of 12 per cent for investment in technology upgradation in select sectors, preference to be given to the Tiny Sector.

Marketing Support: Preference to be given to the Tiny Sector while organising Buyer-Seller Meets, Vendor Development Programmes and Exhibitions.

Policy Initiatives on Small-Scale Industries in 2002-03

- (i) Fifty one items were dereserved in May 2002;
- (ii) In the Union Budget 2002-03, income tax exemption was granted to the income of the Credit Guarantee Fund Trust for small Industries for 5 years.
- (iii) In the Union Budget 2002-03, the general SSI Excise exemption Scheme has been extended to air guns, air rifles and air pistols (not covered under the Arms Act, 1959); articles of apparel, knitted or crocheted; marble and Bengal lights.
- (iv) National Awards for scheduled commercial banks were constituted by the Ministry of Small Scale Industries for best performance in terms of lending to SSIs. The first ever Awards were given away in the 3rd SSI Convention on August 28, 2002.
- (v) A Biotechnology Cell has been created in the Ministry of SSI under the Chairmanship of Development Commissioner (small scale industries) to facilitate the development and promotion of biotechnology based industries in the small scale sector.
- (vi) For technology upgradation and quality improvement in SSI sector, the scope of the ongoing ISO 9000 reimbursement scheme has been enlarged to include reimbursement and of expenses for ISO 14001 Environment Standard with effect from October 28, 2002.

Activity 2

Visit an entrepreneur who has just set up a unit to find out the type of financial assistance received by him. Determine also the policy resolution under which he got the assistance.

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3.4 THE ADMINISTRATIVE AND INSTITUTIONAL SET UP

Government policy resolutions and programmes based on the same need a proper administrative and institutional set up. Right from the time of IPR 1948, this has engaged the mind of the Government. As such the following set up helps the SSI sector and for its operations SSI is divided into two major groups: (i) The Small Industry Development Organisation (SIDO); (ii) the Non-SIDO. The latter was described by different terms like unorganized, informal or non-urban, depending



upon the point of view from which they are described. The SIDO is centralized in the Office of the Development Commissioner-Small Scale Industry (DCSSI). The SIDO assists the Ministry in implementation of policies and programmes for promotion and development of the small-scale sector. It also provides a comprehensive range of common facilities, technology support services, marketing assistance etc., through its network of 30 Small Industries Service Institutes (SISI) 28 Branch Institutes, 2 Extension Centres, 4 Regional Testing Centres, 2 SEPTI at Ettumanoor and Thiruvalla and 7 Field Testing Stations.

At the level of State there is Director of Industry (DI) or Industries Commissioner (IC). Within the States, at the district level the District Industry Centre (DIC) is an important extension in the field of industry. For any individual intending to obtain information and help in district based towns or villages, DIC is easily the best office. DIC has managers to help small entrepreneurs in the areas of raw material marketing and infrastructure.

In case of small units in the unorganized sector, there are autonomous Boards such as Khadi and Village Industry Commission, Handloom Board, Power-loom Board, Silk Board, Coir Board and All India SSI Board. These boards help units in respective industry in areas like establishment, operations - mainly raw materials, technical help, marketing help and design. It must be remembered that a smaller unit working either under SIDO or Non-SIDO set up is governed by the Central Government policies on issues such as excise differential, price preference or marketing assistance. It is for administrative purposes, among others, that these units are placed under different organisations. As such, all such industrial units are under the purview of boards and the assistance they provide.

In addition to the above organisations whose purview is overall, at the level of the state, separate agencies deal with specific problem areas as follows:

Infrastructure Development Corporation provides assistance for plots/industrial sheds, water, power and road; **Financial Corporation** provides term loans to entrepreneurs. For small entrepreneurs there is a separate Financial Corporation. Thus, in Gujarat, the Gujarat State Financial Corporation provides term loan up to Rs. 90 lakhs, while for term loans exceeding this amount there is the Gujarat Industrial Investment Corporation. This set up exists in many other states.

Assistance for raw material, plant and machinery is provided by a separate corporation viz. **Small Industry Corporation**.

States also have technical consultancy organisations to advise and solve problems faced by the entrepreneurs. These entrepreneurs may be large, medium or small.

Some States have programmes for preparing or training entrepreneurs. Some national institutions are also involved in designing and imparting such training programmes. Prominent among these are the Entrepreneurship Development Institutes in Ahmedabad, Bangalore and Bhopal and National Institute of Entrepreneurship and Small Business Development.

Activity 3

Looking at the spread and population dispersion of the country, do you think an institutional set up upto to district level is adequate to meet the needs of promotion of small scale industries in our country? Comment and give justification for your answer.

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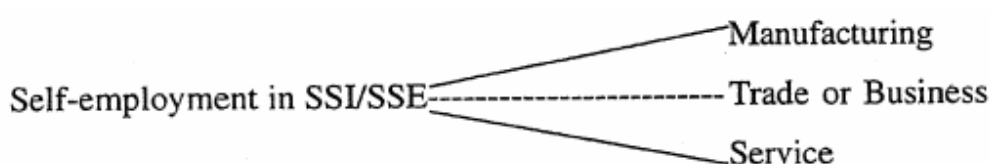
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3.5 INDUSTRIAL POLICY IN OPERATION



An entrepreneur who wishes to set up a small unit of his own may however, like to know how the industrial policy is actually implemented. In other words, how will his unit come under the purview of industrial policy at different stages. For this we should firstly lay bare the entrepreneurial process and then suggest a tentative framework for establishing linkage between some of the following areas.

