

Lesson 12

Institutional Support for Entrepreneurship Development

Objectives of the lesson

At the end of the lesson, students will be able to:

- Understand institutional support by central government institutions,
- Describe Understand institutional support by state government, non-government, and district level institutions India, and
- Explain tax benefits available to small enterprises in India.

1.0 Introduction

The institutional support system for entrepreneurship development in India has been designed at four levels, viz., (i) Central Government, (ii) State Government, (iii) Non-Government Support System, and (iv) District Industries Centres. Following sections outline brief description of the role of institutions each level.

2.0 Central Government Institutions

The Government of India formulated the Micro, Small and Medium Enterprises Development Act, 2006 and established the National Board for Micro, Small and Medium Enterprises (NBMSME) and made rules there under in 2006. This Board examines the factors affecting promotion and development of MSMEs and reviews policies and programs related to these enterprises from time to time and makes recommendations to the Government in formulating policies for the growth of MSMEs. The Government of India also constituted the National Commission for Enterprises in the Unorganized Sector (NCEUS) to examine the problems of the enterprises in the unorganized/ informal sector. The Commission has made recommendations to provide technical, marketing and credit support to these enterprises. The support system designed by government is described below.

2.1 Small Scale Industries Board (SSIB)

SSIB was established in 1954 to provide effective coordination and inter-institutional linkages for the benefit of small-scale sector. It consists of the union industry minister, state industry minister, selected members of parliament, secretaries of department concerned, and eminent experts in the field.

2.2 National Bank for Agriculture and Rural Development (NABARD)

NABARD is designated as an apex development bank in the country. It was established in 1982 by a Special Act of the Parliament with a mandate to uplift rural India by facilitating credit flow in agriculture, cottage and village industries, handicrafts, and small-scale industries. It is also required to support non-farm sector while promoting other allied

economic activities in rural areas. NABARD functions to promote sustainable rural development for attaining prosperity of rural areas in India. It is basically concerned with matters concerning policy, as well as planning and operations in the field of credit for agriculture and other economic activities in rural areas in India. It is worth noting with reference to NABARD that RBI has sold its own stake to the Government of India. Therefore, Government of India holds 99 percent stake in NABARD.

2.2.1 Role of NABARD: NABARD is an apex institution having power to deal with all matters concerning policy, planning as well as operations in giving credit to agriculture and other economic activities in the rural areas. It is a refinancing agency for those institutions that provide investment and production credit for promoting several developmental programs for rural development.

NABARD is improving the absorptive capacity of the credit delivery system in India, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, and training of personnel. It coordinates the rural credit financing activities of all sorts of institutions engaged in developmental work at the field level while maintaining liaison with Government of India, and State Governments, and RBI and other national level institutions that are concerned with policy formulation. NABARD prepares rural credit plans annually for all districts in the country, and promotes research in rural banking, and in the field of agriculture and rural development.

The services offered by NABARD include: (i) attracting youth to rural non-farm sector, (ii) preparing district industries rural project (DRIP), and rural entrepreneurship development program (REDP).

2.3 Small Industries Development Organization (SIDO)

Small Industries Development Organization (SIDO) was constituted in 1954 to develop support services for promotion of small-scale sector enterprises. It is a subordinate office of the Department of SSI & Auxiliary and Rural Industry (ARI). It is an apex body and nodal agency for formulating, coordinating, and monitoring the policies and programs for promotion and development of small-scale industries in India. Over the years, it has seen its role evolved into an agency for advocacy, hand holding and facilitation for the small industries sector.

Main objectives of SIDO are: (i) to formulate policy for promotion of SSIs, (ii) to provide coordination of policies of state government, (iii) to collect and disseminate information, (iv) to provide wide range of extension services through allied institutions, (v) to promote facilities for technology upgradation, and (vi) to offer consultancy services.

SIDO is managed by Development Commissioner who is assisted by various directors and advisers in evolving and implementing various programs of (i) Training and management, (ii) Consultancy, industrial investigation, and (iii) Possibilities for development of different

types of SSIs, industrial estates, etc. SIDO maintains a close liaison with government, financial institutions and other agencies which are involved in the promotion and development of small-scale units.

SIDO provides a comprehensive range of consultancy services and technical, managerial, economic, and marketing assistance to SSI units. Its network includes: 28 Small Industries Service Institutes (SISIs), 30 Branch of SISIs, 37 Extension Centres, 4 Regional Testing Centres, 1 Product and Process Development Centre, 3 Footwear Training Centres, 5 Production Centres, and 10 Field Testing Centres. All small-scale industries except those falling within the specialized boards and agencies like Khadi and Village Industries (KVI), Coir Boards, Central Silk Board, etc., fall under the purview of the SIDO.

2.3.1 Functions of SIDO: Functions of SIDO are classified into three categories, viz., (i) Coordination, (ii) Industrial development, and (iii) Extension.

Functions relating to coordination include: (i) to evolve a national policy for the development of small-scale industries, (ii) to co-ordinate the policies and programs of various State Governments, (iii) to maintain a proper liaison with the related Central Ministries, Planning Commission, State Governments, Financial Institutions etc., and (iv) to co-ordinate the programs for the development of industrial estates.

Functions relating to industrial development are: (i) to reserve items for production by small-scale industries, (ii) to collect data on consumer items imported and then, encourage the setting of industrial units to produce these items by giving coordinated assistance, (iii) to render required support for the development of ancillary units, and (iv) to encourage small-scale industries to actively participate in Government Stores Purchase Program by giving them necessary guidance, market advice, and assistance.

The extension function of SIDO include: (i) to make provision to technical services for improving technical process, production planning, selecting appropriate machinery, and preparing factory lay-out and design, (ii) to provide consultancy and training services to strengthen the competitive ability of small-scale industries. (iii) to render marketing assistance to small-scale industries to effectively sell their products, and (iv) to provide assistance in economic investigation and information to small-scale industries.

