

## MODULE V: MICRO AND SMALL ENTERPRISES

The definition of small scale industry varies from one country to another and from one time to another in the same country depending upon the pattern and stage of development, government policy and administrative set up of the particular country. There are at least 50 different definitions of SSI's found and used in 75 countries. In some of the countries of the world the criterion for defining small enterprise is related to the size of employment. For example in USA a small enterprise is one which has employment of 500 people. In UK it is less than 20 skilled labours, in Germany, less than 300 and in Italy less than 50 people. However, in most of the countries the definitions of SSI are related to either investment or size of employment or both.

The definition of small scale industry is an important aspect of government policy as it identity the target groups. The first official criterion for small scale industry in India dates back to second five year plan when it was in terms of gross investment in land, building, plant, machinery and the strength of the labour force.

1950	The fiscal commission for the first time defined an SSI as one which is operated mainly with hired labour usually 10 to 50 hands.
1954-55	The Government of India set up Central Small Scale Industries Organization (CSSIO) and Small Scale Industries Board (SSIB) to promote small scale industries.
1960	Employment criterion to define SSI was dropped and under investment criterion an industry having gross value of fixed asset up to Rs. 5 Lakhs was called as SSI.
1975	The investment limit was rise to Rs. 10 Lakhs (15 Lakhs for ancillary units).
1980	The investment limit was rise to Rs. 20 Lakhs (25 Lakhs for ancillary units).
1985	The investment limit was rise to Rs. 35 Lakhs (45 Lakhs for ancillary units).
1995	The investment limit was rise to Rs. 60 Lakhs (75 Lakhs for ancillary units).
March 1997	The investment limit was raised to Rs. 3 Crore.
1999-2000	The investment limit was reduced to 1 Crore.
2007	Limit is 1 Crore only.

### Definition

A small scale enterprise is the one in which the investment in fixed assets in plant and machinery, whether held in ownership term, on ease or on hire purchase is above Rs 25 lakh and up to Rs 5 crore, subject to the condition that the unit is not owned, controlled or subsidiary of any undertaking.

### Characteristics MSE/SSI

*Production output in small quantities.* By virtue of small planned capacity of SSI enterprises, the production output is small.

*Small number of workers and employees.* The small scale of operations in SSI requires small number of workers and employees.

*Lowest possible capital investment in plant and machinery.* The investment in fixed assets in plant and machinery whether held on ownership terms, on lease, or on hire-purchase does not exceed Rs 5 crore (MSME, 2009b)

*Have lower gestation period and are easy to set up in rural and backward areas.* Gestation period is the time taken to conceptualize and develop the enterprise before it starts generating business. In case of SSI, the gestation period is relatively lower than medium and large enterprises, which take much longer time in conceptualization and development. For this reason, SSIs are easy to set up in rural and backward areas where the resources are limited and the local market is small. Thus, in such areas, SSIs can be quickly set up for generating employment and for utilizing local resources, while addressing the needs of the local market with an innovative product/service.

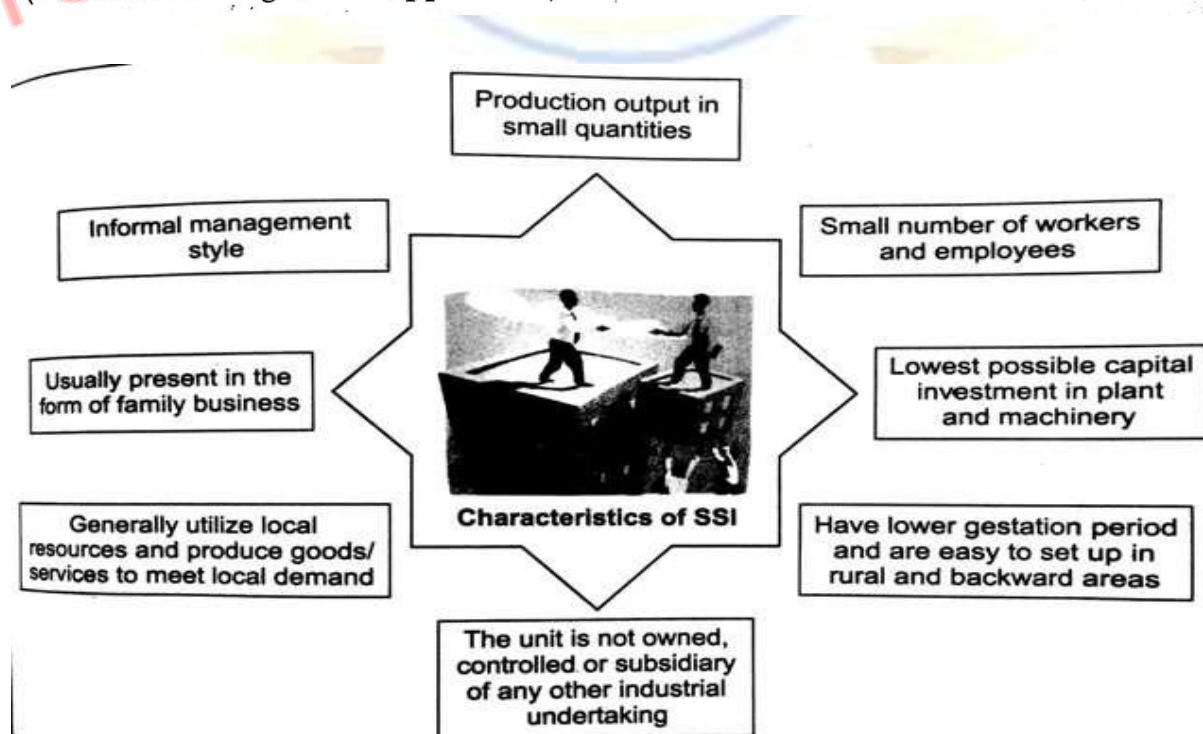
*The unit is not owned, controlled or subsidiary of any other industrial undertaking.* Where two or more industrial undertakings are set up by the same person as a proprietor, each of such industrial undertakings shall be considered

to be controlled by the other industrial undertaking or undertakings (MSME, 2009b). In that scenario, all such industrial undertakings would not be considered as SSIs. Therefore, it is necessary that in order to qualify as an SSI, the unit should not be owned, controlled or subsidiary of any other industrial undertaking.

*Generally utilize local resources and produce goods/services to meet local demand.* The small scale of operations in SSI generally requires utilization of local resources (to avoid transportation costs for sourcing the raw materials from distant locations). Similarly, the local markets are most easily accessible to the SSIs for selling their products and services at competitive prices.