Information: An enterprise can be seen from the point of view of an entrepreneur or the institution of the interface. Since, in this unit our focus is mainly on the institutions of the interface, we shall place greater emphasis on their activities. The foremost area is information and in the first place it should enable an individual to make a choice as between different self-employment opportunities. The opportunities for self-employment are represented by means of a diagram as below:



Information on self-employment based opportunities in any one of the above areas should be available from the following institutions:

- (1) Director of Industry of the State or District Industries Centre.
- (2) State Financial Corporation particularly their Small Business Cell.
- (3) Nationalised. Commercial Banks, their Small Business/Enterprise Department.
- (4) State Directorate of Cottage Industries (For details see Appendix Q).

In addition to the above some states have published, from time to time, list of Bankable Schemes for SSE. These are indeed very small enterprises or service establishments and are meant essentially for self-employment of the individual. A few such Bankable Schemes include Detergent Soap/Powder, Hair Oil, Washing Soap, Carpentry Shop, Diesel Oil Engine Service-cum-Repair Shop etc. for rural areas. For urban locations the list would include Xeroxing centre, beautician's shop, TV service centre, furniture-designing centre etc.

The objective in providing such lists is that, very often the persons desirous of taking up self-employment as a positive career alternative, lack basic information on what alternatives are actually available. Taking the length and breadth of the country, its vast rural and backward areas lack of relevant information would seem to be a basic lacuna. One of the activities of the interface institutions therefore, is collecting and disseminating information.

Other Institutions: The major objective of Government Policy with regard to the small-scale sector - both small scale industry and other small business has been employment. The policy and a variety of measures of Central as well as State Governments aim at promoting these enterprises. You would have noted the role played by the infrastructure institutions in handing out the information. This may be regarded as the starting point. It would enable an individual to choose from among alternatives. But an enterprise is not all information. In establishing the same, regardless of size, the individual needs other resources too, and one of the most important of these resources is finance. Finance is described as the backbone of an enterprise. Let us describe the various financial institutions, which can help a small enterprise.



Small Industrial Development Bank of India (SIDBI)

The Small Industries Development Bank of India - the apex bank for small-scale industries - extends assistance to SSI units through various schemes. The immediate thrust of SIDBI is on:

- (i) initiating steps for technological upgradation and modernisation of existing units;
- (ii) expanding the channels for marketing the products of SSI Sector in domestic and overseas markets;
- (iii) promotion of employment oriented industries especially, in semi-urban areas to create more employment opportunities and thereby checking migration of population to urban and cosmopolitan areas.

SIDBI has various schemes to provide assistance -to almost all projects in the SSI Sector. Minimum contribution by promoters prescribed under the schemes usually varies between 10% to 25%. The Debt Equity ratio up to 3:1 is normally applicable under all refinance schemes in respect of loan amount up to Rs. 10 lakhs and up to 2:1 above Rs. 10 lakhs. Term loan is repayable within such period, which is fixed after taking into account the profitability and debt servicing capacity of the project. Interest rate is generally linked to size of the loan under various schemes of assistance. The activities of SIDBI are given under "Appendix E - Major Schemes".

Activity 4

Visit the SIDBI branch in your city and contact the loan disbursement officials. Collect information on the type of enterprises they have financed. What are the criteria they use to evaluate applications for assistance?

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Finance for SSI/SSE

With reference to the sector of small enterprises - both industry and business - All India Financial Institutions do not have a direct role to play. Finance as an important resource is provided mostly by State based Institutions. Two such Institutions carry out this activity at the level of a State in India (i) the State Financial Corporation - an autonomous State-based Institution and (ii) Nationalised commercial banks. One could add to these a third set of Institutions - the Cooperative Banks. These are either location based i.e. residents of a location have formed a Cooperative Bank or industry/trade based. Examples of the latter could be Weavers' Cooperative bank or Fishermen's Cooperative bank etc. Prior to nationalisation of commercial banks, their field of activity was mainly collecting deposits from the public and extending short-term loans to business and industry. The whole activity was of a supportive character with some promotional element. After the nationalisation of banks, two most important changes took place. One; the objectives of policies and procedures underwent many significant changes banking became more and more of a service industry and two; with an extensive programme of opening branches these services became available almost everywhere in the country. The promotional objective in the new framework is on creating new openings in self-employment, small industry and enterprises. The localized and activity based cooperative banks have added to this.



The help that the banking institutions extend to the small sector lies in two major areas, term loan of a small amount for setting up a small enterprise and working capital i.e. funds required for day-to-day running of an enterprise. A typical programme of extending financial assistance by a nationalised bank would include the following and may be grouped under 'financing of small business activities':

- Finance to Retailers
- Finance to Transport Operators
- Finance to Professional and Self-employed individuals
- Finance to Business Enterprises

Among the above there is no upper limit on the amount of finance given for transport operators, professional and Self-employed individuals. The latter can include the most extensive type of activities such as pathological laboratories, eye clinics, computer based data processing services etc. Financial limits generally apply in the category of retail traders and business enterprises. The loans are given for (a) acquiring or repairing business, premises; (b) purchase of furniture, fittings, equipments and vehicle accessories; and (c) for meeting the cost of vehicle inclusive of cost of spares with sales tax, insurance and registration. Cash credit facilities are provided for meeting working capital requirements. Small businesses are known to borrow from non-institutional sources (i.e. zamindars, local moneylenders etc., at higher rate of interest. Such loans can be liquidated with the help of bank funds.

