

MSME Umbrella Programme

Policies and Programmes

Volume VII

Business Membership Organizations (Associations and Chambers)

- **Strengthening Business Membership Organizations (BMOs) of MSMEs in India: Status quo analysis and way forward**
- **Analysis and recommendations on the scheme for capacity building of BMOs implemented by the O/o DC MSME, Ministry of MSME**
- **Working Paper on the analyses of schemes involving industry associations & suggestions for effective implementation**

STRENGTHENING BUSINESS MEMBERSHIP ORGANISATIONS OF MSME IN INDIA

STATUS QUO ANALYSIS AND WAY FORWARD

DRAFT REPORT

MSME UMBRELLA PROGRAMME



This report has been prepared by GIZ's MSME Umbrella Programme team consisting of:
Amit Kumar and Anita Sharma

This report delves into the results of the assessment conducted by Foundation for MSME Clusters (FMC) for GIZ's BMO Capacity Development Project and takes into account the findings of the study conducted by Mr. Harsh Agarwal, a National Short Term Expert for Sequa gGmbH under MSME Umbrella Programme.

TABLE OF CONTENTS

Abbreviations	3
Executive Summary	4
Background	5
Introduction	5
Approach and Methodology	6
Current Status: Challenges and Need	7
Internal Organisation and Human resource	7
Vision and Mission.....	7
Human Resource	7
Office Infrastructure	8
Financial Positions	9
Services	10
Ability to leverage Public Support Schemes	11
Human Resource Development	13
Awareness on Corporate Social Responsibility	14
Regional Differentiation	15
Conclusion and Recommendations	16
Conclusion.....	16
Recommendations	17
References	19
Annexure I: Questionnaire for Assessment of BMOs	20
Annexure II: Ranking Tool.....	32

ABBREVIATIONS

BDS – Business Development Services

BMO – Business Membership Organisations

CSR – Corporate Social Responsibility

DC MSME – Office of Development Commissioner (MSME)

FMC – Foundation for MSME Clusters

GIZ – German International Cooperation

MSME – Micro, Small and Medium Enterprises

SIDBI – Small Industries Development Bank of India

SME – Small and Medium Enterprises

Executive Summary

This paper is based on the analysis of information collected through a survey of select 99 Business Membership Organizations (associations hereafter) conducted by Foundation for MSME Clusters (FMC) at the behest of MSME Umbrella Programme, implemented jointly by Office of DC MSME, SIDBI and GIZ. The paper mainly contains- i) status quo analysis and need assessment of associations and ii) recommendations for strengthening and empowering of the associations. Besides elucidating these aspects, this report also identifies their strengths and weaknesses, and looks into regional disparities.

■ Key findings

- ❖ A significant number of the new associations i.e. 43% emerged in last 10 years
- ❖ Membership varies from less than 10 to over 50,000 units
- ❖ 77% associations have dedicated office premises (either owned or taken on lease)
- ❖ 65% associations have full time employees. This comprises associations having at least one executive; one executive-one manager and one manager- more than one executive.
- ❖ More than 60% of the associations refused to provide details of their income. Of those who provided income details, only a very few associations (7 out of 38) are financially self-reliant. In other words, nearly 90% of their total income is self-generated by membership dues, service fees and other income generating activities
- ❖ While considering the two core functions of the associations i.e. service delivery and advocacy, it is seen that nearly 84% of the associations are involved in carrying out advocacy tasks on localized issues, whereas providing fee based services to member companies is taken up by a relatively smaller number (nearly 30%) of associations
- ❖ Lack of financial resources, competent staff and robust linkages with government departments are most likely the key reasons due to which associations are incapable of accomplishing their core functions
- ❖ Most of the associations (76%) are aware of the government schemes and subsidies; however, many of them (60%) have neither used nor have been involved in implementation of any of the schemes
- ❖ Majority of associations (83%) do not provide any kind of training to their staff
- ❖ 90% of the associations showed their willingness to take part in the executive training programmes

■ The major interventions are required in the following areas-

- ❖ Strengthening of Physical Infrastructure of MSME associations and human resource in the secretariat
- ❖ Trainings in financial management, income generation, advisory services, communication skills development and office management
- ❖ Creating an enabling environment and enhancing quality of public private dialogue

BACKGROUND

■ Introduction

For development and shaping up the private sector, experts identify three core actors: the government, manufacturers and service providers and associations, roles of whom are complimentary. Associations serve as a critical link between the affected or the beneficiary group of industries/ service providers on one hand and the government or other responsible for framework conditions in an economic environment. Absence of effective associations weakens the dynamic relationship of other two players and negatively impacts the business environment.

Whereas post reforms, associations having predominant membership from large enterprises³ (both geographic and sectoral) have come of age in India - evident from their enhanced membership, larger resource base and span of activities, associations of SMEs by and large continue to suffer from ambiguity of purpose and low resource base. Besides being afflicted from the vicious circle of 'low resource- few activities- low membership', the weakness restricts their ability to work as a facilitator of SME competitiveness enhancement.

Generally speaking, business member organizations (BMOs) or associations of MEME play two important functions. First, they aggregate small business units in clusters to represent them at wider policy forums and even lobby at different levels of government for bringing about favourable policy changes for the sector. Second, they provide and or facilitate need-oriented quality services to the member organizations. The services provided by business associations usually entail a fee and generally cover a range of subjects such as business plan development, market information, accounting, and other strategic services, and conducting workshops, seminars, and trainings for the members. Provision of such quality services, which otherwise are not available to individual enterprises, not only motivates them to pay for these services but also often attracts enterprises to take membership through an annual subscription. Besides, the associations are also permitted by the government to implement different public schemes floated by concerned departments for the growth and development of the MSME sector.

Recognizing that rendering need based services is critical for business associations to be valued by their members in the long term, and importantly, to be paid for the services they offer; associations need to be capable of offering a good range of quality services to the member enterprises. In view of this, under the framework of MSME Umbrella Programme of GIZ-DC MSME- SIDBI, Capacity Development of Business Membership Organisations (BMO CD) in India is one of the focus areas of intervention. , Sequa, a German organisation having core competencies in BMO capacity buildings and Foundation for MSME clusters are the two facilitating agency for execution of activities. Key interventions under the project would accentuate on overall capacity development of the associations. Expected outcome of the capacity development project are that the associations are capable to-

- i) provide Business Development Services (BDS) to their members with enhanced quality and promote responsible business behaviour among member companies
- ii) generate income from the services they offer through sustainable business models
- iii) assist MSME in deriving benefits of public support programmes

³ Geographic associations such as FICCI, CII and ASSOCHAM. Sectoral associations as CEAM, ACMA, IDMA etc.

- iv) do more effective intermediation between member companies and the government

As a part of the project activities, detailed survey was carried out with an objective to assess to how far business associations are being able to carry out their intended functions, what challenges they encounter and what are their inherent capacity development needs. It also looked into the areas of strengths and weaknesses of the associations.

■ Approach and Methodology

Survey of 99 associations (mainly district and cluster level), carefully selected to ensure diversity in geographical presence, product and sectoral mix was conducted by Foundation for MSME Clusters (FMC) as part of the capacity building project. The survey was conducted through a comprehensive questionnaire (refer annexure I) which garnered information on different aspects of BMOs such as infrastructure, management, income generation, manpower, activities and service delivery and utilization of government schemes. Information thus collected was assessed to understand the status quo of associations in terms of their functioning, structure, outreach, resources and effectiveness in service delivery. In addition, a short term expert from SEQUA visited 10 industrial cities in all the four regions and conducted detailed interviews with office bearers and leaders of the select 26 associations to build further understanding of various issues pertaining to BMOs and validate various hypothesis. The expert also conducted interviews with 5 MSME Development Institutes, 5 District Industries Centres, and Ministry officials.

Further, an assessment tool was developed to rank the associations on various aspects undertaken in the questionnaire survey (refer annexure II). Both the quantitative information (derived from survey data and ranking) and qualitative information (derived from interview responses) are taken into consideration for synthesizing this paper. This analysis is exclusively based on preliminary findings of 99 associations considered under the study, however, not all the associations responded to all the questions and hence the number of actual respondents for some parameters is slightly less than 99.

CURRENT STATUS: CHALLENGES AND NEED

Sample selection had been carefully done to include associations of different age, membership size, parts of India, general and product categories. While 55 associations are more than 10 year old, rests are those which have been formed in last 10 years. Membership of these associations ranges from less than 10 to over 50,000 (50172 members in Baruipur Agarbatti Manufacturers' Welfare Association (BAMWA)). Out of the surveyed associations 30 are from north (including the states of Delhi, Haryana, Punjab, Uttarakhand and Uttar Pradesh), 24 are from west (including the states of Gujarat and Madhya Pradesh), 27 are from south (including the states of Tamil Nadu and Andhra Pradesh) and 19 are from east (including the states of West Bengal and Orissa). Except 5, all are registered and registration under the Societies Registration Act 1960 (Central Act) or the respective State Societies Act is the most prevalent norm. With reference to their representative character, almost 60 % of the association has membership of more than 20% of the enterprises in their respective jurisdiction.

All the associations have been assessed and analysed on following broad parameters:

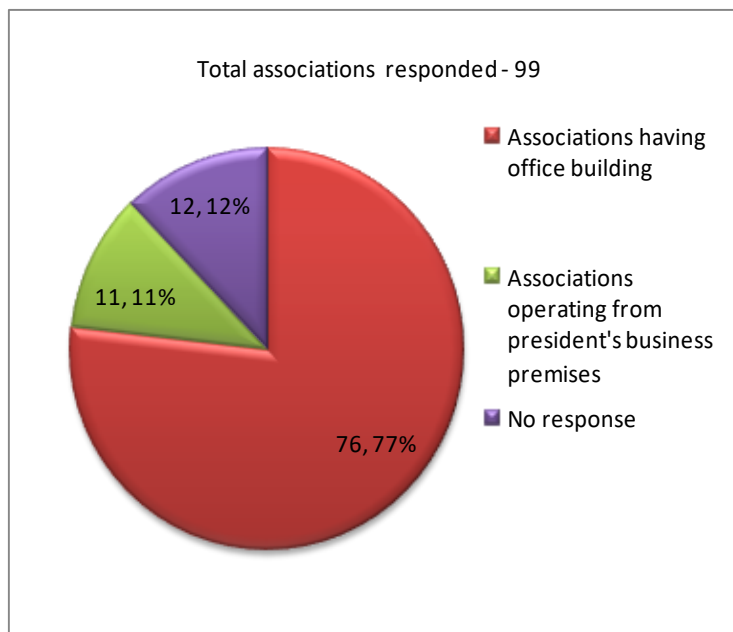
- i. Internal Organisation and Human Resource
- ii. Financial Positions
- iii. Services
- iv. Ability to Leverage Public Support Schemes
- v. Human Resource Development
- vi. Awareness on Corporate Social Responsibility (CSR)
- vii. Regional Differentiation

■ Internal Organisation and Human resource

Vision and Mission: Only 22% of the associations have formulated their vision and mission, have developed strategies and actively implemented various activities, projects and programmes to achieve the goals enunciated in their vision statements. This shows that most of the associations are operating without a strategic plan. Close to 20% of the associations showed insufficient understanding of the term itself. Close relationship between the quality of leadership (president/chairman) and performance of the associations have been observed.

Human resource: Though 65 associations have full time employees, but a detailed analysis of the quality and competencies of the employee highlights the prevalence of weak and ineffective secretariat. Except 7, no association has a secretariat worth mentioning. The number of staff deployed in various association secretariats varies from 1 to more than 10. However many of them are the staffs who mainly work as office assistant. The leaders of quite a few associations don't even have appreciation for need of a good secretariat.

Office Infrastructure: As shown in the figure below, 76 associations have dedicated office premises which are either owned by themselves or are taken on long term lease. Of these, 37 have sufficient office space, conference room facilities and adequate IT equipments. A few associations (11), mostly operating in the northern India, do not have dedicated office buildings and hence operate from presidents' business premises.



76 associations have some sort of IT infrastructure such as computer, laptop, Xerox, scanner, fax etc.

Key inferences:

When comparing the older associations (more than 10 years old) with the newer associations (formed in the recent years) on aspects of infrastructure, membership, staff strength and their ability to leverage government schemes, one type does not seem to have comparative advantage over the other.

While competent staff is essential for liaison with government officials, leveraging government schemes, organizing seminars and workshops, and providing strategic services to member companies, majority of associations do not have them. Most secretariat staff is not technically qualified and hence are paid minimal remuneration. Consequently, the employees are not competent enough to carry out regular functions efficiently and provide need based services to their members. This highlights the widespread presence of vicious cycle of weak secretariat – less service- low income – weak secretariat. i.e associations are not financially strong to attract professional staffs who can provide range of services; owing to incompetent staff and weak secretariat associations are incapable of providing quality services and hence are unable to earn revenue.

Looking at the infrastructure availability such as office building and IT infrastructure to the associations the situation is far more promising compared to human resource. Seemingly, they can work with enhanced efficiency if the necessary capacity building is done.

Presence of full time staff and availability of infrastructure in many of the associations are important factors which endorse that these associations are stable institutions and could possibly emerge as financially sustainable effective services providers for MSME members provided that their capacity building needs are further addressed.

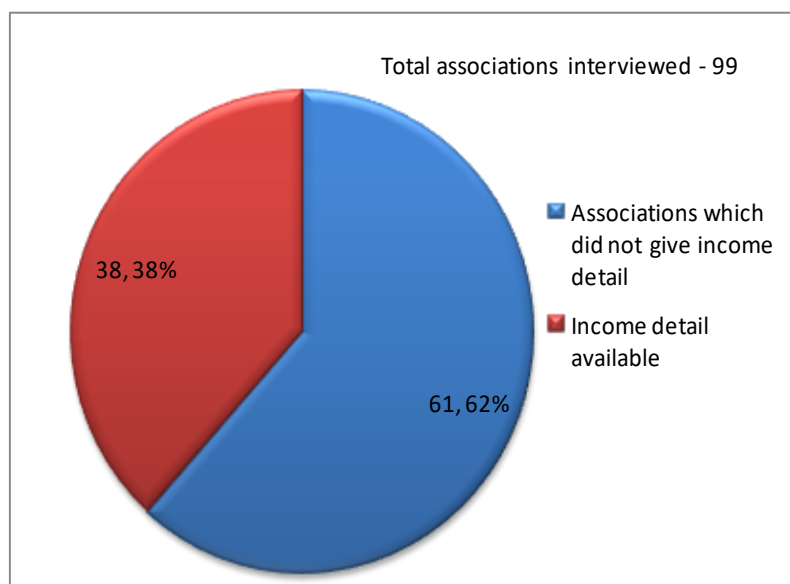
■ Financial Positions

More than 60% of the associations refused to provide details of their financial positions (61 of the total 99 surveyed did not provide income details). This reluctance on their part can be attributed to the following factors:

- 1) They did not want outsiders to know about their poor financial position
- 2) Proper accounts have not been maintained or not audited and placed before the General Body for approval.
- 3) Financial information is confidential and hence should not be disclosed to outsiders

The first seems to be the major reason for not disclosing financial information. The third is obviously a misconception as associations being public organizations, they are required by law to maintain accounts, audit the accounts and submit the income and expenditure statement and balance sheet to the General Body and points to poor governance.

In case of those for which financial information is available, a strong relationship between the level of membership fee and financial position is clearly visible. Of the 38 associations for which the income data is



available only 7 associations are such whose major part of income is self generated by membership fees and services fee and other income generating activities; 5 associations do not have any regular source of income and depend entirely on subsidies and donations; 10 associations have nearly 50% income from membership fee and self generated sources and rest of the income comes from subsidies and donations. For remaining 16

associations a significant part of income (nearly 70%) comes from self generated sources.

Key inferences:

Most of the BMOs depend heavily on income from membership subscription for their activities, performance and survival which is not a healthy situation. It is evident that having a continuous source of income for associations is essential for their long term independent existence and effectiveness as an effective service provider to member units. Even though the income data are not available widely we can see that only a few associations earn major part of their income from self generated sources (only 7 of 38). For rest of the associations donations and subsidies constitute a significant part of income. While subsidy and donation are not a sustainable source of income they might also jeopardize the autonomy of the association which is otherwise essential for assuming advocacy roles. Hence it is crucial that associations

further their profitability and function in financially viable manner. For this to happen, it is crucial that sustainable business models for services delivery are developed and introduced amongst associations.

As described earlier the associations pay very less to their employees as they are not in a position to offer competent remuneration. As a result, the employees in many associations are not competent enough to perform the intended roles and responsibilities. Therefore, creating sustainable sources for revenue generation is essential to attract well qualified and competent staffs that can do effective service delivery and assume advocacy roles.

Poor financial condition affects the associations at various levels. Because of lack of finance the associations are not in a position to offer many services which might be of great value to the business units. Failure to carry out such activities also fails to attract membership which in turn has negative impact on the associations' revenue. It also affects their ability to avail government schemes.

Apparently, weak financial resources, less qualified staff and weak service delivery system are interlinked issues. However, we can say that availability of sustainable financial resources is the most crucial for associations because it enables them to constitute efficient secretariat, and provides autonomous existence. For this, availability of good business models of income generation is essential. Training of the associations in the area of income generation can hence be a crucial long-term capacity building exercise for the MSME associations.

■ Services

Business associations are formed to perform two key objectives- to provide/facilitate different type of services (information, productivity improvement, trainings, match making, connecting with govt schemes etc) through demand aggregation and to do advocacy for protecting members' interests.

Table 1: Activities and Services of the Associations

Advocacy, predominantly localized issues	83 associations
Advocacy, local level, State/National level, Information Dissemination, Workshops/Seminars	64 associations
Rendering Specialized and/or Strategic fee based services (by outsourcing expertise)	37 associations
Specialized and/or Strategic fee based services (by internal expertise)	28 associations

Nearly 84% of the associations are involved in advocacy tasks on localized issues and about 64% associations are engaged in information dissemination, conducting workshops and seminars and carrying out advocacy tasks at local/state/national levels. But quite contrary to the advocacy role, the number of associations which provide fee based services through internal and external expertise is very less, 28% and 37% respectively. Going further, most of these associations do not provide fee based services on a regular basis. Only a few provide a wide range of services and organize business development events in a well

planned and regular manner, and most of them do on an ad-hoc basis. For example, only 16 associations claimed that they organize business events and issue publications on a regular basis.

Key inferences:

Clearly, most of the associations are not capable of carrying out their intended core functions. Only a small number of associations are capable of providing fee based services either through internal and or external

In this scenario it is essential that the associations' capacity is enhanced so that they can undertake responsibilities and can fulfill their core functions. Two things seem to be required here, first enhancing their income generating sources, and second building their capacity to provide quality services. While good financial conditions would enable them to organize events and hire competent staff, capacity development of the staff in the areas of association management, financial management, liaisoning skills, communication skills etc would enable them to deliver quality services

expertise because most associations do not have internal capacity to render strategic services and their capacity to hire external expertise is also limited. Also, advocacy on localized issues are not undertaken largely by the associations. Some workshops/seminars/symposiums are organized by few associations, but that is not consistent enough for which one can attribute any significant change in policy or practice due to this. This scenario is a result of mix of various factors such as lack of knowledge and awareness about their functions beyond advocacy, lack of capable human and financial resources and lack of vision.

■ Ability to Leverage Public Support

Schemes

Since the associations are intermediary institutions between enterprises and the government, and for many of the public support schemes they are eligible to work as implementing agencies¹, it is important to understand to what extent these associations are leveraging subsidies and government schemes. In light of this, associations were consulted about their opinion, awareness and usage of these schemes.

Table 2: Response to questions on leveraging government schemes: Total respondents - 99

Question	Positive Response
Is the association aware of the schemes and subsidies offered by various Ministries in the Government of India?	75 associations (76%)
Has the Association made use of any of the Schemes of the Government of India for creating infrastructure facilities, CFCs, Sub-Contracting Exchange, Training Programmes, etc	40 associations (40%)
Has the Association been involved in the implementation of support schemes of MoMSME?	35 associations (35%)

¹ According to FISME report 2009, there are 41 schemes under different Central Government Ministries /Departments which envisage variety of roles for MSME

How do you assess public support schemes for MSMEs?				
Transparent	Understandable	Easy to use	Non-bureaucratic	Quick in decisions
10 associations	25 associations	10 associations	2 associations	1 associations

Most of the associations (76%) are aware of the government schemes and subsidies; however, many of them (nearly 60%) have neither used nor have been involved in implementation of any of the schemes. Specifically, only 16 associations confirmed that they have utilized at least one larger MSME scheme. 24 associations said that they have utilized the schemes but the low valued ones. And a larger number i.e. 43 accepted that they are aware of the schemes but have never used them.

A small number of associations responded to the question on assessment of public support schemes (on the five criteria mentioned in the table above), which shows that the associations hardly take advantage of public schemes meant for their growth and development, and even the ones who have participated in public schemes, only a few perceive the schemes to qualify on the above five criteria.

On a separate question about MSE CDP, the survey results show that the awareness about the MSE CDP scheme of the MoMSME is particularly very high. Of the 99 respondents, 82% are aware of the scheme; however, only 26% have availed or are in the process of preparing proposal for MSE CDP scheme.

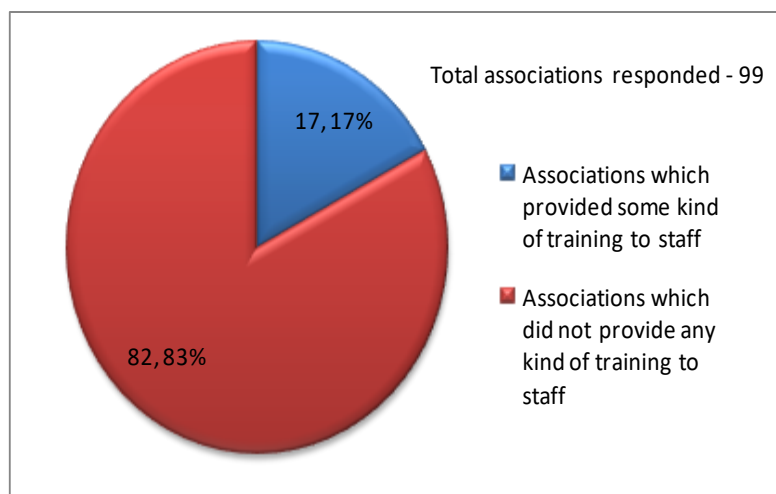
Key inferences:

The survey results show that most of the associations are not availing public schemes proactively. The huge gap in level of awareness and usage is reflected in their opinion and assessment about the schemes on the criteria of transparency, easy to understand and use, non bureaucratic, quick decision making. This is coupled with their existing weakness of weak secretariat, lack of vision, low resources.

■ Human Resource Development

Subsequent to the fact that most associations suffer from weak secretariat and there is a need for enhancing their skills through training and handholding. Assessment focused on the actions/initiatives from the associations in this regard. Of the 99 respondents, 83% do not provide any kind of training to their staff, as shown in the figure below.

The rest 17% associations provided trainings mainly in the areas of BMO management, books and accounts



keeping, office management, communication & managerial skills, and computers.

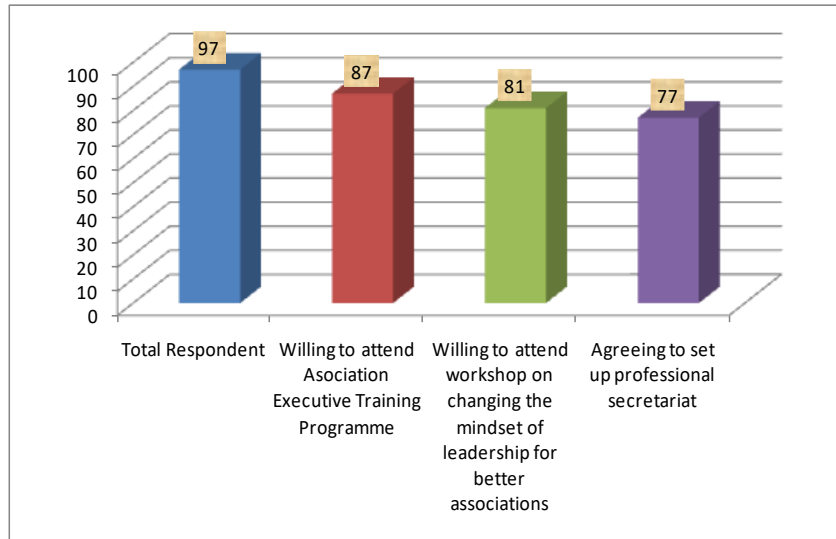
Interestingly, none of the associations had a defined training policy. Although some associations in their by-laws have mentioned about

the training on procedural basis, no regular training programme are conducted.

Upon asking about their willingness to attend training workshops on changing mindset of leadership and executive training programme, 81 of them agreed to participate in these types of training programmes. For some of them it is subject to time, staff and fund availability (in case cost sharing is involved).

Remarkably, as shown in the figure below, training is considered as a great need and hence 90% of the associations showed their willingness to take part in the executive training programmes. For those who do not have executive presently are willing to send their executives whenever they recruit in future.

In response to whether having a professional secretariat will help. 77 associations out of 97 expressed that setting up a secretariat will bring efficiency in their operations. 18 associations have already established secretariat. However, a few associations also expressed that there are constraints, financial and others, because of which they do not wish to establish a professional secretariat in near future.



Key Inferences:

Based on the survey results it is apparent that training needs of the staff of associations is one of the key areas where effective interventions are required. While training is essential to bring efficiency and sustainable growth of the associations, in current scenario this area is lacking focus. Perhaps the absence of quality training institutions in the concerned districts and lack of initiatives from the government in this regard are the constraints because of which associations are not able to provide trainings to their employees.

Looking at this tremendous demand it is much needed that capacity development of associations is done through various training programmes to enable them to carry out their core functions efficiently. These trainings should be of comprehensive nature targeting areas such as association management, financial management, advisory services and communication skills.

■ Awareness on Corporate Social Responsibility

The associations were asked to respond on their awareness level about CSR. The survey shows that of the 99 associations that were interviewed 70% are aware of the CSR and 45% of them have taken CSR initiatives also, such as providing donation to flood relief; donation to schools, organizing medical camps etc.

Table 3: Awareness about CSR

Aware about CSR	70
Doing some activities as a part of CSR	45

Key inferences:

The number of associations that are aware about the CSR is significant; however the current understanding of CSR seems to be limited to philanthropic or charity type of activities. Understanding CSR in its broader meaning and promoting responsible behavior is a bigger challenge presently. Millions of SMEs contribute tremendously to the economic development of the country; and, there are tremendous opportunities to introduce elements of responsible business behavior in MSMEs by inculcating the idea of CSR in their business models. Since SMES have localized presence (clustered), it is relatively operationally easier to approach these firms and create awareness about CSR. And to take this forward, undoubtedly, associations would serve as excellent platforms.

■ Regional Differentiation

The selection of sample included regional disparity with an objective to understand whether the associations reveal any variance as per different regions. While doing regional comparison, the associations show some interesting results as given below-

Associations in the south and western region are financially better off as most of them have their own office building and good IT infrastructure. Of the total 45 associations which operate from their own buildings, 67% are located in southern and western regions only. Also, these associations have more number of full time employees. Opposite to this, associations in eastern and northern regions are infrastructure poor.

Associations that operate from rented offices are located mostly in the eastern and northern regions showing that associations in these regions are poor in office infrastructure. Also, they have lower annual budget than the associations in western region. Specifically, associations who operate from president's business premises are mostly (9 out of 11) located in northern region only. This depicts that the associations in the northern region are poor in office infrastructure.

In western region most of the associations are more than 20 years old. Opposite to this, in southern region nearly 50% of the associations have emerged in last 10 years. Annual budget for many western associations (mainly in Gujarat) is comparatively higher than the associations in southern, northern and eastern regions

The utilization of government schemes, and also support under MSE CDP scheme is seen more in associations in the southern region as compared with other three regions. In western region (in Gujarat) interestingly, the associations have mostly availed state government schemes instead of central government schemes and none of the associations has availed the MSE CDP scheme of MoMSME.

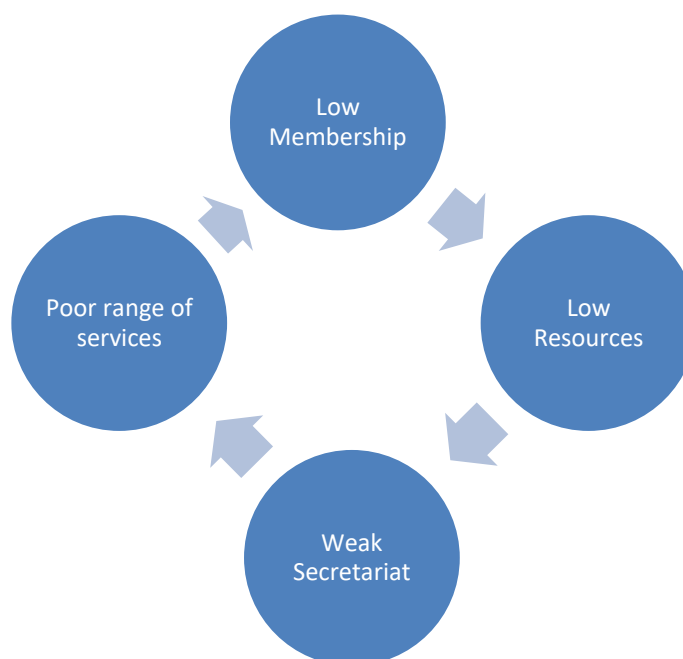
CONCLUSION AND RECOMMENDATIONS

■ Conclusion

Important role of associations in MSME promotion and development is well established and acknowledged by all i.e policy experts to government. However this potential is not yet fully tapped and main reasons behind the current situations are:

- Most of the associations are not professional in their management. Majority of them are without any vision and mission and also don't have good office space and websites.
- Though 65% associations have full time employees, however, in most cases these are clerical staff with low salary and are not technically qualified and hence not competent to carry out the core functions. Biggest problem faced by these associations is the lack of competent staff.
- Lack of qualified and visionary leadership and financial transparency
- Associations are incapable of fulfilling their core functions due to lack of financial resources, competent staff and robust linkages with government departments.
- Several associations also carry the impression that public schemes details are too complicated and require lots of formalities.

Majority of the associations more so of district and cluster level are under a vicious cycle



As intermediary institutions the key objectives of the business membership organizations are to deliver and facilitate need-based services to their member companies and to advocate at various forums for protecting their interests. The former is of far significance as it enable them to attract membership and generates

revenue which is necessary for self-reliance. Even though the associations are recognized institutions holding a defined legal status, owing to above limitations they are not able to deliver intended services and assume their intended role. It is therefore crucial to strengthen and empower associations so that they can assume the important role.