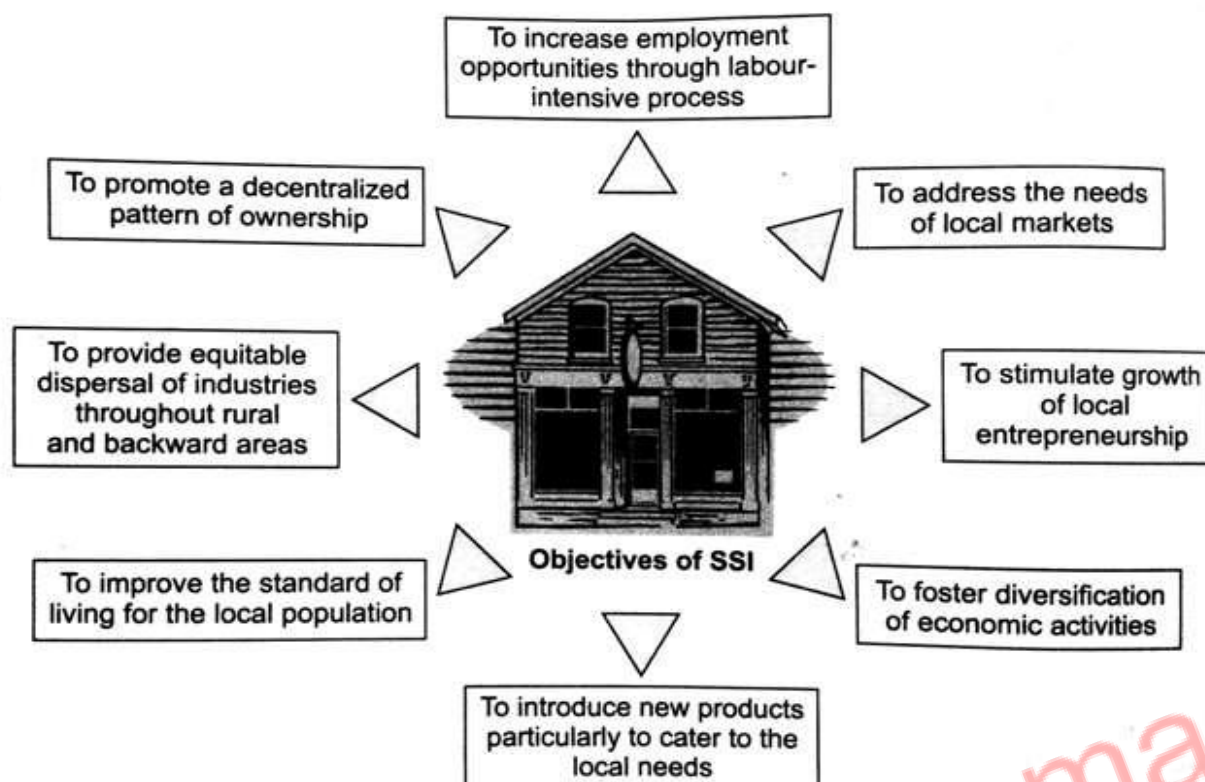
*Usually present in the form of family business.* SSIs are usually present in the form of family business not only in India, but also elsewhere in the world.

*Informal management style.* Informal management style is prevalent in SSIs, whereby members of family business, relatives, friends, and outside employees assume multiple roles as warranted by the small business from time to time. The work atmosphere is characterized by unity, harmony, love, and affection (Verma and Singh, 2002, pp. 11-12).





## Need and Rationale: Objectives of MSE/SSI



### Address the needs of local markets

There is a demand of low-priced products in local markets like small towns and villages which cannot be largely fulfilled by the products manufactured by large-scale enterprises due to their relatively higher prices (which cannot be afforded by all in our poverty-stricken country). Therefore, SSIs play a major role in creating products for the local populace which are much more economical due to avoidance of transportation costs, traditional production systems, and cheap local labour. For example, washing soaps are often manufactured and sold by SSIs in local markets at throw-away prices. Similarly, steel almirahs, trunks, boxes, etc. are locally manufactured by SSIs for local markets.

### Stimulate growth of local entrepreneurship

There are unemployed youth in our small towns and villages, some of whom have the potential of becoming successful entrepreneurs if financial support is extended to them. SSIs are a viable option in this regard. Prime Minister's Rozgar Yojana for employment generation calls for educated (VIII standard pass) unemployed youth with family income up to Rs 40,000 per annum by granting them loans of up to Rs 1 lakh for self-employment business/service projects. Subsidy is released as a grant by the government, through the RBI, to the participating banks for crediting to the account of beneficiary, and adjusted against the repayment of last installment of loan by the beneficiary. The subsidy is 15% of the project cost or Rs 7500 per entrepreneur, whichever is less. The bank charges interest (not exceeding Prime Lending Rate, PLR) on the loan amount minus subsidy. Thus, this scheme of the government is primarily to stimulate local entrepreneurship while eliminating unemployment.



### **Provide equitable dispersal of industries**

Many regions in our country were deprived of industrial activity due to lack of interest of large business houses to set-up their facilities there. SSIs strive to fill-in this gap due to the encouragement of the government through its various policies of promoting industrial activity in rural and backward areas. Our North-Eastern states have been getting special attention from the government in this regard for the past few decades.

### **Promote a decentralized pattern of ownership**

SSIs are helpful in decentralizing the pattern of ownership of industrial activity. In most instances of large-scale enterprises owned and controlled by a few elite business houses in the country (like the groups of Tatas, Birlas, Ambanies, etc.), there is a likelihood of concentration of capital in a few hands (promoters of large enterprises) only.

### **Improve the standard of living**

There is a cumulative effect of improvement in the standard of living for the local population when SSIs generate employment, create new products, and mobilize resources locally.

### **Foster diversification of economic activities**

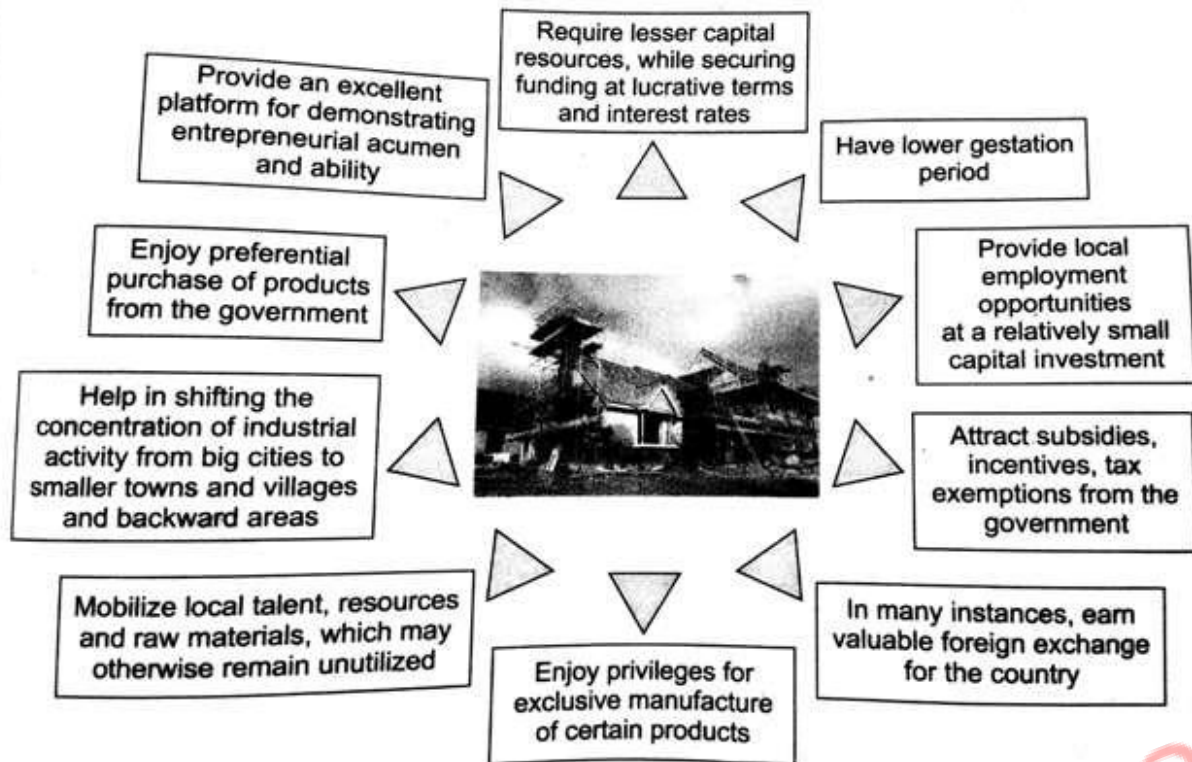
It was realized by the government of India much earlier that Indian economy cannot be made robust only by large-scale enterprises. It was therefore a conscientious effort on part of the government to support and nurture SSIs through various policies in Five Year Plans. This diversification of economic activities through lesser dependence on large-scale industry makes India more or less immune to the vagaries of global economic crisis like the one experienced by the world in 2008.

### **Advantages of SSI/MSE**

**Require lesser capital resources.** By virtue of their small scale of operations, SSIs require lesser capital resources. Central and State governments have created financial institutions to support SSIs and they provide funding to the SSI entrepreneurs at lucrative terms, conditions, and interest rates.