Offices of the nationalised commercial banks have a department or cell devoted to small business and detailed information including the forms and applications and conditions for the loan are given in them.

An important aspect of the activities of the cooperative banks should be added here. Most of the lending of such banks are based on personal knowledge of the borrowers. Security, guarantee and such other questions are not emphasized very much. This is so because the area of operation of such banks is a small town, a particular trade or activity and hence the management has fairly detailed knowledge and information about the borrower. Due to this several small borrowers have been able to start many a self-employment oriented activity.

The borrower must, however, bear in mind one very important aspect in dealing with banks. He must fully understand the terms and conditions under which a loan is sanctioned and the true implications of these on his business/service/ manufacturing unit. In some cases, the financial institutions themselves explain these implications to the borrower, which represent the true kind of promotional activity. Against the background of vast unemployment in the country among the urban, rural, 'educated, uneducated - and the urgent need to provide solution to this through schemes of self-employment, financial institutions and banks are getting equipped with several promotional extension programme and literature. It is in the interest of the potential borrower to avail of such programmes and promotional literature so that he is better equipped to utilize the borrowed funds.

A manufacturing, trading or servicing unit will need merchandise and raw material of all kinds. In addition to this a manufacturing unit would require some machines, tools and equipments. In case of all the three types of activities the foremost requirement would be land and building. Save for the individual who is using his own premises, the rest would have to locate their activities somewhere else. For manufacturing and business units open plots or sheds may be available from (a) State Industrial Development Corporation (in some states these are



known as Infrastructure Development Corporation); (b) local authorities i.e. Panchayats and Municipalities; or (c) private estate development authorities. The first category of institutions is a well-established institutional arrangement. Open plots or built-up sheds are available either on down or total payment or under the hire-purchase scheme. Payment of instalments over a given period will end in ownership of the shed by the occupant.

Another important requirement would be machines, tools and equipments - in technical jargon, plant and equipment. This facility, along with the building, enables you to undertake and carry on your manufacturing operations.

With regard to plant and machinery, the National Small Industries Corporation (NSIC) and its branches offer these on hire-purchase terms. In terms of the existing practice of one of the states, the hire-purchase scheme of NSIC operates actually through the loan sanctioned by the State Financial Corporation. A part of the loan - which is the cost of plant and machinery, is treated as part of the hire-purchase scheme.

In the same way the state based small industries corporation has schemes to meet raw material requirements of small manufacturing units, particularly scarce and/or imported raw materials. With regard to the latter - imported raw material - in some case the linkages may be found in two important corporations like State Trading Corporation and Minerals and Metals Trading Corporation. But such linkages may not generally be relevant with reference to typical small self-employment based units.

Markets for the Products

Manufacturing small units face the difficulty of marketing their products mainly because of two reasons. In the first place there are several lines in which products of large and small units have to compete with each other in the market. In such situations the latter always suffer and in order to help such units, in selected product lines, special purchase programmes have been announced by the government. These programmes extend subsidy to SSI products so that they can compete with some strength. Such lists should be available with the Director of Industry of state, the state small industry corporation and the district industry centres. In some states a list of state - based product is also available.

The recent emphasis of policy is to encourage both small-scale industry and small business and trade, which provide self-employment opportunities in the first place. Small businesses have limited requirement of plant, machinery and tools and most of the financial requirements are met by nationalised commercial banks. Most of the banks have announced liberalized loan schemes, entrepreneur schemes, equity fund scheme, and composite loan scheme for artisan based village and cottage industries. As an illustration we give below outline of what a liberalized loan scheme would be offering.

Financing Scheme of Commercial Banks

Nationalised commercial banks operating in India generally provide finance to small-scale industries on concessional terms. The broad parameters of any such financing scheme are given below:

1. Eligibility

- Any individual, proprietary concern, partnership firm, Joint Hindu Family concern, cooperative society, Private Limited Company or any other registered association that can qualify under the definition of small-scale industry.



2. Bank Finance and Facilities

<i>Purpose of Bank Finance</i>	<i>Facilities</i>
A. To meet the capital cost of Project for acquisition of land, buildings, plant and machinery, technical know-how etc. (i) In case full payment is to be made at the time of purchase (ii) In case the supplier is willing to accept payment in instalments spread over a long time	(i) Term Loan (Term Loan safe Normally repayable over a period 'Of 5-7 years including an initial moratorium of 6 to 12 months depending upon the expected cash accruals, gestation period etc. The borrower is required to provide margin money. (ii) Deferred Payment Guarantee
B. For meeting working capital (i) For purchase of raw materials (ii) For stocking of raw materials up to reasonable limit to meet normal consumption requirements	(i) Guarantee to supplier for the bills for supply of raw materials drawn by him (Letter of Credit); or Direct payment to the supplier (ii) Cash Credit against raw materials (CC Limit)
C. For goods-in-process to suit the production schedule	Cash Credit against goods-in-process
D. For stocking of finished goods up to reasonable levels for meeting delivery schedule/off-the-shelf delivery	Cash credit against finished goods
E. Financing of Receivables	- Cash credit against book debts/usance bills - Cash credit against supply bills drawn on Government Departments - Demand Bills and Cheque purchasing facility - Usance Bills discounting facility - Discounting of usance bills drawn on buyers under the IDBI's Bill Rediscounting Scheme (to the manufacturers of capital equipment for effecting sale on deferred terms)