■ Recommendations

It's important to define the strategy for “strengthening and empowering of associations” for maximum impacts. However one important feature that needs to be recognized and kept in mind is relatively high level of birth and mortality can be expected with association of Micro Small Industries. Some of them are formed to confront/solve a particular problem and as soon as the problem is solved they stop functioning or become dormant. Therefore certain proportion of associations will always fail and external action to strengthen and empower associations will not result in professionalization of those associations whose time has passed.

Following are the suggested guiding principles for “strengthening and empowering of associations”.

- ***Building the human Capacity and professional secretariat:***

Presence of full time staff and the quality of office infrastructure could possibly enable them to emerge as financially sustainable effective services providers for MSME members provided that their capacity building needs are further addressed. Weak financial resources, less qualified staff and weak service delivery system are interlinked issues. However, availability of sustainable financial resources with associations is the most crucial because it enables them to constitute efficient secretariat, and provides autonomous existence. Training of the associations in the area of income generation, association management, financial management, liaisoning skills, communication skills, Effective Advocacy, leveraging public support programmes etc. Would enable them to deliver quality services and can hence be a crucial long-term capacity building exercise for the MSME associations.

- ***Services to Members- Moving beyond the lobbying and advocacy:***

Associations need to introduce and or enhance the tangible services which they offer to their members. Financial and Capacity building support in this area i.e how can they best do this (Is it through direct provision, sub contracting or facilitation).

- ***Government and Associations:***

Enabling associations to become implementer/facilitator of public scheme, to carry out effective data based advocacy and improving the mechanism of public private dialogue. Also, awareness creation about government schemes, subsidies, application process etc. through workshops and seminars is also of paramount importance because many of the associations are not utilizing the schemes due to lack of knowledge of the schemes and or some perception that it's too cumbersome to access.

This will require a four pronged strategy as mentioned below:

- ✓ **Capacity Building Support to Industry Associations:** Financial support should be provided to industry associations for physical infrastructure, Human Resource and Introduction of service.
- ✓ **Creating an Enabling Institutional framework:** to complement the support aimed directly at association, it is important to create an enabling institutional support framework to train, assist and handhold the associations. Job Description of a secretary general or executive secretary doesn't match with any of the regular curricula in academic institutions and at present, there is almost complete absence of capacity amongst the institutions/external facilitating agency to carry out the service for strengthening and empowering of associations.
- ✓ **Benchmarking, labeling and certification of associations:** Keeping in view the large number of associations, their existing weakness and overall importance in MSME development policy formulation and implementation; it is important to develop, support and encourage a system which promotes professional management of the associations and distinction between the different categories of associations. Advantage of such a system will be
 - Enable associations which are at low and medium level to improve their performance
 - Improved implementation of public support programmes through enhanced flexibility to highly rated association with accountability
- ✓ **Improved quality of Public Private Dialogue:**
To reduce the existing trust deficit between public institutions and associations and thus improve the quality of public private dialogue for policy formulations

References

- i. “Analysis of Capacity of BMOs in India and the Scheme for Capacity Building of BMOs implemented by the Office of DC MSME, Ministry of MSME, Government of India”. A study by Mr. Harsh Agarwal - National Short Term Expert for Sequa gGmbH under MSME Umbrella Programme
- ii. “Analysis of information gathered from 102 BMOs for the project”. The analysis report prepared by Foundation for MSME Clusters for GIZ under the project of Capacity Development of Small Industry Associations in Clusters.
- iii. Role and Purpose of BMOs. The Business Advocacy Fund.
www.businessadvocacy.org/downloads/fsRoleBMOs.pdf
- iv. “The Role of Small Business Membership Organisations in Small Enterprise Development”. A research study for the Small Enterprise Development Fund of Overseas Development Administration by Mr. Alan Gibson and Mark Havers

Annexure I: Questionnaire for assessment of BMOs

S.No.	Details				Response
A	Historical Data & Legal Status				
1	Name				
2	Address				
3	Communication facilities (Including Cell Phones provided to Staff at Association cost or cell phones owned by Staff but expenses met by Association)	(i) Phone Nos.			
		(ii) Cell Phone Nos.			
		(iii) Fax No.			
		(iv) E-mail ID:			
		(v) Website address	www.		
		(vi) Cell Phone Nos. of President & Secretary			
4	When was the Association formed? (Month & Year)				
5	When was it incorporated/ registered? (Month & Year) If incorporated, under which Act? If not incorporated, reasons for not incorporating.				
6	Whether accounts are audited every year, income and expenditure statement as well as balance sheet prepared, and approved by competent authority (e.g. AGM)?				
7	Whether a Regional/State/District/Cluster Association				
8	Whether representing a specific Industry Association, Trade Association or common for both?				
9	If cluster Association, whether sector/segment/activity specific Association (If yes, which sector/segment/activity) or common for all sectors/segments/activities.				
B	Vision & Mission Statements			(Tick whichever is applicable)	
1	Not aware				
2	Aware but never prepared or thought important				
3	Has a prepared Mission, Vision Statements but never translated into strategy and targets				
4	Vision, Mission, strategy and objectives in place and are being seriously pursued				
C	Membership				
1	What is the primary qualification/condition for membership?				
2	Is membership related to size of firm in terms of investment, turnover, employment etc.?			Yes/No. If yes, specify.	
3	Open to all (i) but some restrictions on voting rights (ii) and voting rights to all (Strike out whichever is not applicable)				
4	Membership consists of (approximate) [get list of current members if possible]–			No.	
	Micro Enterprises			Percentage to total membership	
	Small and Medium Enterprises				
	Large Enterprises				
	Total				
5	Details of membership fees (Rs.):				
6	Category	Entrance Fee	One time Life Membership Fee	Annual Subscription	
				Remarks	

7	Whether Annual Subscription is (i) regularly collected and whether (ii) non-payment results in cessation of membership?				(i) Yes/No (ii) Yes/No
D	Growth and Representative Character				
1	Representative character of the Association				
	1.	No. of firms operating in the in the jurisdiction of the Association (with reference to A-5,6 and 7)			
	2.	Out of (1) above, how many are members of the Association?			
	3.	Percentage coverage			
2	Details of growth of membership over a period of time:				
	Year	Total	Coverage (%) with reference to total no. of units functioning within the jurisdiction of the Association (approx. estimations)		
	2006				
	2007				
	2008				
	2009				
	2010				
E	Executive Committee & General Body				
1	Give the names of current Office-Bearers of the Association? (For example President, Vice-President, General Secretary, Treasurer etc.,)			1) 2) 3) 4) 5)	
2	As per the Bye-Laws of the organization, who is responsible for the management of the organization?			Managing Committee/Managing Council/ Governing Committee/Governing Council/Others (Specify) [Strike out whichever is not applicable] List of current Managing set up may be obtained.	
3	If a President is elected, for how many years he holds the post as per bye-laws of the Association? (Please get a copy of the bye laws if available.)				
4	(i) Is there a provision in the Bye-Laws of the Association for holding of elections to Office-Bearers and members of the Committee/Council in a democratic manner? If yes, whether more than 50% of members participated in the last election?			(i) Yes/No (ii) Yes/No	
5	Is there a provision in bye-laws or a convention whereby adequate representation is given to Micro and Small Enterprises in the EC?				
6	How many Executive Committee/Council meetings were held in the last one year?				
7	Are the minutes of Executive Committee meetings (i) prepared immediately after the meeting, (ii) circulated to members and (iii) follow-up actions taken on minutes?				
8	Is Annual General Body (AGM) held every year?				
9	In addition to AGM, whether informal General Meeting of Members held to ascertain their views and suggestions on important issues?				
10	Are there task based sub-committees (Like Technical Sub-Committee, Environment Sub-Committee)? If yes, specify.				
11	How many meetings of these sub-committees have been held				

	in the last one year? (Total of all sub-committees)					
F	Infrastructure & Manpower					
1	The Association is having its own building/functioning in rented or leased premises/ functioning from the President's business premises? (Strike out whichever is not applicable)					
2	The building or premises in which the organization is functioning- (i) Is sufficient for office use only (ii) Not sufficient even for office use (iii) Has enough space for office and a separate room/hall for holding meetings (Upto 25 persons) (iv) Has enough space for office and a separate hall for holding meetings (26 to 100 persons) (v) Has enough space for office and a separate hall for holding meetings (More than 100 persons) [Strike out whichever is not applicable]					
3	How many (i) laptops and (ii) computers are in use?				(i)	
					(ii)	
4	Is there a (i) xerox (ii) fax and (iii) other office equipments (LCD Projector) available?				(i) Yes/No (ii) Yes/No (iii) Yes/No	
G	Secretariat					
1	Name of ALL Staff with Designation and Age (within brackets)	Educational Qualifications	Experience	No. of years of service in the Assn.	Monthly Salary Rs.	
2	(i) Has any training provided to staff? If yes, why? Also give details of training provided so far.					
	Name of the Seminar/Workshop/ Training Programme	Name of the institution that conducted the programme	Name of staff who attended the programme	Duration (Days)		
3	Is there any training policy?	(i) Yes/No. Policy details				
H	Finance (Please give the details for financial year ending 2009-10 if Balance Sheet and Income and Expenditure Account have been finalized. Otherwise, please give the details for the previous financial year, namely, 2008-09)					
(I)	Income					
1	Source				Annual income in Rs.lakhs	
2	Entrance Fee and Subscription					
3	Income from space in organization building rented out to others					
4	Fees from Seminars and Workshops					
5	Earnings from fee strategic services (please specify) provided (by internal or external expertise) to the members					
6	Earnings from publications, advertisements in publications, trade fairs conducted etc					
7	Donations from members and others					
8	Total					
(II)	Expenditure					
1	Item of expenditure				Annual	

		expenditure in Rs.lakhs
2	Salaries and perquisites of administrative staff	
3	Salaries and perquisites of Executives/Experts providing fee based strategic services	
4	Rent, if any	
5	Telecommunication	
6	Seminar and Workshop expenses	
7	Cost of services outsourced to render strategic services to members	
8	Cost of publications, trade fairs conducted etc.	
9	Others (If expenditure on any item/s is more than 10% please list such item/s separately)	
10	Total	
11	Surplus or Loss [Item (8) of I-Item 9 of (II)]. If loss, how loss is covered? Ex: Donations from members, donations from others like suppliers of materials to members etc.	
(III)	General	
1	Whether any software (like Tally) is used for maintaining accounts	
2	<p>Surplus Rs.....or Loss Rs..... [Item (8) of (I)-Item 9 of (II)].</p> <p>If loss, how loss is covered? Example: Donations from members, donations from others like suppliers of materials to members, etc.</p> <p>If surplus, how the surplus is utilized (invested in fixed deposits in banks, shares/Mutual Funds or used in the subsequent years for expanding activities/facilities or CSR related activities). Please specify give details below:</p>	
3	How many examples of income creating activities of the Association are there (if any)? Please name such examples.	
I	CSR	
1	Is the Association aware of CSR? Has the Association created awareness about responsible behavior among its members?	
2	Has the Association conducted CSR related community activities like cancer screening camps, aids awareness programme etc. If yes, please give details.	
3	Has the Association established any community facility (like hospital, hostel for working women, school, crèche etc) and maintaining it? If yes, give the details briefly.	
4	Is any other CSR being done? If yes please specify	
J	Activities & Services of the Association (Tick whichever is applicable)	
1	Advocacy, predominantly localized issues	Yes/No
2	Advocacy, local level, State/National level, Information Dissemination, Workshops/Seminars	Yes/No
3	Rendering Specialized and/or Strategic fee based services (By outsourcing expertise). Please specify services.	Yes/No
4	Specialized and/or Strategic fee based services (By internal expertise). Please specify services.	Yes/No
K	Leveraging of Government Schemes & Subsidies	
1	Is the Association aware of the schemes and subsidies offered by various Ministries in the Government of India?	
2	Has the Association made use of any of the Schemes of the Government of India for creating infrastructure facilities, CFCs, Sub-Contracting Exchange, Training Programmes, etc., If yes, give the details in Annexure I below.	
3	Has the Association been involved in the implementation of support schemes of MoMSME?	
4	How do you assess public support schemes for MSMEs? Please tick if correct: Transparent Understandable Easy to use Unbureaucratic Quick in decisions	

	Nothing of such attributes	
L	Representation in other bodies	
1	What are the other Associations/Federations in which the Association is a member?	1) 2)
M	Use of Media	
1	How many Press Notes have been issued by the Association in the last one year?	
2	On how many occasions, news about the Association has appeared in newspapers/television/magazines in the last one year. (give no.) and attach xerox copy of one press clipping?	
N	Co-operation with other Associations	
1	How often the Association has discussions with other Associations in the Industry/Trade/Cluster?	
2	Has the Association promoted any formal or informal set up like Joint Action Committee, Common Arbitration Forum etc., or participates in such forums created by other Associations/Bodies? If yes, give the details briefly.	
O	Liaison with Government	
1	On how many occasions Ministers/Senior Officials have visited the Association in the last one year and held discussions/interactions?	
2	In the last one year on how many times the representatives of the Association have called on Ministers/Senior Officials in the Central & State Govt. and made personal representations on behalf of the industry/trade	
3	How do you assess the business climate measured in terms of (i) quality of public-private-dialogue, (ii) simplification of the application process for public support schemes, (iii) transparency and clarity of schemes? Please indicate on a scale from 1 (very low) to 10 (very high).	
P	Labour issues	
1	Does the Association have expertise to assist individual members to resolve labour disputes at the firm level? If yes, how many members have availed this service in the last one year?	
2	Does the Association negotiate with Trade Unions and enter into bi-partite agreements on wages, workload etc. If yes, briefly mention the recent bi-partite agreement.	
Q	Cluster Development	
1	Is the Association aware of the Cluster Development Concept for development of SME clusters?	
2	Has the Association availed any financial support from Ministry of MSME under MSE CDP Scheme? If yes, give details briefly	
3	Has any other external agency has undertaken/currently undertaking cluster development activities or any other activities? If yes, give the name of the Agency and nature of activity.	
R	Leadership	
1	(i) How long the incumbent President has been in the industry? (ii) Has he held the office of President in any other Association? (iii) Is he currently holding office in any other Association?Years (i) Yes/No (iii) Yes/No
2	Briefly mention the achievements of the Association under the leadership of the incumbent President.	
3	Has the President any documented plans or proposals for increasing/improving the services of the Association for members/industry? If yes, give the details.	
4	If there are no documented plans or proposals, has the President has in mind (but not yet spelt out) any plans or proposals for increasing/improving the services of the Association for members/industry? If yes, give the details.	
5	If there was no Vision & Mission Statement before the	(i) Not aware of V&M

	incumbent President assumed office, has he made any effort to formulate Vision & Mission statements and implement.	(ii) Efforts have been made to formulate V&M (iii) Already formulated V&M and Action Plan is being implemented
S	Willingness to participate in the Training Programme	
1	What are the different areas in which the Association wants to expand its services to members at the firm level and to the industry at the macro level?	
2	For more and efficient services, there should be a professional Secretariat. Is the Association agreeing, in principle, that a professional Secretariat is absolutely necessary? And if yes, what efforts have been made by the Association to build a professional Secretariat and what are the difficulties/problems encountered?	
3	Are the Office-Bearers of the Association are willing to participate in a Workshop on “ Changing the Mindset of Leadership for Better Associations” paying traveling, halting and other expenses?	
4	(i) Is the Association willing to participate in the Association Executives Training Programme? (ii) If yes, is there a suitable person among the current staff on roll? (iii) If no, is the Association willing to select a person, appoint him on probation and depute him for training	(i) Yes/No (ii) Yes/No (iii) Yes/No/Does not arise
5	Has the President or any other office-bearer made any exposure visit to any vibrant cluster/cluster Association? Yes/No. If yes, what are the lessons learnt and what steps have been taken to implement the same in the organization?	
S	Suggestion of Interviewee on Association Capacity Building Programme	
T	Opinion of the Interviewer.	
1	Is the leadership of the Association keen in developing the activities and services of the Association?	
2	Has the office-bearers made any exposure visit to any vibrant cluster/cluster association and as a follow up what have they done in their cluster?	
3	In your opinion, if the Association is not effective, is it due to-	
4	(i) lack of vision on the part of the leadership	
5	(ii) lack of professional skills in the Association Secretariat to execute the vision of the leadership	
6	In many ineffective Associations most of the work is done by the Office-Bearers (who neither have the required specialized capacities nor the time) and they do not want to delegate the work to professional staff. Is it the same case with this Association also? If yes, do you think that the Office-Bearers would change their attitude and sincerely want to develop the Association?	
7	Is the Association capable of raising the funds required for upgrading the services of the Association (paying a good salary for a professional executive, giving him good office accommodation and facilities and giving him freedom of work, etc.)	
8	One person continuing as the President/ Chairman of the Association continuously for longer periods (say, more than 5 years) is one major reason for the dormancy of Associations? Is this syndrome present in this Association? If	

	yes, is there scope for change of leadership in the near future?	
9	What are the other good/positive signs observed by you that would prompt us to select this Association for our training programme	

Leveraging of Government Schemes

Name of the Scheme & Ministry			
Name of the project			
Total Project Cost (Rs.lakhs)			
Govt. Contribution (Rs.lakhs)			
Own contribution (Rs.lakhs)			
No.of members who have participated in the project			
Current Status			

Annexure II: Ranking Tool

S.No.	Parameter	Score 1	Score 2	Score 3	Score 4
1	Legal status	Not incorporated	Incorporated but papers irregular	Incorporated and papers regularized (less than 3 years old)	Incorporated and papers regularized (more than 3 years old)
2	Representative Character	Less than 20% of relevant units	21-40% of relevant units	41-60% of relevant units	61% and above of relevant units
3	Internal organization and Human Resources (HR)				
3 a	Vision/Mission	Does not understand	Understands but never prepared or thought important	Vision and Mission statements existing but never translated into strategy and targets	Vision, Mission, strategy and objectives in place and seriously pursued
3 b	Leadership (President / Board)	No previous experience in managing an Association	Introduced new activities and initiatives in the Association after assuming office	Plans and proposals for improving services are under implementation/ implemented	Strategic development plan adopted after assuming office and under implementation
3 c	Governance	Election not held regularly (no election in last two years)	Election held regularly	Election held regularly and SME/weaker sections are represented in managing committee	Election held regularly with fair representation and specific task based committees
3 d	Infrastructure	Operates from house of one of the office-bearers	Own building/long lease with insufficient office space	Own building/long lease with sufficient office space	Own building/long lease with sufficient office space, conference facilities and equipment
3 e	HR available	No executive, at best one typist and/or peon	At least one executive who can provide service to members	At least one manager and one executive capable of rendering some services to members	Beside manager, there are specialized executives providing specialized service support
3 f	Training to secretariat	No training	Only when free and somebody approaches	When there is some specific need and when association is ready to pay parts of the training expenses	Planned and executed every year, association ready to pay full training expenses
4	Finance				
4 a	Membership fee realization	Very low entrance fee and subscription	Moderate entrance fee and annual subscription or reasonably high one life time membership fee	Significant annual subscription regularly collected	Annual subscription regularly collected and dependant on size of members
4 b	Sources of revenue	No regular source – dependence on subsidies	At least 50% of the income comes from membership dues, service fees	At least 70% of the income comes from membership dues, service fees and other self-	90% of total income is self-generated by membership dues, service fees and other

S.No.	Parameter	Score 1	Score 2	Score 3	Score 4
		and donations	and other self-generated revenues	generated revenues	income generating activities
4 c	Financial administration	Accounts never audited or not in last 5 years	Accounts not audited for less than 5 years	Accounts audited regularly	Use of Tally or other software for maintaining accounts
5	Services				
5 a	Information, training, consultancy for MSME	Basic business information provided but hardly any other services	Beside business information sporadic training services for MSMEs	Regular fee based training and/or consultancy provided for certain topics	Fee based training and consultancy including a wide range of services
5 b	Other services (like organizing exhibitions, match making events, publications etc.)	No such services offered	Sporadic organization of B2B meetings or other events or issue of publication	At least one time per year organization of exhibition / other entrepreneurial meeting or issue of publication	Regular organization of several well prepared business events and/or issue of publications
6	Advocacy				
6 a	Use of media	No or hardly use of media towards the public	From time to time press release or contact to local newspaper or radio	Regular issue of press releases or use of website for policy statements, sometimes publication of position papers and ad hoc contact to radio and TV programs	Systematic, professional and permanent access to all relevant media for lobbying purposes
6 b	Liaison with government and public administration	No or almost no communication/contacts with government and public administration	Ad hoc communication / contacts	Regular contacts to political decision-makers and relevant administrative bodies / persons	Permanent cooperation with government / administration, e.g. in public-private dialogue forums or committees
6 c	Networking with other associations for increased lobbying power	No or hardly cooperation with other BMOs	Limited cooperation with other BMOs via personal relationships of presidents or other office bearers	Increased lobbying power by bundling interests with other BMOs in a federation	Institutionalized collaboration among BMOs e.g. in committees, working groups etc.
7	CSR	Not aware of CSR	Aware of CSR but no efforts made so far	Conducting periodic community programmes related to CSR	Institutionalized CSR facilities in place
8	Government Support Schemes Utilized	Not aware about relevant schemes	Aware, but not utilized	Utilized, once or twice but low valued ones	Utilized at least one larger MSME scheme and low valued schemes

Analysis of Capacity of BMOs in India and the Scheme for Capacity Building of BMOs implemented by the O/o DC MSME, Ministry of MSME, Government of India

Study by: Mr. Harsh Agarwal

National Short Term Expert for Sequa gGmbH under MSME Umbrella Programme

	Table of Content	Page No.
A	Introduction	3
I	Methodology	4
II	MSME Sector in India	5
III	MSME Associations (BMOs) and their significance	7
IV	Capacity Building Scheme at a glance	9
V	Observations, Analysis & Suggestions	11
VI	Recommendations for the revised scheme	32
B	Annexure	
I	Case Studies of BMOs	36
II	Categorization of Schemes according to role for BMOs	39
C	List of Abbreviations	41

Introduction

Worldwide MSMEs are recognized as engines of economic growth. In India MSME sector is not only the second largest employer after agriculture but also a major instrument of economic as well as inclusive growth and touches upon the lives of the most vulnerable and marginalized. In last two decades, after the liberalization of economy, there has been paradigm shift in Government of India's approach towards MSMEs- from protecting the sector to supporting and encouraging it to make it globally competitive. However various measures taken by the government and substantial increase in public spending on this sector has failed to show the desired results and a lot is still left to be achieved.

This study commissioned by Sequa gGmbH and assisted by the German Government through GIZ under the MSME Umbrella Programme analyses the Capacity Building Scheme for BMOs, implemented by the Ministry of MSME. The report also tries to explain and highlight the potentials and weaknesses of the BMOs, various gaps that exist in their working relationship and engagement with the government, besides elucidating different aspects related to their functioning and how they could play a bigger role as agents of change for the MSME sector. The study also suggests various structural changes and measures that need to be incorporated in the aforesaid scheme to strengthen the BMOs in India.

In chapter 2 of the report, a glimpse of the Indian MSME sector, review of the policy and financial support by various ministries under the government of India and the expenditure made by them in recent times is given. In Chapter 3 significance of BMOs to MSME is highlighted and how the role of BMOs have been envisaged by the government in implementing the public support schemes. Chapter 4 touches upon various aspect of the current scheme for Capacity Building of BMOs and current level of off take under the scheme. Chapter 5 deals with observation, analysis and suggestion for strengthening of BMOs based on quantitative as well as qualitative analysis of survey, field visits, reports, etc. Lastly, chapter 6 makes plausible recommendations for the revised draft of the capacity building scheme, keeping in view the current level of allocation, expenditure and the capacity of the Ministry of MSME.

I Methodology of the Study

The study has been carried out in the months of August and September, 2011 by the National Short-term Expert appointed by Sequa gGmbH. The study began by carefully examining the comprehensive survey of 93 BMOs done by FMC to look into different issues and establish understanding and correlation pertaining to structure, working, reach, location, effectiveness, management and resources of BMOs in India. Later the Expert visited 10 industrial cities in North, South and Eastern regions of the country and conducted detailed interviews with the office bearers/secretariat of 26 BMOs and officers from 5 MSME Development Institutes, 5 District Industries Centers, Planning Commission and Ministry of MSME to understand various issues under the scope of this study. During the field visits observations were made to look into the existing infrastructure, manpower, style of functioning and effectiveness of different categories BMOs. Inputs obtained from these interviews and observations made during the field visits helped to obtain better understanding and answer to various issues revealed in the quantitative analysis of the survey.

Besides field visits, interviews and data analysis, various reports and studies published by the governmental and non-governmental organizations were also examined. Later the observations and findings obtained from different sources were analyzed and corroborated to establish the final outcome of this study.

Based on these findings, observations, qualitative and quantitative research, appropriate recommendations have been made in this report to modify the existing Capacity Building Scheme of the Government and also address gaps and impediments in the growth and strengthening of BMOs in India.

II Micro Small and Medium Enterprises (MSME) Sector in India

MSMEs in India play an important role not only in the country's economic growth but also in the inclusiveness of this growth. In India, MSMEs are the second largest employer after agriculture and are essential in checking rural-urban migration by providing villagers and people living in remote and isolated areas with a sustainable source of employment. By government's estimate, MSMEs contribute 8 per cent of the country's GDP, account for 45 per cent of the manufacturing sector's output, and 40 per cent of its exports. According to the fourth All-India Census of MSMEs, the number of enterprises under MSME is estimated to be about 26 million providing employment to more than 60 million persons. However, out of the 26 million MSMEs, only 1.5 million are registered while the remaining 24.5 million (94%) are unregistered.

MSME sector in India is heterogeneous and largely unorganized and includes diverse types of production units ranging from traditional crafts to high-tech industries. MSMEs in India manufacture more than 6,000 products and if these products are classified then some of the major subsectors in terms of manufacturing output are- food products (18.97%), textiles and readymade garments (14.05%), basic metal (8.81%), chemical and chemical products (7.55%), metal products (7.52%), machinery and equipments (6.35%), transport equipments (4.5%), rubber and plastic products (3.9%). It is believed that certain sub-sectors like textiles and garments, leather and leather products, auto components, drugs and pharmaceuticals, food processing, IT hardware and electronics, etc. have high growth potential and could contribute significantly in enhancing country's exports.

An important feature of MSMEs is that these units can be set up with very small investments and have the flexibility to be located anywhere in the country. Also, it is a well established fact that the employment potential of this sector is much higher than the large industries. The employment intensity of the registered units indicate 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.

Recognizing the importance of the small scale sector in the country's economy and social development, Government of India has taken various initiatives in the recent past to support the sector and make the enterprises globally competitive. Major step towards this direction was the enactment of Micro Small and Medium Enterprises Development Act in 2006 and amendments

to Khadi and Village Industries Commission Act. Moreover, in the Eleventh Five Year Plan (2007-2012) government made a substantial increase in the allocations to various Ministries supporting small scale enterprises. As a result Ministry of MSME, Ministry of Textiles and Ministry of Food Processing Industries received a robust increase in their allocation as compared to their previous five year plan budget. (Table below)

Plan Outlay for Five year Plans for VSE Sector

Table 1 (Rs. In Crore)

Sector	Eighth Plan Period	Ninth Plan Period	Tenth Plan Period	Eleventh Plan Period (2007-12)
MSME	1629.55	4303.85	5534.00	11500.00
Textiles (VSE)	1157.00	1270.00	1600.00	3000.00
Food Processing Industries	146.00	235.04	650.00	4031.00

Source: Eleventh Five Year Plan, Planning Commission, Government of India

However despite of several measure taken by the government and increased allocation for the small scale sector, expenditure and the off take levels of the schemes under these Ministries (except the Ministry of Textiles) during the first four years of the 11th Five year Plan has been abysmally low.(Table No. 2) The number of beneficiaries under these schemes continues to remain small and majority of the MSMEs are completely unaware of these schemes and cut-off from the benefits of the government support programme.

Table 2

Gross Budgetary Support and Expenditure during the Eleventh Plan (at current prices)

(Rs crore)

Sector	Eleventh Gross Budgetary Support (GBS)	Annual Plan 2007-08 (actual)	Annual Plan 2008-09 (actual)	Annual Plan 2009-10 (actual)	Annual Plan 2010-11 (BE)	GBS in first four years in Eleventh Plan
MSME	11500.00	1,101.4	1,659.6	1,376.6	2,400.0	6,537.6
Textiles (VSE)	3000.00	588.4	697.7	771.0	1,356.0	3,413.1
Food Processing Industries	4031.00	183.0	223.1	277.5	400.0	1,083.6

Source: Planning Commission Mid-Term Appraisal of the Eleventh Plan

III MSME Associations and Their Significance

Due to the unorganized nature of the MSME sector, entrepreneurs and artisans/workers face several difficulties in their business growth and in carrying out day to day operation. Individual units in MSMEs, especially micro enterprises are too small to afford or even access quality human resource, access information related to market, business condition, new technologies, procure raw material at fair price or be aware of and capable enough to fulfill necessary formalities to take benefit of the government's support programmes.

However, MSME associations/BMOs play a critical role in aggregating these units and as a collective body they help their members in overcoming several challenges which the units otherwise have to face at individual level. BMOs address key issues like credit flow, improvement of skills, better infrastructure, access to domestic and foreign markets, procurement of raw materials, and coping with a multiplicity of regulations and inspectors, fixing selling price, arranging exhibition, etc by articulating the concerns of the units. Most importantly BMOs act as essential intermediaries between the public support schemes and the MSME enterprises.

Recent review of the progress made by various ministries, including the Ministry of MSME, Food Processing, Handloom, Handicrafts, etc, highlight the need to encourage clustering of individual enterprises to make them more competitive and achieve benefits of scale. In the Mid-Term Appraisal of the Eleventh Plan the government underlined the importance of industry associations in implementations of the schemes especially in their role in engendering trust and cooperation among enterprises for successful implementation of the Cluster Development Programme.

However, ability of BMOs in leveraging support for their members, in articulating their views on various issues related to their product and in partnering with the government agencies for facilitating implementation of the public support scheme depends largely on the strength and capabilities of these associations. It is estimated that there are around 6000 associations small or big but their strength, professional capacity, reach and membership varies considerably.

According to a recent report published by FISME, there are 41 schemes under different Central Government Ministries /Departments which envisage variety of roles for MSME

Associations/BMOs for implementation, directly or indirectly. In these schemes, association play an important role in directly implementing the schemes, in the need assessment and design of the scheme, in creating awareness and information dissemination about the schemes amongst their members, in creating Special Purpose Vehicle and seeking cooperation from their members for promotion and also in screening and evaluating proposals.