Consequent to the increased globalization of the Indian economy, small industries are required to face new challenges. The SIDO has recognized the changed environment and is currently focusing on providing support in the fields of credit, marketing, technology, and infrastructure to SSIs. Global trends and national developments have accentuated SIDO's role as a catalyst of growth of small enterprises in the country.

2.3.2 Institutions and Centres administered by SIDO: SIDO has promoted following institutes and centres and is responsible for their management.

A. Small Industries Service Institutes (SISI): The Small Industries Service Institutes (SISIs) are set-up in capital of all the 28 states. These Institutes through their wide network provide consultancy and training service to small and prospective entrepreneurs. SISIs function under the Ministry of SSI, Government of India and provide services such as preparation of project reports, conducting training programs in different areas, extending technical assistance, and offering guidance on industrial policy of the government. These are pioneer organization to develop small scale industries through counselling, consultancy, and training. SISIs assist the industries in marketing the products and acquiring quality standards. They also provide various types of extension and assistance services in setting up of units, promoting and developing product and services by the small-scale industries.

Functions of SISI: The wide spectrum of tasks performed by SISIs includes technological, managerial, and administrative functions. The detailed functions of SISIs are:

- To assist new entrepreneurs in preparing project proposals, obtaining financial assistance, and exploring possibilities of expansion and diversification.
- To assist existing/ prospective entrepreneurs through technical and managerial counseling in selecting appropriate machinery and equipment, adoption of recognized standards of testing, quality performance etc.
- To conduct economic and technical surveys; and prepare techno-economic feasible reports for selected areas and industries.
- To give exposure to Small Scale Industries (SSIs) on market survey, product identification and selection, technologies involved, management of small enterprises on matters relating to financial, marketing, packaging, and exports.
- To conduct EDPs for several target groups, e.g., educated unemployed youth, ex-service personnel, new entrepreneurs etc. on issues related with establishment of new enterprise, material handling, new technologies, management technique, facilities/ assistance available from State/ Central govt. agencies, banks, financial institutions and NSIC, energy conservation, pollution control, quality improvement, etc.
- To advise the Central and State governments on policy matters relating to small industry development,
- To assist in testing of raw materials and products of Small-Scale Industries (SSIs), their inspection and quality control,
- To provide market information to the SISIs,
- To recommend SSIs for financial assistance from banks/ financial institutions,
- To enlist entrepreneurs for participation in Govt. stores purchase program,
- To identify the potential for ancillary development through sub-contract exchanges,

- To organize small entrepreneurs meets and interaction program for sharing experience of successful entrepreneurs.
- To organize seminars, workshops, and industries clinics for benefit of entrepreneurs.

B. Product-cum-Process Development Centres (PPDC): These centres have been promoted to provide specific service to different types of small-scale units situated in different locations. These are responsible for serving as research and development institutions in areas of dense industry clusters, encouraging product design and innovation, developing new processes and upgrading the existing level of technology, providing technical and managerial support services, and act as centres of excellence in respective areas.

C. Regional Training Centres (RTC): These centres are located in major cities and are responsible for conducting quality awareness program and assisting field testing stations developed to provide testing services to SSI units. These centres are primarily engaged in systematic testing and technical consultancy services.

D. Training Institutes: SIDO also controls the affairs of NISIET (Hyderabad), NIESBUD (New Delhi) and integrated training centre (Industries) at Nilokheri which are responsible for arranging training facilities to entrepreneurial trainers.

2.4 National Small Industries Corporation Ltd. (NSIC)

NSIC, an ISO 9000 certified company established in 1955 is working to fulfill its mission of promoting, aiding, and fostering the growth of SSIs and other small-scale services/businesses in the country and abroad. It is promoting modernization, technology up-gradation, quality strengthening, establishing linkages with large and medium enterprises and enhancing export projects and products from small-scale enterprises. At present, the NSIC operates through 6 Zonal Offices, 26 Branch Offices, 15 Sub-offices, 5 Technical Services Centers, 3 Extension Centers and 2 Software Technology Parks. These are supported by a team of over 5000 professionals spread across the country. The international operations in Gulf and African countries are managed through its offices in Dubai and Johannesburg.

2.4.1 Functions of NSIC: NSIC provides wide range of services, predominantly promotional in nature to SSIs. Its main functions are to: (i) Provide machinery on hire-purchase basis to SSIs, (ii) Provide equipment leasing facility, (iii) Help in export marketing of the products of SSIs, (iv) Participate in bulk purchase program of the Government, (v) Develop prototype of machines & equipments to pass on to SSIs for commercial production, (vi) Distribute basic raw material among SSIs through raw material depots, (vii) Help in development and up-gradation of technology and implementation of modernization program of SSIs, (viii) Impart training in various industrial trades, (ix) Set up SSIs in other

developing countries on turn-key basis, and (x) Undertake the construction of industrial estates.

2.4.2 Support Services: NSIC provides various support services related to marketing, credit, technology, and others.

(a) Marketing Support: NSIC acts as a facilitator to promote small industries products and has devised several schemes to support SSIs. in their marketing efforts, both in and outside the country. These include:

- **Consortia and Tender Marketing:** NSIC forms consortia of units manufacturing the same products; thereby easing out marketing problems of SSIs. NSIC explores the market and secures orders for bulk quantities. These orders are then distributed to small units in tune with their production capacity.
- **Single Point Registration for Government Purchase:** NSIC operates a Single Point Registration Scheme under the Government Purchase Program, wherein the registered SSI units get purchase preference in Government Purchase Program, exemption from payment of Earnest Money Deposit etc. The units registered under this scheme get several facilities, such as (a) Issue of tender sets free of cost (b) Advance intimation of tenders issued by DGS&D (c) Exemption from payment of earnest money (d) Waiver of security deposit up to the monetary limit for which the unit registered, and (e) Issue of competency certificate in case the value of an order exceeds the monetary limit, after due verification.
- **Exhibitions and Technology Fairs:** To showcase the competencies of Indian SSIs and to capture market opportunities, NSIC participates in select International and National Exhibitions and Trade Fairs every year. NSIC facilitates the participation of the small enterprises by providing concessions in rental, etc. Participation in these events exposes SSI units to international practices and enhances their business skills.
- **Buyer-Seller Meets:** Bulk and departmental buyers such as the Railways, Defence, Communication departments and large companies are invited to participate in buyer-seller meets to enrich SSI units' knowledge regarding terms and conditions, quality standards, etc. required by the buyer.
- **Export of Products and Projects:** NSIC is a recognized export house and exporting products and projects of small industries of India to other countries. The major areas of operation are (a) Exports of products such as handicrafts, leather items, hand tools, pipes/ fittings, builders' hardware etc. (b) Supply of small industry products on turnkey basis.