**Have lower gestation period.** Lesser initial capital in SSIs is recovered faster by revenues generated by them, resulting in lower gestation period. This is in contrast to medium and large scale enterprises which have relatively much longer gestation period.





**Provide local employment opportunities.** Many of the SSIs are located in rural and backward areas with much lower capital investment for purchasing land, buildings, etc. The overall capital requirement is much lesser due to small scale of operations as well. Most SSIs have human-intensive operations, thus generating employment for local people (particularly in rural and backward areas) at relatively small capital investment compared to large-scale enterprises. The employment intensity of the registered units indicates that an investment of Rs 0.72 lakh is required for creating one employment in MSME sector as against Rs 5.56 lakh in the large organized sector (Eleventh Five Year Plan, 2008, p. 197).

**Attract subsidies from the government.** As we shall study in the section on government policies for SSI, the government takes a very supportive view of SSIs by providing subsidies, incentives, tax exemptions, etc. This makes them have a competitive advantage against their large-scale rival enterprises.

**Earn valuable foreign exchange.** Indian handicrafts and khadi garments are very popular in developed nations due to their exclusivity and low prices. Similarly there are other unique products manufactured by SSIs, which make them earn valuable foreign exchange for the country.

**Enjoy privileges for exclusive manufacturing.** As studied earlier under the section on scope of SSIs, small enterprises are protected by the government by imposing restrictions upon large-scale enterprises in manufacturing items identified for exclusive manufacture by SSIs.

**Mobilize local resources.** SSIs utilize the skills and talent of local population and also use local natural resources and raw materials in most instances. In the lack of SSIs, these resources may remain unutilized or under-utilized.

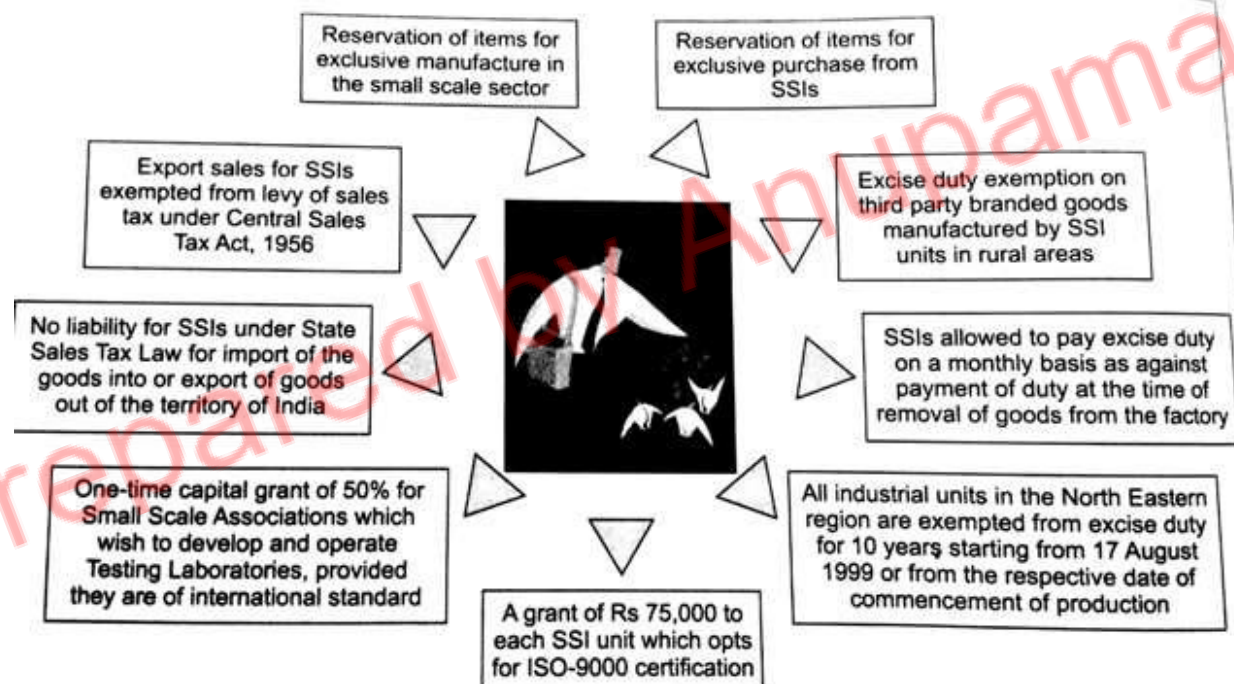


**Help in shifting the concentration of industrial activity.** By virtue of having better infrastructure and other facilities, big cities have been successful in attracting huge industrial investments. Smaller towns, villages, and backward areas, on the contrary, have been deprived of industrial activity. Government's intervention in promoting SSIs in small towns, villages, and backward areas has helped in reducing this regional imbalance in industrial activity. In recent times, North-Eastern states of the country have received special privileges from the government in this regard.

**Enjoy preferential purchase of products.** As we shall study under the section on government policy for SSIs, the government has granted preference to purchase of goods manufactured in SSIs compared to their large-scale counterparts.

**Demonstrate entrepreneurial acumen and ability.** Entrepreneurship helps in restoring the confidence and pride of people having entrepreneurial acumen and talent, particularly the unemployed youth in the country. SSIs provide an excellent platform for entrepreneurs in this direction.

#### Different Policies of SSI/MSE





- *Reservation of items for exclusive manufacture in the small scale sector:* In order to strengthen the SSIs and make them economically viable, a policy of reservation of products for exclusive manufacture in the SSI sector was initiated in 1967 with 47 items having been initially reserved to promote and protect the small scale sector vis-a-vis the large scale sector. The list of reserved items has been reviewed from time to time aiming at:
    - (i) de-reservation of items, which no longer require reservation;
    - (ii) reservation of additional items; and
    - (iii) change in the nomenclature of listed items.
  - *Reservation of items for exclusive purchase from SSIs:* Under the Government Stores Purchase Programme, the Director General of Supplies and Disposal (DGS&D) of the Ministry of Supplies arranges for the purchase and delivery of all stores indented by different Ministries of the government of India and their attached offices. The purchase policy of the government has two ways of providing marketing support to SSIs as against large scale units/other suppliers. Firstly, purchases are made exclusively from SSI units for specified items known as reserved items. Secondly, even for those items which are not reserved, a purchase price preference of 15%, as against the quotations from large-scale units/other suppliers, is given to the SSI units. Thus, SSIs get protected from market competition in the matter of purchases made by the DGS&D.
  - *Excise duty exemption on third party branded goods manufactured by SSI units in rural areas:* This policy promotes entrepreneurship in rural areas whereby entrepreneurs manufacture goods there, which are later supplied to other companies (third parties) for selling them with their brand. This policy thus helps in employment generation in rural areas.
  - *SSIs allowed to pay excise duty on a monthly basis as against payment of duty at the time of removal of goods from the factory:* This policy provides flexibility to the small enterprises to make excise duty payment for all the supplies made by them in a month taken together rather than taking the trouble of making excise duty payment every time a supply of goods leaves the facility for being dispatched to the customer.
- All industrial units in the North Eastern region are exempted from excise duty for 10 years starting from 17 August 1999 or from the respective date of commencement of production:* The North Eastern region of the country was deprived of industrial activity for a long time and this policy of the government seeks to eliminate this regional imbalance.



