

POLICY FRAMEWORK BY GOVERNMENT ON SSEs IN INDIA - AN OVERVIEW**Dr. Ch. Vinoda Rao¹, Dr. Pulidindi Venugopal *², Mohammed Irfan³, S Aswini Priya⁴**¹K.G.R.L. College of P.G. Courses, Bhimavaram, India.²DTM, SMEC, VIT – Vellore, India.³Department of M.B.A., SANA Engineering College, India.⁴VITBS, VIT – Vellore, India.**ABSTRACT**

Small Scale Enterprises (SSEs), previously called Small Scale Industries (SSIs) play a key role and had significantly contributed to the development of the Indian economy from the beginning of economic planning in India. The Government of India declares from time to time through the Industrial Policy statements that SSEs are the appropriate means to achieve the objectives of the Directive Principles of State Policy enjoined in the Constitution, which lay down that the economic policies of the State are so formulated as to avoid concentration of wealth and economic power and achieve diffusion of ownership and control over material resources of the country. This study discuss about the policy framework by government to assess the performance of SSEs in India. The Government of India, since then have chosen the path of encouraging them by making available necessary inputs for their survival and growth and at the same time emphasizing the need for modernization and up-gradation of technologies to improve their competitive strength.

INTRODUCTION

Unlike Large Scale Industries, the SSIs require less capital outlay and have shorter gestation periods, which make for wider diffusion of ownership and control over material resources of the country. Gunnar Myrdal points out that the spread effects from smaller enterprises are more important than those of large industries.¹ The Government of India visualized that socio-economic justice could be achieved through the establishment of small industrial units, which is the objective of planned economic development of the country.² Slow economic progress achieved by India can be attributed among other things, to lack of determination and capacity among the people to assemble and organize factors of production. Hence, the crucial issue in planning is the development of entrepreneurial abilities and productive employment of such resources. SSIs provide a seed bed for the development of entrepreneurial talents and a testing place for new ventures.

Keeping in view the importance of the SSI sector in the Indian economy, the Government of India made considerable efforts to promote their growth during the successive Five Year Plan periods. The strategy for their development comprises of formulation and pursuit of deliberate policies for their protection and development, stepping up of plan allocations, creation of a plethora of supporting institutions, implementation of various programmes,

provision of industrial finance on concessional terms and granting of financial and tax incentives. These measures resulted in rapid growth of SSEs in the country.

POLICY FRAMEWORK BY GOVERNMENT

With a view to provide necessary backdrop for a meaningful appreciation of the performance of SSEs in India, which is the theme of the present study, the policy framework provided by the Government for their protection and encouragement is dealt with in this section.

1. Industrial Policy Resolution, 1948:

To create conditions for the growth of cottage and small industries, the Industrial Policy Resolution 1948 described them as important in the larger context of national policy. These were to be the industries particularly suited for better utilization of local resources and for achievement of self-sufficiency in respect of certain consumer goods.

The Karve Committee (1955) and the International Perspective Planning Team (1953-54) also emphasised the need to develop small scale and village industries to meet certain objectives, such as – creation of large scale employment at relatively small capital outlays; mobilisation of unused resources of capital and skills; ensuring a more equitable distribution of national income including regional dispersal of industries; countering the tendencies towards concentration of economic power by widening opportunities for new entrants in medium and small sized industrial units. The primary responsibility for developing small industries has been entrusted to the state Government by the Constitution. The Central Government frames broad policies for the development of the SSEs besides coordinating the efforts of the State Governments. To accelerate the process of their development, the Central Government set up Small Industries Development Organisation (SIDO) in 1954 under the Ministry of Industries. In addition, six All India Boards were set up in the place of a single Cottage Industries Board so as to deal with separate groups of industries. It may be noted that SIDO is designed to perform industrial extension service through Small Industries Service Institutes in each state. It also conducts training programmes for the development of technical and managerial personnel. The Central Government set up National Small Industries Board in 1955 for the promotion of small industries by taking certain steps such as (i) supply of machinery on hire purchase basis; (ii) running of prototype Production and Training Centres, (iii) distributing scarce raw materials, (iv) undertaking export marketing, (v) assisting in stores purchase programme of the Central Government etc.

The Mahalanobis model which formed the basis of Second Five Year Plan and was adopted during this period, gave justification for the existence of small scale industry on account of its ability to meet the increased demand for consumer goods with very little investment and with greater employment potential. Thus, the 1948-policy laid the basic administrative foundation for the years that followed.

2. Industrial Policy Resolution 1956

The 1956 resolution is an important landmark in the industrial history of India. It provided that besides continuing the policy of supporting cottage, village and small industries by differential taxation or direct subsidies, the aim of the State Policy will be to ensure that decentralised sector acquires sufficient vitality to be self-supporting and its development is

integrated with that of large scale industry. The State will, therefore, concentrate on measures designed to improve the competitive strength of the small scale producer. To achieve this goal, 128-items were reserved for exclusive production in the small sector. It also reserved 166 items for exclusive purchase of their products by the Government. There was also a provision to expand the list of items in accordance with the requirements from time to time.