(b) Credit Support: NSIC provides credit support to SSIs through strategic alliance with Commercial Banks or Syndicate of Banks.

- Assistance in Equipment Financing: Help in getting loan for equipment and machinery.
- Tie-up with Commercial Banks: It arranges term loans and working capital finance to SSIs. The SSIs accredited under Performance and Credit Rating Scheme of NSIC have better chance of getting credit from banks at liberal rates.
- Short-Term Financing for Procurement of Raw Material: NSIC helps SSIs in arranging and financing Raw Material (indigenous and imported). The scheme envisages (a) Financial assistance for procurement of raw materials up to 90 days (b) Arrangement of Bulk purchase of raw materials at competitive rates (c) Help in import of scarce raw materials, and (d) Assistance in import documentation and letter of credit.
- Financing of Marketing Activities: Both Internal Marketing and Exports through (a) Bill discounting (b) Factoring, and (c) Pre/ Post Shipment finance.

(c) Technology Support: Advise on application of new techniques.

- Material testing facilities through accredited laboratories.
- Product design including CAD.
- Support facility in machining, EDM, CNC, DNC etc.
- Energy and environment services.
- Classroom and practical training for skill up-gradation.

(d) Other Support Services: NSIC offers some support services through its Technical Services Centers and Extension Centers. These include: (i) Info-mediary Services, (ii) Software Technology Parks, (iii) Science and Technology Park/ Technology Business Incubators, and (iv) International Cooperation

- Info-mediary Services: NSIC provides Info-mediary services to SSIs, broadly through its website, www.nsic.co.in and also through its sector specific portals for disseminating focused information. This information consists of (i) Supplier database, (ii) Market intelligence, (iii) Technology providers, (iv) Information providers, (v) Linkages with relevant institutions, (vi) E to E services, and (vii) E to B services.
- Software Technology Parks: NSIC Software Technology Parks (STPs) facilitate small industries in setting up 100% export-oriented units for software exports. They also act as nodal point to activate software exports directly through NSIC. These STPs extend support in terms of the requisite infrastructure to the SSIs to start business operations with a minimum lead time.
- The scheme is governed by regulations of the Ministry of Information Technology, Government of India. NSIC established the first STP in Okhla, New Delhi in 1995 and second in Chennai in 2001.

- Science & Technology Park/Technology Business Incubators: The fostering and developing emerging technological and knowledge-based entrepreneurial ideas in a supportive environment before they become attractive for commercial investments requires incubation centers.
- To fulfill the need, NSIC has set-up a Science and Technology Entrepreneur's Park for general engineering and also the IT incubator at Rajkot in association with Department of Science and Technology (DST), Government of India.
- International Cooperation: NSIC facilitates enterprise to enterprise/ regional cooperation, sharing best practices and experiences with other developing countries and sustainable international partnerships. This facilitates: (i) exchange of business/ technology mission with various countries, (ii) exploration of new markets and areas of cooperation, (iii) identification of new markets for boosting export by participating in sector-specific exhibitions all over the world, (iv) experience Indian experiences with other developing countries.

2.4.3 Technical Service Centres (TSCs): NSIC has established TSCs which operate in different parts of the country and provide diverse technical support to the small-scale sector. Some of these centres are as follows.

A. Entrepreneurship Development Institute of India (EDII): Entrepreneurship development and training is one of the key elements for the promotion of micro, small and medium enterprises, especially for creation of new enterprises. To inculcate the entrepreneurial culture amongst the first generation of entrepreneurs on a regular basis, the Ministry has set up three national entrepreneurship development institutes namely: (i) National Institute for Micro, Small and Medium Enterprises (NI-MSME) at Hyderabad, (ii) National Institute for Entrepreneurship and Small Business Development (NIESBUD) at Noida (Uttar Pradesh), and (iii) Indian Institute of Entrepreneurship (IIE) at Guwahati, as autonomous societies. These institutes are engaged in developing training modules; undertaking research & training; and providing consultancy services for entrepreneurship development and promotion of MSMEs, including enhancement of their competitiveness.

- **National Institute for Micro, Small and Medium Enterprises (NI-MSME):** The National Institute of Micro, Small and Medium Enterprises was established with the mission of promoting the growth and development of MSMEs through services in the areas of policy, entrepreneurship, technology, information, education, management, and extension. NI-MSME has designed specialized and need-based programs, workshops, and seminars in tune with the current developments in policy and the economy. NI-MSME has been providing unstinted support, in terms of offering services like research, consultancy, information, training and extension not only to enterprises but also to concerned developmental agencies.

- **National Institute for Entrepreneurship and Small Business Development (NIESBUD):** NIESBUD is an apex body established by Ministry of Micro, Small & Medium Enterprises, Government of India for coordinating, training and overseeing the activities of various institutions/ agencies engaged in entrepreneurship development particularly in the area of small industry and small business. Its main activities are to evolve effective training strategies and methodology, standardizing model syllabi for training various target groups, formulating scientific selection procedure, developing training aids, manuals, and tools, facilitating, and supporting Central/ State/ Other agencies in organizing entrepreneurship development programs, conducting training programs for promoters, trainers and entrepreneurs, and undertaking research and exchange experiences globally.
- **Indian Institute of Entrepreneurship (IIE):** The Indian Institute of Entrepreneurship (IIE) was established in the year 1993 in Guwahati by the erstwhile Ministry of Industry (now the Ministry of Micro, Small and Medium Enterprises), Government of India as an autonomous national institute with an aim to undertake training, research and consultancy activities in small and micro enterprises focusing on entrepreneurship development. The main objectives of the institute are: (i) to organize and conduct training for entrepreneurship development, (ii) to evolve strategies & methodologies for different target groups and locations, and conduct field testing, and (iii) to identify training needs and offer training programs to government and non-government organizations engaged in promoting and supporting entrepreneurship.