Table 3

Scheme segregation as per role of BMOs

	Description of role	No of Scheme
1	Primary implementing role	3
2	One of the many eligible agencies for implementation	23
3	Not implementing agencies but which could facilitate the implementation process	15

Source: FISME report, 2009

Given the fact that several thousand crores are allocated to these 41 schemes and the participation of BMOs is critical for their implementation therefore for the success of these schemes and for the growth of the MSME sector, it is imperative to strengthen BMOs so that they can effectively play their role as envisaged for them by the government.

IV Capacity Building Scheme at a Glance

Understanding the importance of BMOs and their reach in the MSME sector, Government has been trying to partner with BMOs to improve delivery of public support scheme and also to gather data pertaining to this sector. In 2006-07 Ministry of MSME started a scheme for capacity building of BMOs and also for strengthening their database and advocacy. In this scheme government provides financial support to BMOs under the following 2 sub-heads:

1. Strengthening of database- financial assistance for secretarial and Advisory/Extension Services.

2. Workshop/Symposium/Seminar

Under the first sub-head government provides financial assistance for secretarial/extension services to selected BMOs up to a maximum of Rs. 5 lakh depending upon the reach and size of the BMOs. Under the scheme associations can purchase computer and its peripherals, office furniture, equipments, provide training to staff, etc and government provides reimbursement of 50% of the total expenditure upto a maximum of Rs. 5 lakh. However, under this sub-head an association can avail funds only once in 4 years.

For conducting Workshop/Symposium/Seminar, government provides financial support up to Rs. 2 lakh to National level BMOs and up to Rs. 1 lakh to State/District level BMOs. List of items for which financial support is given includes- charges for venue, transport, fee for the resource persons, travel, boarding expenses, etc. National level BMOs are provided reimbursement of 50% of total expenditure (up to Rs. 2 lakh) whereas State/District level BMOs are provided reimbursement of 75% of total expenditure (up to Rs. 1 lakh).

Annual Report 2010-2011 of Ministry of MSME gives the year-wise breakup of the expenditure made and the number of BMOs supported under the two sub-heads of the scheme during the last five years (Table 4).

Table 4: Industry Associations assisted under the Scheme

Year	Secretarial/Advisory Assistance		Seminar/Symposium/Workshop	
	No. of cases	Amount (Rs. lakh)	No. of Cases	Amount (Rs. lakh)
2006-07	31	46.625	Nil	Nil
2007-08	31	75.75	16	8.50
2008-09	17	37.30	22	16.71
2009-10	12	31.84	12	11.24
2010-11*	7	11.26	9	10.97

(*upto dec 2010)

Source: Ministry of MSME's Annual Report 2010-2011

V Observations, Analysis & Suggestions

Background of findings and observation

Findings and observation for quantitative and qualitative analysis are based on survey of 93 BMOs and field visits to 10 industrial cities. Details of the BMOs and field visits are given below.

1. Classification of BMOs- To understand issues affecting specific category/ies of BMOs, three different approaches have been applied to classify 93 BMOs.

- (a) **Region wise classification** of BMOs- North (24), South (28), West (22) and East (19)
- (b) **Category wise classification** of BMOs- Clusters (70) and District/State/National level-general (23)
- (c) **Classification based on predominant membership base** – BMOs comprising predominantly Micro units or Micro and Small units (45), BMOs comprising mainly Small units or mainly Small and Large units (38) whereas 10 association did not give information about their membership base.

2. Details of field visits for discussion and observation

North: Ludhiana- MSME DI and 3 BMOs, Jalandhar – 2 BMOs, Chandigarh – DIC and 4 BMOs, Karnal – MSME DI, DIC and 1 BMO, Panipat – 2 BMOs, Faridabad – 3 BMOs, Delhi– MSME DI and 1 BMO

East: Kolkata – MSME DI, DIC and 6 BMOs

South: Coimbatore – MSME DI, DIC and 2 BMOs and Tirupur – DIC and 2 BMOs

Others: Ministry of MSME and Planning Commission of the Government of India

I. Findings based on classification of survey result

South – 28 BMOs

- 10 BMOs are less than 5 years old, 6 BMOs are more than 30 years old, 24 are Cluster BMOs, 14 BMOs have prepared vision, mission and strategy and pursuing it seriously. 17 BMOs have mainly Micro or Micro and Small units.
- 13 BMOs have more than 500 members and 7 BMOs have between 250-500 members. 18 BMOs have membership fees less than Rs. 2000. 16 BMOs have percentage coverage of membership more than 50%.
- 16 BMOs own office space but only 6 have office space large enough to hold meeting for more than 100 persons. 6 BMOs don't have single computer and 11 don't have any office equipment.
- 25 BMOs have at least one employee but only 7 BMOs have at least one employee getting a monthly salary of Rs. 10,000 and above. Only 3 BMOs have annual budget of Rs. 10 Lakhs or more.
- 24 BMOs claim that they are aware of government schemes and 19 BMOs have either availed or working on proposal to avail scheme and 17 made positive remarks about government support scheme.
- 11 BMOs have availed or waiting to avail support under MSE CDP Scheme. 25 BMOs are aware of cluster development concept. In 17 BMOs an external agency has undertaken Cluster development activity.
- 19 BMOs lack professionalism in office staff/vision by the leadership or the office bearer or work of the BMOs is done by the office bearer.

Remark: Lots of new BMOs especially in last 5 years have come up in South. There are lots of cluster BMOs and BMOs with predominantly Micro unit membership base. Membership base and percentage coverage of membership is good in most of these BMOs and membership fee is low. Though many own office space but the office infrastructure (office size and equipments) is not satisfactory. Salaries of BMO employees seem low and annual budget of many BMOs are low too. Most of the BMOs have availed government scheme and also support under CDP scheme. External agencies are involved with several BMOs on cluster development. Several BMOs require more professionalism in working.

West – 22 BMOs

- Only 4 BMOs are less than 10 years old, 13 BMOs are more than 30 years old, 16 are Cluster BMOs, 12 BMOs have not prepared vision, mission and strategy and 7 are not even aware of it. 17 BMOs have mainly Small or Small and Large unit members.
- 5 BMOs have more than 500 members and 6 BMOs have between 250-500 members. 11 BMOs have membership fees of Rs. 5000 or more of which 5 BMOs have fees more than Rs. 10,000. 10 BMOs have percentage coverage of membership less than 50%.
- 13 BMOs have own office space and 9 have office space large enough to hold meeting for more than 100 persons. Only 1 BMO doesn't have any computer and 4 don't have any office equipment.
- 20 BMOs have at least one employee but only 10 BMOs have at least one employee getting a monthly salary of Rs. 10,000 and above. 7 BMOs have annual budget of Rs. 10 lakhs or more.
- 17 BMOs claim that they are aware of government schemes and 9 BMOs have either availed or working on proposal to avail scheme and 10 BMOs made positive remarks about government support scheme.
- No BMO has availed or waiting to avail support under MSE CDP Scheme. Only 15 BMOs are aware of cluster development concept. Only in 5 BMOs an external agency has undertaken Cluster development activity.
- Only 6 BMOs lack professionalism in office staff/vision by the leadership or work of the BMOs is done by the office bearer.

Remark: These are mostly well established old BMOs of predominantly Small unit member base. However many are not aware and also not pursuing vision statement. Many have high membership fees. Office infrastructure is good and many have high annual budget. Comparatively lesser BMOs have availed government scheme and have mostly availed state government's scheme and no BMO has availed CDP support. There is poor awareness of cluster development and in very few BMOs external agencies are involved on cluster development activity. Relatively more professionalism can be seen in BMOs here.

North – 24 BMOs

- 10 BMOs are less than 10 years old, 6 BMOs are more than 30 years old, 16 are Cluster BMOs, 14 BMOs have prepared vision, mission and strategy and pursuing seriously. 10 BMOs have mainly Micro or Micro and Small and 10 mainly Small or Small and Large unit members.
- Only 4 BMOs have more than 500 members and 2 BMOs have between 250-500 members. 13 BMOs have membership fees more Rs. 2000. 11 BMOs have percentage coverage of membership less than 50%.
- Only 6 BMOs have own office space and 10 work out of president's premises. 12 have office space barely enough for office work. Only 4 have office space large enough to hold meeting for more than 100 persons. 5 BMOs don't have a single computer and 8 don't have any office equipment.
- 19 BMOs have at least one employee but only 11 BMOs have at least one employee getting a monthly salary of Rs. 10,000 and above. 5 BMOs have annual budget of Rs. 10 lakhs and above.
- 18 BMOs say that they are aware of government schemes, 13 BMOs have either availed or working on proposal to avail scheme and 10 BMOs made positive remarks about government support scheme.
- 3 BMOs have availed or waiting to avail support under MSE CDP Scheme. 23 BMOs are aware of cluster development concept. In 15 BMOs an external agency has undertaken Cluster development activity.
- 14 BMOs lack professionalism in office staff/vision by the leadership or the office bearer or work of the BMOs is done by the office bearer of which 3 BMOs require change in attitude of the office bearers.

Several BMOs are pursuing mission and vision seriously. However, membership base and percentage coverage of membership is low here. Office infrastructure is poor and several of them operate from presidents' premises. Half of them have availed government scheme and some have received support under CDP as well. There is good awareness about cluster development and external agencies are involved with several BMOs on cluster development activities.

East – 19 BMOs

- 8 BMOs are less than 5 years old, 7 BMOs are more than 30 years old, 14 are Cluster BMOs, 8 are Chambers, 12 BMOs have prepared vision, mission and strategy and pursuing seriously only 3 are not even aware of it. 13 BMOs have mainly Micro or Micro and Small and only 4 BMOs mainly Small or Small and Large unit members.
- Only 3 BMOs have more than 500 members and 2 BMOs have between 250-500 members. 12 BMOs have membership fees less than Rs. 2000 and 3 BMOs work on co-operative model. 7 BMOs have percentage coverage of membership more than 75%.
- Only 6 BMOs have own office space. 7 have office space barely enough for office work. Only 4 have office space large enough to hold meeting for more than 100 persons. 6 BMOs don't have a single computer and 7 don't have any office equipment.
- 14 BMOs have at least one employee but only 3 BMOs have at least one employee getting a monthly salary of Rs. 10,000 and above. Only 1 BMO has annual budget of Rs. 10 lakhs and above.
- 15 BMOs claim that they are aware of government schemes and only 9 BMOs have either availed or working on proposal to avail scheme and 9 BMOs have made positive remarks about government support scheme.
- 5 BMOs have availed or waiting to avail support under MSE CDP Scheme. 18 BMOs are aware of cluster development concept. In 13 BMOs an external agency has undertaken Cluster development activity.
- 18 BMOs lack professionalism in office staff/vision by the leadership or the office bearer or work of the BMOs is done by the office bearer of which 2 BMOs require change in attitude of the office bearers.

Remark; There are either new or very old BMOs in east but lot of new BMOs have come up in recent past. There is a good percentage of cluster, chambers and BMOs with membership base of predominantly micro units and majority of them are seriously pursuing vision and mission. Office infrastructure both in terms of size and office equipments is very poor. Most of them have employees with low salaries and also have low annual budget. Off take of government scheme is moderately low here. There is good awareness of cluster development concept and external agencies are working with several BMOs on cluster development. Professionalism is lacking in most of these BMOs and this was felt during the field visit too. Effort would be needed to change the attitude of the leadership.

Cluster BMOs (All India) – 70 BMOs

- 33 BMOs are less than 10 years old of which 23 are less than 5 years old, only 16 BMOs are more than 30 years old and 24 are based in South alone. 28 BMOs have prepared vision, mission and strategy and pursuing seriously, 11 are not even aware of it. 37 BMOs have mainly Micro/Micro & Small and 27 BMOs mainly Small or Small & Large members.
- Only 11 BMOs have more than 500 members and 8 BMOs have between 250-500 members. 33 have less than 100 members of which 13 have less than even 30 members. 34 BMOs have membership fees less than Rs. 2000, 5 BMOs work on co-operative model and only 12 have membership fee of Rs. 5000 or more. 36 BMOs have percentage coverage of membership more than 50% of which 26 have coverage of more than 75%.
- 30 BMOs own office space. 28 have office space barely enough for office work. Only 13 have office space large enough to hold meeting for more than 100 persons. 15 BMOs don't have a single computer and 25 don't have any office equipment.
- 57 BMOs have at least one employee but only 19 BMOs have at least one employee getting a monthly salary of Rs. 10,000 and above. Only 7 BMO have annual budget of Rs. 10 lakhs and above.
- Only 56 BMOs say they are aware of government schemes and 38 BMOs have either availed or working on proposal to avail scheme and 33 BMOs have made positive remarks about government support scheme.
- 18 BMOs have availed or waiting to avail support under MSE CDP Scheme. 61 BMOs are aware of cluster development concept. In 42 BMOs an external agency has undertaken Cluster development activity.
- 43 BMOs lack professionalism in office staff/vision by the leadership or the office bearer or work of the BMOs is done by the office bearer.

New Cluster BMOs are coming up across India, especially in South but most of the cluster BMOs are not seriously pursuing vision and mission. Most of them have predominantly Micro unit members and have low membership fees. Most of these BMOs have low membership base but have good percentage coverage of members. BMOs with co-operative model are quite successful. Many BMOs have poor office infrastructure (both in terms of office space and equipments). Only few are able to hire employee on a high salary and most of them have low annual budget. Only a quarter of them have availed or waiting for approval for CDP scheme. In more than half, external agencies are involved in cluster development activity. Majority of them lack professionalism in office staff.

District/State/National level- General BMO (All India) - 23 BMOs

- Only 4 BMOs are less than 10 years old, 16 BMOs are more than 30 years old, 14 BMOs have prepared vision, mission and strategy and pursuing seriously only 2 are not even aware of it. 8 BMOs have mainly Micro or Micro and Small and 11 BMOs mainly Small or Small and Large unit members.
- 11 BMOs have more than 500 members and 5 BMOs have between 250-500 members and only 2 have less than 100 members. 16 BMOs have membership fees less than Rs. 2000 and only 5 BMOs have fees more than Rs. 5,000. 13 BMOs have percentage coverage of membership less than 50%.
- 11 BMOs own office space. Only 2 have office space barely enough for office work. 10 BMOs have office space large enough to hold meeting for more than 100 persons. Only 3 BMOs don't have a single computer and 5 don't have any office equipment.
- 21 BMOs have at least one employee and 12 BMOs have at least one employee getting a monthly salary of Rs. 10,000 and above. 9 BMOs have annual budget of Rs. 10 lakhs and above.
- 18 BMOs claim that they are aware of government schemes and 16 BMOs have either availed or working on proposal to avail scheme and 13 BMOs have made positive remarks about government support scheme.
- 1 BMOs has availed support under MSE CDP Scheme. 20 BMOs are aware of cluster development concept. In 12 BMOs an external agency has undertaken Cluster development activity.
- 14 BMOs lack professionalism in office staff/vision by the leadership or the office bearer or work of the BMOs is done by the office bearer of which 1 BMOs require change in attitude of the office bearers and 7 are effective BMOs.

Most of these BMOs are quite old and established and predominantly have Small unit members. Majority of them are seriously pursuing vision and mission. Most of them have good office infrastructure. More than half are able to pay good salaries to their employees and many have annual budget of more than 10 lakhs. Majority of them have availed government schemes. However cluster development activity is relatively low in these BMOs. Though many of these BMOs are effective but more than half lack professionalism in office staff.

BMOs comprising mainly Micro or Micro and Small unit members (All India) – 45 BMOs

- 23 BMOs are less than 10 years old of which 17 are less than 5 years old, 12 BMOs are more than 30 years old, 37 are Cluster BMOs, 17 BMOs have prepared vision, mission and strategy and pursuing seriously and 7 are not even aware of it.
- Only 8 BMOs have more than 500 members and 6 BMOs have between 250-500 members, 18 BMOs have less than 100 members. 34 BMOs have membership fees less than Rs. 2000 and 4 BMOs work on co-operative model. 20 BMOs have percentage coverage of membership more than 50%.
- 17 BMOs own office space. 20 BMOs have office space barely enough for office work. Only 7 have office space large enough to hold meeting for more than 100 persons. 12 BMOs don't have a single computer and 17 don't have any office equipment.
- 36 BMOs have at least one employee but only 10 BMOs have at least one employee getting a monthly salary of Rs. 10,000 and above. Only 4 BMOs have annual budget of Rs. 10 lakhs and above.
- 35 BMOs say they are aware of government schemes and only 29 BMOs have either availed or working on proposal to avail scheme and 20 BMOs have made positive remarks about government support scheme.
- 15 BMOs have availed or waiting to avail support under MSE CDP Scheme. 41 BMOs are aware of cluster development concept. In 32 BMOs an external agency has undertaken Cluster development activity.
- 34 BMOs lack professionalism in office staff/vision by the leadership or the office bearer or work of the BMOs is done by the office bearer of which 4 BMOs require change in attitude of the office bearers.

These BMOs are largely new and most of them are Clusters. Majority of these BMOs are not seriously pursuing vision and mission statement. Despite of low membership fees, membership base of many are low. Office infrastructure is poor and only a few are able to pay good salaries to employees. In most of these BMOs an external agency is involved in cluster development activities. Majority of them have availed or waiting for approval for government scheme. Most of them lack professionalism in office staff.

BMOs comprising mainly Small or Small and Large unit members (All India) – 38 BMOs

- 10 BMOs are less than 10 years old, 16 BMOs are more than 30 years old, 27 are Cluster BMOs, 17 BMOs have prepared vision, mission and strategy and pursuing seriously; only 6 are not even aware of it. 17 are based in West.
- 10 BMOs have more than 500 members and 7 BMOs have between 250-500 members. 14 have less than 100 members. 14 BMOs have membership fees less than Rs. 2000 and 14 have membership fees more than Rs. 5,000. 17 BMOs have percentage coverage of membership more than 50%.
- 20 BMOs own office space. Only 7 have office space barely enough for office work. 14 have office space large enough to hold meeting for more than 100 persons. Only 3 BMOs don't have a single computer and 8 don't have any office equipment.
- 34 BMOs have at least one employee and 18 BMOs have at least one employee getting a monthly salary of Rs. 10,000 and above. 9 BMOs have annual budget of Rs. 10 lakhs and above.
- 31 BMOs claim that they are aware of government schemes and only 19 BMOs have either availed or working on proposal to avail scheme and 20 BMOs have made positive remarks about government support scheme.
- Only 2 BMOs have availed or waiting to avail support under MSE CDP Scheme. 32 BMOs are aware of cluster development concept. In 14 BMOs an external agency has undertaken Cluster development activity.
- 17 BMOs lack professionalism in office staff/vision by the leadership or the office bearer or work of the BMOs is done by the office bearer of which 1 BMOs require change in attitude of the office bearers and 9 BMOs are effective.

Mostly old and well established and several of them based in Western India. They have good membership base. Most of them have good office infrastructure. Almost half are able to pay good salaries to their employees. Though half of them have availed government support scheme but cluster development activity is low and only 2 BMOs have availed support under CDP scheme. As compared to BMOs in other groups, more professionalism is found in this one.

II. Overall Findings and observations

1. Vision & Mission and Infrastructure (Office premise, equipments and website)

- 32 BMOs are either not aware or if aware have not prepared vision and mission statement.
- Overall 41 BMOs own office (Mainly –South; Small units). 30 BMOs work out of rented or leased space. 15 BMOs work out of President's premises (Mainly – North; Cluster).
- 30 BMOs have small office space barely sufficient for office work (Mainly –North; Micro), 23 BMOs have fairly large office space that can hold meeting for more than 100 persons (Mainly –West; Small).
- There are 18 BMOs (6 from South and 6 from East) which don't have a single computer (Mainly – Cluster, Micro). 30 BMOs don't have single equipment like xerox, fax and LCD (Mainly- South; Cluster; Micro).
- Overall 49 BMOs don't have website (Mainly – Cluster; Micro; East).

Many BMOs especially in North and BMOs of Micro units don't have good office space. On interaction it was found that they have to hold meetings in hotels which cost them a lot. One association in Chandigarh which has 200 members conducts meeting at a local park as they cannot afford hotel or a meeting hall. BMOs working out of presidents' premises are mostly inert and don't have any staff or have staff with low salary.

From the survey it is seen that majority of BMOs don't have website of the association. It is found that BMOs that have website are not only able to create awareness about their association but also utilizing it for advertising the products of their members and generating income by selling space for ad on the website.

2. Secretariat

- 11 BMOs don't have any office staff (Mainly Clusters). 22 BMOs have just one employee who mainly works as a helper. In 31 BMOs it is found that the association's work is done by the office bearer.

- Though 78 BMOs have one or more employee but only 31 BMOs have at least one employee getting a salary higher than Rs. 10,000.
- 68 BMOs agree that a professional secretariat is needed for more and efficient services.
- 54 BMOs face one or more of the following problems –lack of professionalism in office staff, work of the association being done by the office bearers or lack of good communication abilities among office staff.

Biggest problem that BMOs face is the lack of competent staff. Most of the associations are financially weak and not in a position to pay high salary to attract efficient and professional staff. However both these aspects are interlinked, poor financial resources make it difficult to hire efficient staff and lack of good staff means lesser activity which results in low membership and further lack of financial resources. In large number of BMOs, association work is done by the office bearer. However on interaction, several such office-bearers admitted that they want to hire professional staff as they have time constraint and also lack required skill to draft government letter or prepare proposal for the scheme.

Professional staff is a great asset to association in not only carrying out routine work but also in submitting application for government scheme, interacting with government officers, organising activities, bringing out newsletters, periodicals, updating website and keeping the association aware of issues and schemes relevant to its members.

From the survey and also from the visits it is found that professionalism in staff is lacking relatively more in BMOs in East and in cluster BMOs than in other categories.

3. Revenue, Expenditure & Membership

- Of the 38 BMOs which have given details of their budget, 22 have annual budget less than 10 lakh (Mainly – Clusters). 16 BMOs have annual budget more than 10 lakhs (Mainly – General BMOs; Small Units BMOs; West).
- Only 34 BMOs have earning from sources other than subscription fee e.g. through advertisement, publication, organising workshop, exhibition, rent from building, interest from deposit, commission from common purchase, misc services and donation from members (Mainly – Small unit BMOs).

- 35 BMOs have less than 100 members (Mainly- Clusters). 50 BMOs have subscription fee less than Rs. 2000. 17 BMOs have subscription fee of Rs. 5,000 or more but majority of them have low membership base but good percentage coverage (Mainly – Small).
- 5 BMOs work on co-operative model (shares as membership). 4 such BMOs have availed government scheme; 3 have at least one employee getting a salary of Rs. 10,000 or more. (Mainly – Micro, Clusters, New)

Most of the BMOs especially Cluster and Micro unit BMOs struggle because of weak financial resources. Most of the BMOs rely only on subscription fees for their financial needs as they are not able to expand income generation from other means. Cluster BMOs, as they have niche membership linked to specific product, generally have low membership therefore if such a BMO fails to generate income from other means it has to face greater financial difficulties. Moreover BMOs cannot have high membership fees as it inversely affects their membership base. Because of the poor finances, BMOs are not able to carry out many activities and fail to attract membership or establish themselves well to avail government scheme. These factors exacerbate the problem of weak financial resources with the BMOs.

In large well established BMOs/association though there are laws/special provisions to give adequate representation to micro enterprises but from the interaction it seemed that members of micro enterprises are discriminated and have lesser voice and inadequate representation in such organisation. One BMO/MSME association said that a lot of members from small and medium enterprises are reluctant in participating in meetings attended by micro enterprises. Associations of smaller units are particularly weak as they are not able to collect enough money from subscription fee in order to carry out day to day activities.

It is seen that some BMOs were recently formed on co-operative model and are doing quite well.

4. Activities and Services, Sub-Committee & Media reporting

- 62 BMOs are involved in advocacy and in organising workshops/seminars. Only 17 BMOs are involved in all four activities- advocacy, organising seminars and providing strategic fee based services through external and internal expertise (Mainly – Chambers; General BMOs).
- 44 BMOs have formed one or more issue based sub-committee but only 22 BMOs held 6 or more sub-committee meetings in a year (Mainly – General BMOs).

- Only 33 BMOs have news about them appeared in media on more than 5 occasions in last one year (Mainly –Chambers). 21 BMOs had no news about them in media (Mainly-Clusters)

In terms of activities and services and media reporting, it is found that General BMOs and Chambers are relatively doing better than cluster or industry associations. Primary reason for this could be higher membership base, professional staff and better financial resources with general BMOs and chambers than with clusters which have product specific niche membership.

During field visit it was found that some big associations are conducting seminars by raising financial resources through sponsorship from private companies. However in such cases subject of the seminar is determined by the interest of the sponsoring organisation and not necessarily by the need of the association.

5. Membership of other associations & Liasioning with the Government

- 68 BMOs have membership of one or more associations (generally of bigger association)
- 67 BMOs say that on one or more occasions a government representative visited their association and 64 BMOs visited government offices.

It is found that most of the associations have membership of bigger association. Some even have membership of 2 or 3 or more associations. BMOs feel that though membership of bigger association does not help them much directly nevertheless it gives a good exposure to the office bearers and opportunity to become aware of important issues.

It was found that districts in which MSME DIs are located, BMOs and MSME DI officers are in regular touch, however associations in other districts where DIs are not based, complain that MSME DI don't visit them too often. These associations don't interact much with MSME DIs and MSME DIs also don't know them very well.

6. Availing Government Scheme, Awareness & Attributes

- 74 BMOs say they are aware of government scheme. 15 say they are not aware of schemes (Mainly – Micro).
- 54 BMOs have availed/preparing proposal/waiting for the approval of one or more state/central government scheme (Mainly – South; Micro).
- 46 BMOs made positive remark about government schemes (Mainly those BMOs that have availed or preparing proposal for scheme).

Though from the survey it appears that most of the BMOs are aware of government schemes, however during field visit it was found that majority of associations don't have proper information about schemes under the MSME and other Ministries catering to MSME sector. Most of the BMOs complain that neither the central nor the state government officials conduct formal seminar or awareness workshop for these schemes. BMOs come to know about these schemes either informally through the officials when they meet them or by visiting Ministry's website, which mostly well established BMOs are able to do. Small associations which do not interact with government officials and are not internet savvy, remain completely unaware about schemes. Moreover, small associations are hesitant and afraid of interacting with government officials. They have strong assumption that it is impossible for them to avail these public schemes.

Also, several associations said that they know that the details of schemes can be found on the Ministry's website but their impression is that the details are too complicated and the schemes require lot of formalities to avail them. Most of these schemes require time, effort and paper work by the associations to avail the benefit and as a result BMOs with poor office staff do not attempt to apply for the schemes. It can therefore be easily understood that for small associations availing such schemes would remain difficult as long as they don't have competent staff.

Last year in August Ministry of MSME launched 'Rajiv Gandhi Udyami Helpline' with a toll free No. 1800-180-6763 to provide information, support, guidance and assistance to entrepreneurs regarding various support schemes of the Government, procedural formalities required for setting up and running of the enterprise and help them in accessing Bank credit etc. However during field visit it was seen that BMOs office bearers have no awareness about the helpline. Even DIC officials and some MSME DIs are also not aware of this number. However, MSME DI Kolkata has mentioned the number on their letter head and MSME DI Karnal on their website and creating awareness about it.

7. Cluster Development

- 81 BMOs are aware of the concept of cluster development. In 54 BMOs an external agency has undertaken cluster development activity (Mainly – South; Micro; New; low in West)
- 20 BMOs have availed or preparing proposal for Cluster Development Scheme (Mainly – South; Micro)

From the survey it is found that many cluster BMOs have come up in recent past and lot of them are based in South India whereas this phenomenon is not seen much in practice in Western part of India. General BMOs are not too active in cluster development and it is mostly Micro unit BMOs that are involved but these BMOs struggle with weak resources.

It is also seen that several external agencies are working with cluster BMOs in cluster development activities and some of these agencies have played a major role in bringing the units together and forming the cluster and also helped BMOs in availing CDP scheme.

8. Capacity Building Scheme

- Of the 93 BMOs surveyed, only 3 BMOs say they have availed the scheme and 1 BMO is waiting for the approval. Of these 4 BMOs, one has an annual budget more than 10 lakh, the other has over 1 crore and the other two BMOs have not submitted their accounts.
- All 4 BMOs have mainly Small unit member. 2 are Cluster BMOs and 2 General BMOs.

From the survey and field visits it is found that many associations that have got funds under Capacity Building Programme or are in the process of getting funds or have applied for it are already big associations which have annual turnover in several lakhs or even crores and good infrastructure in place and for them government assistance of Rs. 5 lakh for infrastructure or 1 Lakh for seminar does not make sense. An interesting example of this is of West Bengal chapter of CII which is a well established association but has availed funds under this scheme. On the other hand small associations which are really in need of such assistance are first, not aware of the scheme, second find it difficult to apply for the scheme, and third quite often these BMOs are not successful in getting the funds because of the rigid norms in the scheme which make them ineligible for it.

From the survey it is seen that there are some associations with large number of members but the percentage coverage of members under their jurisdiction is small and similarly there are associations which have lesser members but coverage is substantial and/or the product they manufacture has great significance, but are often denied the benefit of the Capacity Building Scheme as they fail to meet the number norm prescribed in the scheme. On interaction with SGMEA, a sports goods manufacturer's association in Jalandhar this issue came into light. This is a district level association and has around 50 members who make a substantial contribution to the sports goods export from India but when the association applied for Capacity Building Scheme their application was rejected on the ground that their membership fall short of the minimum number needed to be eligible to avail the scheme.

Under Capacity Building Scheme, approval for the grant for workshop/seminar is given by the screening committee which meets only 3-4 times in a year (as told by the MSME Ministry itself) and as a result associations often fail to secure the grant on time. Also, there is no provision by the MSME Ministry under which association could know the status of their application. Another issue that was revealed during the visit was that the awareness about this scheme is quite poor among the associations, especially associations that are weak in resources.

From Chapter 4 Table No. 4 it can be clearly seen that in last 5 years only a small number of BMOs have benefitted and extremely low expenditure under the scheme has been made. According to Ministry of MSME's Annual report of 2010-2011, in the financial year 2009-2010 Rs 1.5 crore was allocated to this scheme however only Rs. 43 lakhs could be spent and only 39 associations were benefitted.

On interaction with an officer from the Planning Commission, positive response for capacity building of BMOs was received. The officer at the Planning Commission acknowledged the need to strengthen BMOs so that they can effectively partner with the government and for this more BMOs should be assisted and greater allocation needs to be made towards this scheme.

9. District Industries Centers and MSME Development Institutes

District Industries Centers, function under State Governments whereas MSME Development Institutes come under the Central Government. DICs are based in every district therefore they have great reach and good knowledge of MSME associations in their respective districts. Whereas each MSME DI has several districts under their jurisdiction thus their knowledge of associations and interaction with them is relatively poor. During discussion with District Industries Centre and MSME DI officials it was also seen that there is lack of co-ordination between the two offices.