- *A grant of Rs 75,000 to each SSI unit which opts for ISO-9000 certification:* Quality of products produced by the SSI sector has been a concern and therefore, the government floated this policy to encourage SSIs for establishing quality management systems so that their products may compete well in the market place against the products of their large-scale rivals.
- *One-time capital grant of 50% for Small Scale Associations which wish to develop and operate Testing Laboratories, provided they are of international standard:* As we shall study in the next chapter, the government has created several testing laboratories itself. Nevertheless, this policy aims to strengthen the efforts of SSI Associations to establish their own testing laboratories. This will help in encouraging private participation in SSI infrastructure development.
- *No liability for SSIs under State Sales Tax Law for import of the goods into or export of goods out of the territory of India:* The State governments have, through this policy, provided a great relief to SSIs which are into export-import activities.
- *Export sales for SSIs exempted from levy of sales tax under Central Sales Tax Act, 1956:* The Central Government has provided this exemption to encourage SSIs to export their products abroad and earn valuable foreign exchange for the country.

### Step in starting MSE

The Steps are discussed below:

1. **Project Selection:** Entrepreneur is the Most Important person for the Success of a Project. In order to set up a Small Enterprise, the Entrepreneur has to decide or choose a suitable project. The Entrepreneur has also to decide on a suitable location for the project. Based on these selections, a project feasibility study has to be conducted & then a brief project profile has to be prepared for the proposed project. The Project Selection & the Preliminary Activities involve the following:
  - a) **Product or Service Selection:** This is the first & most important step in setting up a small enterprise. The further prospects, actions & efforts in setting up the small enterprise & commencing its commercial activities successfully depend on this decision. Therefore, the Entrepreneur has to be very careful in the choice or selection of the Project. The main factors to be considered in deciding a suitable project are as follows:
    - 1) Background & Experience of Entrepreneurs
    - 2) Availability of the Right Technology & Know – How for the Project.
    - 3) Marketability of the Product / Service
    - 4) Investment Capacity (i.e., Financial Resources)
    - 5) Availability of Plant & Machinery, Indigenous or Imported
    - 6) Availability of Raw Materials
    - 7) Availability of Proper Infrastructural Facilities i.e. Land/Shed, Power, Water, Communication, Transport etc...



8) Availability of right kind of Labor i.e. Skilled, Semi - Skilled & Unskilled

Considering all above aspects & taking the help of Governmental Support Organizations like *TECSOK*, *KIADB*, *KSSIDC* etc & even private consultants, the Entrepreneur has to choose & decide the project for implementation.

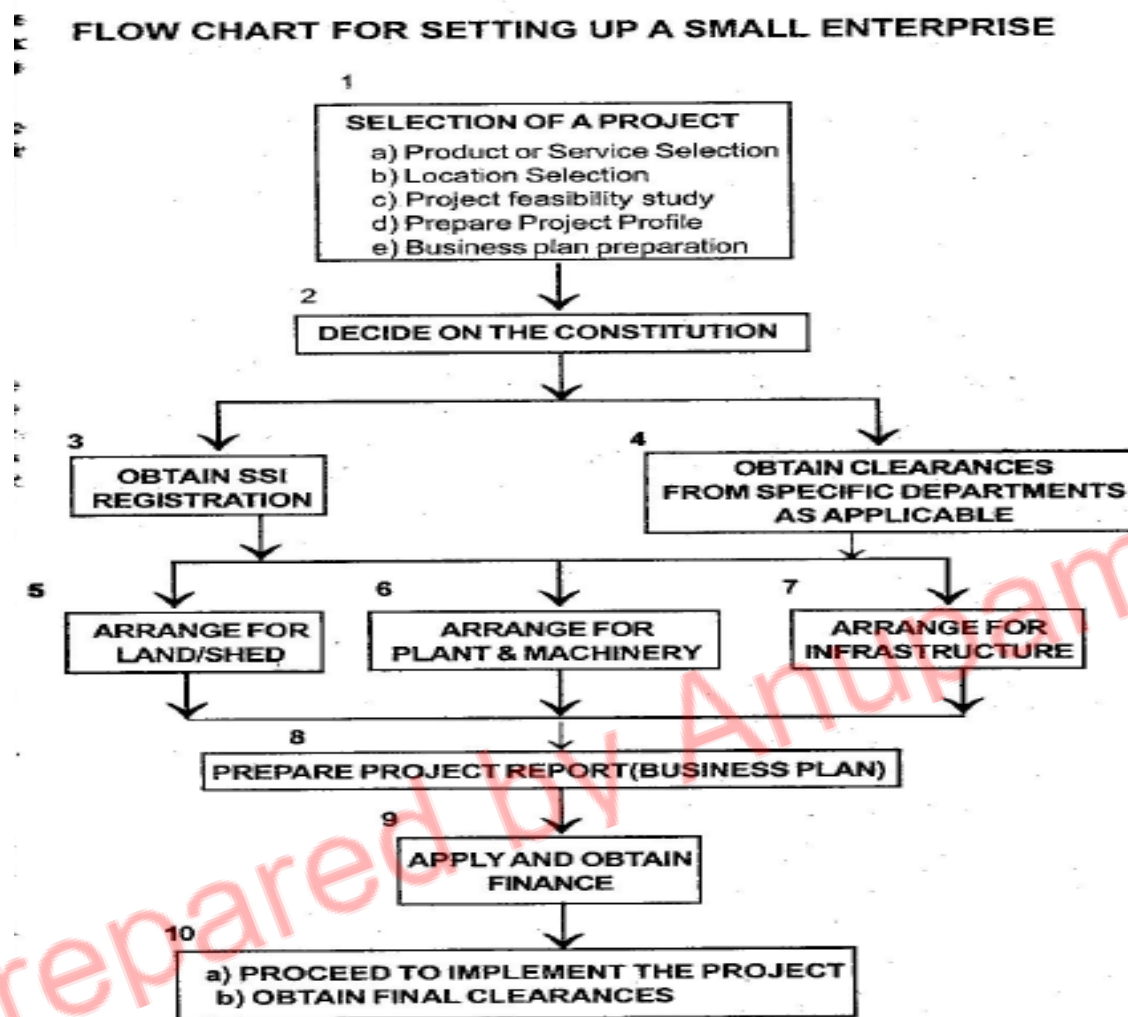


Fig 6.2 Flow Chart for setting up a small enterprises

The Steps are discussed below:

2. **Project Selection:** Entrepreneur is the Most Important person for the Success of a Project. In order to set up a Small Enterprise, the Entrepreneur has to decide or choose a suitable project. The Entrepreneur has also to decide on a suitable location for the project. Based on these selections, a project feasibility study has to be conducted & then a brief project profile has to be prepared for the proposed project. The Project Selection & the Preliminary Activities involve the following:

b) **Product or Service Selection:** This is the first & most important step in setting up a small enterprise. The further prospects, actions & efforts in setting up the small enterprise & commencing its commercial activities successfully depend on this decision. Therefore, the Entrepreneur has to be very careful in the choice or selection of the Project. The main factors to be considered in deciding a suitable project are as follows:

9) Background & Experience of Entrepreneurs



- 10) Availability of the Right Technology & Know - How for the Project.
- 11) Marketability of the Product / Service
- 12) Investment Capacity (i.e., Financial Resources)
- 13) Availability of Plant & Machinery, Indigenous or Imported
- 14) Availability of Raw Materials
- 15) Availability of Proper Infrastructural Facilities i.e. Land/Shed, Power, Water, Communication, Transport etc...
- 16) Availability of right kind of Labor i.e. Skilled, Semi - Skilled & Unskilled

Considering all above aspects & taking the help of Governmental Support Organizations like *TECSOK*, *KIADB*, *KSSIDC* etc & even private consultants, the Entrepreneur has to choose & decide the project for implementation.

c) Location Selection: After deciding on the Project, the next important decision an Entrepreneur has to make is about the Location of the Project. There are a Few factors associated with the same:

- 1) Availability of Raw Materials
- 2) Nearness or Proximity to Market
- 3) Availability of Transformation & Communication Facilities
- 4) Availability of Govt Incentives / Concessions
- 5) Govt Industrial Policy
- 6) Availability of suitable Infrastructural facilities
- 7) Availability of Labor
- 8) Convenience for the Entrepreneur's

d) Project Feasibility Study : The important facets of Project Feasibility Study are as follows :

- 1) Market Analysis is carried out to find out the aggregate demand of the proposed Product / Service & what would be the Market Share of the proposed project.
  - 2) Technical Analysis seeks to determine whether the prerequisites for the successful commissioning of the Project have been considered & reasonably good choices have been made with respect to Location, Size, Process & so on.
  - 3) Financial Analysis seeks to ascertain whether the proposed project will be financially viable in the sense of being able to meet the burden of Servicing Debt & Satisfy the return on Investment Expectations of the Promoter's.
  - 4) Economic Analysis: (Social Cost - Benefit Analysis) is concerned judging a Project from the larger, social point of view. In such an evaluation, the focus is on the Social Costs & Benefits of the Project.
- e) Project Profile: This gives a Bird's Eye View of the Proposed Project. This may be used for obtaining Provisional Registration Certificate (*PRC*) from the District Industries Centre & for making an Application to *KIADB* for allotment of Land or to *KSSIDC* for allotment of Shed & other Infrastructures.