B. Credit Rating Scheme for Small Industries: NSIC, by providing performance and credit rating scheme enables small enterprises to ascertain the strengths and weaknesses of their existing operations and take corrective measures to enhance their organizational strength. The scheme is operated through empaneled agencies like CARE, CRISIL, ICRA ONICRA and SMERA. SSIs have the liberty to choose among any of the rating agencies empaneled with NSIC. Rating agencies charge the credit rating fee from SSIs according to their policies. 75 percent of the credit rating fee, subject to a maximum of Rs. 25,000, Rs. 30,000 and Rs. 40,000 is reimbursed by way of grant to SSIs having a turnover up to Rs. 50 lakh, Rs. 50 lakh to Rs. 200 lakh and above Rs. 200 lakh respectively. The key benefits of the scheme are (i) It improves the market image of SSIs in domestic and international markets, (ii) It provides Independent and trusted third party opinion on capabilities and credit worthiness of SSIs facilitate prompt credit decisions from banks on loan proposals of SSIs, (iii) The accredited SSIs get benefit from commercial banks.

2.5 Small Industries Development Bank of India (SIDBI)

SIDBI, a Subsidiary of IDBI and was setup as an act of parliament for ensuring larger flow of financial and non-financial assistance to the small-scale sector. It has taken over the outstanding portfolio of the IDBI relating to the small-scale sector for promotion, financing,

and development of the SSI sector and for coordinating the activities of other institutions. It is the principal financial institution for the promotion, financing, and development of industries in the small, tiny and cottage sectors and for coordinating the functions of the institutions engaged in similar activities.

SIDBI has devised tailor-made schemes for direct lending to small scale sector so as to supplement the efforts of Primary Lending Institutions, which includes: (i) State Financial Corporation's (SFCs), (ii) State Industrial Development Corporations (SIDCs), (iii) Scheduled Commercial Banks (SCBs) both in the public and the private sector, (iv) State Cooperative Banks, (v) Scheduled Urban Cooperative Banks, (vi) Regional Rural Banks, and (viii) SIDBI – Venture Capital Ltd. It has encouraged the growth of the venture capital industry for hi-tech SME units in India by promoting 13 state/ regional level funds and setting up an all-India Venture Fund. It provides assistance for (i) setting up of new SSI units, small hotels, hospitals and so on, (ii) technological up gradation and modernization, expansion and diversification, (iii) quality up gradation, (iv) development of markets, (v) development of infrastructure, and (vi) discounting of bills of manufacturer-seller in selling either equipments, or components.

Over the years SIDBI has striven to fulfill the role enshrined in its charter by formulating and reorienting its policies, gearing up operations and enlarging the profile of its promotional and developmental activities aimed at facilitating entrepreneurial entry and strengthening the small-scale sector to enable them to meet the emerging challenges. From being a mere traditional refinancing institution, it has emerged stronger in meeting the varied requirements of the SSI sector by exploring new areas and seeding option for the future growth, like launching new financial products and instruments and support service programs.

2.6 Indian Investment Centre (IIC)

IIC, a government organization enjoys nearly more than three decades of rich understanding in investment promotion. It is the body which is to be contacted first for investment and is a single window agency for bona fide information or any assistance that may be required for investments, technical collaborations, and joint ventures. All the services provided by the Indian Investment Centre are free of charge. IIC is a body known to generate wider knowledge about conditions, laws, policies, procedures and incentives pertaining to investment and the infrastructural facilities available, and of investment opportunities in India. It functions as a single reference point for foreign investment projects and aids Indian and foreign entrepreneurs in meeting the procedural requirements of project approvals. It also aids them in overcoming bottlenecks, if any, in the process for implementation of the project.

IIC advises foreign investors on setting up industrial projects in India; it provides them information regarding investment environment and opportunities. It also appraises the

investors about Government, industrial and foreign investment policies, facilities and incentives, and taxation laws, and assists them in identifying collaborators in India. It undertakes promotional work and guides entrepreneurs abroad via diplomatic officers in the external affairs office and other relevant organizations. Overseas the government body of IIC assists Indian companies in discovering source of capital and technology, hence facilitating foreign collaborations.

IIC is the main organization responsible for promoting investment in India by Non-Resident Indians (NRIs) and Overseas Corporate Bodies with NRI holdings, providing them lead services. It acts as a sole agency for projects with NRI investment and provides all the necessary services for setting up such projects. IIC appraises government policies, procedures, services, and inducements available to foreign investors. It provides necessary data for selection of projects to NRIs and Overseas Corporate bodies and helps them in obtaining the approval of the Government authorities. It stands on the State Level Review Committees, which monitors the execution of the projects and thus helps them in removing complicatedness, if any, in the process of implementation.

2.7 National Board for Micro, Small and Medium Enterprises (NBMSME)

In pursuance of the MSME Development Act 2006, the National Board for Micro, Small & Medium Enterprises consisting of a total of 47 members was constituted. The 20 non-official members on the Board represent industry associations of MSMEs from all over the country while the other 27 members comprise Members of Parliament, Ministers of six State Governments, representatives of RBI, Banks etc. The main purpose of the board is (i) to solve various issues relating to development of MSMEs, and (ii) to come out with remedial measures which are undertaken in consultation with the concerned departments/ agencies.