Concept of Limited Liability Partnership

Limited Liability Partnership (LLP) is another form of business organisation, which is proposed to be brought into effect through an Act of Parliament. LLP permits individual partner to be shielded from joint liability created by another partner's business decision or misconduct. Such an entity would provide the flexibility of a partnership and limiting at the same time, the owner's liability with respect to the LLP. The Naresh Chandra Committee-II, which has examined at length the case of LLP, feels that in the first instance, LLP should be made available to the firms providing professional services only. This will encourage Indian professionals to participate in the international business community



Without apprehension of being subject to excessive liability. As regards extending the scope of LLP to trading firms and/or manufacturing firms, in the Committee's view there is no special advantage that small private companies or SSI units might derive from being an LLP, especially in light of the fact that the Committee itself is recommending a considerable easing of regulation on private companies, specially Small Private Companies (SPCs).

Trade-Industry Association

Apart from statutory and autonomous institutions and development corporations, there are several trade-industry and business associations, which provide information and support to industrial and business unit. To start with the main focus of these activities was large industrial and business units but along with recent development and emphasis on small units these institutions have also broadened their activities. Thus, presently every industry and major product lines have an association. The product line may be engineering, chemical or plastic. You will find a local, state level and regional or national level organisation to represent business interests of the members. Such associations through periodic seminars or meetings release information on the state of the particular industry, its problems and prospects of growth, which could be used by small unit owners and those who want to take to the line. A national level organisation like All India Manufacturers' Organisation (AIMO) has panels or sub-groups on every manufacturing industry such as metal based, plastics, chemicals etc. While these organisations easily provide a platform for representing problems to the relevant authorities they have slowly begun to recognise their development-cumpromotional role. Government policies, in recent years, have stressed the increasing role of Industry Associations in the setting up of common facilities and other ventures in the area of technology, marketing and other support services. Industry Associations also impart institutional support to the small-scale sector. Some of the major associations are as under:

- (i) Confederation of Indian Industry (CID);
- (ii) Federation of Indian Chamber of Commerce and Industry (FICCI);
- (iii) PHD Chamber of Commerce and Industry (PHDCCI);
- (iv) Associated Chamber of Commerce & Industry of India (ASSOCHAM);
- (v) Federation of Indian Exporters Organisation (FIEO);
- (vi) World Association for Small & Medium Enterprises (WASME);
- (vii) Federation of Associations of Small Industries of India (FASII);
- (viii) Consortium of Women Entrepreneurs of India (CWEI);
- (ix) Laghu Udyog Bharati (LUB);
- (x) Indian Council of Small Industries (ICSI)

Some Publications

- (i) Laghu Udyog Samachar - provides information on Institutional Services, Policies and Programmes; incentives and facilities to SSIs.
- (ii) Industry Profiles - help to take investment decisions with regard to items to be produced and data to prepare Project Reports.

Activity 5



Visit a SSI entrepreneur to find what assistance is he getting in marketing his product. Also try to explain the policy of the supporting institution for the same:

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3.6 SUMMARY

Based on the foregoing description of institutions and their activities, you now have a complete overview of the policy and institutional support environment facing the small entrepreneur, should be in a position to locate itself as surrounded by an environment. This environment consists of policies and authorities, institutions and corporations aiming at providing infrastructural inputs and resources and a host of industry- trade-business based voluntary associations. Their policies, measures and programmes are relevant to an enterprise. A set of acting and interacting forces could be perhaps visualised by each unit with reference to its activities and decision. It should now be possible for us to understand the nature and concept of institutional interface between the enterprise and the institutional setup.

3.7 SELF-ASSESSMENT QUESTIONS

1. Discuss the development of the policy towards SSI through the different industrial policy resolutions. What do you think is the major feature of the Comprehensive Policy Package 2000 with respect to SSI?
2. Describe the administrative set up of the SSI sector.
3. What is the role of SIDBI? Discuss.
4. How do trade industry associations, in the context of SSI's, facilitate development?

3.8 FURTHER READINGS

- Industrial Policy Resolution, Govt. of India Publication.
- Annual Reports of Ministry of SSI.
- Project Reports, prepared by Industrial and Technical Consultancy Organisation of Tamilnadu Limited (ITCOT).
- Rudder Dutt and K.P.M. Sundaram, Indian Economy, S Chand and Co. (Pvt.) Ltd. New Delhi, 2000.
- Vasant Desai, Management of Small Scale Industries, Himalaya Publishing House, New Delhi, 2000.