In 1959, the Small Scale Industries Board constituted a working group to examine and formulate a plan for the development of small industries during the Third Plan. The Study Group recommended the provision of – technical assistance; technical and managerial training; provision of factory accommodation; financial assistance including facilities to obtain machinery on hire purchase basis; supply of raw material and power; marketing of finished products etc., for securing small industries development. These were aimed at helping rapid development of SSEs and making them more capable to withstand competition from large scale industries. In the Third Plan Period (1961-66), intensive development of small industries was taken up in selected project areas, known as “Rural Industries Projects.” Industrial Estates Programme was oriented towards promoting industries in small towns and rural areas as a part of policy of industrial dispersal. Administrative Reforms Commission recommended for Constitution of an autonomous small scale industries commission to guide the development of small industries including handloom and handicrafts, establishment of an apex financial institution at the centre to cater exclusively to the needs of the SSEs, establishment of well-equipped laboratories for testing raw materials, components and quality inspection; greater emphasis on technical guidance and consultancy services provided by the Small Industries Service Institutes (SISIs).⁴

3. Industrial Policy 1977

The policy categorically emphasized that its main thrust will be on effective promotion of cottage and small industries widely dispersed in rural areas and small towns. Salient features of the policy are as follows:

(A) Classification of small sector into three categories

(a) Small Scale Industries comprising of industrial units with an investment of up to Rs.10 lakhs and in case of ancillaries with an investment in fixed assets up to Rs.15 lakhs. A total of 504 items were reserved for production in small sector; (b) Tiny units are the units with an investment in machinery and equipment upto Rs.1 lakh and situated in towns with a population of less than 50,000 according to 1971 census; (c) Cottage and household industries which provide self-employment in large numbers. All the three categories were to be developed simultaneously. The purpose of classification was to devise specific policy measures for each category.

(B) Special measures to be taken to implement the policy

These include (a) reservation of production of 504 items in the small sector with scope for further expansion; (b) special assistance to tiny sector and cottage and household industries; (c) establishment of District Industries Centers (DICs) in all districts of the country to serve as a focal point of development for small and cottage industries; (d) special

marketing arrangements through the provision of services like product standardization, quality control, market surveys etc; and (e) encouragement to traditional sector for technological up-gradation.

(C) Objectives of the policy

Objectives of the policy are: (a) to provide increased employment; (b) to encourage gradual progress in the techniques of production in the unorganised sector without causing any large scale technological unemployment; (c) to promote production of large variety of goods including consumer goods through labour intensive methods by correlating them with the production programmes of large scale sector; (d) to encourage and give support to small industries with special emphasis on tiny sector; and (e) to ensure a more equitable distribution of national income and balanced regional development.

(D) Promotion of Khadi and Village industries (KVI)

This is to be achieved by means of detailed plans and adoption of modern management techniques. The list of items under the purview of KVIC was to be expanded. To meet clothing needs of masses, the development of handloom sector would be encouraged.

(E) Development and integration of appropriate technology

This has to be done in consonance with the requirements of broad programme of all round rural development.

(F) Indigenous Technology

Government's endeavour is to ensure that future development of industries be made with indigenous technology. Full scope will be given to the development of indigenous technology for the efficient production of increased quantities of goods which the society urgently needs.

4. Industrial Policy 1980

The policy spelt the need for intensifying the promotion of small industries through integrated industrial development and fostering complementarily between large and small sectors. Significant element of the policy was the raising of investment limits in various categories. Tiny units: from Rs.1 lakh to Rs. 2 lakhs; small scale units: from Rs.10 lakhs to Rs.20 lakhs; and Ancillaries: from Rs.15 lakhs to Rs.25 lakhs. The DICs were replaced by "nucleus plants" in each industrially backward district so as to promote as many ancillaries and small and cottage industries as possible. The nucleus plants were to concentrate on assembling the products of ancillary units and to produce inputs needed by large number of small units. Marketing Support and Reservation of items for small industries was to continue.

Financial support to small units by strengthening existing arrangements and making necessary changes to facilitate availability of credit to growing units in small sector. Village Industries i.e. industries suitable in rural areas will be accelerated to generate economic viability in the villages without disturbing ecological balance. Handloom, handicrafts, khadi

and other village industries will receive greater attention to achieve faster rate of growth in the villages.