2.8 Khadi and Village Industries Commission (KVIC)

KVIC, established under the Khadi and Village Industries Commission Act, 1956, is a statutory organization engaged in promotion and development of khadi and village industries for providing employment opportunities in rural areas, thereby strengthening the rural economy. Main objectives of its formation are: (i) The KVIC has been identified as one of the major organizations in the decentralized sector for generating sustainable rural non-farm employment opportunities at low per capita investment, (ii) It helps in checking migration of rural population to urban areas in search of employment opportunities, (iii) New reform programs are undertaken which aim at revitalizing the khadi sector for enhanced sustainability of khadi; increasing incomes for spinners and weavers; increasing employment; enhancing artisan's welfare and gradually enabling khadi institutions to stand on their own feet.

2.9 Mahatma Gandhi Institute for Rural Industrialization (MGIRI)

To strengthen the R&D activities in khadi and village industry sectors, a national level institute namely MGIRI was established at Wardha, Maharashtra in association with IIT, Delhi by revamping the erstwhile Jamna Lal Bajaj Central Research Institute. The objective of MGIRI is to strengthen the R&D activities in khadi and village industry sectors. The main functions of the Institute are to improve the R&D activities under rural industrial sector through encouraging research, extension of R&D, quality control, training and dissemination of technology related information.

2.10 Coir Board

The Coir Board is a statutory body established under the Coir Industry Act, 1953 for promoting overall development of the coir industry and improving the living conditions of the workers engaged in this traditional industry. The activities of the board for development of coir industries include: (i) undertaking scientific, technological and economic research and development activities, (ii) developing new products & designs and marketing of coir and coir products in India and abroad, (iii) promoting cooperative organizations among producers of husks, coir fibre, coir yarn and manufacturers of coir products; ensuring remunerative returns to producers and manufacturers, and (iv) promoting two research institutes namely, Central Coir Research Institute (CCRI), Kalavoor, Alleppey, and the Central Institute of Coir Technology (CICT), Bengaluru for undertaking research activities on different aspects of coir industry, which is one of the major agro-based rural industries in the country.

2.11 National Institute for Small Industry Extension Training (NISJET)

NISJET is an autonomous body of the Ministry of Small-Scale Industries (SSI). Since inception in 1960, it has taken gigantic strides to become the premier institution for promotion, development, and modernization of the SME sector. The Institute strives to achieve its objectives through a gamut of operations ranging from training, consultancy, research and education to extension and information services.

3.0 State Government Institutions

The State Governments also execute different promotional and developmental projects and schemes to provide number of supporting incentives for development and promotion of MSMEs in their respective states. These are executed through the State Directorate of Industries, which has District Industries Centres (DICs) under it, for implementing the central/ state level schemes.

3.1 State Financial Corporation (SFC)

The main objectives of SFCs are (i) to provide term loans for the acquisition of land, building, plant, and machinery, (ii) to promote of self-employment, (iii) to encourage women entrepreneurs, (iv) to bring about expansion of industry, and (v) to provide seed capital assistance.

3.2 State Small Industries Development Corporation (SSIDC)

SSIDC were set up in various states under the companies act 1956 as state government undertakings to cater to the primary developmental needs of small, tiny and village industries in the state/ union territories under their jurisdiction. SSIDCs are provided greater operational flexibility and wider scope for undertaking a variety of activities for the benefit of small sector, such as procuring and distributing the scarce raw materials, supplying machinery on hire purchase system, providing assistance for marketing of the products of small-scale industries, constructing industrial estates/ sheds, providing allied infrastructure facilities and their maintenance, and to extend seed capital assistance on behalf of the state government concerned. SSIDC perform several functions which include: (i) procurement and distribution of raw materials (ii) supply of machine on hire-purchase basis, (iii) construction of industrial estates. And (iv) providing assistance for marketing of products of SSIs.

3.3 Technical Consultancy Organizations (TCO)

Services of TCOs include (i) preparation of project profiles, (ii) undertaking industrial potential surveys, (iii) identification of potential entrepreneurs, (iv) undertaking market research (v) project supervision and rendering technical and administrative assistance, and (vi) conducting EDPs.

4.0 Non-Government Institutions

Besides the central and the state government agencies, there are some non-government agencies supporting the cause of small-scale industries in the country. These agencies include non- government organizations and industry associations. They provide a common platform to voice SSI needs and initiate cooperative efforts. The government policies have stressed the increasing role of these associations in setting up common facilities and other cooperative ventures in technology, marketing, and other support systems. Some of these associations are as follows.

4.1 Indian Council of Small Industries (ICSI)

It was established in 1979 to help tiny, cottage and small industries and artisans of rural areas. Membership of ICSI constitutes about 1500 associations of the decentralized sector. Main functions of ICSI are (i) information dissemination, (ii) consultancy and managerial support, (iii) entrepreneurship development, and (iv) training and research.

4.2 Laghu Udyog Bharti (LUB)

Laghu Udyog Bharti (LUB) was established in 1995 to promote and safeguard the interest of tiny and small-scale industries. It has been given representation on the national and the state level government bodies responsible for the development of SSIs. It is also responsible for undertaking entrepreneurial training, providing support for technology upgradation and marketing services. The main functions of Laghu Udyog Bharti are: (i) entrepreneurial training, (ii) technology up gradation, and (iii) marketing services.

4.3 India SME Technology Services Ltd. (ISTSL)

The objective of ISTSL is to render professional services for technology transfer and support services to enhance market competitiveness of micro, small and medium enterprises, and promote sustainable development. It provides a platform where micro, small and medium enterprises can tap opportunities at the global level for acquisition of new and emerging technology or establish business collaboration.

4.4 Credit Guarantee Fund Trust for Micro and Small Industries (CGFTMSI)

A Credit Guarantee Fund Scheme for small industries was launched by the Government and SIDBI with a mission to implement the credit guarantee fund scheme for micro and small enterprise in August 2000. The objective of this fund is to ensure better flow of credit to micro and small enterprises by minimizing the risk perception of banks/ financial institutions in lending without collateral security.