3.9 APPENDICES

APPENDIX A

Industrial Policy Resolutions/Statements: A Summary

<i>Date</i>	<i>Main Objective</i>	<i>Principal Measure</i>	<i>The SSI Universe</i>
IPR 1948	Protection	Raw Material; Cheap power; Technical advice; Marketing of products; Safeguarding against excessive competition from	Village-based small enterprises; Repairs cum- job shops; Units using local market, raw material, labour. Hence self-sufficient. Tiny/cottage rural
1956	Protection plus Development	Protect artisan based non-technical enterprises; Develop modern SSI for industrial and consumer goods; Provide capital and skill; Develop export based units; Achieve regional balance through SSI; Package of incentives, assistance and infrastructure; Technological upgradation; Reservation of items for SSI.	Modern SSI units in urban areas; Units employing labour intensive technology; New entrants to SSI- new entrepreneurs; Ancillary units.
1977	Protection plus Development plus Promotion	Protect labour intensive technology; Promote small/tiny units; Promote non-urban location; Promote new first generation entrepreneurs; Decentralised production.	- do -
1980	Protection plus Development plus Promotion	Protect labour intensive technology; Promote small/tiny units; Promote non-urban location; Promote new first generation entrepreneurs; Decentralised production; Nuclear plant for SSI growth; Reservation of products for SSI.	- do -
1990		Promotion of SSI and Agro-based industries; Reservation of 836 products and new lines to be identified; Central investment subsidy-rural and backward areas; Technology centres for modernisation; Small Industries Development Bank (SIDBI); Facilities of KVIC and KVI Boards to be expanded to help artisans in marketing; Agro-processing industry to receive high priority.	- do -
1991		Impart more vitality and growth-impetus to the SSI Sector for enhancing output, employment and exports; Substantial delicensing;	- do -



2000	<p>Deregulate and debureaucratise the sector so as to remove all fetters on its growth potential; Review and if necessary, modify all statutes, regulations and procedures relating to SSI Sector Equip the SSI Sector to face growing Competition both globally and domestically and avail opporutnities; Removal of problems relating to credit, infrastructure, technology, marketing etc.; Providing of solution for delayed payment hassels on account of so many rules and regulations.</p>
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APPENDIX B 1

Illustrative List of Small Scale Service/Business (Industry Related) Enterprises

- (i) **Advertising Agencies**
- (ii) Marketing Consultancy
- (iii) Industrial Consultancy
- (iv) Equipment Rental and Leasing
- (v) Typing Centres
- (vi) Zeroxing
- (vii) Industrial Photography
- (viii) Industrial R & D Labs
- (ix) Industrial Testing Labs
- (x) Computerised Design & Drafting
- (xi) Creation of Databases suitable for foreign/Indian markets
- (xii) Software Development
- (xiii) Auto repair, services and garages
- (xiv) Documentary films on themes like family planning, social forestry, energy conservation and commercial advertising
- (xv) Labs engaged in testing of raw materials/finished products
- (xvi) Service Industry Undertakings' engaged in maintenance, repair, testing or servicing of all types of vehicles and machinery of any description including Electronic/Electrical equipment/instruments i.e. measuring/ control instruments, television, tape recorders, VCRs, radios, transformers, motor, watches etc.
- (xvii) Laundry and Dry-cleaning
- (xviii) X-ray clinic
- (xix) Tailoring
- (xx) Servicing of Agriculture farm equipment e.g. Tractor, Pump, Rig, Boring Machine etc.
- (xxi) Weigh Bridge
- (xxii) Photographic Labs
- (xxiii) Blue printing and enlargement of drawing/designs facilities



- (xxiv) ISD/STD Booths
- (xxv) Teleprinter/FAX Services
- (xxvi) Sub-contracting Exchange (SEXs) established by Non-Government Industry Associations
- (xxvii) EDP Institute established by Voluntary Associations/Non-Government Organisations
- (xxviii) Studios, colour, black and white equipped with processing Labs
- (xxix) Rope-way in hilly areas
- (xxx) Cable T.V. Services e.g. 'Installation & Opeartion of Cable T.V. Networks'
- (xxxi) Operating EPABX under franchises
- (xxxii) Beauty parlours and creches

Note: Software servicing and Data Processing (including computer graphics) and Printing Press which were earlier registrable as SSSBEs have since been recognised as industrial activity registrable as Small Scale Industry (SSI).

APPENDIX B 2

Incentives, Facilities And Concessions Provided

By State Govts/Ut Govts.

The main responsibility for the development of small-scale industries rests with the state/UT Governments. They provide a wide range of facilities, concessions and incentives. In order to avail them, the SSI units are required to be registered with the Directorate of Industries/UT Governments. Some of the important facilities/incentives provided include:

- Land, developed plots and sheds in industrial estates on easy terms;
- Necessary infrastructure at developed sites e.g. power, water, communication system etc.;
- Capital subsidy on investment in fixed assets in selected backward areas at varying rates;
- Sales tax deferment/tax holidays;
- Relief on octroi, electricity duty, stamp duty;
- Interest subsidy;
- Power subsidy;
- Subsidy on generating sets;
- Financial assistance for preparation of project reports;
- Seed capital for starting projects;
- Subsidy for obtaining technical know-how;
- Subsidy for testing the products in approved test houses.

Note: (i) All these concessions are not uniform in the States. Their content, nature and quantum of assistance vary from state to State and UTs.

- (ii) State Small Industries Corporations assist in procurement of raw materials, marketing etc. District Industries Centres play a crucial role in the promotion and development of small industries.



Note: In describing the Institutional set-up, greater emphasis has been given to the State-based Institutions.