Socio-Economic Objectives

The basic Objective of the new policy is to ensure balanced growth of economy with spheres earmarked for large, medium and small and cottage industries sections. The detailed objectives are: Optimum use of installed capacity; maximization of production and achievement of higher productivity; Higher employment generation; Correction of regional imbalances through preferential development of industrially backward areas; Strengthening of agricultural base by according preferential treatment to agro-based industries; Promoting optimum inter-sectoral relations; Faster promotion of export-oriented and import substitution industries; Promoting economic federalism with an equitable spread of investment and disposal of returns among widely scattered small but growing units in rural and urban areas; Consumer protection against high prices and bad quality; Establishment of an early warning system to avoid sickness and take appropriate remedial measures; Merger of sick enterprises with healthy ones which are capable of managing the former and restoring their viability.

5. Seventh Plan (1985-90)

The Seventh Plan focused on up gradation of technology and modernization to improve competitiveness of small industry; strengthening/creation of tooling and workshop facilities for development of prototype design, new products and processes. Ancillarisation was to be given greater emphasis. To provide common service facilities in fields like heat-treatment, electroplating and leather processing, facilities available with Small Industries Service Institutes (SISI) or mobile workshops were sought to be modernized and upgraded. More items of mass consumption were to be brought under quality control inspection. Comprehensive marketing support was to be provided to small units through market counseling, research, special studies, participation in trade fairs and exhibitions etc. Creation of facilities for optimum utilization of existing capacities and growth and development of export oriented industries had been the other areas emphasized.

6. Industrial Policy, 1990

Salient features of this policy are given below:

- Investment ceiling for small scale industries was raised from Rs.35 lakhs to Rs.60 lakhs and for ancillaries from Rs.45 lakhs to Rs.75 lakhs. The small units which undertook to export 30 per cent of their annual production by the third year were to be permitted to step up their investment in plant and machinery to Rs.75 lakhs;
- Investment ceiling for tiny units had been increased from Rs.2 lakhs to Rs.5 lakhs provided the unit is located in an area having a population of 50,000 as per 1981 census.
- 836 items were reserved for exclusive manufacture in the small sector while efforts would be made to identify more items.
- Central Investment Subsidy Scheme(CISS) had been mooted exclusively for small industries in rural and backward areas and capable of generating high level of employment.
- Implementation of the programme of technology upgradation.

- Establishment of Small Industries Development Bank (SIDBI) to ensure timely flow of credit to small sector.
- Identification of locations in rural areas endowed with adequate power supply and attracting suitable entrepreneurs to set up tiny and small units.
- Special emphasis on training of women and youth under Entrepreneurial Development Programme (EDP) and to establish a special cell in SIDO for this purpose.
- Expansion of the activities of Khadi and Village Industries Commission and Khadi and Village Industries Board.
- Growers to be encouraged to set up agro-processing industries which will receive high priority in credit allocation from financial institutions.
- De-licensing of all new units with investment of Rs.25 crore in fixed assets in non-backward areas and Rs.75 crore in centrally notified backward areas. Similarly de-licensing shall be done in the case of 100 per cent Export Oriented Units set up in Exports Promotion Zones (EPZs) up to an investment limit of Rs.75 lakhs.
- Location policy shall apply to small industries except for location in and around metropolitan cities with population above 40 lakhs. Location of new ones shall not be permitted within 20 kms. in metropolitan cities, calculated from the periphery of the metropolitan area except in prior designated industrial areas and non-polluting industries.

7. Industrial Policy 1991

The basic thrust of this policy is to ensure India's development as part of the world economy rather than in isolation. The Government would promote the development and utilization of indigenous capabilities as well as its up-gradation to world standards. As per the policy document placed before the Parliament, "Government will continue to pursue a sound policy framework encompassing encouragement of entrepreneurship, development of indigenous technology, dismantling of regulatory system, development of capital markets and increasing competitiveness for the benefit of the common man. The spread of industrialization to backward areas of the country will be actively promoted through appropriate incentives, institutions and infrastructure investments." Government has undertaken to provide enhanced support to the small sector so that it flourishes in an environment of economic efficiency with continuous technological upgradation. The policy has also done away with industrial licensing except for those specified. The licensing exemption is particularly designed to help many small and medium entrepreneurs who had been unnecessarily hampered by it. Major Objectives of the Policy are: to build on the gains already made; to correct distortions that may have crept in; to maintain a sustained growth in productivity and gainful employment; and to attain international competitiveness. The pursuit of these objectives will be tempered by the need to preserve the environment and ensure efficient use of available resources. All sectors of the industry whether small, medium or large belonging to the public, private or cooperative sector will be encouraged to grow and improve on their past performance. Government's policy will be continuity with change. The aims of the Government policy regarding small industry are: encouraging and facilitating the entry of new entrepreneurs into this sector; supporting the growth of this sector in a variety of ways; protecting the small units from intensive competition from medium and large sector; solving the problems and hurdles in the way of this sector; ensuring that small units pay due regard to

such aspects as the need for productivity enhancement, technology upgradation and export development. Various measures designed to achieve the above objectives are as follows:

(a) Reservation Policy

Reservation has been visualized as an instrument for helping small sector to attain sufficient vitality and competitive strength for its proper integration with the large scale sector. But it was not until 1967 that reservation was eventually resorted to. Beginning with eight items in 1968, it has gone up to 836 items in May, 1990. The implications of this policy are that the large scale sector is precluded from taking up the production of items included in the reservation list and that the large units accepting an export obligation of 75 per cent of their total production only are allowed to take up a reserved item for production. It is however doubtful whether artificial prop of reservation can provide adequate incentive to the small sector to grow. It is argued that reservation may have justification only if it is for a specific period. The supporters of reservation argue however that in its absence, small sector would not have grown to the present status.