A *Project Profile* generally contains information about the Project under the Following Heads

- 1) Introduction.
- 2) Promoter(s) Background (Education, Experience).
- 3) Product(s) Service(s) Description (Specification, Uses etc.)
- 4) Market & Marketing.
- 5) Infrastructure needed.
- 6) Plant & Machinery (Description, Capacity, Cost etc.)
- 7) Process Details.
- 8) Raw Materials (Requirements, Specifications, Cost etc.)
- 9) Power, Water & other utilities required.
- 10) Manpower needed (type of Personnel reqd & salaries / wages)
- 11) Cost of the Project & means of finance.
- 12) Cost of Production & Profitability.

- f) *Business Plan Preparation*: This is a Document where the Entrepreneur plans his Business to have an Organized & effective response to a situation which may arise in future. A Business Plan is used to make Crucial Start Up Decisions to reassure Lenders, Investors, to measure Operational Progress; to Test Planning Assumptions ; to Adjust Forecasts; & to set the standard for good Operational Management.

A Workable Business Plan has the following features:

- ✓ Determines where the Company needs to go.
- ✓ Forewarns of possible hurdles along the way.
- ✓ Formulates the responses to contingencies.
- ✓ Keeps the Business on Track to reach its Planned Goals.

### 3. *Decide on the Constitution* :

To start any Enterprise, the Promoter's have to decide on the Constitution of the Unit. There are 3 Major Alternatives:

- a) *Proprietary Enterprise*: A Single Individual is the Owner of such an Enterprise. The Proprietor may proceed to obtain PRC from the DIC.
- b) *Partnership Enterprise (Firm)*: This is an Association of Two or more Persons, subject to a Maximum of 20 Persons. They are governed by the Indian Partnership Act, 1932 & rules framed there under the State Govt. It is advisable to have a Partnership Deed Agreement on Stamp Paper of Appropriate Value.
- c) *Company*: This may be a Private or Public Limited Company. A Private Limited Company can be formed with a minimum of 2 Persons & a Maximum of 50 Persons. A Public Limited Company can be formed with a Minimum of 7 Persons & Maximum number of Persons is unlimited. Company is governed by the Companies Act, 1956.

In fact, this has to be decided at the initial stages of the Project & necessary formalities should be completed by the time the application for Provisional Registration Certificate (PRC) is made to DIC (District Industries Centre).

### 4. *Obtaining SSI Registration* :



Entrepreneurs desiring to start a Small Enterprise have to initially obtain a *PRC* (Provisional Registration Certificate). Once the Unit goes into Production, the *PRC* has to be converted into a Permanent Registration Certificate (*PMT*).

5. **Specific Clearances** :

There are a number of Statutory Clearances required to start Micro & Small Enterprises.

Some of them are given below :

- a) Agricultural Land Conversion into Non - Agricultural Land (NA Conversion).
- b) Building Plan approved by the Local Authorities.
- c) Factories Act & Labor Dept.
- d) Trade License from the Local Authorities.
- e) Pollution Control Board Clearances.
- f) Food Adulteration Act License. Etc..

6. **Land or Shed Selection** : For any Industrial Project, suitable Industrial Site or a ready Industrial shed is reqd. The Promoters of the Unit could consider taking an Industrial Site & constructing a shed as per their requirement, alternatively, could consider taking a ready Industrial Shed on Ownership Basis also.

Whom to approach:

- i. KIADB for Land.
- ii. KSSIDC for Shed requirement.
- iii. Alternatively, the Entrepreneur can also approach directly the Jt. Director, DIC in the particular District also for requirement of Land / Shed for the proposed Enterprise.

7. **Plant & Machinery**: This requirement for a Particular Project could be purchased from recognized manufacturers / dealers. This could also be taken on Hire Basis operated by National Small Industries Corporation Limited (*NSIC*). This is a Govt of India promoted Corporation.

8. **Infrastructure Facilities**: For Micro or Small Enterprises the main infrastructure facilities are Land or Shed for the Project, Power Connection, and Water Supply & Telephone & Internet Facility. As said earlier, for Land or Shed , the Entrepreneur can approach either KIADB or KSSIDC as the case may be. For the requirement of Power, an application may be made to the local electricity company in the region. For Telephone connection & Internet facilities, Entrepreneur has to approach BSNL or other operators. District level Single Window Agency (*SWA*) assists the Entrepreneur in getting all the above facilities. Hence, the Entrepreneur can forward an Application on a plain paper to the Jt. Director , District Industries Centre of the District giving his requirement of various infrastructural facilities for speedy approval & sanction

9. **Project Report**: For any New Project or Enterprise to be set up, Proper Planning is necessary. A detailed Project Report provides such a plan for the Project. The Report is useful to the Entrepreneur for Planning & Implementing the Project. This is essential for Obtaining Finance & other clearances for the Project. In fact, the Project Report gives a detailed insight of the *Techno - Economic Viability of the Project*.

10. **Finance** : Finance for such Projects are under 2 main categories :

- i. **Term Loan:** For starting a Small Enterprise, Term Loan Finance for the Fixed Assets like Land, Building, Plant & Machinery etc., can be availed. This Loan can be availed from Karnataka State Financial Corporation (KSFC) & or from the Commercial Banks.
- ii. **Working Capital Loan:** It is always preferable to approach Commercial banks for Working Capital Loan. All Commercial Banks finance up to 75 % of the Working Capital Loan & the remaining 25 % has to be pooled in by the Promoters.

11. **Implementation of the Project :** The Entrepreneurs will have to take necessary steps to physically implement the Project after obtaining the various Licenses, Clearances, Infrastructural Facilities etc. Following are the Major Activities that the Entrepreneurs have to undertake for implementing the Project.

- i. *Construct Shed*
- ii. *Order for Machinery*
- iii. *Recruit Personnel*
- iv. *Arrange for Raw Materials*
- v. *Marketing*
- vi. *Erection & Commissioning*
- vii. *Obtain Final Clearances*

### **Role of SSI in Economic Development**

Economic development is defined in a number of ways; the commonest definition could be 'an increase in real per capita income of a person resulting in improvement in the levels of living'. The developments of small-scale industries contribute to the increase in per capita income. The role of SSI in economic development is given below.

1. **Employment:** SSI use labour intensive techniques and therefore provide employment on a large scale, SSI accounts for 75% of the total employment in the industrial sector. SSI provides self-employment to artisans, technically qualified persons and professionals. These industries also offer employment to farmers when they are idle.
2. **Optimization of Capital:** SSI requires less capital per unit of output and provides quick returns on investment due to shorter gestation period. Small scale units help to mobilise small and scattered savings and channelize them into industrial activities.
3. **Balanced Regional Development:** SSI promotes decentralized development of industries. They help to remove regional disparities by industrializing rural and backward areas. They also help to improve the standard of living in suburban and rural areas.
4. **Mobilization of Local Resources:** SSI helps to mobilize and utilize local resources like small saving, entrepreneurial talent etc. which might otherwise remain idle and unutilized. These industries facilitate the growth of local entrepreneurs and self-employed professionals in small towns and villages.
5. **Export Promotion:** SSI helps in reducing pressure on the country's balance of payments in two ways. First they do not require imports of sophisticated machinery or raw materials. Secondly, SSI can earn valuable foreign exchange through exports. There has been a substantial increase in exports from the small scale sector.