Most of the support schemes are run by the Central government but MSME DI do not have enough manpower to visit all districts under them and interact with BMOs on regular basis and this is the main reason for disconnect between MSME DIs and BMOs especially with BMOs of far off districts. If interaction happens it happens generally with well established big associations.

On the other hand DICs don't seem to be too interested in disseminating information about MSME schemes as these schemes come under the central government. Also it is seen that DICs have fairly good staff strength but they lack professionalism and enthusiasm.

Analysis and Suggestions

1. From the MSME Ministry's reports and from the interaction with an officer in the Ministry it is learnt that though no fixed financial or physical target has been set for Capacity Building Scheme however it could be sensed that the scheme is considered less important compared to other schemes of the Ministry and allocation for this scheme though not stated clearly but is understood to be small. According to Ministry's Annual Report of 2010-211, in last five years less than Rs. 3 crores has been spent on this scheme. As already stated above, implementation of 41 schemes that have total allocation of several thousand crores, require support from BMOs in implementation. The Ministry of MSME should give more importance to capacity building of BMOs and make substantial increase in allocation and also expand its scope in the Twelfth Five-Year Plan. Officer at the Planning Commission endorsed the importance of BMOs and agreed to the view that higher allocation to capacity building of BMOs need to be made.

2. It is not very clear whether the primary objective of the scheme is to provide aid to association to obtain data regarding its members or to build the capacity of the associations so that they can partner effectively with the government in implementing various support schemes. Though the background of the Capacity Building Scheme elucidates both the objectives, however looking at the current level of allocation and expenditure made under the scheme in last five years and the list of items covered under the scheme it seems the scheme is designed to help the associations primarily in collecting data. The primary objective of the scheme should only be to strengthen associations and furnishing data of members may be put as one of the conditions to BMOs for obtaining funds under the scheme.

3. To be eligible for the Capacity building scheme a District Level association needs to have minimum 100 members, State level 200 and National level 300. General associations find it easier to fulfill this eligibility criterion but for cluster associations which have niche membership it becomes difficult to meet the number norms. While sanctioning or approving an application for this scheme various other parameters need to be considered. For cluster and Micro unit associations, number norms should be relaxed and percentage coverage of membership, annual total turnover of the members of the association or foreign exchange earnings and social benefits to marginalized should also be taken into consideration.

4. From the survey and field visit it is found that three categories of BMOs- Cluster BMOs, BMOs of predominantly Micro Units and BMOs in East- are in greater need of support than others. These BMOs are less empowered, less informed, lesser resourceful and in greater need of capacity building and thus have to be given preference. However direct financial support to these BMOs would not be enough and many would also require hand-holding and soft intervention by external agencies like APTICO, UNIDO, FMC, etc. Several of these BMOs also require attitudinal change in leadership, democratization in functioning, better management skills and in establishing their credibility and all this would need intervention by external agencies. There are external agencies already working and have helped several Cluster and Micro unit BMOs in different parts of India. More such agencies need to be identified and greater financial support need to be given by the government to these agencies so that more BMOs could be benefitted. Also, cluster development activity (both the off take level of CDP Scheme and involvement of external agencies) is low in West and needs to be undertaken there.

5. Competent staff is a critical element in the efficiency of any BMO and most of the BMOs find it difficult to pay high salary to attract competent people. Similarly, office space is another important factor on which activities of any association depend a lot. Due to these two major factors many associations are not able to carry out activities and remain weak in resources and subsequently become dormant. These are two areas which cannot be ignored if BMOs need to be strengthened. Under the capacity building scheme partial funding to BMOs for office rent and secretariat should also be considered. Such funding could be provided for a limited period.

6. For BMOs, especially for cluster, having a website is a great asset in not only creating awareness about the cluster but also in e-marketing the products of their members. However many BMOs are either not aware of these advantages or due to financial paucity not able to create their website. Ministry of MSME should make effort to create awareness about the

benefits of e-marketing among BMOs and under the capacity building scheme should provide financial support to BMOs in creating website of the association.

7. Currently there is no mechanism in place by which BMOs or Units could know the status of proposal/application submitted to the Ministry. During interaction with BMOs it was found that some BMOs have applied for grant under Capacity Building scheme for conducting seminar but even month or two after submitting the application they have not received any communication from the Ministry. It can therefore be understood that in event of not receiving grant on time, small associations that depend on government support for conducting the seminar are left with no other option but to cancel or postpone it at the last moment. Similar problem is faced by BMOs under the International Co-operation scheme under which grant is given for participation in International Trade fairs. Ministry should therefore provide the status of application on its website or through the helpline number. Decision for support to BMOs for conducting seminars/workshops, international co-operation scheme and other such schemes should be conveyed in a time bound manner.

8. Screening Committee that takes decision for granting funds under the scheme sits for roughly 3-4 times in a year and this causes delay in sanctioning funds. The Committee should hold at least one meeting in a month. Also, to reduce the time taken in decision making by the screening committee, MSME DIs should be given the responsibility to identify, verify and recommend BMOs in their region for assistance under this scheme. This would reduce the time taken in processing the application.

9. In order to ensure that there is no misuse of funds under the capacity building by BMOs, a regular auditing and accreditation of BMOs by an independent body should be done. An external agency with extensive network across the country and strong credibility could be entrusted for this work.

10. Associations are the best way to reach to the individual units. Associations can play an important role in disseminating information about schemes and also in empowering units. Government in its 11th Five Year Plan started several schemes but the awareness of these schemes among individual enterprises is still very low. Several BMOs bring out regular newsletters, magazines, directories and other publications and sell space in them for advertisement. Government could buy ad space in such publications and give advertisement

about its scheme. This would not only optimize the efforts of the government in reaching out to units and creating awareness about the schemes but would also help BMOs in income generation through government ads.

11. Poor awareness about schemes is also one of the reasons for their low off take level. Recently FISME published a handbook of schemes implemented by different ministries that cater to MSME sector and distributed it to its members. BMOs that received this handbook find it extremely useful. Ministry of MSME should publish a booklet of schemes in simple language and post it to BMOs through the network of MSME DIs and DICs. This booklet could also be made available at DICs to be purchased by paying a nominal price. Posting the booklet to BMOs would not only create awareness about the schemes but would also send a message that government is interested in partnering with BMOs and would generate positive response from their side.

12. Though there are around 41 schemes which require support of BMOs in their implementation, however there seem to be a big co-ordination gap and trust deficit between the associations and government officials. During conversation with office bearers a lot of cynicism could be seen towards the government officials and also lack of interest in availing government scheme. Efforts need to be taken to build trust between the associations and the officials. Government officers especially from MSME DIs need to take the initiative and reach out to associations. MSME DIs should conduct regular meetings with BMOs in districts under their jurisdiction and also actively involve DICs in it. MSME DIs should maintain database of BMOs in their region and also send regular mails to BMOs to keep them updated with current issues. Currently there are 30 MSME DIs and 28 Branch offices serving 641 districts in India but it seems there is a need to strengthen the manpower capacity of MSME DIs and their Branch offices so that they can serve the districts under their jurisdiction well.

13. During interaction with BMOs especially small associations, it was found that these BMOs find it difficult to understand the details of schemes and have several queries about them but do not know from where to get more information. Ministry's initiative to start Helpline number is commendable however more effort needs to be made to publicize the number through MSME DIs and DICs across the country. DICs and MSME DIs should be asked to display this number in their premises as they are doing for some of the schemes.

14. DICs can act as critical intermediary between public support schemes and local BMOs. It has been observed that DICs have more information about BMOs and better networking with them than the corresponding MSME DIs. Currently DICs are only involved in registering local enterprises under the single window clearance and in implementation of PMEGP scheme. There is a need to restructure the role of DICs and strengthen them by providing modern communication facilities and professional training to their human resource, something that has been suggested by the Prime Minister's task force as well. DIC could play an important role in capacity building of BMOs and help in identifying/recommending BMOs for this scheme. Also, DICs reach and infrastructure is under-utilised. Premises/meeting halls (if available) of DICs could be used by BMOs for monthly or annual meeting after paying a nominal charge. The DICs could also work as an excellent centre for providing comprehensive information on policies/schemes, marketing support through organizing exhibitions, etc. A helpdesk at every DIC could be set up for this purpose. A better co-ordination and more engaging relationship between the state and central government officials i.e. DIC and MSME DI officers is of utmost importance for the success of this sector.

15. There are around 40 schemes implemented by the Ministry of MSME alone and some of them are very small and even have similar objectives. Having large number of small schemes and schemes with similar objectives not only creates difficulty in awareness of schemes but also leads to confusion among its beneficiaries. Ministry of MSME should merge these smaller schemes and also avoid duplicity of schemes.

VI Recommendations for the Revised Scheme

- i) The objective of the scheme should clearly emphasize upon capacity building of BMOs and not on strengthening database. Associations availing support under the scheme may be required to furnish data in the prescribed format, as already available with the Ministry, and this may be put as one of the conditions to BMOs obtaining funds under this scheme.
- ii) Revised scheme should have 4 sub-heads 1) Support towards secretariat and office infrastructure 2) Support for conducting seminars/workshops 3) Assistance to external agencies to facilitate capacity building of BMOs 4) Support to MSME DIs and their Branch offices for conducting awareness workshops/seminars/meetings with BMOs and DICs in districts under their jurisdiction and for maintaining database of BMOs.
- iii) Revised scheme should include office rent and consultant's salary under the list of eligible items for strengthening of secretariat and office infrastructure. Associations that have annual budget more than 25 lakhs should not be eligible for support under office infrastructure and secretariat. However for funds for conducting seminar/workshops, all MSME BMOs should remain eligible to apply.
- iv) Revised scheme should have financial provision for taking services of external agencies to facilitate strengthening of BMOs that require soft interventions and hand- holding support. Proposal for hiring external agencies may come from MSME DIs or agencies can directly send Expression of Interest to DC MSME.
- v) To reduce the time taken in decision making by the screening committee at DC MSME, MSME DIs should be given the responsibility to identify, verify and recommend BMOs in their region for assistance under this scheme.
- vi) In case of Cluster associations and predominantly Micro unit associations (with at least 75% members from micro unit) a 25% relaxation in membership norms should be given. In exceptional cases MSME DIs can consider other parameters such as significance of the industry/product, total annual financial turnover of the members, foreign exchange earnings, social benefits to the marginalised, etc and send recommendation to DC MSME for relaxation in eligibility criteria.

Specific changes proposed in the revised scheme

1. Strengthening of secretariat and office infrastructure

The Association will be eligible for reimbursement of 50% of the total expenditure incurred upto a maximum of Rs. 5 lakh or the amount sanctioned by the Government of India, whichever is less, towards following items:

Revised list of eligible Items	Allowable limit
(a) Office Rent @ Rs. 5,000/month X 24 Months * (for a maximum period of 2 years)	Rs.1,20,000
(b) Full- time Consultant @ Rs. 20,000/month X 24 Months* (for a maximum period of 2 years)	Rs. 4,80,000
(c) Website**	Rs. 50,000
(d) Publication (magazine/directory/newsletter, etc.)	Rs. 50,000
(e) Computer and its peripherals	Rs. 50,000
(f) Furniture & Office equipments (xerox, fax, etc.)	Rs. 1,50,000
(g) Training of the Staff	Rs. 50,000
(h) Contingent and other expenses	Rs. 1,00,000
Total	Rs. 11,00,000

*Government would provide 50% financial support towards office rent and consultant's salary for a maximum period of two years.

** For items C-H government would provide one time reimbursement of 50% of total expenditure.

In next five years the scheme should target to assist 1500 BMOs (with at least 50% to be cluster and predominantly Micro unit BMOs)

2. Assistance for Seminar/Symposium/Workshop

Eligible items and scale of assistance to remain same as the current scheme, however in the next five years the scheme should target to support 1000 workshops/seminars/symposiums.

Note: BMOs may submit the proposal for seminar to the corresponding MSME DI which after scrutinizing it may forward the same along with its recommendation to DC MSME and final decision should be conveyed to BMO in a time bound manner (within 45 days from the day of submitting the proposal)

3. Assistance to External Agencies to facilitate capacity building of BMOs

Financial support would be given to External agencies to facilitate capacity building of BMOs that require soft interventions and hand-holding support. External agencies involved in cluster development activity and/or imparting soft skill training to MSME unit for a period of at least 5 years would be eligible for assistance.

4. Support to MSME DIs and Branch offices

Financial support would be given to MSME DIs and Branch offices for conducting awareness workshops/seminars/meetings with BMOs and DICs in districts under their jurisdiction. MSME DIs and branch offices would be required to conduct a minimum of 3 workshops in a year in all districts under their jurisdiction. The objective of the workshop would be to develop good acquaintance with BMOs and DICs, create awareness about MSME schemes, identify BMOs for support under this scheme, verify and monitor the utilization of funds granted to BMOs under this scheme and maintain a database of BMOs.

Revised eligibility criteria & guidelines for Associations and external agencies for assistance under the scheme

- A) The proposal under the scheme may be sent directly to the DC MSME along with the recommendation from corresponding MSME DI or be submitted to MSME DI and subsequently MSME DI can forward the proposal to DC MSME along with the recommendation.

- B) Association should be a Micro & Small Enterprises/Industries Association. Members of the Association should be at least 300 for a National Level Association for being eligible under the Scheme. The number of members for a State level and District Level association is 200 and 100 respectively. In case of Cluster associations and predominantly Micro unit associations (with at least 75% members from micro unit) a 25% relaxation in membership norms should be given. In exceptional cases, MSME DIs can consider other parameters such as significance of the industry, total annual financial turnover of the members, foreign exchange earnings, social benefits to the marginalized, etc and send recommendation for relaxation in eligibility criteria.
- C) Assistance for secretarial services and modernization facilities should be available only to BMOs that have annual budget less than 25 lakhs and assistance to be made only once in 4 years. Assistance for secretarial services and office rent to be available only for a maximum period of 2 years.
- D) Proposal for assistance to external agency to facilitate capacity building of BMOs may be submitted by MSME DIs or Expression of Interest may directly be sent by the external agencies to DC MSME.

Rest of the eligibility criteria, guidelines, conditions and procedures should remain same as being applied to the current scheme.

C Annexure

I. Case Studies of BMOs

Following are 6 case studies of BMOs, highlighting different characteristics, their style of functioning, leadership and other aspects that may help us to further our understanding of BMOs.

CODISSIA

Coimbatore District Small Industries Association is a district level general BMO based in Coimbatore. CODISSIA was established in the year 1969 and today has over 1400 members and has become one of the strongest and most popular MSME BMOs in India. CODISSIA is managed in a highly professional manner. The executive committee of the association is 83 member strong body which meets every month. To ensure balanced representation of different industries in the committee, one member from each industrial group is represented in this committee. The office bearers meet twice every month and discuss day-to day activities of the association. The association is actively working in partnership with the local, state and central government authorities and conducts several activities for its members throughout the year. CODISSIA has a huge trade fair complex that organizes international exhibitions. The association brings out fortnightly bulletin, which has informative articles and is available to readers at an annual subscription fee of Rs. 500.

CODISSIA is a strong district level general BMO and in a way a model BMO in India. Its genesis, growth, leadership, management, style of functioning, etc. needs to be studied closely and its members be interviewed to see how some of the best practices from this association could be replicated in other BMOs in India.

SRMA

Steel Re-Rolling Mills Association of India is one of the oldest BMOs in India. The association started by the government of India in 1940 was active till 70s but has today reached a stage of complete dormancy. Though the association has a rich legacy and a big office in one of the prestigious buildings in Kolkata, however just a visit inside the office is enough to understand how ineffective and dormant the association has become today. Association has 3 staff members, who are non professional and not active and associated with the organisation for past several

years. According to the staff most of the work is done by the office bearers who find it difficult to take out much time for the work of the association. Though the association has good infrastructure and members are resourceful, small and medium steel rolling mill owners, yet the association has become ineffective today.

This is an excellent example that highlights that no matter how resourceful and strong an association may be but it could become ineffective because of poor management and lack of vision in the leadership.

Janbazar Leather Artisans Industrial Co-operative Society Ltd.

Janbazar Leather Artisans co-operative, based in Kolkata, is formed in the year 2009. The co-operative has 30 artisans from backward community who have bought shares to become members of the co-operative. The co-operative helps in purchasing the raw material, in getting orders and selling the goods of the members. Though the association is poor in resources but the members have gained better bargaining power in the purchase and sale because of the co-operative. The members are actively liaising with the government and have availed PMEGP scheme from the government. An external agency is involved in the cluster development activity as well.

JLAIC is a good example to highlight the success of co-operative framework in BMO especially for artisans and weavers. More such BMOs need to be encouraged among artisans and weavers who are the most marginalized group in the MSME sector and find it extremely difficult to form a formal association.

Chandigarh Screw Manufacturer's Association

CSMA was started in 1988 and has 200 members out of total 240 micro units of screw manufacturers in Chandigarh. This industry has a great significance and the association is in existence for more than 20 years yet it is weak in resources. The members are micro unit owners and there is no membership fee in the association and whenever any issue comes up, meeting is organized and members pool-in money to meet the expenses of the meeting. The association has only one helper and no office space and conducts its meetings in park as it cannot afford any hall or a hotel. Despite of poor resources, association has helped its members in procuring raw material at fair price and in fixing the minimum selling price of the product. The association has so far not been able to leverage any government scheme mainly because the office bearers are busy with their units and there is no professional staff in the association.

CSMA is one of those micro unit/cluster associations that deserve support under the capacity building programme. Also it can be seen that for these associations support for office equipment would not be enough as without a professional staff they would remain ineffective. Partial funding for staff and office space could motivate them to develop a more professional way of working and subsequently they could leverage government schemes as well.

Faridabad Foundry Association

FFA a cluster association of mainly micro units was formed in 2010 by the intervention of Foundation for MSME Cluster (FMC). FFA is based in Faridabad and started with a membership base of 20 and has today 38 members out of 100 units operating in the region. The association has an office with one full time employee who is paid well. The association is able to meet its financial needs from membership fee and a fixed commission from the common purchase which the association facilitates for its members. FMC is still working with the association to make it stronger and enable it to become self reliant.

Example of FFA highlights the need of external agencies in forming and guiding cluster/micro unit associations which apart from financial support need hand holding support too.

Sports Goods Manufacturers and Exporters Association

SGMEA is a Jalandhar based association of sports good manufacturers. Though the membership of the association is less than 50 units, yet they are the leading exporters of sports goods and have a share of nearly 90% of the export from India. The association has office and full time staff. The association helps its members in purchase of raw material, promoting their products, organising seminars and also publishes a journal regularly. The association recently conducted a seminar and availed financial support from the government under IPR scheme. However, half of this financial support was given before the seminar and remaining half was to be given after it. After the seminar the association had to face difficulties in receiving the remaining amount. The association also applied for the Capacity Building Scheme but the application was rejected because of the membership eligibility criterion. When the association was visited for this study, lot of pessimism and distrust towards government supported programmes was felt. The office staff was not willing to share any view on government schemes.

SGMEA is an example of those several BMOs where we could see cynicism towards the government. This shows that for the growth of this sector, government officials will have to take proactive steps; will have to reach out to BMOs and restore their confidence and interest in government support programmes.

II. Categorization of Schemes according to role for BMOs

Table 4: Categorization of Schemes According to Role for Associations/B MOs S No	Scheme	Ministry/ Department	Role for BMOs
1	Scheme of Fund for Regeneration of Traditional Industries (SFURTI) through KVIC and Coir Board	Ministry of MSME (MoMSME)	One of many eligible agencies
2	Scheme of Surveys, Studies, Policy Research	MoMSME	Primary implementing agency
3	International Cooperation Scheme	MoMSME	Primary implementing agency
4	Scheme for capacity building, strengthening of database and advocacy and for holding Seminars/Symposiums/Workshops by Industry/Enterprise Associations	DC (MSME)	Primary implementing agency
5	Micro & Small Enterprise Cluster Development Programme (MSECDP)	DC (MSME))	One of many eligible agencies
6	Market Development Assistance Scheme for SSI exporters (SSI-MDA)	DC (MSME)	One of many eligible agencies
7	Integrated Infrastructure Development (IID) (subsumed under MSECDP)	DC (MSME)	One of many eligible agencies
8	Building awareness on IPRs	DC (MSME)	One of many eligible agencies
9	Setting up of New Mini Tool Rooms under PPP Mode	DC (MSME)	One of many eligible agencies
10	Enabling Manufacturing Sector be competitive through Quality Management Standards and Quality Technology Tools	DC (MSME)	One of many eligible agencies
11	Support for Entrepreneurial and Managerial Development of SMEs: Through Incubators	DC (MSME)	Facilitating role
12	Scheme for Integrated Textiles Park (SITP)	Ministry of Textiles	Facilitating role
13	Integrated Handloom Cluster Development Programme	Ministry of Textiles	Facilitating role
14	Baba Saheb Ambedkar Hastshilp Vikas Yojana (AHVY)	Ministry of Textiles	One of many eligible agencies
15	Special Handicraft Training Project	Ministry of Textiles	One of many eligible agencies
16	Assistance to States for developing Export Infrastructure and Allied Activities (ASIDE)	Ministry of Commerce & Industry (MoC&I)	One of many eligible agencies
17	Industrial Infrastructure Upgradation Scheme (IIUS)	MoC&I	One of many eligible agencies
18	Revised Market Access Initiative Scheme	MoC&I	One of many eligible agencies
19	Market Development Assistance Scheme	MoC&I	One of many eligible agencies

			eligible agencies
20	HRD Mission for Leather	MoC&I	Facilitating role
21	Modular Employable Skills (MES) under Skill Development Initiative Scheme (SDIS)	Ministry of Labour	Facilitating role
22	Upgradation of Government ITIs through Public Private Partnership	Ministry of Labour	One of many eligible agencies
23	Rejuvenation, Modernisation and Technology Upgradation of the Coir Industry	Coir Board	Facilitating role
24	Scheme for Development of AYUSH Clusters	Department of AYUSH	Facilitating role
25	Assistance for Exchange Programme / Seminar / Conference / Workshop on AYUSH	Department of AYUSH	One of many eligible agencies
26	Mega Food Parks Scheme	Ministry of Food Processing Industries (MoFPI)	Facilitating role
27	Scheme for Cold Chain, Value Addition and Preservation Infrastructure	MoFPI	Facilitating role
28	Scheme for Setting up/ up gradation of food testing laboratories	MoFPI	Facilitating role
29	Scheme for Promotional Activities	MoFPI	One of many eligible agencies
30	Special Projects under Swarnjayanti Gram Swarozgar Yojana (SGSY)	Department of Rural Development	One of many eligible agencies
31	Instrument development Programme (IDP)	Department of Science and Technology (DST)	Facilitating role
32	International S&T Cooperation(ISTC)	DST	Facilitating role
33	Joint Technology Projects under STAC/IS-STAC	DST	Facilitating role
34	State Science & Technology Programme(SSTP)	DST	One of many eligible agencies
35	International Technology Transfer Programme	Department of Scientific and Industrial Research (DSIR)	One of many eligible agencies
36	Consultancy Promotion Programme	DSIR	One of many eligible agencies
37	Technology Information Facilitation Programme	DSIR	One of many eligible agencies
38	Technology Development & Utilization Programme for Women	DSIR	One of many eligible agencies
39	R&D Grants For New Product / Process Development	DSIR	Facilitating role
40	Technology Management Programme	DSIR	One of many eligible agencies
41	Viability Gap Funding	Ministry of Finance	Facilitating role

D Abbreviations

BE - Budgetary Estimate

BMOs - Business Membership Organisations

DICs - District Industries Centres

VSE - Village and Small Industries

MSME - Micro Small and Medium Enterprises

MSME DIs - Micro Small and Medium Enterprises Development Institutes

PMEGP –Prime Minister Employment Guarantee Programme

RE - Revised Estimate

Draft for Consultation

Working Paper
On

**Analysis of
Schemes Involving Industry Associations
&
Suggestions for Effective Implementation**

August 2009

Commissioned by

gtz **German Technical Cooperation (GTZ)**

Study Conducted and Published by

Federation of Indian Micro and Small & medium Enterprises (FISME)

B-4/161, Safdarjung Enclave, New Delhi-10029

Telephone: +91-11-46023157, 46018592 Fax: +9-11-26109470

E-mail: info@fisme.org.in Website: www.fisme.org.in



ABBREVIATIONS & ACRONYMS

AFMEC	Agra Footwear Manufacturers and Exporters Chamber
AMC	Ahmedabad Municipal Corporation
AHVY	Ambedkar Hastshilp Vikas Yojana
ASIDE	Assistance to States for Developing Export Infrastructure and Allied Activities
ALEAP	Association of Lady Entrepreneurs of Andhra Pradesh
AWAKE	Association of Women Entrepreneurs of Karnataka
ASU	Ayurveda, Siddha & Unani
BIPCC	Banthar Industrial Pollution Control Company
BNCCI	Bengal National Chamber of Commerce & Industry
BIA	Bihar Industries Association
BDS	Business Development Service
BMOs	Business Membership Organizations
CAPABLE	Capacity Building Programme for Associations
CDE	Cluster Development
CDE	Cluster development executive
CODISSIA	Coimbatore District Small Industries Association
CFCs	Common Facility Centres
COTEX	Consortium of Textile Exporters
CLCSS	Credit Linked Capital Subsidy Scheme
CIPS	Critical Infrastructure Upgradation Scheme
DFID	Department For International Development
DIPP	Department of Industrial Policy & Promotion
DST	Department of Science and Technology
DSIR	Department of Scientific and Industrial Research
DPR	Detailed Project Report
DCMSME	Development Commissioner Micro, Small and Medium Enterprises
DICs	District Industry Centers
ETP	Effluent Treatment Plant
ELCINA	Electronic Industries Association of India
EITA	Engineering and Iron Trades Association
FSIA	Faridabad Small Industries Association
FAPSIA	Federation of Andhra Pradesh Small Industries Association
FASSI	Federation of Association of Small Industries in India
FISME	Federation of Indian Micro and Small & Medium Enterprises
FOSMI	Federation of Small & Medium Industries
FYPs	Five Year Plans
GSIA	Goa State Industries Association
GMP	Good Manufacturing Practices
GoI	Government of India
GIDC	Gujarat Industrial Development Corporation
ICC	Indian Chamber of commerce
IIA	Indian Industries Association
IIUS	Industrial Infrastructure Upgradation Scheme
ICT	Information and Communication Technologies
IL&FS	Infrastructure Leasing & Financial Services Limited

IDP	Instrument development Programme
IID	Integrated Infrastructure Development
IPRs	Intellectual Property Rights
IMC	International Merchant Chamber
ISO	International Organization for Standardization
ISTC	International S&T Cooperation
KCCI	Karnataka Chamber of Commerce & Industry
KASSIA	Karnataka Small Scale Industries Association
KVIC	Khadi and Village Industries Commission
MPLUS	Madhya Pradesh Laghu Udyog Sangh
MAWE	Mahakaushal Association of Women Entrepreneurs
MDA	Market Development Assistance
MSEs	Micro and Small Enterprises
MSECDP	Micro and Small Enterprises Cluster Development Programme
MSMEs	Micro, Small and Medium Enterprises
MoC& I	Ministry of Commerce and Industry
MoFPI	Ministry of Food Processing Industries
MoMSME	Ministry of Micro, Small and Medium Enterprises
MES	Modular Employable Skills
NAYE	National Alliance of Young Entrepreneurs
NSIC	National Small scale Industries Corporation
OPEs	Out of Pocket Expenses
PPP	Public Private Partnership
QRs	Quantitative Restrictions (in imports)
R&D	Research and development
RBI	Reserve Bank of India
RTI	Right to Information
SITP	Scheme for Integrated Textiles Park
SFURTI	Scheme of Fund for Regeneration of Traditional Industries
SEBI	Securities and Exchange Board of India
SDIS	Skill Development Initiative Scheme
SISIs	Small Industries Service Institutes
SSI-MDA	Small Scale Industries- Market Development Assistance
SPVs	Special Purpose Vehicles
SSTP	State Science & Technology Programme
SCX	Sub contracting exchanges
SGSY	Swarnjayanti Gram Swarozgar Yojana
TANSTIA	Tamil Nadu Small and Tiny Industries Association
TEA	Tirupur Exporters Association
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industries Development Organizations
UPTECH	Upgradation of Technology Programme
VIA	Vatva Industries Association
VGF	Viability Gap Funding

Table of Contents

Introduction	1
Process Flow of Study	3
Chapter 1 MSME Support Schemes and Programmes	4
1. Evolution of Support programmes for MSMEs.....	4
2. Ongoing Support Programmes.....	6
3. Ministries with prominent MSME support programmes.....	6
4. Categorization of support programmes.....	7
a. Individual enterprises based support programmes.....	7
b. Schemes targeting groups of enterprises.....	7
c. Categorization according to type of role envisaged for Industry Associations/ BMOs	9
5. Focus of Schemes	10
Role for Associations/BMOs.....	
Chapter II Analysis of MSME Support Schemes having BMO relevance	13
1. Analysis of Important Schemes	13
a. DCMSME.....	13
b. Ministry of Textiles.....	13
c. DIPP.....	13
d. Ministry of MSME.....	13
2. Detailed Analysis of MSECDP and IIUS.....	19
a. MSECDP (Functional elements, performance, merits and gaps)	19
b. IIUS (Functional elements, performance, merits and gaps)	31
Chapter III MSME Associations/ Business Membership Organizations	39
1. BMOs in India (genesis, institutional landscape, genesis	39
2. Indian BMOs: Capabilities, Competencies and Needs.....	41
3. Capacity Building needs of MSME dominated Indian BMOs	44
4. Case Studies.....	47
Case 1: Vatva Industries Association, Ahmedabad.....	47
Case 2: Consortium of Textile Exporters, Jaipur	50
Chapter IV Observations	53
Chapter V Suggestions and Recommendations	
Structure of the CAPABLE Center & proposed Institutional framework	62
Annexure-A: Compilation of Schemes with BMOs/ MSME Associations as implementing agencies	

Tables

Table 1	Evolution of Promotional Poly Framework for Small Sector	5
Table 2	Ministries and BMO relevant schemes	6
Table 3	Scheme Segregation as per role of BMOs	10
Table 4	Categorization of Schemes according to Role	10
Table 5	Major Schemes at Glance (RTI details)	15
Table 6	Nature of Interventions under MSECDP	23
Table 7	State wise Approved CFC projects under MSECDP	24
Table 8	Status of Projects	33
Table 9	State wise break up of pproved projects	34
Table 10	Modified IIUS (2009)	35
Table 11	Mapping of 19 BMOs on the scale of 1 to 3 on 8 parameters	43
Table 12	Proposed steps for effective scheme design implementation	60
Table 13	Capable Center of Excellence	62

INTRODUCTION

Owing to their substantive contribution to employment, industrial production and exports, Micro, Small and Medium Enterprises (MSMEs) are actively encouraged and supported through public policies in all countries. India also has a large number of MSME support schemes. Many of these schemes envisage direct or indirect role of industry associations or Business Membership Organizations (BMOs) in implementation. However, concerns are growing that implementation of the schemes having a role of BMOs remains sub-optimal on parameters of outreach, efficiency, effectiveness and fund utilisation.