4.5 Federation of Associations of Small Industries of India (FASII)

It was promoted in 1959 to represent the problems of SSIs with the Government and liaison with other agencies involved in promotion of SSI sector. The functions of FASII are (i) to promote the development of small scale, tiny and cottage industries, (ii) to cooperate with industrial business, educational institutions in collecting and exchanging information pertaining to the small scale sector, (iii) to undertake professional, technical and management consultation services, (iv) to undertake studies, surveys and research assignments, (v) to further the cause of small industries by interacting with Union and State Governments and other bodies, (vi) to establish and operate trade centres display centres, sub-contracts exchanges and other promotional institutions for the benefit of the small-scale sector, and (vii) to establish test centres, laboratories and common facility centres for the SSI sector.

4.6 World Association of Small and Medium Enterprises (WASME)

WASME was established in 1981 to ensure business cooperation among its members. Its membership represents chamber of commerce, small industries development corporations, financial institutions and commercial banks, and other State Government agencies of developing countries. It facilitates: (i) technology transfer, (ii) manpower training, (iii)

maintaining register of experts/ consultants for organizing seminars, conferences, and providing consultancy services, and (iv) acts as a clearing house of information and marketing services.

4.7 Federation of Indian Chambers of Commerce and Industry (FICCI)

FICCI was established in 1927 as the national agency through which the chambers of commerce and trade association in India could crystallize their views on current economic problems. It serves as the coordinating agency for the commercial and industrial interests. The Federation maintains very close relations with the Union Government and represents SSIS on over 65 advisory committees appointed by the Government and other leading organizations.

4.8 Small and Medium Business Development Chamber of India (SME Chamber of India)

The chamber puts all its efforts for the development and growth of MSMEs by organizing various activities to accomplish its objectives. It provides information and guidance to new and existing entrepreneurs in effectively managing and growing their business. The Chamber has developed key strategies to promote and support the MSME sector. It also gives importance to and encourages MSMEs to adopt innovative ideas and concepts for the promotion of their business. The chamber organizes seminars, conferences, workshops and training programs, and other trade promotional activities to educate & create awareness among MSMEs. It recognizes successful entrepreneurs by conferring national and international level MSME and Entrepreneurship Excellence Awards for their outstanding achievements in the fields of manufacturing, services, international trade, finance, agro & food processing, IT and IT enabled services, telecommunication, research, technology development and other sectors.

4.9 Associated Chambers of Commerce and Industry of India (ASSOCHAM)

ASSOCHAM is another apex organization like FICCI to which some of the older chambers of commerce are affiliated. It was established in December 1920. It seeks to make the businessmen's voice heard and to ensure that their views are taken into account in moulding of the nation's economic life. It also undertakes persuasive activities directed at the administrative departments and to the law makers with a view to acquainting themselves with the viewpoint of the members.

4.10 Confederation of Indian Industry (CII)

It was created in 1992 by changing the name of Confederation of Engineering Industry. It is responsible for advisory, consultative and representative services to industry and the Government. It has been given representation on major policy formulating bodies, related with the industry. It also works like a nodal agency for international industrial cooperation.

4.11 Federation of Indian Exporters Organization (FIEO)

This is an apex organization set up by the Ministry of Commerce in October 1965. It represents the Indian entrepreneur's spirit of enterprise in the global market. The Federation performs activities of common nature such as sending trade delegations abroad and inviting trade delegations from foreign countries, sponsoring commodity and market surveys and collection and dissemination of commercial intelligence. It provides facilities for (i) settlement of trade disputes arising in the course of foreign trade, and (ii) advises government on all matters relating to export trade.

4.12 Rural Small Business Development Centre (RSBDC)

It is the first of its kind set up by the world association for small and medium enterprises and is sponsored by NABARD. It works for the benefit of socially and economically disadvantaged individuals and groups. It aims at (i) providing management and technical support to current and prospective micro and small entrepreneurs in rural areas, and (ii) organizing programs on rural entrepreneurship, skill up gradation workshops, mobile clinics and trainers training programs, awareness and counseling camps in various villages of north India.

4.13 Entrepreneurship Development Institute of India (EDII)

EDII, not-for-profit autonomous institution, set up in 1983, is sponsored by apex financial institutions, namely the IDBI Bank Ltd, IFCI Ltd, ICICI Ltd and State Bank of India (SBI). The Institute is registered under the Societies Registration Act 1860 and the Public Trust Act 1950. The institute located in Ahmedabad is selected as a member of the Economic and Social Commission for Asia and the Pacific (ESCAP) network of Centres of Excellence for HRD Research and Training.

EDII has helped in setting up of twelve state-level exclusive entrepreneurship development centres and institutes. Entrepreneurship has been taken as a component of curricula in schools, colleges, science and technology institutions, and management schools. The University Grants Commission appointed the EDI as an expert agency to develop a curriculum on entrepreneurship. In the international arena, the development of entrepreneurship by sharing resources and organizing training programs have helped the EDI earn support from the World Bank, Commonwealth Secretariat, UNIDO, ILO, FNSt, British Council, Ford Foundation, European Union and other agencies. The institute has carried out the task assigned by the Ministry of External Affairs (India) to set up Entrepreneurship Development Centres in Cambodia, Lao PDR, Myanmar and Vietnam. The institute is working towards creating ED centres in Uzbekistan and Kazakhstan.

The courses offered by EDI are (i) Post Graduate Diploma in Management Development Studies (PGDM-DS), (ii) Post Graduate Diploma in Management Business Entrepreneurship (PGDM-BE), and (iii) Post Graduate Diploma in Management Development Studies (PGDM-

DS). The institute has launched a new course – Post Graduate Diploma in Management – Development Studies, which makes sure that the youth is equipped with instruments to bring about change in society. EDII motivates students to identify opportunities and check on their feasibility and prepare a business plan. Students are given a platform to pitch their ideas to banks and investors, so that they can launch their own venture.

5.0 District Level Institutions

5.1 District Industries Centres (DIC)

The government has set-up District Industries Centres in each district to deal with all requirements of small and village Industries. These centres undertake various programs for investment promotion at the grassroot level by organizing seminars and workshops, extending support for trade fairs and exhibitions organized by various Industry associations. DICs provide all the services and support to MSME units under single roof, and through separate wing to look after the special needs of cottage and household industries. DICs are headed by a General Manager who is of Joint/ Deputy Commissioner level. The General Manager is assisted by senior officers, such as Managers, Officers of diverse fields.