6. **Consumer Surplus:** SSI now produces a wide range of mass conception items. Over 5000 products are being manufactured in small scale sector. About one-half of the output of manufacturing sector in India comes from small scale industries.
7. **Feeder to Large Scale Industries:** SSI plays a complementary role to large scale sector. They provide parts, components, accessories etc. to large scale industries. They serve as ancillary units.
8. **Social Advantage:** Small scale sector contributes towards the development of a socialistic pattern of society by reducing concentration of income and wealth. They provide an honourable and independent living to people with limited resources. They facilitate wide participation of public in the process of development.
9. **Share in Industrial Production:** SSI contributes more than one-half of the total industrial production in India. About 5000 products are manufactured in the small scale sector.
10. **Development of Entrepreneurship:** Small scale units have helped to develop a class of entrepreneur. These units facilitate self-employment and spirit of self-reliance in the society.

### **Government Support to SSI during Five Year Plan**

#### ***First 5 Year Plan***

- In the first Five Year Plan Rs. 48 crores (constituting 47.8% of total plan expenditure on industry) was spent on small-scale sector alone.
- During this plan six boards were constituted namely All India Handloom Board, All India Handicraft Board, All India Khadi and Village Industry Board, Small-Scale Industries Board, Coir Board and Central Silk Board

#### ***Second 5 Year Plan***

- The second Five Year Plan focused on dispersal of industries. During this plan 60 industrial estates were established for providing basic facilities like water, power, transport etc. at one place.
- The total expenditure during this plan towards SSI was Rs. 187 crores

#### ***Third 5 Year Plan***

- The third Plan focused on extension of coverage of small scale industries. During this plan Rs. 248 crores were spent.

#### ***Fourth 5 Year Plan***

- The programmes adopted during the third plan were extended during fourth plan also.
- During the fourth plan period, 346 industrial estates had been completed and small-scale sector provided employment to almost 82,700 persons.

#### ***Fifth 5 Year Plan***

- The main thrust of the fifth plan was to develop small-scale industries to remove poverty and inequality stacking the land.
- During this plan the expenditure incurred is Rs. 592 crores.

#### ***Sixth 5 Year Plan***

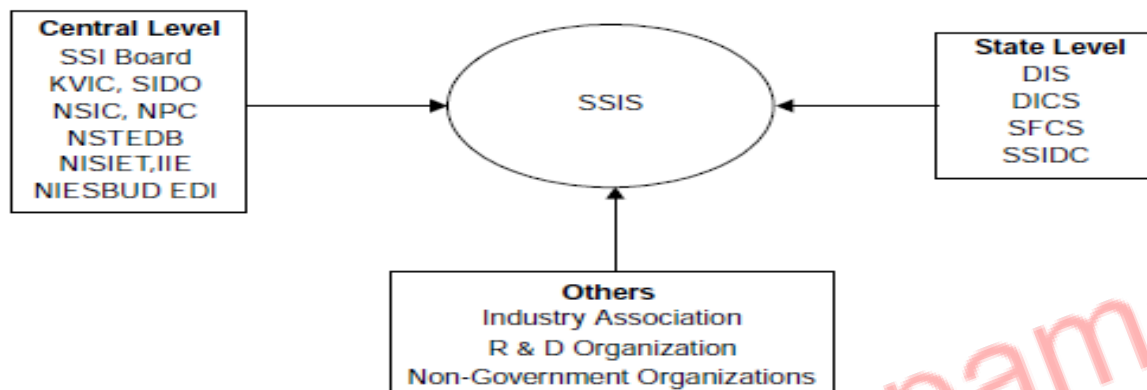
- Because of the massive development programmes initiated for the development of promising small-scale sector, the actual expenditure of Rs. 1945 crores surpassed the plan 836 items were reserved for manufacturing in small-scale industries and reserved 409 items for exclusive purchase from small scale industries.
- By the end of sixth plan, the production from small and cottage industries increased to Rs. 65,730 crores, exports touched Rs. 557 crores and employment in SSI sector reached 315 lakh persons.

**Seventh 5 Year Plan**

- The main thrust of this plan was upgradation of technology to increase competitiveness of small sector.
- The actual expenditure of Rs. 3,249 crores surpassed the plan outlay of Rs. 2,752 crores. The value of production increased from Rs. 57,100 crores to Rs. 91,681 crores.

**Eighth 5 Year Plan**

- The main thrust of the eighth plan was the employment generation as the motive force for economic growth. To achieve this, small and village industries have been assigned an extremely important role.

**Institutional support for MSE/SSI****Fig 6.2: Institutions supporting small-scale industries****MSME Board**

- Micro, Small and Medium Enterprises Board
- Headed by Ministry of Micro, Small and Medium Enterprises
- Objective:
  - To facilitate coordination & inter institutional linkages among various ministries, banks, financial institutions etc..
- There are 30 MSME DI's and 28 branch MSME development institutes set up in state capitals and industrial cities.
- Functions are



- Assistance/consultancy to prospective entrepreneurs
  - Assistance/consultancy rendered to existing units
  - Preparation of state industrial profiles
  - Preparation/updation of district industrial potential surveys
  - Project profiles
- 
- Entrepreneurship development programmers
  - Motivational campaigns
  - Production index
  - Management development programmes
  - Energy conservation
  - Pollution control
  - Quality control and upgradation
  - Export promotion
  - Ancillary development
  - Common facility workshop/labs
  - Preparation of directory of specific industry
  - Intensive technical assistance
  - Coordination with district industries centers
  - Linkage with state government functionaries
  - Market surveys

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

The National Small Industries Corporation (NSIC), an enterprise under the union ministry of industries was set up in 1955 in New Delhi to promote aid and facilitate the growth of small scale industries in the country. This enterprise under Union Ministry of Industries, Provides wide range of services, predominantly promotional in character to SSI

*Nature of support:* Wide ranging industrial input

#### **Objectives**

1. To promote, aid foster the growth of SSIs in country with a focus on commercial aspects.
2. To enable the SSI to gain competitive advantage & to contribute effectively to the development of the economy.
3. To evolve special schemes to meet the needs of handicapped, SC & ST entrepreneurs.

#### **Functions**

1. To provide machinery on hire purchase Scheme to SSIs
2. To promote govt orders for SSI
3. To develop SSIs as ancillaries to large units
4. To import & distribute scarce & rare raw material
5. To undertake construction of industrial estates
6. To help exporting products of SSIs
7. To develop prototype of machineries & equipment

NSIC offers a package of assistance for the benefit of small-scale enterprises.

1. Single point registration: Registration under this scheme for participating in government and public sector undertaking tenders.
2. Information service: NSIC continuously gets updated with the latest specific information on business leads, technology and policy issues.
3. Raw material assistance: NSIC fulfils raw material requirements of small-scale industries and provides raw material on convenient and flexible terms.
4. Meeting credit needs of SSI: NSIC facilitate sanctions of term loan and working capital credit limit of small enterprise from banks.
5. Performance and credit rating: NSIC gives credit rating by international agencies subsidized for small enterprises up to 75% to get better credit terms from banks and export orders from foreign buyers.
6. Marketing assistance programme: NSIC participates in government tenders on behalf of small enterprises to procure orders for them.

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

For ensuring larger flow of financial and non-financial assistance to the small scale sector, the government of India set up the Small Industries Development Bank of India (SIDBI) under Special Act of Parliament in 1989 as a wholly owned subsidiary of the IDBI. The SIDBI has taken over the outstanding portfolio of the IDBI relating to the small scale sector. Has structural linkage with Ministry of Finance and Ministry of SSI. It is a Subsidiary of IDBI. Head office is at Lucknow.