Why are BMOs important and what role do they play in implementation of the schemes? Whereas Government is responsible for framework conditions in an economic environment, BMOs serve as a critical link between the Government and group of enterprises affected by or be beneficiary of support schemes being implemented by Government. They have better access to the target group and a greater familiarity with their problems and needs. BMOs being less bureaucratic and more flexible in decision making, development agencies are increasingly partnering with them in formulation and implementation of MSME support programmes.

Therefore, to enhance outreach and efficacy of public MSME support schemes, the Indian Government also has been increasingly shifting from the approach of 'direct delivery of subsidized services' to that of being a facilitator involving the industry and the BMOs in the delivery process as partners. It is evident from the rising number of schemes being launched and under implementation using the Public Private Partnership (PPP) approach during the last decade.

Though the approach of partnering with private sector is laudable, in terms of impact it is yet to break ground. Concerns have been expressed about low level of participation, time overruns in execution of the projects undertaken and a wide gap between sanctions (approvals) and disbursements (actual release of funds). Concerns are also being raised about the capacity and capability of BMOs for executing and implementing these schemes. As many of these roles have been rather new for BMOs and institutionalised capacity building mechanism for the associations is conspicuous by its absence, the issue of capability of MSME associations has assumed greater importance.

The study attempts to map such MSME support schemes, cutting across central Ministries, which envisage a definite role for associations and then analyse it from the perspective of capacity and capability of Industry associations to understand and implement these support programmes.

Chapter-I, scans the evolution of MSME support programmes in India and maps the current universe of these schemes and categorizes them on the basis of types of roles. Chapter-II reviews important BMO focused schemes and analyzes in detail their objectives, components and processes. The Chapter provides comparison of key parameters of important schemes to help identify the best practices. Chapter-III presents an overview of the universe of BMOs and industry associations in India and types of roles they are discharging. Based on some important studies on Indian BMOs and secondary data, the Chapter analyzes the strengths and weaknesses of Indian BMOs and also presents two case studies. The Chapter brings forth insights into the capacities and capabilities of Indian BMOs. Chapter-IV summarizes the analysis of the previous two chapters and presents the observations on the constraints of the supply side (Government and the schemes) as well as demand side (BMOs).

The final chapter, builds upon observations of Chapter-IV and enlists the important lessons learnt. It presents a model scheme-of- things to improve the 'supply side' and an institutional mechanism to strengthen the 'demand side'.

PROCESS FLOW OF STUDY

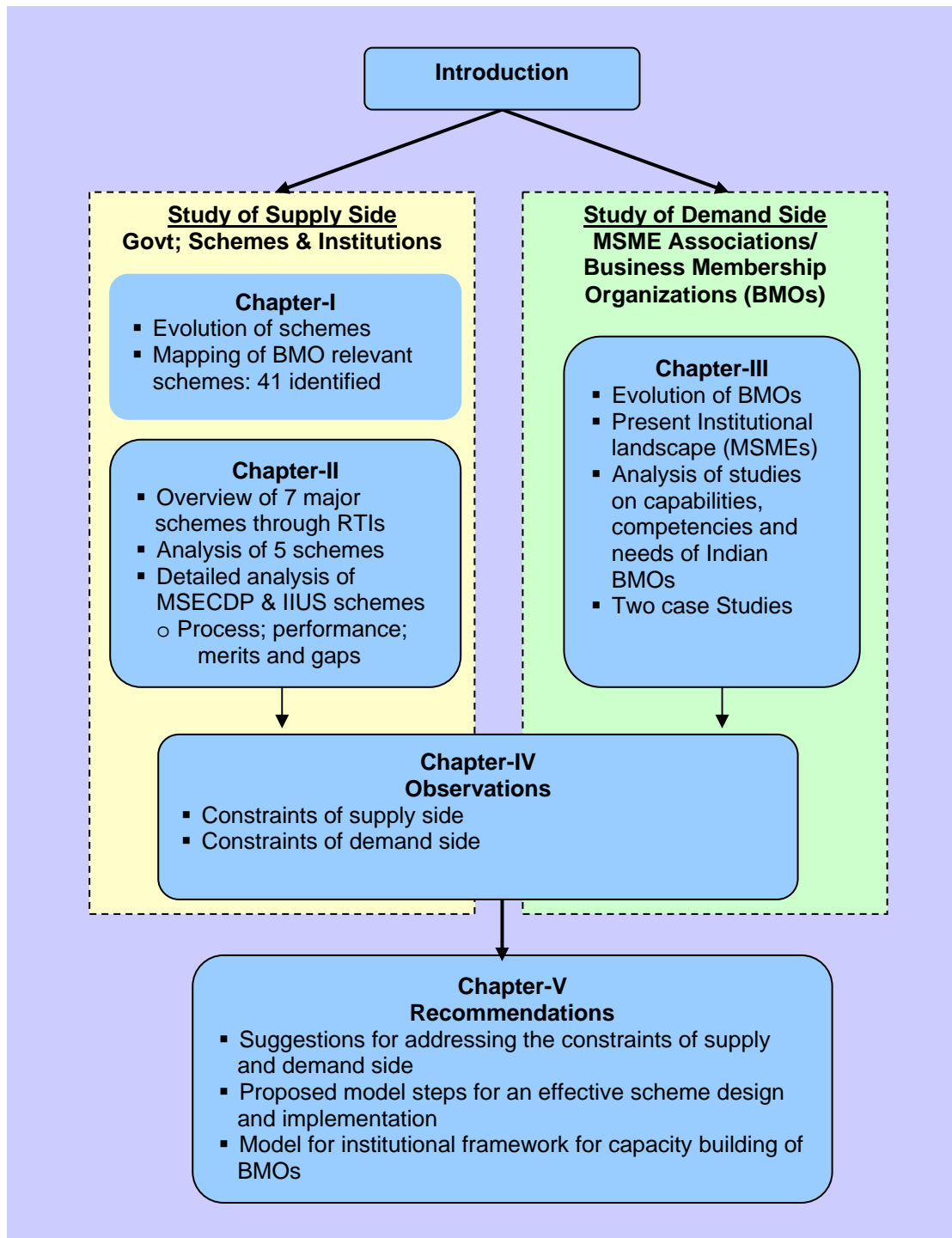


Figure 1: Process flow of the study

CHAPTER- I

MSME SUPPORT SCHEMES AND PROGRAMMES

1. Evolution of support programmes for MSMEs

- a. Since independence in 1947, there has been a widespread recognition in India that vibrant small enterprises are potentially a key engine of economic growth, job creation and greater prosperity. The Government of India's successive industrial policy statements have emphasised the role that small enterprises can play in providing employment to a million or so workers transitioning out of agriculture each year. The development of small scale sector has been seen as a method of ensuring a more equitable distribution of national income and facilitating the effective mobilisation of capital resources and skills which might otherwise remain un-utilised.
- b. In the centralized economy which India once was, it was considered appropriate to let the large private sector and public sector produce primary and intermediate products with heavy industries, while the 'modern small scale industries' were to produce consumer durable and articles of mass consumption. Successive Five Year Plans (FYPs) adopted by Government of India and accompanying Industrial Policies provided the required policy framework for the small sector to bestow 'protection' and financial, marketing and technological support. (See table-1).
- c. The promotional set up for the MSME sector, therefore, has been elaborate. Till late 1980s, the emphasis of the most MSME development schemes has been on the unit level support delivered through public institutions. The Industrial Policy of 1991 and Abid Hussain Committee Report (1997) induced a paradigm shift to the vision of promotional policy for the sector. The points of departure- at least in terms of intent, have been:
 - I. From protection of small scale sector to its promotion
 - II. In addition to focus on individual unit level support, group of enterprises (cluster) also targeted as beneficiaries
 - III. Besides public institutions, gradual involvement of associations, NGOs and private sector in formulation and execution of promotional schemes

Table 1: Evolution of Promotional Policy Framework for Small Sector

Documents/ Reports	Prescription influencing MSME policy
Five Year Plans	
First FYP 1951	<ul style="list-style-type: none"> Advocated elaborate & determined state policy intervention covering Finance, Raw materials, Technical and Marketing guidance Mooted 'protection' of spheres of production for the sector
Second FYP 1956	<ul style="list-style-type: none"> Laid foundation for establishment of promotional and support institutions: NSIC, SISIs, State Financial Corporations Provided for development of Industrial Estates
Eighth FYP 1992	<ul style="list-style-type: none"> Advocated reform agenda: lifting of QRs, removal of licensing, quotas; Stressed technological upgradation and marketing support, Mooted 'Growth Center Approach' (which later crystallized into the cluster development approach in India)
Industrial Policies	
Industrial Policy Resolution 1948	<ul style="list-style-type: none"> Support through Policy and fiscal measures to Cottage and small scale industries for better utilization of local resources and achievement of 'local sufficiency'
Industrial Policy Statement 1977	<ul style="list-style-type: none"> Declared 'whatever can be produced by small and cottage industries must only be so produced'; Took protection to new heights; reserved items in SSIs expanded from 180 to 807 Mooted the concept of District Industry Centers (DICs) Tiny sector defined within the small scale sector
Industrial Policy Statement 1980	<ul style="list-style-type: none"> Focused ancillarisation and creation of nucleus plants Modernization and technological up-gradation
Industrial Policy Measures 1991	<ul style="list-style-type: none"> Paradigm shift in policies: 'protection to promotion' Industrial licensing done away with and Backed removal Quantitative Restrictions on imports and process of de-reservation of SSIs
Important Reports/ Studies which influenced policies	
Karve Committee Report (1956) (Under Planning Commission)	<ul style="list-style-type: none"> Stepping stone for future small sector policies Recommended state intervention in ensuring access to raw materials; institutional finance; technology; markets; skills; power; common facilities; industrial estates; raw material and producer cooperatives differential taxation; cooperative marketing
International Planning team (Ford Foundation), 1955	<ul style="list-style-type: none"> Setting up of institutional framework for Technical, marketing, credit assistance; provided basis for Small Industries Development Board (now DCMSME), National Small scale Industries Corporation (NSIC) to come up
Expert Group on Small Enterprises (Abid Hussain Committee) Report (1997)	<ul style="list-style-type: none"> Comprehensively reviewed past policies and advocated change of course; Suggested 'Protection to promotion'; de-reservation but with technological and marketing support Changed focus of support from unit level to groups of industries; brought industrial clusters in focus
Source: Five Year Plan documents, Planning Commission; Industrial Policies, Ministry of Commerce and Industry, GoI	

2. Ongoing Support Programmes:

- a) All the schemes under Central Ministries/ Departments which envisage a role for Associations/ BMOs have been mapped as a part of this study. Thus a universe of 41 relevant schemes was drawn upon which envisage either one or a combination of roles for Associations/ BMOs in its implementation.

3. Ministries with prominent MSME support programmes:

- a) The Central Ministries having promotional schemes for the MSME sector are of two types: sector specific Ministries and cross cutting Ministries. Ministries such as of Textiles, Food Processing Industries, Health etc are focused on specific sectors whereas Ministries such as of MSME, Commerce and Industry, Finance etc focus on cross cutting issues.
- b) Though each Ministry/ Department has its own priority and focus area for which specific schemes are propagated, there are many cross cutting issues that more than one Ministry attempts to address. At any given time, there is more than one scheme aiming to address similar concerns. Major Ministries having promotional schemes for the MSME sector are:

Table 2: Ministries and BMO relevant Schemes

	Ministries/Departments	No of schemes relevant for BMOs (as on 31 st March 2009)
I.	Ministry of MSME (DC MSME, COIR BOARD)	13
II.	Ministry of Commerce	5
III.	Ministry of Labour	2
IV.	Department of Science & Technology	4
V.	DSIR	6
VI.	Ministry of Rural development	1
VII.	Ministry of Textiles	4
VIII.	Department of AYUSH	2
IX.	Ministry of Finance	1
X.	Ministry of Food Processing Industries	3
	Total	41

4. Categorization of support programmes:

The MSME support programmes can be categorized on the following parameters:

- Profile of the intended beneficiaries
 - Individual enterprises
 - Group of enterprises/ collectives/ clusters
- Type of role envisaged for association
- Specific focused area

a. Individual enterprises based support programmes

- I. The programmes which envisage the individual units to be eligible beneficiary are aimed at enhancing the competitiveness of the units through technology up gradation support, assistance for marketing access, product/ process development, training/ skill up gradation etc. Few schemes which target individual enterprises are:

- Credit Linked Capital Subsidy Scheme of Ministry of MSME for Technology Up-gradation
- Technology Up-gradation Fund Scheme of Ministry of Textiles for enterprise level technology up-gradation
- Scheme for assisting Ayurveda, Siddha & Unani (ASU) drug manufacturing units of Department of AYUSH to strengthen in-house quality control section/drug testing laboratories to meet the requirements of Good Manufacturing Practices (GMP)
- Credit Guarantee Fund Scheme of Ministry of MSME to facilitate access to finance
- Certificate Reimbursement Scheme of Ministry of MSME to assist units in quality certification such as ISO etc
- Market Development Assistance Scheme of Ministry of Commerce to assist entrepreneurs/ exporters in accessing new markets.
- R&D Grants For New Product / Process Development of Department of Science and Technology

b. Schemes targeting groups of enterprises:

- I. These schemes envisage enterprises to come together, pool resources and overcome gaps which enterprises in isolation or on their own find it difficult to address. Majority of these Schemes address either

infrastructure related gaps or business support institution to provide services where immediate business gains may not be obvious to the MSME users and risk for initiating them may be high.

- II. Collective projects aim at sharing the risk hence enhancing the gains associated with the setting up of projects. Setting up of common facility centres such as those for testing, R&D, raw material standardization, skill development etc, setting up of industrial parks, common marketing initiatives, market access interventions, innovation and product development, upgradation/ creation of general infrastructure facilities such as power supply, roads, drainage etc are some of the activities that come under the purview of the Schemes targeting groups of enterprises.
- III. Some such Schemes primarily targeting groups of enterprises are mentioned below:
 - Scheme for Integrated Textiles Park (SITP) launched by Ministry of Textiles in September 2005 aims to provide the industry with world class infrastructure facilities for setting up their textiles units. 40 parks have already been approved under the scheme pan India with greenfield parks coming up in the vicinity of existing textile clusters.
 - Industrial Infrastructure Upgradation Scheme (IIUS), by Department of Industrial Policy & Promotion (DIPP) was launched to provide quality infrastructure initially in functional clusters/ industrial locations. The scheme is meant for strengthening sector specific clusters through collective interventions. Existing industrial locations having concentration of industrial units are also eligible to apply for assistance under the scheme.
 - Scheme of Fund for Regeneration of Traditional Industries (SFURTI), being implemented by Khadi and Village Industries Commission (KVIC) under Ministry of Agro & Rural Industries aims at strengthening of rural clusters and to make the traditional industries more productive, competitive for sustainable development. The scheme has provision for both hard as well as softer interventions and has provision for nodal as well as technical agencies at national as well as cluster level to assist the implementing agencies.
 - Integrated Handloom Cluster Development Programme, based on a cluster approach for the development of the handloom sector was

introduced in 2005-06. The same is being implemented by Development Commissioner (Handlooms), Ministry of Textiles and aims to facilitate the sustainable development of handloom weavers located in identified clusters into a cohesive, self managing and competitive socio-economic units. 120 clusters have been selected while the scheme is being implemented in 20 clusters.

- Mega Food Park, a scheme by Ministry of Food Processing Industries aims at setting up infrastructure & common facilities for use by small and medium enterprises which enhance value addition and Quality assurance through filling gaps in the supply chain. The Scheme has replaced the earlier food park Scheme and has more structured and participatory implementation framework.

c. Categorization according to type of role envisaged for industry Associations / BMOs:

All the schemes under the Central Ministries/ Departments which envisage a role for Associations/ BMOs have been mapped as a part of this study. Thus a universe of 41 relevant schemes was drawn upon which envisage either one or a combination of roles for Associations/ BMOs in its implementation.

I. Different type of role envisaged for associations in public support programmes are:

- **Need assessment and Scheme design:** Not explicitly stated in the scheme guidelines, some of the Schemes in their design stage envisage involvement of BMOs so that the provisions are demand driven and in sync with the needs of the sector.
- **Awareness creation/ Information Dissemination:** BMOs as part of their service basket disseminate information about the Schemes and support programmes amongst their members. In some of the Schemes the BMOs are provided financial assistance for awareness creation through workshops/ symposiums/ seminars etc.
- **Promoters of vehicles for implementation:** Many of the Schemes especially the ones designed on PPP framework and envisaging Special Purpose Vehicles (SPVs) to act as implementing agencies encourage associations to lead the projects in initial stages, submit preliminary proposals, mobilize entrepreneurs to come forward and promote SPVs etc

- **Part of evaluation/ approval committee:** The Project screening/ approval committees under most of the Schemes have representation from industry associations. BMOs are also part of technical committees evaluating proposals.
- **As Implementing agencies:** There are GoI Schemes which recognize BMOs as the eligible implementing agencies for direct implementation of projects. Most of these schemes provide assistance for soft interventions, research and infrastructure projects
- **Monitoring and evaluating agencies:** There are schemes which recognize the close linkage between BMOs and members who are beneficiaries under various schemes. Hence BMOs are part of the monitoring and evaluation framework.

The details of these Schemes in terms of the year of launch, components addressed by the scheme, implementing agencies, funding pattern etc are being given in **Annexure-1**. However, for a ready reference, the table given below segregates these schemes based on the role envisaged for BMOs i.e.

Table 3: Scheme segregation as per role for BMOs

	Description of role	No of Schemes
1	Primary implementing role	3
2	One of the many eligible agencies (such as SPVs, R&D and other support institutions etc) for implementation	23
3	Not implementing agencies but which could facilitate the implementation process	15

5. Focus of Schemes

While the broader aim of all schemes is competitiveness and growth of the MSME sector, different schemes try to achieve this aim by focusing on one of the following five areas:

- Provision of infrastructure
- Soft interventions including capacity building, training etc
- Marketing assistance/ market access
- Technology up-gradation
- Research & Development/ Innovation

Therefore, it is evident that there are a large number of MSME development schemes and programmes being supported by several Ministries of Government of India. Further 41 schemes have been identified in the chapter which envisage a definite type of role for BMOs from planning to execution of these schemes.

Table 4: Categorization of Schemes According to Role for Associations/BMOs

S No	Scheme	Ministry/ Department	Role for BMOs
1	Scheme of Fund for Regeneration of Traditional Industries (SFURTI) through KVIC and Coir Board	Ministry of MSME (MoMSME)	One of many eligible agencies
2	Scheme of Surveys, Studies, Policy Research	MoMSME	Primary implementing agency
3	International Cooperation Scheme	MoMSME	Primary implementing agency
4	Scheme for capacity building, strengthening of database and advocacy and for holding Seminars/Symposiums/Workshops by Industry/Enterprise Associations	DC (MSME)	Primary implementing agency
5	Micro & Small Enterprise Cluster Development Programme (MSECDP)	DC (MSME))	One of many eligible agencies
6	Market Development Assistance Scheme for SSI exporters (SSI-MDA)	DC (MSME)	One of many eligible agencies
7	Integrated Infrastructure Development (IID) (subsumed under MSECDP)	DC (MSME)	One of many eligible agencies
8	Building awareness on IPRs	DC (MSME)	One of many eligible agencies
9	Setting up of New Mini Tool Rooms under PPP Mode	DC (MSME)	One of many eligible agencies
10	Enabling Manufacturing Sector be competitive through Quality Management Standards and Quality Technology Tools	DC (MSME)	One of many eligible agencies
11	Support for Entrepreneurial and Managerial Development of SMEs: Through Incubators	DC (MSME)	Facilitating role
12	Scheme for Integrated Textiles Park (SITP)	Ministry of Textiles	Facilitating role
13	Integrated Handloom Cluster Development Programme	Ministry of Textiles	Facilitating role
14	Baba Saheb Ambedkar Hastshilp Vikas Yojana (AHVY)	Ministry of Textiles	One of many eligible agencies
15	Special Handicraft Training Project	Ministry of Textiles	One of many eligible agencies
16	Assistance to States for developing Export Infrastructure and Allied Activities (ASIDE)	Ministry of Commerce & Industry (MoC&I)	One of many eligible agencies
17	Industrial Infrastructure Upgradation Scheme (IIUS)	MoC&I	One of many eligible agencies
18	Revised Market Access Initiative Scheme	MoC&I	One of many eligible agencies
19	Market Development Assistance Scheme	MoC&I	One of many eligible agencies
20	HRD Mission for Leather	MoC&I	Facilitating role

21	Modular Employable Skills (MES) under Skill Development Initiative Scheme (SDIS)	Ministry of Labour	Facilitating role
22	Upgradation of Government ITIs through Public Private Partnership	Ministry of Labour	One of many eligible agencies
23	Rejuvenation, Modernisation and Technology Upgradation of the Coir Industry	Coir Board	Facilitating role
24	Scheme for Development of AYUSH Clusters	Department of AYUSH	Facilitating role
25	Assistance for Exchange Programme / Seminar / Conference / Workshop on AYUSH	Department of AYUSH	One of many eligible agencies
26	Mega Food Parks Scheme	Ministry of Food Processing Industries (MoFPI)	Facilitating role
27	Scheme for Cold Chain, Value Addition and Preservation Infrastructure	MoFPI	Facilitating role
28	Scheme for Setting up/ up gradation of food testing laboratories	MoFPI	Facilitating role
29	Scheme for Promotional Activities	MoFPI	One of many eligible agencies
30	Special Projects under Swarnjayanti Gram Swarozgar Yojana (SGSY)	Department of Rural Development	One of many eligible agencies
31	Instrument development Programme (IDP)	Department of Science and Technology (DST)	Facilitating role
32	International S&T Cooperation(ISTC)	DST	Facilitating role
33	Joint Technology Projects under STAC/IS-STAC	DST	Facilitating role
34	State Science & Technology Programme(SSTP)	DST	One of many eligible agencies
35	International Technology Transfer Programme	Department of Scientific and Industrial Research (DSIR)	One of many eligible agencies
36	Consultancy Promotion Programme	DSIR	One of many eligible agencies
37	Technology Information Facilitation Programme	DSIR	One of many eligible agencies
38	Technology Development & Utilization Programme for Women	DSIR	One of many eligible agencies
39	R&D Grants For New Product / Process Development	DSIR	Facilitating role
40	Technology Management Programme	DSIR	One of many eligible agencies
41	Viability Gap Funding	Ministry of Finance	Facilitating role

ANALYSIS OF MSME SUPPORT SCHEMES HAVING RELEVANCE FOR BMOS

1. Analysis of important schemes

Out of a universe of 41 schemes of various ministries which are relevant from BMO perspective and that envisage a role for them in implementation, seven schemes were chosen based on size of outlay and at least 4~5 years of period of operation. New schemes have not been taken in the analysis because their performance is yet to come out. The schemes are as follows:

- a. DC MSME
 - I. Micro and Small Industries Cluster Development Programme (MSE CDP)
 - II. Scheme for capacity building, strengthening of database and advocacy by Industry/Enterprise Associations and for holding Seminars/Symposiums/Workshops by the Associations.
- b. Ministry of Textiles
 - I. Scheme for Integrated Textile Parks
- c. DIPP
 - I. Industrial Infrastructure Upgradation Scheme (IIUS)
- d. Ministry of MSME
 - I. Scheme for Regeneration of Traditional Industries (SFURTI)
 - II. International Cooperation Scheme
 - III. Scheme for Surveys, Studies and Policy research

The striking fact about most of the schemes is that information on them is extremely difficult to come by. Where ever it is in public domain it is not in easily comprehensible format. Therefore, information was sought under the Right to Information Act from the concerned ministries under the following parameters to analyse the design process of the scheme and its performance over the years:

- a. Year of launch of the Scheme
- b. Whether the Scheme based on a pre feasibility study/ stakeholder consultations/ research and/or some professional involvement
- c. Whether Scheme guidelines were modified/ revised and details therein
- d. The outlay of the Scheme

- e. Number of projects sanctioned till now (year of sanction, beneficiary organization, location and the sanctioned amount per project)
- f. Off take of the Scheme in terms of actual disbursements for the sanctioned projects (project wise)
- g. Whether any mid term appraisal/ evaluation has been undertaken
- h. The present status of the Scheme

The results are summarized in **Table -5**.

After having received the basic information about these schemes, the official scheme documents and guidelines of five larger schemes were studied in detail. The information about these schemes is compiled in **Table-6** on the following parameters:

- a. Objective/ Focus of scheme
- b. Coverage
- c. Funding components
- d. Implementation framework
- e. Programme Management Support
- f. Role of State Government
- g. Approval Process
- h. External borrowing

Out of these, two schemes MSECDP and IIUS are further analyzed for granular details because of comparatively larger outlays (greater than Rs. 600 cr), having been in operation for a sizeable period of time (more than 5 years) and product or sector neutral focus.

Table 5: Major Schemes at glance (RTI details)

Question asked about Scheme	SCHEME						
	MSECDP	SITP	IIUS	SFURTI	Intl Coop Scheme	Capacity building scheme	Scheme for studies
Year of launch	1998	July 2005	2003	Oct 2005	1996	2006-07	1998
Whether based on a pre feasibility study/ stakeholder consultations/ research and/or some professional involvement	No, based on Expert Committee report on Small Enterprises	No. But, new scheme modified after appraisal	No	Not mentioned	Details not available	No	No
Whether Scheme guidelines modified or revised	Yes in 2006	Yes, in XIth plan	Yes in 2009	No	Yes in 2008	Yes in 2007-08	In Dec 2005
The outlay of the Scheme	Rs. 660 Cr for XIth plan	625 Cr (Xth plan) 2000 Cr (XIth plan)	Rs. 675 Cr (Xth plan)	Rs. 97.25 for 100 clusters	Rs. 12 Cr in Xth; Rs. 10 Cr in XIplan	Rs. 2.5 Cr for 2008-09	Rs. 8 Cr and Rs. 6 Cr for IX & X plan
Number of projects sanctioned till now	409	40	30	118		110 till Dec08	
Off take of the Scheme	Against Rs. 64 Cr sanctioned, Rs. 17.5 Cr has been disbursed	Against Rs. 1438 Cr sanction, Rs. 475 Cr has been disbursed	Against Rs. 1087 Cr sanctioned, Rs. 786 Cr disbursed	Against a sanction of Rs. 49.42 Cr., (...) disbursed	~ Rs. 8.8 Cr disbursed since 2002-03	Rs. 1.73 Cr has been disbursed so far	
Whether any mid-term appraisal/ evaluation undertaken	Yes	Yes	Yes	No	Yes	No	Yes in 2002-03; amended
Present status	All Schemes are ongoing in the present XI th Five Year Plan.						