(b) Purchase Assistance and Price Preference

Allied to the policy of reservation is that of exclusive purchase from the small sector. About 434 items have been reserved for exclusive purchase from the small sector by the Director General of Trade and Development (DGTD) – the main purchasing arm of the Central Government. Purchase preference is also allowed in accordance with the following three lists, viz., List-I comprising of 409 industrial products which DGTD has to purchase to the extent of 100 per cent; List-II having three items for purchase up to 75 per cent of its requirements by the DGTD; and List-III having 28 items for purchase up to 50 per cent of the requirements by the DGTD. Apart from purchase preference, other facilities provided to small sector in Government procurement by DGTD include waiver of registration fee, supply of forms for registration free of charge and Single Point Registration Scheme (SPRS).

(c) Concessions in Central Excise

Concession in Central Excise duties is one of the most significant concessions enjoyed by the small sector. Clearances up to the value Rs.20 lakhs per year are completely exempt from Central Excise. In case a unit manufactures items which fall in more than one tariff, the exemption limit is extended to Rs.30 lakhs which are taxed at a concessional rate. Those between Rs.75 lakhs to Rs.200 lakhs of clearances are taxed at 100 per cent of the normal rate, and beyond Rs.200 lakhs, there is no concession at all.

Sale Tax Exemption/Deferment

State Governments have drawn schemes for exemption/deferment of sales tax on products of new units as well as of units undergoing expansion or diversification.

(d) Supply of Raw Materials

To assist the small sector in procurement of raw materials, Small Industry Development Organisation (SIDO) of the Central Government maintains a close liason with suppliers and canalizing agencies on the one hand and with the State Director of Industries on the other. The State Director of Industries assists SIDO in working out a realistic estimation of the

demand of various important raw materials like iron and steel, HR Coils, non-ferrous materials such as copper, nickel, lead, tin and aluminium. National Small Industries Corporation also provides assistance in procuring raw materials through: import of Open General License (OGL) items for actual users in SSI Sector; procurement of canalized items in bulk against release orders of the concerned canalizing agencies in favour of the SSEs; procurement and supply of raw materials from local sources in case of difficulty in lifting raw materials in bulk.

(e) Financial Incentives

To help SSEs get finance on a priority basis in adequate quantity and on concessional terms, the following arrangements have been made.