**Nature of Support:** Financial Service

#### **Objectives**

1. Promote finance & develop small scale sector
2. Coordinating Functions of institutions engaged in similar activities
3. Finance Infrastructure projects

#### **Functions**

1. Provide financial assistance to new project
2. It refines loans and advances provided by the existing lending institutions to the small-scale units.
3. It discounts and rediscounts bills arising from sale of machinery to and manufactured by small-scale industrial units.
4. It extends seed capital/soft loan assistance under National Equity Fund, Mahila Udyam Nidhi and Mahila Vikas Nidhi and seed capital schemes.
5. It grants direct assistance and refinance loans extended by primary lending institutions for financing exports of products manufactured by small-scale units.
6. It provides services like factoring, leasing, etc. to small units.
7. It extends financial support to State Small Industries Corporations for providing scarce raw materials to and marketing the products of the small-scale units.
8. It provides financial support to National Small Industries Corporation for providing; leasing, hire purchase and marketing help to the small-scale units.



In 1992-93 it has introduced two new schemes. The first is equipment finance scheme for providing direct finance to existing well-run small-scale units taking up technology up gradation/modernization and refinance for resettlement of voluntarily retired workers of NTC. The other new scheme was venture capital fund exclusively for small-scale units, with an initial corpus of Rs 10 crore. SIDBI also provides financial support to national small industries corporation (NSIC) for providing leasing, hire-purchase and marketing support to the industrial units in the small scale sector.

### **Karnataka Industrial Areas Development Board (KIADB)**

The Karnataka industrial areas development board is statutory board constituted under the Karnataka industrial area development act of 1996. Since then it is in the business of apportioning land for industries and gearing up facilities to carryout operations. The KIADB now acquires and provides developed land suited for industrialization, by drawing up well laid-out plots of varying sizes to suit different industries with requisite infrastructure facilities. The facilities include roads, drainage, water supply etc. The amenities such as banks, post offices, fire stations, police outposts, ESI dispensaries etc are also provided. It also plans to initiate the provision of common effluent treatment plants wherever necessary.

Application forms for the allotment of land may be obtained from the executive member, KIADB Bangalore or general manager DIC of concerned district or from the Zonal office of KIADB. Applications duly filled must be accompanied by:

- a) A brief project report.
- b) Details of constitution of the company
- c) Provisional registration certificate
- d) EMD of Rs 500/- per acre, subject to a maximum of Rs 10,000/- along with 20%, 15% and 5% of the land cost for various districts.

On receipt of applications for all districts other than Bangalore, a discussion with the promoters regarding the project will be held in the concerned district headquarters. The district level allotment committee will take a decision on allotment of land to the SSI units.

### **Objectives**

1. To establish industrial area
2. To provide infrastructural facilities
3. To assist implementation of government policies.
4. To function on 'No profit No loss basis

### **Functions**

1. Acquire land & build industrial area
2. Provide all infrastructure to such industrial area
3. Acquire land for Single Unit Complexes
4. Acquire land for Government agencies for their schemes & infrastructure

### KIADB - As a Premier Industrial Area Developer

KIADB has also acquired lands to cater the specific needs of individual industrial units (Single Unit Complexes). The Board also acquires land for infrastructure projects of the Government. We promote projects of public importance in joint venture with organizations of international repute.

The vision of KIADB and world class infrastructure has made investors all over the world take notice of Karnataka as the premier destination for their startups and ventures.

Till date, KIADB has formed 132 industrial areas spread all over the State, and acquired land for nearly 400 Single Unit Complexes ensuring balanced industrial development in all regions with well thought of infrastructures and unique features.

- KIADB has formed industrial areas in all the districts of the State. So far it has formed 132 small and big industrial areas spread over the State covering about 40,000 acres.

### Karnataka State Small Industries Development Corporation Ltd (KSSIDC)

KSSIDC established on 29th April 1960. The registered office of the Company started functioning at Bangalore in the State of Karnataka.

The Corporation's principle objective is the promotion and development of Small Industries in the State. Construction and utilisation of infrastructure, especially in backward areas, procurement and marketing of Raw Materials, technical support and assistance-are means to reach the goals. A concern for results, emphasis on quality and timely work and willingness to understand the problems of entrepreneurs-are the staff creed, and KSSIDC constantly strive for this end. An Industrially prosperous Karnataka is the vision.

**Nature of support:** Infrastructure & Industrial Inputs

#### Objectives

1. To assist SSI in procurement of raw material
2. Rapid development of SSI

#### Functions

1. Establishment and Management of Industrial Estates.
2. Procurement and distribution of raw materials.
3. Assistance towards marketing.
4. Dissemination of information by participating in the internal and international exhibitions.
5. Supply of machinery under Hire Purchase Scheme.
6. Providing Guidance to SSI Entrepreneurs.
7. Providing Technical Library facilities.

#### List of Major Projects Handled by KSSIDC

1. Government Tool Room Training Centre (GTTC) was established at Industrial Estate Rajajinagar.
2. An exclusive garment complex has been established at Rajajinagar



3. Multi-storied complexes were established at Electronic City industrial estate Bommasandra to accommodate electronic industries and Software Technology units.
4. ISI Complex at peenya established to test and certify the product manufactured by SSI units.
5. Multi-storied Commercial Complex established at Industrial Estate Shimoga  
Multi-storied Commercial Complex was established at Industrial Estate Gulbarga.
6. Power loom sheds for KSPDC at Siguli was established.
7. Morarji Desai Residential School Complexes at five places in Karnataka was established.

### **Technical Consultancy Services Organization of Karnataka (TECSOK)**

TECSOK is a professional industrial technical and management consultancy organization promoted by the government of Karnataka and other state level development institutions way back in 1976. It is a leading investor-friendly professional consultancy organization in Karnataka. Its various activities are investment advice, procedural guidance, management consulting, mergers and acquisition, process reengineering studies, valuation of assets for takeovers, impact assessment of socio-economic schemes, critical infrastructure balancing; IT related studies, detailed feasibility studies and reports. TECSOK with its pool of expertise in varied areas can work with new entrepreneur to identify a product or project. In addition to this TECSOK sharpens the project ideas through feasibility studies, project reports, market surveys, and sources of finance, selection of machinery, technology, costing and also providing turnkey assistance. To help entrepreneurs to face the global competition TECSOK facilitates global exposures, updated technology, market strategies, financial restructuring and growth to improve profitability of an industry. TECSOK can identify sickness in existing industry and facilitate its turn around. TECSOK has expertise in rehabilitation of sick industries by availing rehabilitation packages offered by the government and financial institutions.

#### ***Nature of support:***

- Multi disciplinary technical, industrial & management consultancy

#### ***Objectives:***

- To provide reliable consultancy support for entrepreneurs to startup self employment
- To provide consultancy services to various Departments & Agencies of State & Central Government.

#### ***TECSOK activities:***

1. Guidance in product selection and project identification.
2. Market survey and market development advice.
3. Consultancy for agro-based industries of a nodal agency of the government of India.
4. Diagnostic studies and rehabilitation of sick industries.
5. Environment impact assessment studies environment management plans & propagation of cleaner production techniques.

6. Energy management and audit.
7. Valuation of assets for mergers and takeovers.
8. Infrastructure development project reports.
9. Port tariff study and related areas.
10. System study and software development.
11. Management studies, company formation, corporate plan, enterprise restructuring etc.
12. Designing and organizing training programme.

### **Karnataka State Financial Corporation (KSFC)**

The KSFC was established by the government of Karnataka in 1956 under the state financial corporation act 1951 for extending financial assistance to set up tiny, small and medium scale industrial units in Karnataka. Since 1956 it is working as a regional industrial development bank of Karnataka. KSFC has a branch office in each district; some districts have more than one branch. KSFC extends lease financial assistance and hire purchase assistance for acquisition of machinery/equipment/transport vehicles. KSFC has merchant banking department which takes up the management of public issues underwriting at shores, project report preparation, deferred payment guarantee, and syndication of loans, bill discounting and Similar tasks.