I. National Level Institutions

(i) Small Industries Development Organisation (SIDO)

- Policy of formulating, coordinating and monitoring;

(ii) National Small Industries Corporations

- Supply of machinery on hire purchase basis;
- Registration of units for participation in the purchase programmes of the Central and State Governments and other central institutions;
- Marketing assistance - internal and external (i.e. export);
- Development of prototypes of machinery and equipment and other facilities;

(iii) Commissioner of Industrial Cooperatives

- Coordination of policies for industrial cooperatives

(iv) Specialised Institutions for Training and Development

- National Institute of Small Industry Extension Training (NISIET), Hyderabad;
- National Institute for Entrepreneurship and Small Business Development (NIESBUD), New Delhi;
- Indian Institute of Entrepreneurship (IIE), Guwahati;
- Entrepreneurship Development Institute of India (EDIT) - at Ahmedabad, Lucknow, Patna and Bhopal (promoted by IDBI, IFCI, ICICI and SBI);
- Central Institute of Tool Design (CITD), Hyderabad - Training in the design and manufacture of tools, jigs, fixtures, dies and moulds;
- Central Tool Room and Training Centres - at Ludhiana, Delhi, Kolkata, Bangalore, Bhuvaneshwar and Guwahati;
- Central Institute of Hand Tools, Jalandhar, - Provision of technology, raw materials, designs and testing for hand tools industry;
- Indo-German Tool Room - at Ahmedabad, Aurangabad, Indore;
- Indo-Danish Tool Room, Jamshedpur;
- Hand Tool Design, Development and Training Centre, Nagore (Rajasthan);
- Institute for Design of Electrical Measuring Instruments (IDEMI), Mumbai;
- Central Machine Tool Institute, Bangalore;
- Central Institute for Plastics Engineering and Tools at Chennai and Ahmedabad;
- National Institute of Foundry and Forge Technology, Ranchi*

II. State Level Institutions

(i) Directorate of Industries (with a network of District Industries Centres at the district level, industries officers at the sub-division level and extension officers at block level)

- Registration of small scale units and recommending cases of large/ medium industries to appropriate authorities;
- Raw material quota;
- Import quota;
- Financial assistance under the State Aid to Industries Act;



- Industrial Estate;
 - Technical consultancy;
 - Training of entrepreneurs;
 - Industrial cooperatives;
 - Compilation of statistics;
 - Overall administration of the village and small industry sector and maintaining close liaison with the central and state level organisations concerned with industrial development;
- (ii) Small Industries Development Corporation
- Supply of scarce raw materials through raw material depot;
 - Machinery on hire purchase;
 - Marketing assistance;
 - Joint ventures in small scale sector;
 - Entrepreneurship development;
 - Trade centres;
 - Industrial estates;
- (iii) Industrial Infrastructure Corporation
- Plans and develops industrial estates and industrial areas;
- (iv) Industrial Area Development Board/Authority
- Plans and develops industrial estates and industrial areas;
- (v) Industrial Development Corporation
- Promotion of industrial units in the medium and large scale sector (including joint and public sector) ventures;
 - Planning and development of industrial estates and industrial areas;
- (vi) Industrial Investment Corporation
- Finances medium and large units up to a certain investment ceiling with direct participation in share capital and underwrites new issues;
- (vii) Agro Industries Corporation
- Supply of agricultural machinery/equipment on hire;
 - Development of agro-based industries;
 - Sale of agro-inputs like fertilizers and pesticides;
- (viii) Electronics Development Corporation
- Promotion of industries in the field of electronics including joint sector and public sector projects;
- (ix) Leather Industry Development Corporation and Other similar commodity Corporations
- Development of specific types of village and tiny sector units relating to a particular trade;
- (x) Rural Industries Marketing Corporation
- Marketing of village industry products and provision of a variety of services needed by village and tiny units;
- (xi) Industrial and Technical Consultancy Organisation (sponsored by IDBI/IFCI/ICICI)
- Technical consultancy services to small and medium scale projects

APPENDIX D

An Overview of the Small Scale Sector in India



The following Tables provide an overview of the statistics relating to small-sector in India. It may be noted that constant support by the Government in terms of infrastructure development, favourable fiscal and monetary policies etc. has helped SSI Sector emerge as dynamic and vibrant sector of Indian economy.

Table 1: Performance of Small Scale Sector

Year	No. Of Units (lakh Nos.)			Production (Rs. Crores)		Employment (Lakh Nos.)	Exports (Rs. Crores)
	Regd.	Un-regd.	Total	At Current Prices	At Constant Prices		
1994-95	19.44	6.27	25.71	2,98,886	2,66,054	146.58	29,068
1995-96	20.18	6.40	26.58	3,62,656	2,96,385	152.61	36,470
1996-97	21.53	6.50	28.03	4,11,858	3,29,935	160.00	39,248
1997-98	22.82	6.62	29.44	4,62,641	3,57,749	167.20	44,442
1998-99	24.06	6.74	30.80	5,20,650	3,85,296	171.58	48,979
1999-00	25.26	6.86	32.12	5,72,887	4,16,736	178.50	54,200
2000-01	26.14	6.98	33.12	6,39,024	4,51,033	185.64	69,797
2001-02	27.31	7.11	34.42	6,90,316	4,78,456	192.23	N.A.
2002-03 (Projected)	28.49	7.23	35.72	7,42,021	5,14,292	199.65	N.A.