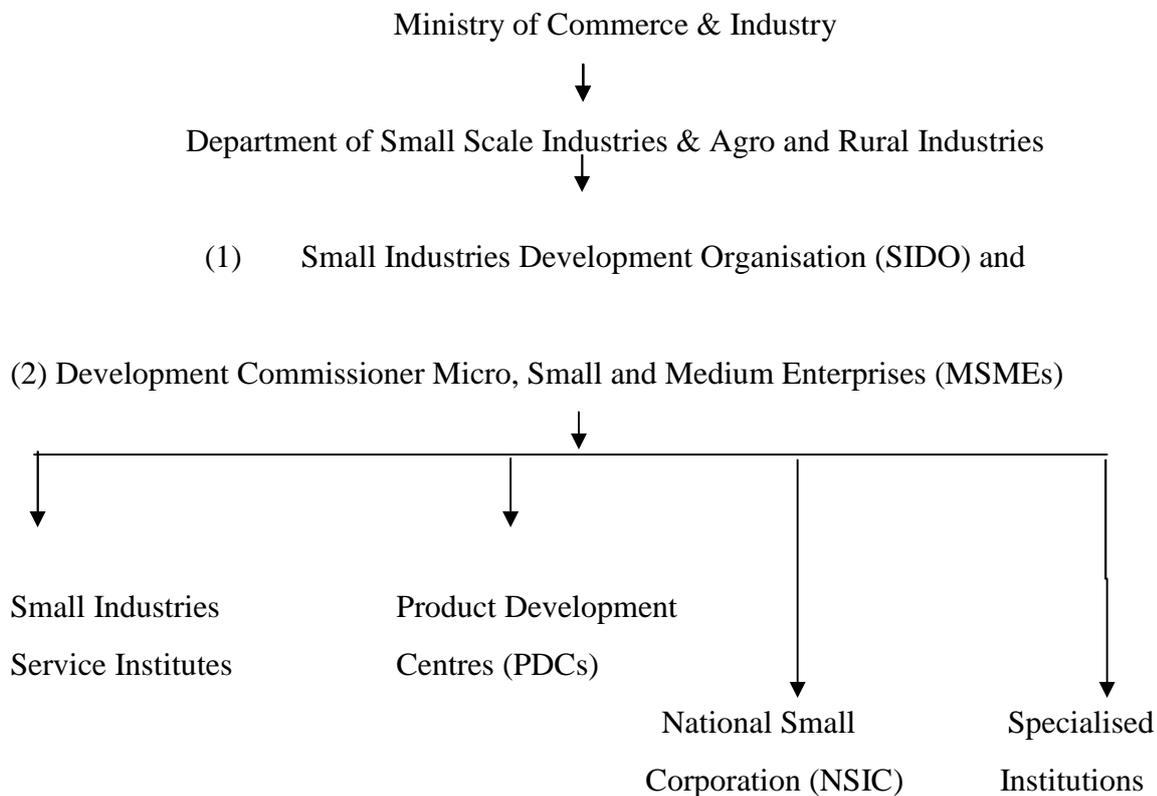
- Term finance is provided by primary lending institutions such as: State Financial Corporation's (SFCs), State Small Industry Development Corporations (SSIDCs),⁶ Commercial Banks including Regional Rural Development Banks. To motivate them to give priority in lending to SSEs, the IDBI provides them with refinance facilities to the extent of 75 to 100 per cent depending on the nature of the scheme. The refinance facility is provided at quite concessional rates. Working Capital financing is done by Commercial Banks under the overall guidance of the RBI.
- In August, 1987, the Central Government launched "National Equity Fund" for providing equity assistance to tiny and small scale enterprises. The scheme is administered by the IDBI through nationalized banks, SFCs and SSIDCs. Under it, small and tiny enterprises located in villages or towns having a population not exceeding Rs.5 lakhs are provided soft loans up to Rs.75,000/- per project at a nominal service charge of one per cent per annum. To avail of this facility, the eligible enterprise is required to bring in a minimum cash contribution of 10 per cent of the project cost. The borrower need not furnish any security.
- Margin Money Scheme was started in 1982 to nurse the enterprises in incipient sickness stage. They are provided loan assistance up to Rs.50,000 but not exceeding 50 per cent (75 per cent in case of tiny enterprises) of the margin money required by them to avail of the additional loan from financial institutions or banks under the rehabilitation programme. In exceptional cases, the limit of assistance may be increased to 75 per cent (90 per cent in case of tiny enterprises).
- National Small Industries Corporation provides assistance to SSEs in kind. Its schemes include supply of machinery on hire purchase basis, equipment leasing, and provision of technical advice in regard to choice of machines.
- Specific Financial Assistance Schemes have been drawn up by State Governments to assist high priority sectors. Many State Governments have schemes for technically qualified Engineering Personnel, Physically Handicapped, Scheduled Caste (SC)/ Scheduled Tribe (ST) Entrepreneurs, Women Entrepreneurs, Export Oriented Units (EOUs), Small Hospitals/Nursing homes, Hotels, Educated Unemployed, Ex-Servicemen etc.
- Small Industries Development Bank of India (SIDBI) has been set up to take up several functions performed by IDBI.

➤ A network of institutions has been set up by Central and State Governments to undertake promotional and developmental work. They provide assistance in such areas as selection of product line, preparation of project report, guidance in technical and engineering aspects, preparation of designs and drawings, training, export and marketing.

To promote the development of small sector, an elaborate organizational infrastructure has been set up both at the Central and State level. An attempt is now made to give an overview of various institutions shown in Charts 2.1 and 2.2 and the role and functions performed by them. The responsibility of developing the SSEs is vested primarily in the states. However, for the development of industries in a coordinated manner, a department has been created in the Ministry of Industry of the Central Government. Principal organs dealing with the promotion and development of MSMEs are discussed below.