Table-6

Comparison of Five Major Schemes					
Criteria	Industrial Infrastructure Upgradation Scheme (IIUS) of DIPP	MSECDP	Scheme for Integrated Textile Parks (SITP)	Scheme for Development of AYUSH Clusters	Scheme of Fund for Regeneration of Traditional Industries (SFURTI)
Objective/ Focus	<ul style="list-style-type: none"> Access to quality infrastructure PPP approach Focus on clusters /locations having export potential (includes improving existing Ind. Areas) 	<ul style="list-style-type: none"> Enhancing competitiveness by supporting soft and hard interventions including for Common Facility Centres, up-gradation of existing industrial infrastructure PPP approach 	<ul style="list-style-type: none"> Access to world class infrastructure meeting intl. quality, social & environmental standards for textile industry brace Post-quota regime 	<ul style="list-style-type: none"> Bridging gaps viz. raw material access, standardization, quality/productivity, branding etc through common facilities Encouragement to collective initiatives 	<ul style="list-style-type: none"> Aims to improve traditional skills, market intelligence technologies, local governance etc. in clusters PPP mode Cluster based
Coverage	Applicable to any industrial sector/ cluster/ estate	Any MSME cluster SPV is eligible to apply under the Scheme.	Locations in and around potential growth centres	Existing clusters in AYUSH sector	Select Traditional khadi, coir&village clusters ,including leather and pottery
Funding	75% of the project cost with a ceiling of Rs. 50 cr	<ul style="list-style-type: none"> <i>Developmental:</i> testing lab, design /R&D centre- 70% funding<Rs 7 Cr <i>Quasi Development:</i> CETP,SCX, CFC etc- 50%funding<Rs5 Cr <i>Commercial:</i> mktg. centre, raw material bank, CFC etc- 30% funding < Rs. 3 Cr Additional10%grant for women clusters 	40% of the project cost with a ceiling of Rs. 40 Cr	<ul style="list-style-type: none"> 60% of the cost of Core Interventions and 25% of the cost of Add On Interventions. Overall assistance should not exceed 60% of the total Project cost with a maximum of Rs. 10 Cr 	<ul style="list-style-type: none"> 75% for CFC, technology upgradation, product development 100% for Capacity building, market development with component wise ceilings

Criteria	Industrial Infrastructure Upgradation Scheme (IIUS) of DIPP	MSECDP	Scheme for Integrated Textile Parks (SITP)	Scheme for Development of AYUSH Clusters	Scheme of Fund for Regeneration of Traditional Industries (SFURTI)
Funding components	<ul style="list-style-type: none"> Physical Infrastructure as water supply, roads, sewerage, ETPs, Power, worker hostel etc ICT Infra; R&D / Quality centre Information/ Intl Mktg center ICT-induction & process re-engineering/mgt. support centre 	<ul style="list-style-type: none"> Technology upgradation Quality upgradation Credit facilitation Marketing support Collective capacity building of units Common Facility Centres for Testing Training Centres Collective mktg. and procurement Skill upgradation 	<ul style="list-style-type: none"> Land Common Infrastructure as Roads, Water, sewerage facilities, Collective power gen/ distribution Common facilities for Conference, Product display, Design/R&D; Worker's sheds, rest rooms, Creche etc 	<ul style="list-style-type: none"> common facilities for testing, certification, quality other capacity building measures Interventions such as those related to mkg/ branding, provision of general infrastructure to support production units etc 	<ul style="list-style-type: none"> Support for Technology Upgradation CFCs for product /design; pckging Marketing; Capacity building activities Other activities as identified by Implementing Agency necessary for development of the cluster
Implementation framework	SPV (A Corporate Body/Association registered under Companies/Societies Act)	<ul style="list-style-type: none"> Special Purpose Vehicles (SPV) consisting of cluster beneficiaries Large mfg firms, buyers, suppliers may contribute upto 50% of beneficiary share provided mgt. control remain with of beneficiaries 	<ul style="list-style-type: none"> SPV (registered as company promoted by association) with majority stake with MSMEs Combined stake of GOI/State Govt etc. not to exceed 49% 	<ul style="list-style-type: none"> SPV (corporate body registered as Company) AYUSH enterprises to hold min. 51 %, remaining may be held by any Govt. agency/ banks/ strategic partners 	<ul style="list-style-type: none"> Non-Government organisations, Central/ State Govt. agencies with suitable expertise to undertake cluster development
Prog Mgmt Support	<ul style="list-style-type: none"> No such provision, Department used the services of Financial Institutions for appraisal of project 	<ul style="list-style-type: none"> No explicit provision SPVs encouraged to use services of public technical agencies like tool rooms, SISIs etc 	<ul style="list-style-type: none"> Programme Management Consultant to handhold the project from Concept to Commissioning 	<ul style="list-style-type: none"> Programme Management Consultant handhold from concept to commissioning 	<ul style="list-style-type: none"> Nodal agencies KVIC;Coir Board for handholding, disbursement and monitoring Technical agency to provide expert inputs

Criteria	Industrial Infrastructure Upgradation Scheme (IIUS) of DIPP	MSECDP	Scheme for Integrated Textile Parks (SITP)	Scheme for Development of AYUSH Clusters	Scheme of Fund for Regeneration of Traditional Industries (SFURTI)
Role of State Government	<ul style="list-style-type: none"> State Govt as one of the stakeholders to support the projects. No other specific role mentioned 	<ul style="list-style-type: none"> No mandatory participation but entire cost of land & building to be met by SPV / State Govt In practice State Govt. participation & endorsement required for approval Flow of Funds through State appointed agency 	<ul style="list-style-type: none"> No mandatory, but clearance required State to identify, procure land and provide linkage with utilities May participate by way of equity or grants. 	<ul style="list-style-type: none"> Not mandatory but pro-active involvement sought 1. Participation required in: land procurement; external infrastructure; necessary project related clearances; dovetailing other relevant schemes 	State Government agencies could be implementing agencies, no other specific role envisaged
Approval Process	<ul style="list-style-type: none"> Based on detailed project proposal supported by data, surveys, projections and feasibility on growth potential of the cluster / locations Approval? 	<ul style="list-style-type: none"> Based on detailed project report appraised and validated by a financial institution Two steering committees for approval Different approval process for different sizes 	<ul style="list-style-type: none"> Based on project report supported by diagnostic study, demand/supply analysis for common facility/ infrastructure Approval by Project Approval Committee 	<ul style="list-style-type: none"> In principle approval on concept note and fulfillment of some basic conditions Final approval on DPR, land acquisition ; execution of agreements etc Two stage approval process 	Based on the proposal submitted by Nodal agencies
External borrowing	<ul style="list-style-type: none"> Allows Banks/ FIs' contribution way of debt or equity Silent on issue of right of 'charge' on hypothecated assets 	<ul style="list-style-type: none"> Allows Banks/ FIs' contribution to meet shortfall First charge of hypothecation not allowed on assets created under CFC; first right wrests with Govt. 	<ul style="list-style-type: none"> External financing allowed in practice No specific mention about charge 	<ul style="list-style-type: none"> External financing allowed in practice No specific mention about charge 	<ul style="list-style-type: none"> No specific mention of additional external funding No mention of charge

2. Detailed analysis of MSECDP and IIUS

While the previous matrix provides an overview of the five major schemes, the information is on content. From the perspective of implementation, it is important to understand the process. Therefore, two schemes were studied in detail. Among the 41 schemes identified, the three largest schemes have been MSECDP, IIUS and SITP. However, SITP is Textile sector focused. Therefore, MSECDP and IIUS were selected for detailed study.

a. Micro and Small Enterprise Cluster Development Programme (MSECDP)

I. Functional elements and processes

The following paragraphs contain detailed analysis of functional elements and processes of the scheme:

- **Background**

The Abid Hussain Committee Report (1997) drew attention of policy makers to industrial clusters. Soon after an 'Integrated Technology Up-gradation and Management Programme' (UPTECH) was launched in 1998. It was replaced by a more comprehensive 'Small Industry Cluster Development Programme' in 2006. The Scheme was further renamed as 'Micro and Small Enterprise Cluster Development Programme following the promotional Package for Micro and Small Enterprises (MSEs) in 2007. The Scheme, based on the concept of cluster development principles aims at enhancing the productivity and competitiveness of the small enterprises situated in clusters.

- **Beneficiaries**

Micro and Small enterprises are the intended beneficiaries of the assistance under the Scheme however the implementing agency is envisaged to be in the form of a Special Purpose Vehicle (SPV). An SPV is a legally recognized body and its constitution could be a Trust, Cooperative, Society or Company. An SPV should be formed by at least 20 beneficiary enterprises of the cluster. The Scheme recognizes the fact that it will not be possible in all the cases to constitute an SPV right in the beginning hence it allows the following agencies to be the project developers till the time an SPV of the beneficiaries is formed and the onus of implementation is shifted on to it:

- Central Govt field organizations

- State Govt and autonomous/ public sector organisations
- National and international SSI development institutions
- Any other agency approved by MoMSME
- Eligible Interventions for funding

The Scheme provides assistance for soft as well as hard interventions. Soft interventions relate to activities aimed at capacity building of the enterprises whereas hard interventions are primarily aimed at creating permanent assets such as Common Facility Centres (CFCs) for various purposes.

 - Soft activities include:
 - Seminars/ workshops/ study tours
 - Trainings etc for Association/ network capacity bldg
 - External consultants
 - Publications
 - Technical equipment for demonstration
 - Costs of implementing agency(CDE, travel, OPEs etc)
 - CFCs have been divided into three categories based on the nature of CFC and the expected time taken to achieve commercial viability:
 - *Developmental:* facilities such as testing lab, design centre, R&D centre etc where immediate commercial gains are not perceived and break even would be possible beyond 3 yrs of commencement of Project
 - *Quasi Developmental:* This includes facilities such as Common Effluent Treatment Plants, Sub contracting exchanges (SCX), Common logistics centre etc where individual enterprises do not envisage individual gains and hence will not opt for such a facility on standalone basis
 - *Commercial:* These are facilities such as marketing/ selling centre, raw material depot, common processing centre etc which ensure immediate commercial viability hence shorter break-even period

- Financial Assistance

The Scheme has provision for financial assistance for the implementing agency upto 80% of the Project cost with a ceiling of Rs. 10 Cr per project, depending upon the category of the CFC as described above.

- The funding available for various categories of CFCs is mentioned below:

- Developmental CFC : 70% of the Project cost
- Quasi Developmental CFC : 50% of the Project cost
- Commercial CFC : 30% of the Project cost

- The Scheme allows Rs. 10 lakhs for softer interventions
- If the beneficiary enterprises belong to exclusive village/ artisan/ woman enterprise clusters, additional 10% funding in all the above categories is available i.e 80% for developmental CFCs, 60% for quasi developmental and 40% for commercial CFCs.
- The Project cost includes the cost of land, building and other physical infrastructure, equipments, pre-liminary and pre-operative expenses
- The Scheme encourages dovetailing of funds from other Schemes of Ministry of MSME and of other Ministries/ Departments or State Governments however, beneficiaries must contribute atleast 10% of the Project cost.
- Though Government assistance is provided as percentage of the Project cost, Government assistance is only to be utilised towards plant & machinery. In that sense, if the cost of plant and machinery is less than the eligible grant in any of the cases, the quantum of assistance available would be to the extent of cost of plant and machinery only.
- Land and building has to be beneficiary/ State Government contribution

- Approval process

- The proposals under the Scheme could be submitted by SPV with endorsement from local MSME DIs and State Government
- Preliminary Application with cluster diagnostic study, need and rationale for CFC, basic project details and summary of financials

- Preliminary application to be followed by Detailed proposal with financial analysis and modelling
- Screening of proposals
 - Less than Rs. 1 Crore: approval by committee chaired by DC(MSME)
 - Between Rs. 1 Crore and 5 Crore: approval by committee chaired by Secretary MSME
 - Greater than Rs. 5 Crore: Scrutinised on file by DC(SSl) and FA and then approval by Steering committee
- Implementation framework

The Scheme envisages a clear legal entity with evidence of prior experience of positive collaboration among its members, whether formally or otherwise, to be the applicant of the proposal. The Scheme states that all proposals for cluster development seeking assistance must emanate from special purpose vehicles (SPVs), consisting of the actual/likely cluster beneficiaries/enterprises organised in any legally recognised form like a cooperative society, registered society, trust, company, etc. The Scheme also gives due weightage to the fact that it might not be possible to structure an SPV upfront and therefore allows other agencies such as Central Government agencies, State Governments and other educational institutions to move the preliminary proposal and form an SPV later.
- Role envisaged for Associations/ BMOs

MSECDP guidelines recognize the importance of BMOs and allows them to act as implementing organizations for setting up of CFC. However to be able to qualify, the associations should be registered and maintaining financial records. The associations should have a track record of undertaking development activities and should be able to produce books of account for the past three years.

II. Scheme performance

The performance of the scheme is being given below:

- Projects approved and implemented
 - Till Financial Year 2008-09, a total of 411 projects have been sanctioned from the time UPTECH Scheme (1998) was in vogue. These are projects aimed at soft interventions, hard interventions or a

mix of both. This implies that the Scheme has covered 411 locations or clusters in almost 10 years. The break up of these 411 projects in terms of the nature of interventions proposed is given below:

Table 6: Nature of Interventions under MSECDP

Nature of Intervention	No of projects
Diagnostic Study	189
Diagnostic study & Training	20
Soft Interventions	259
Mix of Soft & Hard Interventions	28
Hard Interventions	22

- Out of 411 projects sanctioned under the programme, 209 projects have not gone beyond the diagnostic study level which alludes to the fact that either the diagnostic study conducted has not been able to highlight the pressure points of the cluster or the interventions proposed are not implementable or there is dearth of agencies that could successfully implement. Another reason could be the inability of the implementing agency in mobilizing and motivating the MSMEs to come together and conceptualise projects under the Scheme despite the availability of funds and willingness of the Ministry of MSME to develop these clusters.
- That is why majority of the projects undertaken so far have been aimed at undertaking soft activities in the cluster. Prior to the revision in the guidelines, there was no ceiling to the assistance available under the Scheme for soft interventions hence lot of proposals were received and sanctioned. However the objective of undertaking soft interventions is generally to build capacities of the cluster enterprises to take on hard interventions and to this effect the objective has been fulfilled to a very limited extent. Only 50 projects have been sanctioned to undertake hard interventions or in other words to set up common facility centres.
- 32 projects for setting up of Common Facility Centres (CFCs) have been accorded approval under the revised MSECDP. Out of these 32 projects, 7 had been sanctioned before 2006 i.e under the earlier

guidelines while the remaining 25 have been sanctioned after the guidelines were substantially modified in 2006. The state wise break up of approved CFC projects is shown below:

Table 7: State wise Approved CFC projects under MSECDP

S No	State	Number of sanctioned projects
1	Kerala	8
2	Gujarat	1
3	Andhra Pradesh	3
4	Assam	1
5	Jammu & Kashmir	1
6	Karnataka	2
7	Orissa	2
8	Tamil Nadu	10
9	Uttar Pradesh	2
10	West Bengal	2
Total		32

- Most of the projects that have been accorded approval are from Southern States. Kerala and Tamil Nadu together account for 18 out of 32 sanctioned projects. This has been primarily due to the contribution of the State Government to the projects in the form of equity or contribution by way of land and building.

MSECDP : Need to look beyond public institutions

Out of the 10 proposals received under MSECDP scheme from Tamil Nadu Government, 6 are for setting up CFCs in Safety Match Industry Clusters located at Gudiyathm, Sattur, Srivilliputhur, Virudhunagar, Kalugumalai and Kovilpatti.

However what is interesting is to note that all the six projects are of the same size and cost: Rs. 156 Cr; the administrative sanction for all was issued on the same day i.e. 12th August 2008 and all the projects were given the same grant i.e. Rs. 85.54 Cr each. The status of all the projects as on December 2008 was the same i.e. 'Land acquired by SPV, construction under progress. Purchase committee yet to be formed'.

The logic looks simple, play safe and sanction to the applicant if it happens to be a Government agency without going much in detail. Unfortunately repercussions of such an approach is, one, such projects are marred in delays because of weak ownership. Secondly, it discourages the stake-holders to collectively propose a project knowing that preference is given to Government agencies. Thirdly, on ground the delivery mechanism remains same: earlier the MSME public institutions (of center and state) got the budgetary support to carry out the programmes, now the same institutions get funds under different cluster development schemes.

- Funds sanctioned and funds disbursed
 - Out of a total Project cost of Rs. 10589 lakhs for 35 projects, Rs. 6449 lakhs has been sanctioned as grant under MSECDP. Out of the sanctioned amount, Rs. 1750.35 lakhs has been disbursed till date since 2005-06 which is just 27% of the total sanctioned amount. The amount disbursed in 2008-09 till December has been Rs. 125 lakhs only.
 - Some level of disbursement of grant has taken place in respect of 7 projects while the other Projects, though have been given administrative sanction, no fund has been released. All these projects are at initial stages of implementation and SPVs are in the process of tying up land and building for the CFC. In cases where land and building is coming as State Government contribution are the ones where some progress has been shown.

III. Merits and Gaps

- Merits of the Scheme

The Scheme based on the cluster principles has been envisaged to give the sector a boost by which issues related to competitiveness could be addressed. The scheme guidelines are very detailed in nature and are aimed at guiding the potential beneficiaries through the entire implementation process. Some of the merits of the Scheme are as given below:

 - *Public Private Partnership Model:* The Scheme is based on the PPP format and thus gives freedom and control to the private partner (MSME led SPV in this case). Rather than creating infrastructure which might not be of much relevance to the industry, the Scheme is a powerful initiative allowing the industry to take the lead, implement interventions which are critical for competitiveness of the sector in a collective mode. The Scheme marks the departure of the MSME Ministry from the earlier role of a supply driven regulator to that of a facilitator.
 - *Allows dovetailing with other complementary schemes:* The Scheme appreciates the fact that micro and small enterprises have

limited capacity to mobilize enough resources to execute projects and the assistance provided under the Scheme might not be sufficient. Hence the Scheme allows dovetailing of the MSECDP with other Schemes of Ministry of MSME and Schemes of other Ministries and the SPVs can access funds to increase the viability of the Projects.

- *Provision for Cluster development executive (CDE):* The Scheme does not allow recurring expenditure to be funded out of the Government assistance, however expenses on account of hiring a CDE are allowed. A CDE is envisaged to be a professional, who has been trained in undertaking development initiatives and acts as a change agent actually running the whole project. The CDE also is critical from sustainability point of view as he will continue to be there even after the setting up phase is over
- *Encourages softer interventions before hard interventions:* The Scheme is quite broad based and accepts the fact that softer interventions may be necessary to build the capacities of the cluster actors before they take on bigger interventions. The Scheme though primarily aimed at creating common facility centres, provides financial assistance for undertaking soft interventions also. These include interventions such as training programmes, hiring of international experts/ BDS providers, exposure visits, seminars/ workshops etc
- *Detailed annexures:* The detailed formats attached to the guidelines are intended to help the beneficiaries at every step of Project development and execution. There are enclosures which specify the parameters on which the merits of the proposals would be assessed. Different formats are provided for seeking assistance under the scheme for soft interventions, preliminary application for hard interventions and detailed proposal for hard interventions.

IV. Gaps in the Scheme

- Design related gaps
 - *Artificial categorization of CFCs:* The classification of Common Facility Centres as 'Commercial', 'Quasi-commercial' and 'Developmental' looks rather artificial as there cannot be any CFC without commercial orientation. Without commercial orientation there cannot be any business plan through which viability could be assessed. Moreover envisaging implementation of developmental projects through the concept of Viability Gap Funding (VGF) mode is a utopian idea. The private entrepreneurs will not be ready to invest in a project without confidence of sufficient returns and the financial institutions also will not look at lending to such projects. The classification is also very subjective in the sense that the same CFC could be classified as commercial by some and developmental by another and become eligible for assistance to different degree.
 - *Assistance for softer activities too small:* While provision for softer interventions is a plus for the scheme, the quantum for support is meagre (Rs. 10 lakhs) considering the nature of the sector and the size of the project as envisaged under the Scheme. To be able to steer a project of this nature, the capacities of the MSMEs need to be build. This could be through exposure visits, interactions, workshops, trainings, hiring of Business Development Service providers etc. The softer interventions are not required just at the conceptualization stage or before the enterprises plan for hard interventions rather this is an ongoing process and the provision for softer interventions should ideally be available throughout the Project life cycle.
- Operational gaps
 - *Detailed Project Report envisaged for approval:* The approval under the Scheme is based on a Detailed Project Report submitted by the SPV capturing financial analysis and ratios, break even analysis, projected balance sheets etc. The MSME enterprises, mostly from the unorganized sector are ill equipped both in terms of time and the capacity to be able to put together such a DPR. A report of such

nature if outsourced to a consultant demands an upfront spending by the SPV promoters without certainty or comfort that the Project would be favourably considered. It becomes a deterrent makes the entry cost high.

- *Lack of clarity on ownership of assets:* In general, the assets created under most of the Schemes being operated on PPP mode are owned by the SPV. The MSECDP guidelines are silent on the ownership aspect of the assets created under the Scheme. However the officials of the Ministry maintain that the ownership of the assets under the Scheme shall wrest with the State Government. Since the Project is supposed to break even in a particular time span, not having the ownership of the assets becomes a deterrent for enterprises to make an investment decision.
- *Limitation to raise funds:* Though the Scheme allows the SPVs to raise funds from financial institutions, it does not allow banks/ financial institutions to have first charge on the assets created through the Government funds and maintains that the first charge should be in favour of the Government. In practical sense, this becomes a major bottleneck when any SPV intends to borrow funds to financially close the project especially in cases where the cost of land and building is not enough to act as security cover for the amount to be raised. This can affect the sustainability and profitability of the projects and in many of cases the projects are a non starter
- *Release of Funds through states:* Though the Scheme guidelines do not specify as to how funds would be released to the SPV, in practice all the projects sanctioned the GoI funds are routed through State Government/ its agency termed as implementing agency. This is being practiced even in projects where the State Government is not participating either financially or otherwise. This not only delays the receipt of funds by the SPV, it also means another level of unwarranted interference thus delaying the project implementation. The Scheme does not lay emphasis on opening of Escrow account by SPVs which could lead to transparency and SPV would be in a position to avoid operational delays.

- *Equity pattern of SPV:* The Scheme guidelines state as follows. *‘State Government contribution will be considered as the viability gap funding. Large mother manufacturing firms (whether in the public or private sector), other major buyers of the cluster SSI products, commercial machinery suppliers, raw material suppliers and business development service (BDS) providers will be eligible to contribute up to 50 per cent of the beneficiary share, provided the management remains clearly with the intended beneficiary SPV consisting of the small/micro enterprises beneficiaries of the cluster’.* The assistance to the Projects has been rather loosely termed as ‘viability gap funding’, though the extent of assistance whether by the State Government or the Centre Government is subjective resting upon the discretion of the approval committee.
 Keeping in view the fact that many of the clusters are actually of ancillaries that have evolved around a mother unit, allowing the large unit to initiate and lead projects like this for the common benefit of its vendors is a strong and viable option. However, there are several contradictions that limit the possibility of a larger ‘mother unit’ to invest. The extent to which a single enterprise can hold equity stake in the SPV has been capped at 10%. Secondly, why would someone invest without seeking returns.
- *Discouragement of BMOs:* Though BMOs are the eligible implementing agencies under the scheme, none of the projects which have been accorded sanction have BMOs as implementing agencies. Promoters of the SPVs in their individual capacity might be having affiliation to the BMOs, none of them have been directly involved in implementation. The widely prevalent perception among the officials responsible for operations of the Scheme is that BMOs are not legal bodies and thus they do not approve of their being eligible for the scheme in practical sense.

b. Industrial Infrastructure Up-gradation Scheme (IIUS)

I. IIUS: Functional elements and processes

- Background

Industrial Infrastructure Upgradation Scheme was launched in 2003 with an objective to enhance international competitiveness of the domestic industry by providing quality infrastructure through PPP approach in selected functional clusters/ locations.

- Beneficiaries

The Scheme is intended to benefit existing industrial clusters/ industrial estates predominated by small industry which have potential to grow. Enterprises operating out of these industrial clusters in a collective manner could avail the benefits under the Scheme. The projects would be common in nature and would benefit the whole cluster in general.

- Eligible Interventions for Funding

The Scheme provides assistance for infrastructure creation as well as upgradation in existing industrial clusters/ industrial estates. The project could include interventions such as:

- Physical Infrastructure as water supply, roads, sewerage, ETPs, power, worker's hostel etc
- ICT Infrastructure
- R&D Infrastructure
- Quality certification & benchmarking centre
- Common Facilities Centre
- ICT-induction & process re-engineering & management consultancy service centre
- Information dispersal/ International Marketing Infrastructure

- Funding Assistance

- Central assistance is given by way of one time grant-in-aid to the SPV for development of the infrastructure.
- The assistance is restricted to 75% of the project cost subject to a ceiling of Rs. 50 crore. The Government assistance is in the form of grant and not equity. The remaining 25% could be financed by other

stake holders of the respective cluster/location with a minimum industry contribution of 15% of total project cost.

- Government funding is confined to creation of durable assets and activities relating to productivity enhancement
- No recurring expenditure is funded under the scheme.
- The Scheme allows a provision for administrative expenses to the extent of 3% of the project cost.
- The Scheme encourages dovetailing of funds from Schemes of other Ministries/ Departments or State Governments however, beneficiaries must contribute at least 15% of the Project cost.
- The Scheme does not give details on the components of the project cost and is decided on case to case basis
- Approval process
 - The approvals under the Scheme are based on a detailed project report submitted by the industry association capturing details about the cluster, its importance, potential etc and complete details of the proposed project including business plan and sustainability factors supported by data, surveys etc in the prescribed format.
 - The extent of assistance would be decided on a case to case basis based on the merits of the proposal adhering to the overall permissible limit under the Scheme.
- Screening of proposals
 - The DPR/ proposal submitted by the industry association/SPV is appraised by an independent agency/ financial institution appointed by DIPP to advise the Department on the viability of such a project. In cases where the SPV intends to raise funds from financial institutions, appraisal by these institutions is acceptable.
 - The approval is accorded by APEX committee chaired by DIPP and having representation of all major ministries, industry associations, financial institutions, concerned State Governments etc.
- Implementation framework
 - The projects under the Scheme are envisaged to be implemented by a Special Purpose Vehicle (SPV). The SPV needs to be a registered body under the Companies/ Societies Act. However the Scheme

encourages industry associations to submit proposals for consideration by the APEX committee. The SPV could be promoted by the industry associations once the project gets approved, as a specialized and dedicated body to implement the same.

- SPVs would be responsible for creation, operation and maintenance of the assets created under the Scheme.
- Role envisaged for BMOs
 - IIUS recognizes as well as gives due importance to the importance of BMOs and the role played by them in the development process. The Scheme as captured in sections above also envisages all projects to emanate from industry associations. The initial proposal is to be submitted by the BMO. In that sense the BMOs are expected to identify the potential cluster/ industrial estate, conduct a need gap analysis, get a DPR prepared, present it before the APEX committee and then promote a SPV to implement the project.
 - BMOs are also part of the APEX Committee which screens and approves projects and is the ultimate decision taking body in the Scheme.

II. IIUS: performance

- Projects approved and implemented

So far 30 projects have been sanctioned under the Scheme. Out of these 30, sanction for one project was withdrawn due to non performance. The Scheme guidelines have been revised and recast. The Scheme has been extended in the XIth plan but the internal approvals themselves have consumed two years of planned period. The revised and modified guidelines have been introduced in February 2009. As per the evaluation of the Scheme, the report of which was submitted in March 2008, the following has been the physical progress of the projects:

Table 8: Status of Projects

Stage of completion	No of projects
Almost completed	5
Completed 50% of activities	9
At initial stages	7
At various stages of implementation	8

The 30 approved projects are located across 15 States which is pretty even distribution of projects. Tamil Nadu with 5 and Gujarat with 4 approved projects top the list of States where the projects have been approved.

Table 9: State wise break up of approved projects

S No	State	Number of projects sanctioned
1	Kerala	1
2	Gujarat	4
3	Andhra Pradesh	2
4	Punjab	1
5	Maharashtra	3
6	Karnataka	2
7	Orissa	1
8	Tamil Nadu	5
9	Uttar Pradesh	1
10	West Bengal	3
11	Madhya Pradesh	3
12	Rajasthan	1
13	Haryana	1 (cancelled later)
14	Chattisgarh	1
15	Jharkhand	1
Total		30

- Funds sanctioned and funds disbursed

Out of a total Project cost of Rs. 10589 lakhs for 29 projects, Rs. 1087 Cr has been sanctioned while Rs. 786 Cr has been disbursed in the Xth plan. Sanctioned to disbursed ratio is 72%.

- Key features of the revised IIUS (2009)

The IIUS has been revised for the XIth plan period and launched in February 2009. The major changes which have been brought about in the revised guidelines along with remarks on the same are mentioned below:

IIUS has been a progressive Scheme both in terms of its design and operation which is quite evident from its performance also. Though continuity of the Scheme in the XIth plan has been delayed by almost two years, the silver lining is that many of the shortcomings of the earlier

guidelines especially related to project management support in the form of a PMA, two stage approval process, technical appraisal, efficient monitoring etc have been addressed. However, the real impact can only be assessed once the proposals are approved and projects enter implementation stage.

Table 10: Modified IIUS (2009)

Modification	Remarks
Quantum of assistance increased from Rs. 50 to Rs 60 Cr per project	Projects being capital intensive, increase in assistance is a welcome move- follows from evaluation report recommendations
Concept of Project Management Agency introduced	Much sought after development; PMAs ensure timely execution; improves appraisal and monitoring
25% cap on grant for physical infrastructure	Helps focus on cluster specific and not general infrastructure
SPV to be necessarily a Section 25 Company	Makes the Scheme rigid and less attractive for private players and financial institutions
Two stage approval process: in-principle and final	Though meant to ease upfront burden on SPV, compliances became stringent at both the stages; more upfront investment needed to obtain final approval
Pattern of Release of funds specified (30% on final approval; next 2 installments of 30% each upon utilization of 80% of previous one; last 10% on completion)	Pattern of release of funds proposed is in favour of the project. Release of IInd installment upon utilization of 80% of the previous ones ensures that delays in release of grant on account of operational issues should not hamper the project
Provision for administrative expenses increased from 3% to 5% of project cost	Modification introduced to make provisions for fee of PMA to assist SPVs in project management. Ensures PMA's appointment does not have financial impact on project
State Government nominee on Board of SPV	To formally ensure participation of State Government, to keep them involved and expedite project related clearances

III. Merits and Gaps of the Scheme

- Merits:

The Scheme has been a favourite amongst the sector and has been able to draw proposals much beyond what was expected. Some of the merits of the Scheme are as given below:

- *Focus and coverage of the Scheme:* There are quite a few schemes which focus on clusters, however IIUS aims at upgradation of industrial estates also most of which are in dilapidated state and affecting the competitiveness of the units operating there. In this sense it appears to be a very well thought of scheme. Also the scheme covers almost all aspects and categories of industrial infrastructure right from general physical to environmental, highly sophisticated Information technology and marketing related.
- *Extent of assistance and quantum:* The grant assistance under the Scheme is also sufficient to cover the components which could be envisaged under the Scheme. Also the fact that the Scheme is targeted primarily towards the small industry, allowing 75% assistance would also increase the viability of the projects as infrastructure is not perceived as providing direct business gains by enterprises hence less self initiative.
- *Special provision for administrative expenses:* The Scheme allows 3% of the project cost to be spent on administrative expenses. This specific provision could cover expenditure related to project development, travel, miscellaneous expenses, preoperative and preliminary expenses related to the project. Absence of this would mean all such expenses to be borne by the member enterprises
- *Inclusive Screening committee:* The APEX committee responsible for screening and approval of projects has a very inclusive representation from all the concerned Ministries/ Departments and also the relevant stakeholders from the sector such as BMOs, R&D institutions, State Government etc. This apart from ensuring that genuine projects get approved will also ensure that other resources available for the sector could also get highlighted and thus tapped for the project.

- *Strong role envisaged for financial institutions:* Apart from allowing the financial institutions to contribute to the Project either in the form of equity or debt, the Department also utilized the services of these institutions in getting the proposals appraised, assessing their financial viability, robustness of implementation structures, monitoring and evaluation etc.
 - *Allows dovetailing with other complementary schemes:* The Scheme allows dovetailing and utilizing resources available under the Schemes of other Ministries so as to enhance the viability of the projects.
- Gaps in the Scheme
 - *Land not part of the Project cost :* Though the quantum of assistance under the Project seems attractive, the project cost for the purpose of calculation of grant does not include project cost, hence the contribution from the industry effectively comes out to be 25% of project cost + land cost. In cases where land was available, the projects have been implemented at a faster pace otherwise in most of the projects the delay has been on account of land acquisition/procurement. In locations where land rates are exorbitantly high, the projects proposals have not been initiated.
 - *No assistance for softer activities:* The Scheme does not provide any assistance for capacity building/ softer interventions for the implementing agencies. To be able to steer a project of this nature, the capacities of the enterprises need to be build, hence some supporting soft interventions are needed so as to ensure efficient implementation of projects.
 - *No Project Management Support:* The Scheme does not have scope for any management or handholding support to the industry associations in conceptualizing the project or handholding them during the implementation phase. The small industries who don't have exposure to such projects would find it difficult to conceive and then lead such projects. The Scheme envisages provision for

administrative expenses upto 3% of the project cost but they are not enough to handhold the project through the entire execution period.

- *Detailed Project report envisaged for approval:* The approval under the Scheme is based on a Detailed Project Report submitted by the SPV capturing all project related details and projections etc. The enterprises, mostly from the unorganized sector are not equipped to be able to put across such a DPR. A report of such nature if outsourced to a consultant demands an upfront spending by the SPV promoters without certainty or comfort that the Project would be favourably considered as there is no scope for in-principle approval also.