SOURCE: Economic Survey of India 2002-03 (Adapted)

Table 2: Profile of SSI Sector in the Industrial Sector

A. SSI Sector accounts for	(i) 95% of industrial units in the country; (ii) 39.92% of value added in the manufacturing sector; (iii) 34.29% of national exports; (iv) 6.86% of Gross Domestic Product (GDP)
B. SSI Sector provides employment to	193 lakh persons.
C. SSI Sector produces	Over 7500 items in the industrial sector. (Note: Product range varies from simple items produced with traditional technology to high-tech products, produced with sophisticated state of the art technology.)
D. Items reserved for exclusive manufacture in the SSI Sector.	749 items
E. Items reserved for exclusive purchase from the SSI Sector.	358 items

Source: Annual Report 2002-03, published by Ministry of SSI



Table 1: Flow of Credit

The table below gives the positions with regard to flow of credit to SSI and Tiny Sectors from public sector banks:

(Amount in Rs. Crores)				
Net Bank Credit March 1996	At the end of March 1997	At the end of March 1998	At the end of March 1999	At the end of March 99
Net Bank credit	1.84.381	1.89.684	2.18.219	2.46.203
Credit to SSI	29,485	31,542	38,109	42,674
SSI Credit as %age of Net Bank Credit	15.99	16.6	17.5	17.33
Net Credit to Tiny Sector	8183	9515	10273	8837
Tiny credit as percentage of net SSI credit	27.76	30.2	27.0	20.71

SOURCE: Annual Report 1999-2000, published by Ministry of SSI Table 1:
Sickness in SSI Sector

The magnitude and nature of sickness and its growth in the last 9 years, as per the RBI data, is reflected in the following:

SICKNESS IN SSI SECTOR				
As at the end of	Total sick units		Potential/viable	
	No.	Amount O/s (Rs. Crores)	No.	Amount O/s (Rs. Crores)
1991	2,21,472	2,792.0	16,140	693.12
1992	2,45,575	3,100.67	19,210	728.90
1993	2,38,176	3,442.97	21,649	798.79
1994	2,56,452	3,680.37	16,580	685.93
1995	2,68,815	3,547.16	15,539	597.93
1996	2,62,376	3,721.94	16,424	635.82
1997	2,35,032	3,609.20	16,220	479.31
1998	2,21,536	3,856.64	18,686	455.96
1999	3,06,221	4,313.48	18,692	376.96

SOURCE: ANNUAL REPORT 1999-2000, published by Ministry of SSI

APPENDIX E

Major Schemes

Prime Minister's Rozgar Yojana (PMRY)

Prime Minister's Rozgar Yojana was launched on 2nd October 1993. The scheme was designed to provide employment to more than a million persons by setting up of 7 lakh micro enterprises during the 8th Five Year Plan through industry, services and business routes. The scheme was operated in urban areas only during 1993-94 and in both urban and rural areas of the country from 1994-95 onwards. The PMRY is continuing in the 91st Plan.

With a view to enhance the coverage and scope of the PMRY scheme, it has been modified since 1" April 1999. The modified salient features of the PMRY scheme are as under:



<i>Points</i>	<i>Details</i>
Age of the Beneficiary	(i) 18 to 35 years for all educated unemployed in rest of the country. (ii) 18 to 40 for all educated unemployed in North-East States. (iii) 18 to 45 years for Scheduled Castes/Scheduled Tribes, Ex-serviceman, Physically Handicapped and Women.
Educational Qualification	The beneficiary shall be VIII th passed. Preference will be given to those who have been trained for any trade in Government Institutions for duration of at least six months.
Family Income	Neither the income of the beneficiary along with the spouse nor the income of parents of the beneficiaries shall exceed Rs. 24, 000 p.a. and Rs. 40,000 p.a. for north-eastern States.
Residence	The beneficiary should be permanent resident of the area for at least 3 years.
Defaulter	The beneficiary should not be a defaulter of any nationalised bank/financial institution/cooperative bank. Further, a person already assisted under any other subsidy, linked Government schemes would not be eligible under this scheme.
Activities Covered	All economically viable activities including agriculture and allied activities are covered but direct agricultural operations like raising crop purchase of manure etc. are not covered.
Project Cost	(i) Rs.1.00 lakh for business sector. (ii) Rs.2.00 lakhs for other activities. The loan shall be of composite nature. If two or more eligible persons join together in a partnership, project up to Rs.10.00 lakhs are covered. Assistance shall be limited to individual admissibility.
Subsidy & Margin Money	Subsidy will be limited to 15% of the project cost subject to ceiling of Rs. 7,500 per entrepreneur. Banks will be allowed to take margin money from the entrepreneur varying from 5% to 16.25% of the project cost so as to make the total of the subsidy and the margin money equal to 20% of the project cost. For North Eastern States: Subsidy @ of 15% of the project cost subject to a ceiling of Rs. 15,000 for north-eastern States. Margin money contribution from the entrepreneur may vary from 5% to 12.5% of the project cost so as to make the total of the subsidy and the margin money equal to 20% of the project cost.
Collateral Security	No collateral for project up to Rs. 1.00 lakh. Exemption from collateral in case of partnership project will also be limited to an amount of Rs. 1.00 lakh per person participating in the project.
Rate of Interest & Repayment	Normal rate of interest shall be charged. Repayment schedule may range between 3 to 7 years after an initial moratorium as may be prescribed.



Reservation for Various Sections of Society	Preference should be given to weaker sections including women. The scheme envisages 22.5% reservation for SC/ST and 27% for Other Backward Class (OBCs). In case SC/ST/ OBC candidates are not available, States UTs Govt. will be competent to consider other categories of candidates under PMRY.
Training	Each entrepreneur whose loan is sanctioned is provided training as per details given below: (i) For industry sector: Duration: 15-20 working days; Stipend: Rs. 300. (ii) For service & business sector: Duration: 7-10 working days; Stipend: Rs. 150.
Implementation Agency	The District Industry Centres (DICs) and the Directorate of Industries (DIs) are mainly responsible for implementation of the scheme along with the banks.