CHART 2.1

Institutional Infrastructure Setup by The Central Government

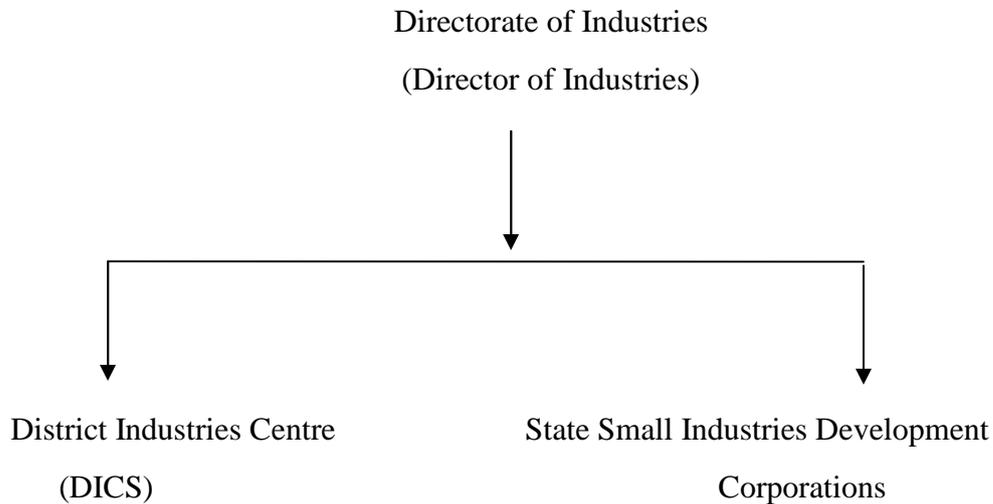


- a) Central Institute of Tool Design
- b) Central Tool Room & Training Centre at Ludhiana ; and
- c) Central Institute of Hand Tools, Jalandhar
- d) Hand Tool Design Development and Training Centre, Nagpur
- e) Institute for Design of Electrical Measuring Instruments (IDEMI)
- f) National Institute for entrepreneurship and Small Business Development (NISEBUD)
- g) National Institute of Small Industry Extension Training (NISIET)

- h) Product Cum Process Development Centre Foundry and Forging, Agra
- i) Sports Goods and Leisure Time Equipment, Meerut
- j) Electronic Service & Training Centre, Nainital

CHART – 2.2

Institutional Infrastructure at the State Level



1. Small Industries Development Organization (SIDO)

It is the apex level organization headed by the Development Commissioner under whom there are various Directors to look after Industrial Development and Raw Materials, Chemical Industries, Industrial Estates, Economic Investigations and Statistics, Industries Management and Training, and Secretary, Small Scale Industries Board. SIDO FUNCTIONS as a policy formulating, coordinating and monitoring agency for the development of MSMEs. The scope of its activities covers all the MSMEs except those falling within the purview of specialized boards and agencies like KVIC, Coir Board etc. Its main functions are: coordination, industrial development and extension services. Its coordinating functions are as follows:

Evolving an all-India policy for the development of MSMEs;

- a) Coordination of the policies and programmes of various state governments;
- b) Liaisoning with relevant central ministries, planning commission, state governments, financial institutions etc.
- c) Coordinating the programme for the development of industrial estates.

For the purpose of industrial development, it performs the following functions:

- a) To ensure reservation of items for production by the SSEs;
- b) To assess the requirements of and make arrangements for the supply of indigenous and imported raw materials and components;
- c) To collect data on consumer items which are imported and encourage the establishment of new enterprises in those areas by giving coordinated assistance;
- d) To approve the production programmes of specifically selected industries and of such items as come under the Common Production Programme;

- e) To assist and advise the Controller of Imports and Exports as regards the issue of licenses for imports or restricting the same.
- f) To prepare schemes, project reports and other technical literature of interest to prospective entrepreneurs;
- g) To render support for the growth of ancillaries.
- h) To encourage small enterprises to participate in Government Stores Purchase Programme and give them necessary guidance, market advice and assistance.

SIDO's extension services cover the following:

- a) Provision of technical services for improved technical process, production planning, selection of machinery, use of modern machines, and preparation of factory layout and design etc.
- b) Provision of consultancy and training in various disciplines to help improve the competitive strength of small entrepreneurs and to keep them abreast of latest developments in their respective areas. Such services are given in the fields of management, costing, documentation, personnel management etc.
- c) Provision of economic investigation and information services such as conducting industrial potential surveys, feasibility studies, market studies, industrial prospects services etc.,
- d) Provision of training facilities to help small enterprises overcome their drawbacks and improve their productivity;
- e) Provision of marketing assistance.

2. Development Commissioner, Micro, Small and Medium Enterprises (DC, MSMEs)

It may be noted that the Central Government had set up an All India Board known as Small Scale Industries Board (1954) to take up the responsibility of overall planning, coordination and development of small scale industries in the country. The Board has representatives of Central and State Governments, financial bodies, institutions, Federation of Small Industries Association, etc. The Board discusses questions relating to provision of credit facilities, raw materials, revision of definition of small industry for assistance purposes, dispersal of industries, review of programmes relating to growth of the small sector. To implement the policies laid down by the Small Scale Industries Board, an officer of the rank of Joint Secretary but with the designation of Development Commissioner is appointed in the Ministry of Commerce and Industry. He controls the activities of National Small Industry Corporation and Small Industries Service Institutes. He is represented in different Licensing Committees, Development Council and other bodies and seeks to safeguard the interests of MSMEs.

3. Small Industries Service Institutes (SISIs)

They occupy a pivotal place in the central net work. They are responsible for providing consultancy and training to small entrepreneurs – both existing and potential. These institutes employ regular staff for imparting training. Activities of SISIs are coordinated by the Industrial Management Training Division of the Office of the Development Commissioner, MSMEs. The activities of the SISIs are supervised by a Director at the headquarters.