### **Objectives**

1. Cater to financial requirements of small Scale units
2. To extend medium & long term credits to units

KSFC give preference to the projects which are

- a. Promoted by technician entrepreneur.
- b. In the small-scale sector.
- c. Located in growth centers and developing areas of the state;
- d. Promoted by entrepreneurs belonging to scheduled castes and scheduled tribes, backward classes and other weaker sections of society.
- e. Characterized by high employment potential.
- f. Capable of utilizing local resources; and
- g. In tune with the declared national priorities.

The eligible industrial concerns for financial assistance from KSFC are those engaged/to be engaged in manufacture, preservation, processing of goods, mining, power generation transport, industrial estate, hotels, R & D of any product or process of industrial concern, weigh bridge facilities, power laundries, photocopying, hiring of heavy material handling equipment, cranes and other earth moving equipments, hospitals, nursing homes, medical stores, computers, tourism related activities, construction of roads, tissue and horticulture software development, software parks, block board vehicles, office construction, go down and warehouse construction, mobile canteens, commercial complexes, training institutes, office automation and so on.

### **Loan Schemes of KSFC**

KSFC has evolved loan schemes for extending financial assistance to industrial concerns promoted by rural artisans, weaker sections of society, disabled entrepreneurs, exservicemen, women entrepreneurs and others.



*The various loan schemes of KSFC are given below:*

1. Composite loan scheme
2. Disabled entrepreneurs loan scheme.
3. Scheduled cast and scheduled tribe's loan scheme.
4. Ex-service men loan scheme.
5. National equity fund scheme.
6. Mahila Udyama nidhi loan scheme.
7. Single window loan scheme.
8. Transport loan scheme.
9. Computer loan scheme.
10. Modernization loan scheme.
11. Diesel generator loan scheme.
12. Equipment finance loan scheme.
13. Tourism related activities loan scheme.
14. Hospital/nursing / medical store loan scheme.
15. Electro-medical equipment loan scheme.
16. Assistance for acquiring indigenous or imported second-hand machinery.
17. Qualified professionals loan scheme.
18. Scheme of assistance for acquisition of ISO 9000 series of certification.
19. Hotel / mobile canteen loan scheme.
20. Industrial estate loan scheme.
21. Loan scheme for office automation.
22. Loan scheme for training institution.
23. Loan scheme for private software technology parks.
24. Loan scheme for commercial complexes.

### **DIC Single Window Agency**

The District Industries Centers (DIC's) programme was started in 1978 with a view to provide integrated administrative framework at the district level for promotion of small scale industries in rural areas. The DIC's are envisaged as a single window interacting agency at the district level providing service and support to small entrepreneurs under a single roof. DIC's are the implementing arm of the central and state governments of the various schemes and programmes. Registration of small industries is done at the district industries centre and PMRY (Pradhan Mantri Rojgar Yojana) is also implemented by DIC. The organizational structure of DICS consists of General Manager, Functional Managers and Project Managers to provide technical services in the areas relevant to the needs of the district concerned. Management of DIC is done by the state government.

**Nature of Support:** Information & Consultancy Services, Industrial Inputs

### **Objectives**

- a. To promote cottage & SSI in rural area/small towns.
- b. To help entrepreneur with all information under 1 roof.
- c. To serve as an integrated administrative framework at district level for industrial development.

### **Functions**

1. To prepare and keep model project profiles for reference of the entrepreneurs.
2. To prepare action plan to implement the schemes effectively already identified.

3. To undertake industrial potential survey and to identify the types of feasible ventures which can be taken up in ISB sector, i.e., industrial sector, service sector and business sector.
4. To guide entrepreneurs in matters relating to selecting the most appropriate machinery and equipment, sources of its supply and procedure for importing machineries.
5. To provide guidance for appropriate loan amount and documentation.
6. To assist entrepreneurs for availing land and shed equipment and tools, furniture and fixtures.
7. To appraise the worthiness of the project-proposals received from entrepreneurs.
8. To help the entrepreneurs in obtaining required licenses/permits/clearance.
9. To assist the entrepreneurs in marketing their products and assess the possibilities of ancillarization.
10. To conduct product development work appropriate to small industry.
11. To help the entrepreneurs in clarifying their doubts about the matters of operation of bank accounts, submission of monthly, quarterly and annual returns to government departments.
12. To conduct artisan training programme.
13. To act as the nodal agency for the district for implementing PMRY (Prime Minister Rojgar Yojana).
14. To function as the technical consultant of DRDA in administering IRDP and TRYSEM programme.
15. To help the specialized training organizations to conduct Entrepreneur development programmes.

#### **What is Intellectual Property?**

- Intellectual property refers to creations of the mind: inventions; literary and artistic works; and symbols, names and images used in commerce.
- Intellectual property is divided into two categories:
  - Industrial Property: includes patents for inventions, trademarks, industrial designs and geographical indications.
  - Copy Right: covers literary works (such as novels, poems and plays), films, music, artistic works (e.g., drawings, paintings, photographs and sculptures) and architectural design. Rights related to copyright include those of performing artists in their performances, producers of phonograms in their recordings, and broadcasters in their radio and television programs.

#### **What are intellectual property rights?**

- Intellectual property rights are like any other property right. They allow creators, or owners, of patents, trademarks or copyrighted works to benefit from their own work or investment in a creation.
- These rights are outlined in Article 27 of the Universal Declaration of Human Rights, which provides for the right to benefit from the protection of moral and material interests resulting from authorship of scientific, literary or artistic productions.

#### **Why promote and protect intellectual property?**



- An efficient and equitable intellectual property system can help all countries to realize intellectual property's potential as a catalyst for economic development and social and cultural well-being.
- The intellectual property system helps strike a balance between the interests of innovators and the public interest, providing an environment in which creativity and invention can flourish, for the benefit of all.
- First, the progress and well-being of humanity rest on its capacity to create and invent new works in the areas of technology and culture.
- Second, the legal protection of new creations encourages the commitment of additional resources for further innovation.
- Third, the promotion and protection of intellectual property spurs economic growth, creates new jobs and industries, and enhances the quality and enjoyment of life.

#### **What is a Patent?**

- A patent is an exclusive right granted for an invention – a product or process that provides a new way of doing something, or that offers a new technical solution to a problem.
- A patent provides patent owners with protection for their inventions.
- Protection is granted for a limited period, generally 20 years.

#### **What is a trademark?**

- A trademark is a distinctive sign that identifies certain goods or services produced or provided by an individual or a company. Its origin dates back to ancient times when craftsmen reproduced their signatures, or “marks”, on their artistic works or products of a functional or practical nature.
- The system helps consumers to identify and purchase a product or service based on whether its specific characteristics and quality – as indicated by its unique trademark – meet their needs.

#### **What is an Industrial Design?**

- An industrial design refers to the ornamental or aesthetic aspects of an article. A design may consist of three-dimensional features, such as the shape or surface of an article, or two-dimensional features, such as patterns, lines or color.
- Industrial designs are applied to a wide variety of industrial products and handicrafts: from technical and medical instruments to watches, jewelry and their luxury items; from house wares and electrical appliances to vehicles and architectural structures; from textile designs to leisure goods.

#### **What is a Geographical Indication?**

- A geographical indication is a sign used on goods that have a specific geographical origin and possess qualities or a reputation due to that place of origin.
- Most commonly, a geographical indication consists of the name of the place of origin of the goods.

- Agricultural products typically have qualities that derive from their place of production and are influenced by specific local geographical factors, such as climate and soil.

#### **What are Copyright and Related Rights?**

- Copyright laws grant authors, artists and other creators protection for their literary and artistic creations, generally referred to as “works”. A closely associated field is “related rights” or rights related to copyright that encompass rights similar or identical to those of copyright, although sometimes more limited and of shorter duration.