Integrated Infrastructural Development (IID) Scheme for Small Scale Industries in the Backward/Rural Areas

In pursuance to the Industrial Policy measures for promoting and strengthening small and tiny village enterprises a scheme by the name 'Integrated Infrastructural Development (IID) Scheme' for small scale industries to facilitate location of industries in rural/backward areas and to promote stronger linkages between agriculture and industry was launched in 1994. The salient features of the Scheme are as under:

- (i) It is a Central sector scheme in which the Central Government and Small Industries Development Bank of India contribute to each IID Centre Rs. 5 crore in the ratio of 2:3 and the cost in excess thereof and the cost of land is met by the concerned State Government.
- (ii) The share of Central Government is in the form of grant and that of SIDBI as term loan.
- (iii) Cost of each project to remain around Rs. 5 crores.
- (iv) Project size of each centre to remain around 15 to 20 hectares.
- (v) Financial pattern for the North-Eastern region is in the ratio of 4:1. The share of the Central Government for setting up the IID Centre will be Rs.4.00 crore, in the form of grant, while SIDBI will give loan for an amount of Rs.1.00 crore. The State Government will have the option of investing its own funds as equity in lieu of SIDBI loan.
- (vi) The Scheme has been given special attention in the States of Jammu and Kashmir, Himachal Pradesh and Uttranchal to give thrust for improvement of infrastructural facilities for setting up of the small/tiny units in these states. The financing pattern remains same as in North-Eastern region.

Scheme on Technology Upgradation and Management Programme (UPTECH)

Office of Development Commissioner launched a scheme on Technology Upgradation and Management Programme called UPTECH in 1998. The scheme is applied to a cluster of industries and takes care of the modernisation and technological needs. It covers comprehensive range of issues related to technology Upgradation, improvement of productivity, energy conservation, pollution control, product diversification and their marketing, training of supervisors/workers etc.



Objectives of the Scheme:

- (i) To carry out technology status and technology needs studies of identified clusters of traditional skills-based enterprises;
- (ii) To scout for and identify appropriate technologies and their providers on the basis of the status and needs studies;
- (iii) To facilitate contract/need based research, if required and to adapt the available technology to the specific needs of the end users;
- (iv) To facilitate and promote the demonstration of technologies to the target groups of small enterprises;
- (v) To promote and facilitate the delivery of the technology from its producer to the recipient user;
- (vi) To promote the assimilation and diffusion of the identified technology across the cluster of small enterprises.

Clusters taken up under UPTECH Scheme

During the 9th Plan the following 10 clusters have been selected for taking up under UPTECH scheme:

- (i) Tile industry along the West Coast;
- (ii) The bulk drug and formulations industry in Andhra Pradesh;
- (iii) The Neem and Perfumery industry at Kannauj;
- (iv) The forging industry in Punjab and in Andhra Pradesh;
- (v) The Food processing industry cluster at Pune & Chittor;
- (vi) Small Scale Tanning industry at Vaniyambadi;
- (vii) Hosiery Sector at Kanpur;
- (viii) Auto component industry (at Pune, Chennai & Indore);
- (ix) Toy industry in Delhi and NOIDA;
- (x) The Pottery Cluster at Khurja.

Various Schemes of SIDBI

Broad Category	Name of the Schemes
A. Direct Finance:	5. Project Finance; 6. Technology Development Fund; 7. Technology Upgradation Fund; 8. Equipment Finance; 9. Fast Track Financing; 10. Development of Industrial Infrastructure; 11. Integrated Infrastructure Development; 12. Credit Linked Capital Subsidy; 13. Working Capital Term Loan; 14. Vendor Development.
B. Bills Finance	1. Direct Discounting - Components; 2. Direct Discounting - Equipments; 3. Bills Rediscounting - Equipments; 4. Bills Rediscounting - Inland Supply Bills;
C. Refinance	1. General Refinance; 2. National Equity Fund; 3. Mahila Udyam Nidhi;



	4.	Small Road Transport Operators;
	5.	Technology Development t and
	6.	Technology Upgradation Fund;
	7.	Acquisition of ISO Series Certification;
	8.	Credit Linked Capital Subsidy;
	9.	Composite Loan;
	10.	Self-Employment for Ex-Servicemen;
	11.	Single Window;
	12.	Rehabilitation of Sick Industrial 'Units.
<i>D. International Finance</i>	1.	Pre-Shipment Credit;
<i>(to cater export activities)</i>	2.	Post-Shipment Credit;
	3.	Foreign Currency Term Loan;
	4.	Opening of Foreign Letters of Credit;
	5.	Line of Credit (Foreign Currency);
	6.	Booking of Forward Contracts.
<i>E. Marketing Finance</i>	1.	Marketing Fund for Women;
	2.	Marketing of SSI Products.
<i>F. Other Schemes</i>	1.	Domestic Factoring;
	2.	Invoice Discounting.
<i>G. Promotional Activities</i>	1.	Mahila Vikas Nidhi;
	2.	Rural Industries Programmes;
	3.	Entrepreneurship Development
	4.	Management Development Programmes;
	5.	Technology Upgradation Programmes;
	6.	Quality and Environment Management.
<i>H. New Initiatives</i>	1.	National Programme on Innovation and
		Incubation for Small Industries;
	2.	Tannery Modernisation Scheme (TMS);
	3.	Short Term Loan to State Electricity
		Boards
		(to facilitate their purchases from SSIs..