Training is imparted in such areas as: Industrial Management, Marketing Management, Personnel Management, Financial Management, Production Management etc.

National Small Industries Corporation (NSIC): It was set up in 1955 to supply machinery and equipment to small entrepreneurs on hire purchase basis and assisting them in procuring government orders. It has three main branches at Bombay, Kolkata and Chennai. Its main functions are given below:

- (a) To provide machines on hire purchase basis;
- (b) To participate in stores purchase programmes of the government;
- (c) To develop small units as ancillaries of large industries;
- (d) To arrange the marketing of products of small industries and promoting exports;
- (e) To develop prototype of machinery and equipment for transfer of technology and know-how for commercial production;
- (f) To distribute basic raw materials through raw material depots;
- (g) To import and distribute components and parts to actual users in specific industries;
- (h) Undertake the construction of industrial estates;
- (i) To provide training from scratch.

The corporation has succeeded in creating proper industrial infrastructure. It has also infused confidence in small entrepreneurs to prepare schemes for modernisation and diversification of their enterprises.

4. Prototype Development and Training Centers(PDTCs)

There are 4-PDTCs at New Delhi, Rajkot (Gujarat) Howrah (West Bengal) and Chennai (Tamilnadu). Their main functions are:

- a) To develop and design prototypes of machines, implements and such components as are suitable for production by the SSEs;
- b) To provide common facilities and technical know-how;
- c) To provide training to workers of SSEs.

5. Specialized Institutions

(j) Central Institute of Tool Design, Hyderabad

It was set up in 1968 with the help of United Nations Development Project (UNDP) and International LabourOffice(ILO) to help small industries by imparting training to technical personnel in the design and manufacture of tools, jigs, fixtures, dies and moulds. Its other functions are:

- a) To provide consultancy and advisory services including assistance in the design and development of tools;
- b) To recommend measures to standardise tools, and tooling elements, components of jigs, fixtures, dies etc.,
- c) To provide tool room facility.

The management of the Institute has been entrusted to a Governing Council comprising of Representatives of government and industry. The Development Commissioner, MSMEs is the ex-officio Chairman of the Governing Council.

(ii) Central Tool Room Training Centres(CTRTCs)

These are located at Ludhiana, Calcutta, Bangalore and New Delhi to provide tool room services and facilities in design, manufacture and training.

(iii) Central Institute of Hand Tool (CIHT)

CIHT has been set up at Jalandhar to provide improved technology, raw materials, design and testing for hand tools industry.

(iv) Institute for Design of Electrical Measuring Instruments Bombay (IDEM)

IDEM for providing technical consultancy regarding the design, and development of electrical and electronic instruments, calibration and testing, tool designing and tool fabrication, prototype fabrication and training. It was set up in 1969 with the assistance of UNDP.

(v) National Institute of Entrepreneurship and Small Business Development (NIESBUD), New Delhi

It was set up in 1983 to coordinate research and training in entrepreneurship development, besides offering specific training programmes suited to various categories of entrepreneurs. It serves as an apex national level institute. It provides a forum for interaction and exchange of views between various agencies engaged in entrepreneurial development.

(vi) National Institute of Small Industries Extension Training (NISIET), Hyderabad:

It was started in 1956 on an experimental basis to develop manpower for SSI sector. It runs courses in Business Management for entrepreneurs and semi-managerial persons of small industries. Its major functions are:

- a) To provide training to persons engaged in small Industries;
- b) To undertake research programmes relating to development of small industries;
- c) To enter into technical assistance agreement with international or other organisations for provision of services for the development of small industry.

STATE LEVEL ORGANISATIONS

1. Directorate of Industries

It is a state level executive agency for the promotion and development of Village and Small Industries Sector. It acts under the overall guidance of SIDO and concerned central institutions. It performs both regulatory and developmental functions. It acts through a network of District Industries Centres, Industries Officers at sub-division level and Extension Officers at block levels. Functions of the Directorate of industries are:

- a) Registration of small scale units and recommending cases of large and medium industries to appropriate authorities.
- b) Provision of financial assistance under State Aid to Industries Act.
- c) Distribution of scarce and indigenous raw material to industrial units.
- d) Establishment of industrial estates/industrial cooperatives.
- e) Grant of Essentiality Certificates for import of raw materials.
- f) Provision of technical consultancy and training of entrepreneurs.
- g) Development of infrastructure.

- h) Undertaking industrial surveys and collection of information.
- i) Overall administration of village and small industries sector and keeping close liaison with central and state organisations concerned with industrial development.
- j) Arranging concessions and incentives.

2. Small Industries Development Corporation Objectives:

- a) To procure and supply scarce raw materials.
- b) To provide machinery on hire purchase.
- c) To provide marketing assistance.
- d) To set up joint ventures in small sector.
- e) To promote entrepreneurship through various schemes.
- f) To set up trade centers.