Objectives: Objectives of District Industries Centres (DIC) are to:

- Identify prospective entrepreneurs to take up viable projects.
- Identify viable projects and make demand survey on the available resources of the district and plan for promotion of viable industries in the area.
- Prepare viable and feasible project reports.
- Strengthen the guidance cell to solve the problems of the entrepreneurs.
- Maintain up to date data on SSI sector.
- Recommend financial proposals to state financial corporation, financial institutions, and banks.
- Allot government land/ shed in industrial estates.
- Recommend for power connection.
- Arrange for EDP training.
- Arrange exhibition, fairs, publicity and visit of industrialists to trade fairs and industrial estates of other states.
- Solve the problems of industrial units at the district level.
- Monitor the health of existing SSI units and the progress of those in the pipeline.
- Provide necessary marketing assistance.
- Monitor the implementation of the Prime Minister Rozgar Yojana.
- Assist revival of sick SSI units.
- Update the library in different DICs by procuring handbooks relating to industries.

Functions: DICs undertake various promotional measures with a view to bring about development of SMEs in the district. They start from exploration of potential entrepreneurs to marketing of the products produced by SMEs. DICs provide and arrange a package of assistance and facilities for credit guidance, raw materials, training, marketing etc. including necessary help to unemployed educated young entrepreneurs in general. Brief description of promotional, technical, physical, financial, marketing, and other services offered by DICs is as follows.

- **Identification of Entrepreneurs:** DIC's develop new entrepreneurs by conducting entrepreneurial motivation programs throughout the district particularly under SEEU scheme. DICs also take association of SISs and TCOs for conducting EDPs.
- **Provisional Registration:** Entrepreneurs can get provisional registration with DICs which enables them to take necessary steps to bring the unit into existence. The entrepreneur can get assistance from term lending institutions only after getting provisional registration.
- **Permanent Registration:** When the entrepreneur completes all formalities required to commence the production like selection of site, power connection, installing machinery etc., they can apply to DIC for permanent registration. It is only after getting the permanent registration that the entrepreneur can apply for supply of raw materials on concessional rates. Permanent registration is essential to avail all types of benefits extended by the government from time to time.
- **Purchases of Fixed Assets:** DICs recommend loan applications of the prospective entrepreneur to concerned financial and developmental institutions for the purchase of fixed assets. They also recommend entrepreneur's applications to the commercial banks for meeting the working capital requirements.
- **Clearances from Various Departments:** DIC takes the initiative to get clearances from various departments which is essential to start a unit. It even takes follow up measures to get speedy power connection.
- **Assistance to Village Artisans and Handicrafts:** Despite inherent talent and ability, village artisans are not better off because they lack financial strength to strive in the competitive market. DICs with support of lead banks and nationalized banks extend financial support to artisans.
- **Incentives and Subsidies:** DICs help SMEs and rural artisans to subsidies granted by government under various schemes. These subsidies are related with power, interest and other subsidies under IRDP.
- **Interest Free Sales Tax Loan:** SIDCO provides interest free sales tax loan up to a maximum limit of 8 per cent of the total fixed assets to SSI units set up in rural areas.

DICs facilitate these loans by releasing sanction order. DICs recommends the case of SMEs to NSIC for registration for government purchase program.

- Assistance of Import and Export: Government is providing various types of incentives for import and export of specific goods and services. These benefits can be availed by any importer or exporter provided the same is routed through the concerned DIC. DICs also recommend for export and import license to importers or exporters.
- Fairs and Exhibitions: DICs inspire and facilitate SSI units to participate in various fairs and exhibitions which are organized by the Government of India and other agencies to give publicity to industrial products. DICs provide free space to SMEs for the display of their products and provide financial assistance for this purpose.
- Training Programs: DICs organize training programs for rural entrepreneurs and assist other institutions or organizations imparting training to train the small entrepreneurs.
- Self-Employment for Unemployed Educated Youth: DICs have launched a scheme to assist the educated unemployed youth by providing them facilities for self-employment.

5.2 Industrial Estates

Industrial estate is a cluster of well-constructed factories that are offered to entrepreneurs for establishing their enterprises. It is normally established in the industrially backward areas so as to minimize the regional imbalances. It provides all infrastructural facilities such as power, transport, communication, finance, water, lighting and security at a reasonable cost.

Objectives: The main objectives of industrial estates are: (i) to minimize congestion of industries in the cities, (ii) to disperse/ decentralize industries in different regions in order to eliminate regional imbalances, (iii) to encourage small entrepreneurs to establish their industries in specified areas by offering various incentives and other facilities, (iv) to create a favorable atmosphere for the healthy growth of SSI, and (v) to accelerate employment opportunities.

Types of Industrial Estates: Based on sponsorship, industrial estates are classified into four categories, viz., (i) Government Estates, (ii) Cooperative Estates, (iii) Municipal Estates, and (iv) Private Estates. On the basis of concentration industrial estates are classified as (i) Composite Estates (estates comprise of a wide variety of industries), (ii) Functional Estate (estates where particular industrial activity is concentrated, e.g. hosiery and knitwear in Thirupur, machine tools in Ludhiana, woolen in Ludhiana etc.), (iii) Ancillary Estate (estates of units engaged in the manufacture of ancillary items required by large industrial units), and (iv) The Workshop-bay (estates of units engaged in repair work).

Benefits of Industrial Estates: Industrial estates are beneficial for entrepreneurs as these have (i) provision of premises and amenities at a reasonable cost, (ii) availability of service centers, (iii) minimum initial capital, (iv) avoidance of unnecessary delays, and cordial relationship between the industrialists.

6.0 Tax Benefits to SSIs in India (Income Tax Act 1961)

Tax Holiday (Section 80J): New industrial undertakings, including small-scale industries, are exempted from income tax on their profits subject to a maximum of 6% per annum of capital employed for a period of five years the date of commencement of production.