MSME Associations / Business Membership Organizations (BMOs) in India

1. Institutional landscape of Indian Business Member Organizations (BMO's)

Associations - defined as formal non-profit organizations, are sustained and controlled by their members. Their aim is to co-ordinate, pursue and to enforce common interests.¹ Generally, membership in a business association is voluntary. Business associations do not intervene in markets but they aim to influence the economic framework conditions of their members. This makes them different from cartels and co-operatives.² The basic task of an association is to work for its members, because they constitute and control the association. Therefore interest representation and service provision can be considered the core activities.

a. Genesis and Growth of BMOs and Industry Associations in India

- I. Trade and commerce occupied an important place in ancient India. The Indian merchants traded far and wide. Different craftsmen and artisans formed guilds for each craft and for occupation such as spinning, weaving, oil-crushing, ship-building, and other industries. Mention of the guilds-corporate bodies, is found as back as 800~1000 B.C³. The guilds did perpetuate not only their interests but supervised community projects and even maintained armies which accompanied trade caravans.
- II. The history of associations in modern times began with British era in 19th Century. The early British trading companies established their offices in Calcutta (Kolkata) and Bombay (Mumbai). India's first chambers of commerce emerged at these two places: Bengal National Chamber of Commerce & Industry (BNCCI) in 1887 and Bombay Chamber of Commerce and Industry in 1836. As the trading activity spread over all major cities, the

¹ Kleps 1980:177-178; Meier 1997:33

² Meier 1997:34

³ Formation and function of guilds are mentioned in Kautilya's Arthashastra (4th century B.C) and in Mandasore (Malva region of MP) inscription of Kumara Gupta (414 - 455 A.D.). For more details the following books may be referred 'Guild Organization In Northern India: From Earliest Times To 1200 A.D. by Beena Jain (1997); 'Local government in ancient India, 1919 By Radhakumud Mookerji (2008); 'Corporate life in ancient India' by Ramesh Chandra Majumdar (2009)

chambers of commerce emerged everywhere. Consolidation began around the beginning of twentieth century as local chambers started forming regional chambers and also national chambers: PHD Chamber of Commerce in 1905, Associated Chambers of Commerce in 1920 and Federation of Indian Chambers of Commerce in 1927. The major manufacturing activity started off post independence and associations representing Industry came much later. First product specific associations of traders appeared such as Engineering and Iron Trades Association (EITA) in 1895.

- III. The distinction between the Chambers of Commerce and Industry Associations remain: Chambers primarily represented traders and later included industries while industry associations restricted membership to industries only. Today there are around 3000 associations small or big of which around 500 are fairly strong⁴.

b. Emergence of MSME Associations

- I. It is the conflict of interest and need of prioritization from specific segments that led to formation of MSME associations (and also sector specific associations). It is rather interesting to note that birth of the two oldest MSME organizations in India at national level, FASSI and FISME (earlier known as NAYE), were largely facilitated by policy makers themselves- FASSI by Prime Minister Pt. Jawahar Lal Nehru and FISME (NAYE) by Prime Minister Indira Gandhi and Dr. Fakhruddin Ali Ahmed as Industry Minister in 1967, for they also recognized the need for private sector led institutional support mechanism.
- II. Though large numbers of MSME associations still remain weak in resources- human and material, and governance, quite a number of them have evolved into sustainable and effective organizations particularly during the last 15 years. Many of them are indeed rising up to the challenge of implementing large scale MSME development projects. At the national level FISME is implementing UNCTAD led project on trade and market access issues in 16 states with 22 partner associations; state level associations such as KASSIA and TANSTIA have set up common facility centers; district and cluster level

⁴ Survey of Trade and Industry Associations by FISME under Project 'Strategies for preparedness of trade and globalization in India' 2007-08.

associations such as CODISSIA and TEA have implemented infrastructure projects like setting up of CETPs and Exhibitions grounds. Even at industrial area level associations such as VIA have transformed the infrastructure by assuming the responsibility of its management.

2. Indian BMOs: Capabilities, Competencies and Needs

As is evident, the universe of Indian BMOs is very large. However, BMOs demonstrate remarkable variance both in terms of outreach and competencies. Unfortunately, the topic of BMOs has not been researched much in India in general and in MSME segment in particular. The following two studies are worth quoting:

- a. 'Problems in the Development of Local Associations: Some Observations from India'⁵ by Dietrich Müller-Falcke based on observation and analysis of MSME associations in two Southern states of India Karnataka and Tamil Nadu in 1998
- b. Structured capability assessment of 19 BMOs (Tier-II partner associations of FISME)⁶ in 2008.

Falcke contends that 'functioning business association will have a positive influence on the development of its members. It generates external effects and utilises economies of scale.' However, based on the study he argues that:

- I. MSME associations in developing countries 'face a fundamental problem if they want to enhance their performance and if they want to grow. There is a development trap-type relation between membership and performance. (Less membership> low resources> fewer activities> lesser membership).
- II. Many of them have problems to perform in a way that is supportive to the development of their sector or their cluster.
- III. Evidence from India gives some insights as to which factors are important to overcome development constraints and to strengthen business associations viz.
 - Enthusiasm and work of small groups of entrepreneurs [Vision; Mission]
 - Number of potential members [Possibilities of agglomeration]
 - Existence of common concerns and the similarity of enterprises [Common pressure points]

⁵ Dietrich Müller-Falcke* (ZEF – Center for Development Research, Bonn; SfH – Institute of Small Business at the University of Göttingen); 1998

⁶ The study was commissioned by FISME under aegis of project Strategies for Trade and Globalization India (Minsitry of Commerce, GoI; UNCTAD-India and DFID) 2008.

- Financial support from public authorities and networking with other organisations. [Advocacy and networking]
 - Deficiencies in public institutions might obstruct constructive work [Business environment]
 - Funding and managerial problems of associations [Resource constraints]
- IV. FISME study was conducted on total 19 BMOs (2 national level organizations and rest state or cluster associations including 3 women organizations). Though the study was primarily focused on BMOs' readiness for taking up projects on trade issues, it brings out valuable insights on Indian BMOs of MSMEs.
- V. The study analyzed the BMOs on the following eight parameters:
- Membership and coverage
 - Commitment and vision of leadership
 - Management of projects
 - Exposure to trade issues
 - Advocacy
 - Financial strength
 - Infrastructure
 - Quality of staff
- VI. However, there is an important caveat. The associations are not randomly picked. Most of them are above average organizations having fair amount of resourcefulness. Nonetheless, the study throws interesting insights:
- Clarity of vision comes out to be an important condition for a BMO to have strong membership, financial strength or good infrastructure. The vision alone however does not guarantee improvement in these factors. It is a necessary though not sufficient condition for BMO to be successful.
 - Half of even these good 'associations' have below average capability to implement projects and in case of more than one third it is 'low'. In light of poor record of implementation of MSME support schemes (even of those schemes where their specific role is envisaged), this clearly calls for capacity building measures in augmenting their implementation capabilities.

- Almost two third of them have 'low' exposure on trade issues i.e. ability to internalize external threats and take proactive measures. Almost everybody needs support in this dimension. This ability is crucial to have long term sustainability of their membership and also of theirs.
- The study reinforces the weak correlation between advocacy capability and financial strength of BMOs. Advocacy is considered a 'public good' and such efforts suffer from 'free rider' phenomenon.
- Another very important finding is that quality of staff employed is found to be 'low' in almost half of BMOs. The malice is far greater in MSME dominated associations. This highlights another weak area of MSME associations and limits their ability to plan and deliver BDS.

Table 11: Mapping of 19 BMOs on the scale of 1 to 3 on 8 parameters

	Visi on	Mem be- rship	Trade Expos ure	Project Capab -ility	Financial strength	Infra- struct ure	Adv. Capab ility	Staff Quali ty	Total
AFMEC	1	1	1	1	1	1	1	1	8
ALEAP	3	2	2	3	3	2	3	1	19
AWAKE	3	2	1	3	3	2	3	1	18
BIPCC	3	1	1	3	1	3	2	2	16
BIA	2	2	1	1	2	3	3	2	16
ELCINA	3	2	2	3	3	3	3	3	22
FOSMI	2	2	1	1	2	2	2	2	14
FAPSIA	2	3	1	1	1	1	2	1	12
FSIA	3	2	1	3	2	1	3	1	16
GSIA	3	1	1	3	3	3	3	1	18
ICC	2	3	1	1	3	2	3	1	16
IIA	2	3	1	2	3	2	3	2	18
KASSIA	3	3	1	3	3	3	3	2	21
KSIA	2	3	1	1	2	2	2	1	14
MPLUS	2	3	1	1	2	1	3	1	15
MAWE	3	1	2	3	1	1	2	1	14
TANSTIA	3	3	2	2	3	2	3	1	19
VIA	3	3	1	2	3	3	3	2	20

3. Capacity Building Needs of MSME dominated Indian BMOs:

From the two studies discussed earlier and also from the discussions held during stake holders workshops, the following capacity building needs of BMOs emerge:

- a. Orientation towards need to have clarity or purpose: vision and mission
- b. Effective and democratic management of BMOs
- c. Expansion of their resource base (revenue based on membership and through provisioning of Business Development Services)
- d. Development of professional secretariat; training and staffing
- e. Ability to plan, execute and monitor externally funded MSME development projects (including projects sponsored through MSME support schemes from Government of India)
- f. Networking with institutions and external knowledge resources

BMOs : Major Categories, their membership and focus of activities

TYPE	Est. No.	Prominent BMOs	Membership	Remarks
NATIONAL				
National Level (Corporate)	3	FICCI, CII, ASSOCHEM,	Mainly large business and chambers	<ul style="list-style-type: none"> ▪ Very resourceful organizations ▪ Extremely brand conscious and revenue oriented ▪ FICCI and CII have large service provision set up.
National level (MSME)	7	FASII, FISME, LUB	Local, regional, state level associations and MSMEs	<ul style="list-style-type: none"> ▪ Apex organisations of MSMEs at national level; engaged in advocacy & intervention at macro policy ▪ FISME implemented several SME development project at national level
Gender based	6	SEWA, CWEI, FIWE, Women Wings of FICCI, IMC etc	Women Entrepreneurs	<ul style="list-style-type: none"> ▪ With exception of SEWA, most are weak; presence is localized; women wing of Corporate associations struggle for identity;
Sectoral National Level (Vertical)	400	ACMA , SIAM , ELCINA , PMA,BDMA, AEMA,CITI	Mixed membership of MSMEs and large scale enterprises,	<ul style="list-style-type: none"> ▪ Sectors, where there is a presence of the large-scale sector are strong and have a focused agenda (e.g. chemicals, fertilizers, auto, pharmaceuticals etc.) compared to where the sector is dominated by MSMEs, the associations are weak (e.g. garments, metal working, handicrafts etc.)
REGIONAL/ STATE LEVEL				
State level Chambers	30	KCCI, BCCI, IMC	Chiefly of large corporates and traders, some MSME representation	<ul style="list-style-type: none"> ▪ Comparatively more resourceful than state level MSME associations but lesser penetration in MSME segment ▪ Lobbying and some service provision
Regional (Verticals)	200	Kerala Plastic Mfrs Assn; Gujarat Dyestuffs Mfrs	Mixed membership but	<ul style="list-style-type: none"> ▪ Formed in response to state public procurement; specific regulatory policy or common problem of raw

		Assn; Karnataka Small Scale Transformers Mfrs Assn	chiefly of MSMEs	material
Regional Formation**	6	PHD Chamber of Commerce and Industries	Regional networks	<ul style="list-style-type: none"> Address concerns of the regions e.g. Northern region states
Gender based	6	AWAKE, ALEAP, MAWE etc	State or regional presence	<ul style="list-style-type: none"> Fairly strong in some states and engaged in remarkable women empowerment projects
State level MSME associations	30	TANSTIA, KASSIA, AWAKE, GSSIF, MPLUS, etc	Local, District, Regional level associations and MSMEs;	<ul style="list-style-type: none"> Lobbying for MSME interest at state level; Networking with national level federations Some e.g TANSTIA, KASSIA have evolved into strong bodies and with elaborate service set up
DISTRICT/ CLUSTER/ INDUSTRIAL AREA				
District level *	600	SIDC, Cannanore, CODISSIA, Madurai District Tiny & Small Industries Association, etc	MSMEs operating at the district level, but a few have large industries too	<ul style="list-style-type: none"> Act as a link between the bureaucracy and its members; some have quite large membership Some e.g CODISSIA also into service provisioning, has built up its own exhibition complex
Location/Industrial Estate base	1200	Vapi Industries Association (Gujrat), Peenya Industries Association, Bngalore etc.	Predominantly MSMEs but also include large	<ul style="list-style-type: none"> The industrial estate based SIAs are the strongest and the most successful The Synergy between large and small industries strengthens the SIA financially and professionally
Cluster based*	800	Rajkot Engg. Assn.(Gujarat), Tirupur Exporters Association,	Largely MSMEs	<ul style="list-style-type: none"> Represent the interest of entrepreneurs in a particular product line rather than specific size Active in technology development & market (esp. export) and pollution control

* Often there is over lap of district & cluster level associations;

** Regional formations fill the gap of state level associations for example PHD for Punjab, Haryana, Delhi and Himachal

4. Case Studies

Case 1: Vatva Industries Association, Ahmedabad

a. Background

Set up by Gujarat Industrial Development Corporation (GIDC) in 1960s, the Vatva Industrial Estate is one of the largest and oldest estates in India. It is spread over 560 hectares of land and houses more than 1800 units in engineering and chemical sector. The estate employs more than 1 lac people and total turnover of the estate is estimated at Rs 15000 crores out of which approx Rs 700 crores is exports. Vatva Industries Association (VIA) formed in 1971 represents industrial units of Vatva Industrial Estate. Presently it has about 2000 members.

b. Problems in the Industrial estate:

- I. Years of neglect ruined 56 km of road and 50 kms length of water supply lines. The estate had no sewerage system and all the units used septic tanks. There was no storm water drainage mechanism either and every monsoon resulted in massive water logging.
- II. The GIDC and later Ahmedabad Municipal Corporation (AMC) were responsible for maintenance of the estate. AMC collected octroi and property tax to the tune of Rs 65 crores and Rs 4.5 crores annually.

c. The initiatives

- I. VIA took the initiative of addressing these gaps by implementing an infrastructure project of the size of Rs. 401 Cr to upgrade/ establish the Sewage system, Common Effluent Treatment Plant (ETP), Secured landfill and a centre of excellence.

d. Schemes used for addressing gaps:

- I. Industrial Infrastructure Upgradation Scheme (IIUS), GoI
- II. Critical Infrastructure Upgradation Scheme (CIPS), Government of Gujarat

e. Challenges encountered:

I. Social

- Legacy: while the individual units prospered, the shared infrastructure decayed. The entrepreneurs failed to figure out how to collectively address the issue.
- There were issues related to who should take a lead? Which association? How would the initiatives be managed? Who would own the assets? How to ensure participation?

II. Administrative

- The Industrial Areas fell into jurisdiction of Ahmedabad Municipal Corporation and they considered it as their property.
- AMC was neither too much inclined to upgrade the infrastructure nor ready to part with the revenue collected for needed upgradation

III. Financial

- The IIUS required initial investment for preparing DPR without surety of approval
- Financial closure required a lot of funds to be raised. It was not possible to make the industries contribute with force. Raising Loans from banks was difficult without assets and a solid revenue stream.

f. Finding a way out through innovative means:

I. Several things coincided: announcement of the two schemes- IIUS and CIPS; presence of well run associations VIA having a long standing; taking over of VIA by a visionary leader as President Mr. Kirit Parekh who inspired rank and file in VIA to take up the lead and ownership of projects; readiness of State government to accommodate the aspirations of VIA.

II. Leveraging the social capital of VIA build over the years, VIA created two SPVs simultaneously: Novel Infrastructure Limited for IISU and VEL for CIPS, to tap resources of complementary schemes.

III. To raise funds from banks needed to meet shortfall for financial closure, VIA needed a revenue stream. It tried to convince AMC to share part of the property tax revenue collected from Vatva GIDC area for the development of the estate. After two years of pursuance, AMC agreed to sign a MOU for sharing 75% of the property tax collected and transfer it into an Escrow Account with a bank. The funds could be utilized by the SPV created by VIA for the purpose of infrastructure development in

GIDC Vatva, for repayment of loan or advances received from the Bank/financial institution or to pay margin money for getting grant/aid/subsidy/loan from State/Central Government or from any other institution.

- IV. VEL needed to raise debt to achieve the financial closure. Unique financing structure was worked out and VEL has obtained sanction of Rs 20 crores term loans and Rs 2 crores bridge loan (required because State Govt grant was back ended). The term loan was sanctioned only on the basis of securitizing hypothecation on property tax receipts
- V. The total cost of the project was Rs 82.61 cr and its means of financing was as under:
 - Grant under IIUS : Rs 29.29 cr
 - Grant under the scheme of the Government of Gujarat : Rs 16.77 cr
 - Users contribution : Rs 6.60 cr
 - Direct users contribution : Rs 14.95
 - Bank loan : Rs 15.00 cr

g. Present status

- I. The first phase of the project is nearing completion. VIA intends to implement Phase II of the project and become a model industrial estate by 2010.

h. Lessons learnt

Successful execution of the scheme highlights the following:

- I. Presence of social capital thanks to an industry association (VIA) of long standing having good membership base. Due to better governance structure of the association and periodic change of leadership, a visionary leader could come at the helm when schemes were in vogue.
- II. The resourceful association could commit funds upfront and engage a professional agency (IL&FS) for Project Management support to develop DPRs and implement the project on ground.
- III. Advocacy capability of VIA and eventual acquiescence of the State government to allow sharing of revenue collected from the estate with the association (a critical step).
- IV. For the scheme to have been taken up flexibility was essential either at the level of central government (IIUS schemes) or at the state level (parting of revenue).

Case 2: Consortium of Textile Exporters, Jaipur

a. Background

- I. Bagru and Sanganer (near Jaipur) are famous artisan clusters for hand block printed textiles. The products are famous for their distinct styles - Sanganeri print, containing Sanganeri “Chintz” and Bagru for Palm tree and Fadat prints. In ancient times these clusters were promoted and patronized by royal families but in subsequent period both the clusters witnessed an uneven growth trajectory. On account of distinctive styles and innovations carried out by the exporters, products have wide acceptance in local, national and export market. The main drivers of the clusters are small exporters who place orders on artisans and purchase their produce for export.
- II. In 1990s, the cluster faced difficult times on account of, especially, strict enforcement of pollution norms. In 1997, UNIDO started its cluster development initiative in both the clusters by organizing artisans and other stake holders for putting these clusters on growth path.
- III. As exporters were drivers and important stakeholders, UNIDO facilitated formation of the association so that collective actions are taken by them to address common problems. Consortium of Textile Exporters (COTEX) was registered in 1998 under Societies Act with 7 founder members which now have increased to 26. In the initial stages, members of COTEX took collective actions in the area of participation in international and domestic fairs etc. Encouraged by impact on profitability and increased business, in 2007 they conceptualized a project for attaining sustained growth.

b. Problems of exporters

- I. Enforcement of pollution control norms made production erratic causing delay in meeting delivery schedules of buyers
- II. Coordination , quality control and management of supply chain was difficult on account of decentralized mode of production
- III. Quality of products was inconsistent leading to dissatisfaction among buyers leading to cancellation of orders

c. The initiative

- I. COTEX took the initiative of setting a green field integrated textile park housing individual units of its members and also having common facilities like display centre, common effluent treatment plant, processing centre

and physical infrastructure as roads, storm water drainage, water supply etc. The park would have 20 units doing block printing, making garments, screen printing and industrial printing.

d. Schemes used for addressing gap

- I. The COTEX by creating a special purpose vehicle of its members addressed the above gaps by availing assistance under “Scheme of Integrated Textile Park” of the Ministry of Textiles, GoI. They developed a project of setting an integrated park for its members having a project cost of about Rs 45 cr.

e. Challenges encountered :

- I. Being an association of 26 small exporters, there was lurking suspicion that members would not be able to mobilize requisite contribution for availing the grant under the scheme. Due to lack of experience in project management, COTEX was hesitant to undertake such big project.

f. Finding a way

- I. To address their shortcoming lack of expertise, they engaged IL&FS a professional agency to help them conceptualize the project, handhold them through the process, prepare the project report and help them execute it.
- II. COTEX successfully developed the project costing Rs 45.28 Cr with following means of financing:
 - Member’s contribution: Rs 9.06 cr
 - Grant form GoI : 18.11. cr
 - Term loan : Rs 18.11 cr

g. Present status

- I. The project has been approved by the Ministry. COTEX has mobilized contribution of their members and purchased land and constructed boundary wall and civil work is in progress. The ministry has also released Rs 1.8 Cr as first instalment of grant and sanction of bank loan is in final stage.

h. Learning

Success of this project underscores the following factors:

- I. Visionary leadership: During entire period of its evolution, there persons took extra pain to move along and provided sustained leadership and direction
- II. Abundance of social capital: COTEX is very selective in enrolling membership. Their underlying principle is that only like minded people

should be taken as members. This value system has created a reservoir of social capital in the association and that lead to hassle free implementation.

- III. Proactive role of support institutions: This project may not have been conceived and implemented in the absence of ground work done by UNIDO in creating the social capital over many years, on which a professional agency like IL&FS could develop the project.

1. Observations

For this current study, firstly all the MSME support schemes of Government of India were scanned. Secondly, 41 such schemes were identified that envisaged a major role for industry associations/ BMOs in design and implementation. Thirdly, out of 41 such schemes, data were collected on seven schemes, five of which were further compared on a set of parameters. Fourthly, two schemes namely MSECDP and IIUS were analyzed in detail. The preliminary information on the schemes was collected from secondary sources chiefly publications of respective Ministries and specific data sets were created through an elaborate exercise by filing RTI applications. Discussions were held with associations and two cases were studied and presented. Based on the discussions of previous chapters some key observations are being explained under two heads:

- a. Supply side constraints: problems in schemes or processes of proposing agencies
 - b. Demand side constraints: weaknesses among associations/ BMOs
- a. Supply side constraints:

The supply side constraints largely stem from the change that role of the government had undergone in the post liberalization process during the last decade. From being 'protector' of the sector and 'provider' of support services to that of a facilitator for creation of market based solutions in partnerships with private sector. There is a conflict, however, in the legacy systems in Ministries (central and state) and the new role they are expected to play. The issue has not drawn enough attention and is resulting into following weaknesses:

- I. *No structured need assessment*: One cross cutting feature of almost all schemes has been that a structured need assessment exercise was seldom undertaken before proposing the schemes. Usually the schemes flowed from the recommendation of an advisory committee or an expert group or an internal note within the Ministry. Perhaps, it is one of the chief reasons that while most schemes fair well at strategic level, aiming wholly desirable objectives like competitiveness, addressing gaps of critical infrastructure etc, they tend to falter on specifics and detailing.

Analysis of seven important schemes (Chapter-3) namely MSECD, SITP, IIUS, SFURTI, International Cooperation Scheme, Capacity Building scheme and scheme for studies, brings out that none of them have undertaken any structured need assessment before proposing the schemes. However, the mistake was addressed somewhat in a few schemes after the review exercise. But precious time was lost as review is undertaken generally towards the end of the planned period.

- II. ***Weak stake holder discussions on proposed schemes:*** The weakness of not having undertaken the need assessment while proposing a scheme is further exacerbated in absence of participatory discussions with stake holders especially the ones expected to implement the scheme. Whenever a feedback is taken at all, discussions were held with select groups in a casual manner. The exercise is seldom undertaken in public domain and the draft scheme is almost never put on the websites to elicit response from larger audience. In none of the schemes analyzed, the record of such an exercise if undertaken or minutes of the discussions held with stake holders is available. What is astonishing is that even the review report on the performance of a scheme is seldom made public, denying a chance for a say of stakeholders in course correction. This is in stark contrast with the approach that Ministries such as Finance or Commerce or institutions such as RBI and SEBI are increasingly adopting the habit, while finalizing an important policy, to routinely put them on the internet for wider response from stake holders.

In most cases, the major flaws come to light when the scheme becomes public and would have already passed approval and guideline formation stage. At this juncture, alteration in the scheme components or proposed processes would become arduous and hugely time consuming because of involvement of several levels of decision making within Ministry, Planning Commission and sometimes of other Ministries. This is an important reason for delay in implementing of schemes.

- III. **Human Resource and administrative constraints :** Most of the schemes in vogue are of post reform period envisaging a very different role for the officials in designing and managing development schemes based on PPP models. Historically they did controlling functions or delivery of subsidies. In most Ministries, the prevailing attitude as well processes of the pre-reform period still remain deeply entrenched. Somehow the endeavour is to maintain 'secrecy' from the design stage to the approval process to actual outcomes. There remains a strong bias against associations particularly among the lower and middle officials of the Ministries. Perhaps much of it this stems out of the lack of interactions between them leading to a huge gap of understanding between the two. For example while the schemes clearly intend that associations/ BMOs should take up implementation as in case of 41 schemes identified, the prevailing attitude is of suspicion and discouragement about associations. Under the IPR scheme, there is a provision of grant of Rs. 1 lac for seminars under which 50% is disbursed after approval and 50% after the programme. An agency having 'track record of assisting SMEs', first needs to get approval of the proposal, apply in a detailed format with item wise budget, cost break-ups with 'justifications', details of funding from other sources, choose experts, provide certified copies of expenses by CA etc. One cycle takes months to pass through several layers. For another programme, one has to repeat the same cycle. Worth the effort for programme sponsorship of Rs. 1 lac ?
- To address this systemic bias, many successful schemes have taken the route of appointing specialized agencies as Project Management Agencies (e.g. IIUS, SITP, AYUSH etc). The move has substantially improved the design, implementation and impact of the schemes.
- IV. **Too many layers of decision making:** Generally the schemes have multilevel decision making in Steering Committees; Project Implementation Committees; Apex Monitoring and Evaluation Committee, Operational staff etc resulting into severe time over-runs. The periodicity of the meetings of the committees does not follow a time table and are generally held ad hoc, making it difficult for willing implementing agencies to plan their activities.

- V. ***Too rigid and too straight jacketed:*** Development interventions do not follow a straight trajectory and the conditions at ground differ widely in states. Rigid provisions or practices in the schemes such as involvement of state agencies makes it extremely difficult for the scheme to take off for want of a willing and sensitive state partner.

For example, the mandatory involvement of state agencies even if there is no role for them in the project implementation. Or for example in the IPR scheme of DC-MSME while separate associations could apply for establishing IPR stations at different places, the proposal cannot be considered if they form a consortium to avoid duplicity of efforts.

- VI. ***Conceptual flaws:*** Most schemes of the Xth and XIth FYPs are modelled along the lines of **PPPs**. In practice, while the risk is shared between the 'Public' and 'Private' entities, the assets cannot be: they are to wrest firmly with 'public' only. It becomes a deterrent for the private sector to come forward and take up these schemes and also for the Banks/ FIs to invest in assets they cannot own.

Secondly, there is another catch phrase in many schemes- **Viability Gap Funding (VGF)**. The idea, primarily originated for infrastructure projects, is that public money should only go to the extent needed to make the market work. Most of the schemes especially the ones designed on the PPP framework maintain that the funding provided under them is of the nature of viability gap funding. However in practice developmental projects aim to make an impact in an unknown area for which assessing the viability is only a guess game.

For example while setting up of a Common Facility, it is estimated that so many numbers of enterprises will take up the services of the facility. It is much more complex than estimating the number of vehicles likely to pass through a road. Therefore, there is ample subjectivity in deciding the extent of support needed which enhances the risk perception of the project developer.

Thirdly, an equally grey area is related to **land**. While, there are schemes which allow land to be a part of the project cost when the quantum of assistance is calculated (e.g. SITP, AYUSH, MSECDP etc), many other Schemes land is not considered part of the project cost such as IIUS etc. Many of the Schemes require the beneficiary units to bring in land upfront as their contribution even before the project has been given a go ahead! This means that the group of enterprises/ SPV/ industry association have

to undertake huge financial risk without having any comfort of even an in-principle approval in hand. This deters the potential enterprises to participate in the project.

- VII. **Weak information systems** : The weaknesses of unavailability of information on the schemes, their real operational steps and outcomes is a cross cutting issue. While thanks to the RTI Act it is mandatory to disclose information about the schemes, most of the disclosures are kept at bare minimum and are un-updated. The information if at all is available on 'what' and almost never on 'how to'. While planning the schemes, there is seldom a budget provision for advertising, training the officials of the Ministries or of the potential implementing agencies.

b. Demand side constraints

The larger set of demand side constraints, especially of associations and BMOs, also stem from the same root as in the case of Ministries: change of role. During the licensing quota regime prior to 1991, domestic markets were protected and all industry associations were engaged in lobbying for a larger share for their members in the pie of the productive resources which were firmly in Government control such as steel, copper, coal, finance etc. Secondly, at the level of industrial areas and clusters, negotiating with regulatory excesses particularly in domain of taxation was another big activity that associations were occupied with. A paradigm shift has since taken place: factors of production are largely market driven and taxation regime stands overhauled (FERA has been repealed, Income Tax rates are at par with most competing economies; Excise regime liberalized to ModVAT to VAT and is now on its way to GST)). The classical roles of associations therefore became largely redundant.

The single biggest challenge before the industry in the era has been of dealing with global competition. As the competitiveness was influenced by several hard and soft factors beyond control of individual MSME, collective initiatives and public support for such initiatives were needed. That is the role that associations are expected to play. However, studies point out, that associations, particularly MSME associations, suffer from some serious weaknesses which come to fore when they are to implement collective initiatives.

- I. **Lack of clarity of Vision:** The majority of MSME associations suffers from clarity of vision with regards to their role vis a vis the needs and demands of their members. Because of the prevailing confusion they lose focus and their energies are dissipated in non-core activities resulting in erosion of value in their services to their members. More than what is to be done, clarity of vision is critical for them to know what is not to be done to guard against diffusion of efforts.
- II. **Poor governance structure:** To command credibility among peers and external audience and to be effective to achieve their objectives, it is essential that they retain their democratic character, be representative of the segment and follow transparency. However, quite a large number of associations become tools in the hands of a few people who use them to serve their narrow agenda thereby losing credibility and sustainability. Such a setting, where leadership does not change periodically, negates the possibility of attracting more dynamic and visionary leaders. Without attracting new blood the associations become static and eventually fade away.
- III. **Weak in Resources:** Most MSME associations in India suffer from a classical vicious cycle: weak resources lead to lesser activities which lead to fewer members to further weakness in resources. Most of them fail to generate revenue from sources other than membership.
- IV. **Weak secretariat:** Largely as a result of all the three reasons mentioned above, most associations fail to set up a strong and empowered secretariat to carry out core functions of associations and also fail to take up MSME development projects. This also limits their ability to hire professionals for conceiving, planning and executing development projects.