3. Specialized Corporations

States have also set up specialized agencies of the following kind:

- a) Industries Infrastructure Corporation/Industrial Area Development Board to plan and develop industrial estates and industrial areas.
- b) Agro-Industries Corporations(AIC) for the supply of agricultural machinery and equipment on hire purchase basis; agricultural inputs like fertilizers, pesticides etc., and Development of agro-based industries.
- c) Electronic Development Corporation(EDC) for the promotion of industries in the field of electronics including joint and public sector enterprises.
- d) Leather Industries Development Corporation and similar other commodities corporations.
- e) Rural Industries Marketing Corporation for marketing products of Village Industries and provision of a variety of services needed by village and tiny industries.
- f) Technical Consultancy Organisations sponsored by IDBI/IFCI/ICICI for providing technical consultancy services.

4. State Financial Corporation's (SFCs):

They provide long and medium-term loans to Small and Medium Scale Industries in their respective States. Though their operations overlap marginally with other financial institutions, they complement rather than compete with Commercial Banks. In fact, it turned out to be that in the lower ranges Commercial Banks and at higher ranges SFCs and SIDCs are the principal sources of term finance.

DISTRICT INDUSTRIES CENTRES (DICs)

With a view to providing integrated administrative frame work at the district level for industrial promotion, a scheme of establishing District Industries Centres was started in 1978. It is aimed at providing all assistance and support to entrepreneurs at various stages. It is a unified agency.

Structure:

DIC consists of (i) one General Manager, (ii) Four Functional Managers of whom three would be in the areas of economic investigation, credit, and village industries. The fourth functional manager may be entrusted with the responsibility in any of the areas like raw materials/marketing/training etc., depending on the specific requirements of each district, and

(iii) three Project Managers to provide technical service in the area relevant to needs of the district concerned. Their role is to facilitate modernization and up gradation of technology in the small sector.

At the sub-divisional level, there would be 'Assistant Director of Industries' and an Industry Promotion Officer. But these positions need not necessarily be created in every state. DIC's role is mainly promotional and developmental. To attain this end, it has to provide all services and support to small and village industries. Their functions are as follows:

(i) Conducting Industrial Potential Surveys

It conducts surveys for assessing industrial potential keeping in view the availability of resources in terms of material and human skill, infrastructure, demand, products etc. Based on these assessments, it provides investment advice to entrepreneurs.

(ii) Preparation of Action Plan

On the basis of endowments and possibilities, it is required to prepare an action plan that can be effectively implemented in the concerned district..

(iii) Guidance to Entrepreneurs

It has to guide entrepreneurs in identifying appropriate machinery and equipment, sources of supply and procedure for procuring imported machinery, assessing raw material requirements etc. It also interacts with various authorities for the supply of scarce and critical raw materials.

(iv) Appraisal

It has to appraise the prospects of various proposals received from entrepreneurs and formulates creditworthy schemes. Then it helps entrepreneurs obtain credit and monitors the flow of industrial credit in the district.

(v) Marketing Assistance

Under the marketing assistance programme, it organizes and collects marketing information, guides entrepreneurs in marketing their products, assesses the possibility of ancillarisation and export promotion, and suggests appropriate marketing strategies to entrepreneurs.

(vi) Contact with R & D Institutions

It contacts R & D institutions for updating current processes and undertakes product development appropriate to small industries.

(vii) Special Schemes

It has been given the operational responsibility for special schemes to provide self-employment to educated unemployed youth.

(viii) Artisan Training

It is also responsible for conducting artisan training programmes. It also functions as the technical arm of District Rural Development Agency (DRDA) in administering Integrated Rural Development Programme (IRDP), designing and implementing training programmes and identifying appropriate opportunities and projects for the beneficiaries.

Thus the overall task of DICs is to promote industries in the district. This is done through the delivery of a package of assistance meaningfully and expeditiously, identification of opportunities and provision of guidance to entrepreneurs. The DICs also prepare an Action Plan which is coordinated with District Credit Plan prepared by Lead Bank in the district.

CONCLUSION

The Government of India, as a matter of policy gave a place of prominence to SSEs in the country and provided all support and encouragement, keeping in view of their role in generating output and employment and their contribution to exports, besides being helpful in greater diffusion of incomes, utilisation of local resources and meeting domestic requirements of goods and services and achieving balanced regional development. The efforts of the Government towards encouraging them comprise of stepping up of plan allocations, creation of a plethora of promotional corporations for providing technical and financial support and, creation of separate institutions to promote their healthy growth through coordinated action both at Central and State levels, provision of loans at concessional rates of interest and supply of critical raw materials and so on. For a long time, the Government protected them by reserving certain items/products for exclusive production in the SSI Sector so that they may not have to face competition from Large Scale Industries. All these efforts resulted in considerable growth of SSEs and their contribution to the national economy in terms of value of production, generation of employment and exports.

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