- It should not be formed by the splitting or reconstruction of an existing unit.
- It should employ 10 or more workers in a manufacturing process with the power or at least 20 workers without power.

Depreciation (Section 32): A small-scale industry is entitled to a deduction on depreciation on block of assets at the prescribed rate on the diminishing balance method subject to a max. of Rs. 20 lakh. For plant & machinery used in manufacturing in double or triple shift, an additional allowance called 'Extra Shift Allowance' is also available.

- The assets must be owned by the assessee.
- It must be used for assessee's business/ profession.
- The deduction is allowed only on fixed assets (building, mach., furniture etc.)

Rehabilitation Allowance (Section 33B): It is allowed to those businesses which discontinued operation on account of:

- Flood, typhoon, hurricane, cyclone, earthquake or other natural upheavals
- Riot or civil disturbance
- Accidental fire or explosion, and
- Action by an enemy or action taken in combating an enemy.

The allowance should be used for business purposes within three years of unit's re-establishment, reconstruction, or revival.

Investment Allowance (Section 31 A): The Investment allowance was introduced in 1976. It is allowed for replacing existing assets; @ 25% of the cost of acquisition of new plant/ machinery installed.

Condition: The SSI has put the machinery or plant in use either in the year of installation or in the immediately following year, failing which the benefit will be forfeited.

Expenditure on Scientific Research (Section 35): It is available on - Any revenue expenditure incurred on scientific research related to the business of the assessee in the previous year.

- Any sum paid to a scientific research association/ university/ institution/ public company having its object, the undertaking of a scientific research.
- Any capital expenditure incurred on scientific research related to the business of the assessee in the previous year.
- The unabsorbed capital expenditure incurred on scientific research can be carried forward in subsequent years for adjustment against the profits earned by the business for an indefinite time period.

Amortization of Certain Preliminary Expenses (Section 35D): SSIs are allowed to write-off the preliminary & developmental expenses incurred for setting up of a new industrial unit or expansion of existing unit. It includes:

- Expenses on preparation of a feasibility report necessary for their business;
- Engineering expenses related to the business, and
- Legal charges (if any), for drafting agreements

The writing off of preliminary expenses is allowed in a maximum of 10 annual installments beginning with the previous year in which the new unit commenced its production or expansion of an existing unit is completed. The expenditure qualified for deduction is max. 2.5% of the total cost project.

Deduction on Profits to SSIs in Backward Areas (Section 80HH): SSI established in backward areas is allowed a deduction of 20% on profits and gains for a period of 10 years beginning with the year of commencement of manufacture or production.

- The unit began its production after 31st December 1970 in any backward area,
- It is a newly established unit in a backward area. It is neither split nor reconstituted out of a business already in existence in any backward area,
- It has not been formed by the transfer to a new business plant or machinery which was previously used for any purpose in any backward area,
- It employs 10 or more workers in a manufacturing process with power or 20 or more workers without power.

A small-scale industry established in backward area but engaged in mining activity is not entitled to such deduction benefit.

Tax Concession to SSIs in Rural Areas (Section 80HHA): A SSI established in rural areas is allowed a deduction of 20% on profits and gains for a period of 10 years from the year of commencement of manufacturing activity after 30th September 1977. Here, rural area means any area as defined under the Explanation to Section 35 CC(I) of the Income Tax Act, 1961.

- SSI is not formed by splitting or reconstruction of a business already in existence.
- It is not formed by the transfer to a new business of machinery or plant previously used for any purpose.
- The accounts of the unit are audited by a chartered accountant.
- It employs 10 or more workers in manufacturing process carried on without the aid of power.
- The unit does not claim a simultaneous deduction under Section 80HH of the Income Tax Act, 1961.

However, this tax deduction benefit is not allowed to the small-scale units engaged in mining activity.

Expenditure on Acquisition of Patents & Copyrights (Sec. 35A): Any expenditure of capital nature incurred on acquiring a patent and copyright by a SSI is eligible for income tax deduction.

- The expenditure should be incurred after 28th February 1966.
- The expenditure can be deducted in 14 equal installments beginning with the previous year in which the expenditure was incurred in acquiring patents and copyrights for the unit.

Profits from Business of Publication of Books (Section 80-1A): 20% of the profit earned by a small-scale industry from the business of publication of books is deductible from its gross total income. This benefit is available for total period of five years beginning with the assessment year 1992-93. In addition, deductions are also available in respect of:

- Royalties from any company in India (Under Section 80-M)
- Royalties from any certain foreign companies (Under Section 80-O)
- Inter-corporate Dividends (Under Section 80-M)
- Income of Co-operative Societies (Under Section SOP)
- Carry forward and set-off business losses (Under Section 72)

Summary

The policies and schemes of Government assistance for the development of medium, small, micro and rural industries insist on the utilization of local resources and raw materials and locally available manpower. These are translated into action through various agencies, departments, corporations, etc., all coming under the purview of the industries department. All these are primarily concerned with the promotion of small and rural industries.

Self-check Questions

1. What do you mean by Industrial Estates? Discuss their types, objectives, and role in entrepreneurship development in India.
2. List out the key tax benefits available to small scale enterprises in India and discuss the rationale behind these benefits.
3. What are the functions performed by Small Industries Development Corporation (SIDC) to boost the growth and performance of small industrial units in India?
4. Discuss the support provided by National Small Industries Corporation (NSIC) to small scale industries in India.
5. What are District Industries Centers (DICs)? Explain their functions and role in development of new enterprises.
6. Write a detailed note on objectives and role of National Institute of Entrepreneurship and Small Business Development (NIESBUD) in India.
7. Write short notes on: (i) Small Industries Service Institutes (SISIs), (ii) Small Industries Development Organization (SIDO), (iii) National Entrepreneurship Development Board (NEDB)
8. Write short notes on: (i) Incentives and concessions to small scale enterprises, (ii) Support Services of National Small Industries Corporation