1. Suggestions and Recommendations

- a. India is confronted with huge challenge of generating employment for more than 100 mn people coming out of agriculture every year. There are no two opinions that sustained rapid growth of private sector is critical to provide meaningful engagement to such a large number of people. As the UNDP Report put it succinctly, 'the challenge is to capitalize on advances in macroeconomic stability and democracy and to launch reforms that bring about further changes in institutional frameworks to unleash and foster the private sector'³. It further states that 'the private sector has tremendous potential to contribute to development through its knowledge, expertise, resources and relationships'.
- b. The discussions in the preceding chapters brings out clearly that there is a strong desire among policy makers to support MSMEs. The number of schemes in vogue for the purpose and substantial allocation of funds reinforces this commitment. Also having realized problems in delivery, efficacy and outreach of public support schemes, Government has been trying to partner private sector and community organizations such as BMOs to improve delivery since 1990s. However, the performance indicators of the schemes point out to low off take levels of the schemes. The experience of partnerships with the BMOs and private sector is also not very encouraging.
- c. The detailed analysis in Chapters- II, III and IV, helps us identify the problem areas and brings us closer to possible solutions. Based on the analysis, the report attempts to present recommendations on how the major actors- governments and public development institutions on the one hand, and the private sector, associations, civil society organizations and BMOs on the other- can modify their actions and approaches to significantly improve the impact of MSME support initiatives thereby enhancing growth of MSMEs in India.
- d. The recommendations are divided into two groups:
 - For improving the efficacy of MSME support schemes envisaging BMO involvement
 - Capacity building of BMOs to improve their own functions and also positively influence the outcome of MSME support initiatives

³ 'Unleashing Entrepreneurship: Making Business Work for Poor', UNDP Report (2004)

- I. Improving the efficacy of the schemes and programmes require us to focus on both the process and the content. The study recommends a four stage process to be adopted for the schemes:

Table 12: Proposed steps for an effective scheme design and implementation

Stage-1	Stage-2	Stage- 3	Stage- 4
Preparation & Design	Dissemination & Marketing	Execution & Implementation	Monitoring & Evaluation
<p>Process</p> <ul style="list-style-type: none"> ▪ Structured need assessment; engagement of external experts ▪ Wider consultation with stake holders; implementing agencies; Funding agencies <p>Content</p> <ul style="list-style-type: none"> ▪ Clarity on objectives, beneficiaries; scope & coverage; role and function of implementing agency; ▪ Budget: for advertising; technical assistance to BMOs ; Admin./ tech services for DPR; should cover all relevant components ▪ Clarity on asset ownership; ▪ Concepts like VGF be avoided 	<p>Process</p> <ul style="list-style-type: none"> ▪ Dedicated site for each scheme ▪ Advertisement ▪ Web based alert mechanism to disseminate info ▪ Direct mailers ▪ Partnership with BMOs/ ad in journals <p>Content</p> <ul style="list-style-type: none"> ▪ detailed printed/ e- booklet with formats annexure ▪ ‘Keep it simple’ – simple to communicate and understand. ▪ Present process flow; Indicate a time-frame; 	<p>Process</p> <ul style="list-style-type: none"> ▪ Should not have more than two layers of decision making: Strategic/ approval level and Implementation level ▪ Implementation to be outsourced to Project Mgt Units; creation of PMU monopolies to be avoided ▪ Strategic/ approval level should have wider representation (Public and private bodies) ▪ Flexibility: should be allowed to be exercised on operational issues <p>Content</p> <ul style="list-style-type: none"> ▪ Entry barriers like upfront financial commitments be avoided; track record & credit worthiness be relied Or a two stage approval; in principle approval & final approval ▪ Release of funds: disbursement schedule be specified; ‘trust but verify’. Instead of ‘don’t trust, specify every thing’ 	<p>Process</p> <ul style="list-style-type: none"> ▪ M&E function should be outsourced ▪ Real time status be available via scheme web site ▪ Midcourse correction after two years of operation <p>Content</p> <ul style="list-style-type: none"> ▪ Standard formats of reporting for all schemes

- II. We have seen in previous chapter that BMOs perform many important functions. Not only do they allow their member MSMEs to collectively organize what they cannot individually – a function widely known, but also help induce and increase \ accountability in the system, something not appreciated much. Though, the latter is a core part of the work of civil society organizations. The failure of BMO, therefore, is not just felt

on the individual MSMEs of the area but also is reflected in poor governance and unresponsive support structures around. In the case of MSMEs- which are largely unorganized and suffer from a range of disabilities in India, from absence of infrastructure to failure of markets, mere provision of support schemes cannot address these problems. Presence of strong and effective BMOs becomes a *sin qua non* for development and growth of MSMEs.

III. We have also seen that majority of MSME dominated BMOs suffer from weaknesses - inherent or acquired. In the current study the focus had been on three types of roles:

- Ability of BMOs to service their members
- Capability to positively influence the external environment affecting MSMEs
- Capability to plan and execute MSME development projects

As a matter of fact, all the three roles are inter-related. Without effective service, membership would remain low leaving limited resources at disposal to effectively carry out the other two functions. Therefore, capability of BMOs to plan and execute MSME development projects cannot be fortified in isolation. This makes the issue of BMO capacity building more complex and requires a systems approach to be adopted.

What is surprising is that in spite of presence of large number of BMOs, precarious condition presently they are in and criticality of their effective management in MSME development context, there is no institutional frameworks to assist build the capacities of BMOs in India. In view of the fact, their own role and the role that the Government agencies expect from BMOs have changed fundamentally during last decade, BMOs are in need of institutional support to rise to the occasion.

The study proposes setting up of such an institutional framework: '**Capable- Center for Excellence**'. Firstly, such an institution should work on leadership development in BMOs and help them build their vision and mission. Secondly, it should provide professional services to BMOs and also to public agencies in the area of project execution and management. Thirdly, it should also conduct studies and research in areas of need assessment and cluster development / value chain issues. Finally, it should evolve as a continuous learning center.

The scope of activities to be covered under the center is being given in accompanying table:

Table 13: ‘Capable’: Center of Excellence

Scope and Activity Profile			
Strategic	Professional Services	Research & Studies	Learning Center
<p>For BMOs</p> <ul style="list-style-type: none"> Leadership dev; Training for Vision/ Mission building; Training for staff functions/ project management <p>For Policy Makers</p> <ul style="list-style-type: none"> Training for project/ scheme dev.& mgt M&E techniques Communication 	<p>For BMOs</p> <ul style="list-style-type: none"> DPR preparation Professional hand-holding support to BMOs for project execution <p>For Policy Makers</p> <ul style="list-style-type: none"> Project Mgt function for Govt. M&E of schemes for Govt. Feedback 	<p>For BMOs</p> <ul style="list-style-type: none"> Need assessment Studies on clusters/ Value chains/ LED studies <p>For Policy Makers</p> <ul style="list-style-type: none"> Impact assessment studies 	<p>For BMOs</p> <ul style="list-style-type: none"> Short and long term modular programmes/ academic courses (online/ on ground) for BMOs/ staff/ MBAs e-learning platforms <p>For Policy Makers</p> <ul style="list-style-type: none"> e-learning platform for sharing best practices

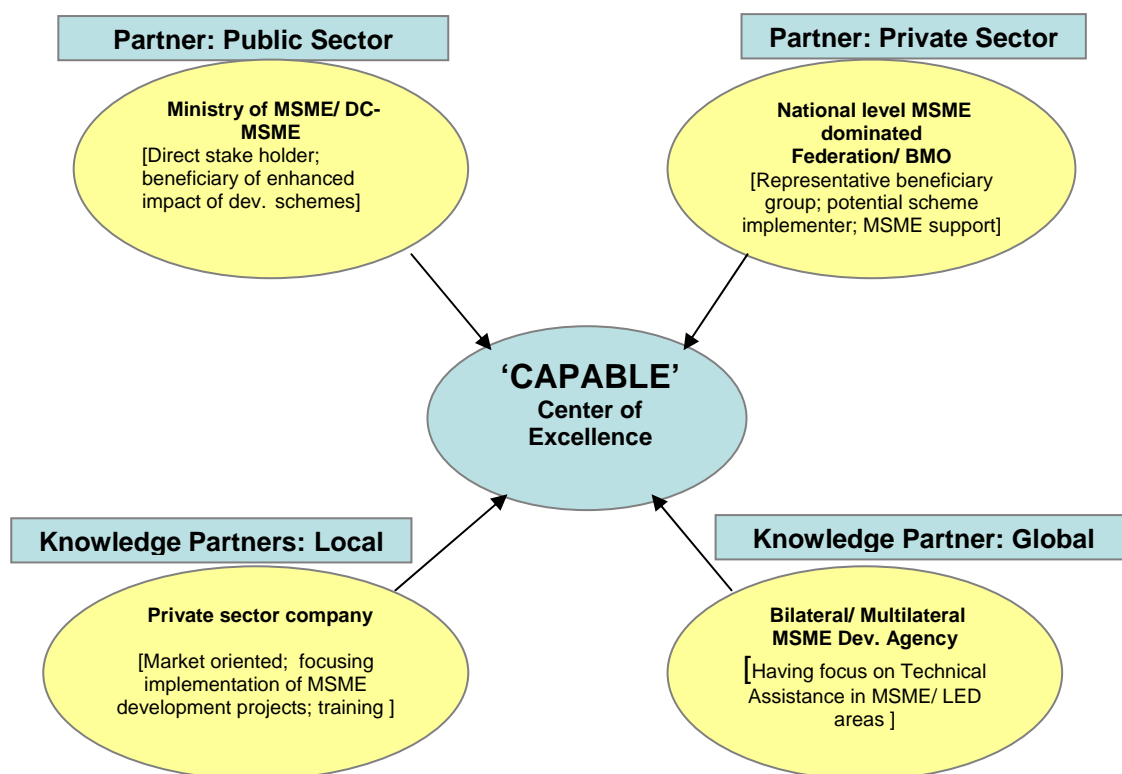
2. Structure of the CAPABLE Centre:

The Centre could be a distinct legal entity registered under the Society or the Company's act. Following could be the possible promoter partners of CAPABLE centre:

- Public Sector partner: Concerned Ministry having mandate for MSME development
- Private Sector Partner: A National level industry association/ federation having considerable knowledge of the sector and good outreach.
- Local knowledge partner: A private institution with exposure of Government run PPP based MSME Schemes and their implementation mechanisms along with experience in handholding projects, training programmes
- Global Knowledge partner: A bilateral/ multilateral institution having MSME sector development as their objective

Though the Centre would aspire to be a self sustaining institution in the long run, considering the developmental focus it could be supported initially by one time grant in aid by Govt/ donor agencies. The support could be towards capital expenditure in setting up the Centre or towards manpower/ staffing etc.

Figure 2: Proposed Institutional Framework



The Centre would have an advisory board to advise on strategic issues, drawing expertise from public as well as private sphere. The Centre would have strong networking/ liaisoning with all stakeholders in the sector including technical agencies, financial institutions, other CSOs etc. The Centre would also come out with regular publications such as bulletins/ newsletters etc to keep the stakeholders abreast of the latest developments. The Centre would be adequately staffed with professionals with experience of managing PPP based Schemes and also the nature of the sector to be able to work closely with multiple stakeholders.

Annexure

Synopsis of Schemes envisaging role for BMOs

Annexure-A

PROJECT CAPABLE: SYNOPSIS OF SCHEMES WITH BMOs AS IMPLEMENTING AGENCIES

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
Ministry of MSME					
1	Scheme of Fund for Regeneration of Traditional Industries (SFURTI) through KVIC and Coir Board Mr. Angshuman Dey Deputy Secretary Ministry of MSME Udyog Bhavan New Delhi – 110 011 Tel: 011 - 23062745	2005	<ul style="list-style-type: none"> – Technology Upgradation – Setting up of Common Facility Centres (CFCs) – Development of new products & designs – New/improved packaging, etc. – Market promotion activities – Capacity building activities – Other activities identified by the Implementing Agency (IA) as necessary for the development of the cluster 	Non-Government organisations (NGOs), institutions of the Central and State Governments and semi-Government institutions with suitable expertise to undertake cluster development assisted by Technical and Nodal agencies	75% for CFC, technology upgradation, product development and 100% for Capacity building, market development with component wise ceiling
2	Scheme of Surveys, Studies and Policy Research Mr. Arun Kumar Jha Director Room No: 254 Ministry of MSME Udyog Bhavan	–	<ul style="list-style-type: none"> – Data collection on various aspects and features of MSME – Study and analysis of constraints and challenges faced by the MSME Usage of the results of surveys and analytical studies for policy research and designing appropriate strategies and measures of intervention by the Government – 	Panels of expert/academic/research/professional organisations/institutions of repute Associations/federations of MSME	Open ended: no specific limit stipulated

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
	Tel: 011 - 23063198				
3	International Cooperation Scheme Mr. Arun Kumar Jha Director Room No: 254 Ministry of MSME Udyog Bhavan Tel: 011 - 23063198		Components as airfare, venue/ stall/ space rent, local travel, publicity/ advertisements, resource persons etc for the following activities: – Deputation of MSME Business Delegations to foreign countries – Participation in International Exhibitions/Trade Fairs/Buyer-Seller Meets – Participation in International exhibitions/ trade fairs held in India – Organisation of International Conferences/ Seminars in India	– State/Central Government Organisations; – Industry/Enterprise Associations; and – Registered Societies/Trusts and Organisations associated with the MSME.	The quantum of financial assistance will be decided on the basis of the budget estimate & the eligible items of expenditure subject to the following limits in respect of international and domestic events: – International Events: Rs. 25 lakh per event Domestic Events: Rs. 12 lakh per event <i>Financial assistance restricted to two events in a financial year</i>
Development Commissioner (MSME)					
4	Scheme for capacity building, strengthening of database and advocacy by Industry/Enterprise Associations and for holding Seminars/Symposiums/Workshops by the	–	– Secretarial and advisory/extension services to selected national Associations – Modernization of the facilities and equipment and training of personnel, etc – Holding Seminars/Symposiums/Workshops on various issues concerning the	National/Regional/State/Local Level Industry Associations, which are registered for at least 3 years, having a regular charter, list of members and audited accounts	50% of the cost of modernization and equipments with a ceiling of Rs. 5 lakhs (association is required to provide the regular manpower and office space at their own cost)

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
	<p>Associations.</p> <p>Mr. Deepak Goyal Director (S&D) O/o. the Development Commissioner (MSME) I Floor, E – Wing, AGCR Building IP Estate New Delhi – 110 002</p> <p>Tel: 011 - 23702346</p>		<p>MSME Sector</p> <p><i>Association to provide regular manpower, office space and make equivalent contribution</i></p>		<p>Rs. 2 lakhs for organizing seminars etc for national level and Rs. 1 lakh for regional associations</p>
5	<p>Micro & Small Enterprise Cluster Development Programme (MSECDP)</p> <p>Shri H.S. Meena Joint Development Commissioner Office of DC(MSME) 7th Floor, Udyog Bhawan New Delhi</p> <p>Tel: 011-23062694</p>	2003	<ul style="list-style-type: none"> – Technology upgradation – Quality upgradation and certification – Credit facilitation – Marketing support – Collective capacity building of cluster units – Common Facility Centres – Testing and Training Centres – Organized procurement and marketing – Continuous skill upgradation <p><i>Government grant to be utilized towards plant and machinery only and other components to be funded from SPV's contribution</i></p>	<p>Special Purpose Vehicles (SPV) consisting of the actual/likely cluster beneficiaries organised in any legal form</p>	<ul style="list-style-type: none"> – Developmental CFCs : break even beyond 3 yrs (testing lab, design centre, R&D centre etc)-70% of Project cost not exceeding Rs 7 Cr – Quasi Developmental CFCs: individual gains nor clearly perceived (CETP, SCX, Common logistics centre etc)-50% of Project cost not exceeding Rs. 5 Cr – Commercial CFCs: immediate commercial viability(marketing/ selling centre, raw material depot, common

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
					<p>processing centre etc)- 30% of Project cost not exceeding Rs. 3 Cr</p> <p>Additional 10% grant for all women/ village or micro/ small or artisan enterprise based clusters Rs. 10 lakh for softer interventions</p>
6	<p>Market Development Assistance Scheme for SSI exporters (SSI-MDA)</p> <p>Dy. Director (Marketing Assistance) Ph. 011-23062992 Fax. 23061430 Email: adatta@nic.in</p>	2001	<p>– Airfare, space rent, shipping cost of exhibits for participation in international trade fairs</p>	MSME exporters	<p>– 75% of air fare with a ceiling of Rs.40,000/- (Rs.60,000/- for Latin American Countries) for small manufacturing enterprises and 90% with a ceiling of Rs.40,000/- for Micro manufacturing enterprises.</p> <p>– 60% subsidy on space rent.</p> <p>– Subsidy of Rs. 15,000/- for the shipping cost of exhibits for display.</p> <p><i>Total subsidy not to exceed Rs. 1.25 lakh for manufacturing and Rs. 1.50 lakh for micro manufacturing enterprises</i></p>

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
		–	– commissioning specific market studies	MSME Association	– Rs. 2 lakhs
		–	– initiating/ contesting anti-dumping cases	MSME Association	– Rs. 1 lakh or 50% of the cost whichever is lower
7	Integrated Infrastructure Development (IID) subsumed under MSECDP) Shri H.S. Meena Joint Development Commissioner Office of DC(MSME) 7 th Floor, Udyog Bhawan New Delhi Tel: 011-23062694	–	– Setting up new clusters/ industrial estates – Infrastructural facilities like power distribution network, water, telecommunication, drainage and pollution control facilities, roads, banks, raw materials, storage and marketing outlets, common service facilities and technological back up services etc	State/ Union Territory Governments or a good NGO having a sound financial position	Rs. 2 Cr or 40% of the Project cost (excluding land) whichever is lower
NMCP Schemes Implemented by DC(MSME)					
8	Building awareness on Intellectual Property rights Shri H.S. Meena Joint Development Commissioner Office of DC(MSME) 7 th Floor, Nirman Bhavan New Delhi	–	– Awareness/ Sensitisation Programmes – Pilot Studies – Interactive Seminars / Workshops – Short term/ long term Specialized Training. – Patent/ GI Registration. – Setting up of 'IP Facilitation Centre for MSME'. – Interaction with International	Eligibility varies component wise: MSME Units, MSME Organisations (Industry Association, Societies /Cooperatives/ Firms/Trust, NGOs, Research/ Technical & Educational Institutions, Universities etc), Competent Agencies	– Awareness/ Sensitisation Programmes: Rs. 1 lakh – Pilot Studies: Rs. 2.5 lakhs – Interactive Seminars / Workshops: Rs. 2 lakhs – Short term Specialized Training: Rs. 6 lakhs – long term Specialized Training: Rs. 45 lakhs

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
	Tel: 011-23062694		Agencies. <ul style="list-style-type: none"> • Domestic Intervention • International Exchange Programme 	(Consultancy Organisations/ individuals, Research Institutes, Expert Agencies such as TIFAC,NRDC etc, IPR Facilitating Agencies (Quasi Government or Government Aided Bodies , Private units sponsored by MSME Industry Associations.	<ul style="list-style-type: none"> – Patent/ GI Registration: Rs. 0.25 lakhs for domestic patent, Rs. 2 lakhs for foreign patent and Rs. 1 lakh for GI registration – Setting up of 'IP Facilitation Centre for MSME': Rs. 65 lakhs – Interaction with International Agencies. – Domestic Intervention: Rs. 5 lakhs – International Exchange Programme: Rs. 7.50 lakhs
9	Setting up of New Mini Tool Rooms under PPP Mode Mr. R.K. Rai Director Office of DC-MSME 7 th Floor, Nirman Bhavan New Delhi Tel: 011 - 23062561	–	<ul style="list-style-type: none"> – Tool Room facilities – Tool room related training facilities This shall include cost of land, buildings, equipment etc	A distinct legal entity formed by any of the following: <ul style="list-style-type: none"> – Individual enterprises – Consortium of enterprises – Industry Association – Enterprise(s)/ Industry Association jointly with the State Government 	A maximum of 40% of the Project cost not exceeding Rs.9.00 crore.

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
10	<p>Enabling Manufacturing Sector be competitive through Quality Management Standards and Quality Technology Tools</p> <p>Mr. Vijay Kumar Director (NMCP) Office of DC-MSME Nirman Bhavan New Delhi</p> <p>Tel: 011- 23062237</p>		<p>a. Introduction of Appropriate Course Modules For Technical Institutions</p> <p>b. Organizing Awareness Campaigns for Micro And Small Enterprises</p> <p>c. Organising Competition – Watch(C-Watch)</p> <p>d. Implementation of Quality Management Standards And Quality Technology Tools In Selected Micro And Small Enterprises</p> <p>e. Monitoring International Study Missions</p>	<p>– Quality Council of India/ competent organization having QMS expertise for component a.</p> <p>– MSMEs for components b, c, d.</p> <p>– Organisations including industry associations who have been engaged in similar activities for the last 2 years for components b, c, d and e</p>	<p>– For component a: Rs. 425 lakh/ yr (composite for all sub activities)</p> <p>– For component b: Rs. 1.25 lakh per programme (75% for micro and 50% for SMEs resp)</p> <p>– For component c:</p> <ul style="list-style-type: none"> ○ Study: Rs. 2.5 lakh ○ Exposure visit: Rs. 7.5 lakh (75% of cost) ○ Procurement of samples: Rs. 2.5 lakhs (50% of cost) ○ Product development: Rs. 5 lakhs (~ 60% of cost) ○ Popularisation of improved product: Rs. 1.5 lakhs (75% of cost) <p>– For component d: Rs. 2.5 lakh/ unit (100 units to be assisted)- (75% for micro and 50% for SMEs resp)</p> <p>– For component e: Rs.</p>

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
					2.5 lakh/ unit (20 units to be assisted) (75% for micro and 50% for SMEs resp)
11	Support for and Managerial Development of SMEs: Through Incubators Dr. Amarnath Assistant Director Office of DC – MSME 7 th Floor, Nirman Bhavan New Delhi – 110 108 Mobile: 9810990314		Technology fee, common facilities and hiring/lease of machinery for setting up of Business Incubators	<ul style="list-style-type: none"> – Indian Institutes of Technology (IITs) – National Institutes of Technology (NITs) – Engineering Colleges – Technology Development Centres, Tool Rooms, etc – Other recognised R&D/or Technical Institutes/Centres, Development – Institutes of DIP&P in the field of Paper, Rubber, Machine Tools, etc. <i>Industry associations part of the Monitoring committee</i>	<ul style="list-style-type: none"> – Rs. 62.5 lakh per Business incubator (15-25% of the cost of intervention to be borne by MSEs)
12	Lean Manufacturing Competitiveness Scheme under NMCP Mr. Vijay Kumar	2009	<ul style="list-style-type: none"> – Awareness programmes – Implementation of lean manufacturing techniques (primarily cost of consultant) 	<ul style="list-style-type: none"> – An SPV constituted by 10 enterprises 	80% of the cost incurred on Lean manufacturing consultant in 4 equal installments released as reimbursements

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
	Director (NMCP) Office of DC-MSME Nirman Bhavan New Delhi Tel: 011- 23062237				
Ministry of Textiles					
13	Scheme for Integrated Textiles Park (SITP) Shri A.N.Saran Director Udyog Bhawan, Rafi Marg, New Delhi	2005	<ul style="list-style-type: none"> – Physical infrastructure – Buildings for common facility centres – Factory buildings 	<p>Special Purpose Vehicle (a legal entity formed under Companies Act)</p> <p><i>Scheme envisages the role of a PMC to handhold the projects through their implementation process</i></p>	Limited to 40% of the project cost subject to a ceiling of Rs. 40 crore
14	Integrated Handloom Cluster Development Programme Mr. Manoj Jain Deputy Director Office of DC – Handlooms Ministry of Textiles Udyog Bhavan	–	<ul style="list-style-type: none"> – Common facility Centre – Setting up of Showroom. – Organisation/participation in Exhibitions/Fairs , Buyer-Seller Meets – Publicity – Developing FAQs – Declaring the Cluster as Legal entity 	<p>Institutions of the Central and State Govts, Semi-Govt institutions, NABARD, EDI, NHDC and NGOs</p> <p><i>Scheme has scope for a National Resource Agency (NRA) to perform the functions of</i></p>	<p>Budget per cluster is Rs.2 crore by way of 100% Central grant</p> <p><i>The administrative charges, which would include fee of both NRA as well as IA will not exceed 7% of the project cost.</i></p>

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
	New Delhi Tel: 011 - 23061643		<ul style="list-style-type: none"> – Capacity building & networking – Strengthening of local associations – Backward – forward linkages – Brand Building – Organization of at least 20 workshops and seminars, demonstrations – Market Research & Technical Consultancy – Engaging Designer – Institutional cost of implementing agency, – Enterprise up-gradation programme, cluster visits, development of consortium, personal counseling, intervention in the areas of occupational health/ergonomics etc. 	<i>training, advisory, monitoring etc</i>	
15	Baba Saheb Ambedkar Hastshilp Vikas Yojana (AHVY) Sh. P.Mallikarjunaiah, Deputy Director (CC) Office of Development Commissioner, Handicrafts,	–	<ul style="list-style-type: none"> – Organization of artisans clusters into SHGs/ Cooperatives. – Skill upgradation through design and technology intervention. – Infrastructure support for improved quality and productivity – Credit facilitation – Marketing support 	Through the reputed NGO's / Cooperatives / Trusts / Central / State agencies etc. registered under proper statute <i>There is scope for guiding and monitoring agencies (GMA)</i>	Upto 100% for most of the components with specific ceiling for each of the component.

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
	West Block VII, R.K.Puram New Delhi, India. Tel: 011-26178607				
16	Special Handicraft Training Project		Raw material, wage compensation, fee and boarding lodging of trainer, tool kits	Reputed and experienced NGOs/Voluntry agencies/Co-op./Apex Co-op. Societies/Central & State Dev. corporations/Trust/Institutions and other related Govt. Corporations/Agencies, Federation of NGOs/SHGs consortium, DRDA etc involved in development and promotion of handicrafts sector under or any other statutory act	Rs. 3.85 lakh for a 6 month training to 10 artisans
Ministry of Commerce (including Department of Industrial Policy & Promotion)					
17	Assistance to States for developing Export Infrastructure and Allied Activities (ASIDE)	–	– Creation of new Export Promotion Industrial Parks/Zones (including Special Economic Zones (SEZs)/Agri-	– Public Sector undertakings of Central/ State Governments	In case of non- government agency, funding for project to be on cost sharing basis

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
	<p>Mr. A.K Bamba Director Ministry of Commerce and Industry Room No: 225 Udyog Bhavan New Delhi</p> <p>Tel: 011 - 23062109</p>		<p>Business Zones) and augmenting facilities in the existing ones.</p> <ul style="list-style-type: none"> – Setting up of electronic and other related infrastructure in export conclave. – Equity participation in infrastructure projects including the setting up of SEZs. – Meeting requirements of capital outlay of EIPs/EPZs/SEZs – Development of complementary infrastructure such as roads connecting the production centres with the ports, setting up of Inland Container Depots and Container Freight Stations, – Stabilising power supply through additional transformers and islanding of export production centres etc. – Development of minor ports and jetties of a particular specification to serve export purpose. – Assistance for setting up common effluent treatment facilities for which guidelines are placed at Annexure I. 	<ul style="list-style-type: none"> – Other agencies of Central/ State Governments – Export Promotion Councils/ Commodity Boards – Apex Trade bodies recognised under the EXIM policy of Government of India and other apex bodies recognised for this purpose by the Empowered Committee – Individual Production/ Service Units dedicated to exports. 	Extent of assistance not specified

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
			<ul style="list-style-type: none"> – Projects of national and regional importance. 		
18	Industrial Infrastructure Upgradation Scheme (IIUS)- recast Mr. Shashi Ranjan Kuamr Director Department of Industry and Promotion (DIPP) Ministry of Commerce and Industry Udyog Bhavan New Delhi Tel: 011 -23062318	2009	<ul style="list-style-type: none"> – Physical infrastructure – Common Facilities for fuel/ gas supply system – Effluent treatment – Solid waste disposal – Product design – Captive power generation – Information and Communication Technology Infrastructure – R&D infrastructure – Quality Certification and Benchmarking Center – Common Facilities Center – Information dispersal/ international Marketing Infrastructure – ICT-induction & process re-engineering & management consultancy service center – any other physical infrastructure 	Special Purpose Vehicle (Section 25 Company)	75% of the project cost subject to a ceiling of Rs.60 crore <i>Grant for road, drainage & water supply system to be restricted to 25% of the total grant</i> <i>Administrative Expenses to be restricted to 5% of the total grant</i>
19	Revised Market Access Initiative Scheme Mr. Ravinder B. Joshi Deputy Secretary Ministry of Commerce and	2007	<ul style="list-style-type: none"> – Undertaking marketing projects abroad – Capacity building – Support for Statutory Compliances – Market/Export Potential/ WTO/ RTA related studies 	<ul style="list-style-type: none"> – Departments of Central Government and Organisation of Central/ State Governments including Indian Missions abroad 	The components are further divided into several sub components and funding assistance could be anywhere in the range of 50-100% with absolute ceilings.

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
	Industry Room No: 224-d Udyog Bhavan New Delhi Tel: 011 - 23063691		<ul style="list-style-type: none"> – To generate focussed projects leading to substantial improvement in market access – Developing Foreign Trade Facilitation web Portal (data bases and systems for dissemination of information (electronic or otherwise to Indian Exporters); – To support Cottage and handicrafts units; 	<ul style="list-style-type: none"> – Export Promotion Councils – Registered Trade Promotion Organisation 2 – Commodity Boards – Apex Trade Bodies recognized under Foreign Trade Policy of Government of India – Recognised Industrial & Artisan Clusters – Individual Exporters (only for statutory compliance etc.) – National Level Institutions (e.g. Indian Institute of Technologies (IITs), Indian Institute of Management (IIMs), National Institute of Designs (NIDs), NIFT etc.) Research Institutions/ Universities/Recognized laboratories, etc. 	The eligible/ beneficiary organizations have to bear the remaining cost for each intervention
20	Market Development	Revised	– Export promotion activities	– Exporters	Assistance for most of the

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
	Assistance Scheme Mr. Ravinder B. Joshi Deputy Secretary Ministry of Commerce and Industry Room No: 224-d Udyog Bhavan New Delhi Tel: 011 - 23063691	guidelines w.e.f. 2006	abroad – Export promotion activities within India – Focus export promotion programmes in specific regions abroad like FOCUS (LAC), Focus (Africa), Focus (CIS) and Focus (ASEAN + 2) programmes. – Marketing promotion efforts abroad.	– Export Promotion Councils (EPCs) – Approved organizations/trade bodies	components is around 60% of the total cost with absolute ceilings. Part of airfare, stall rentals, publicity, buyer seller meets, seminars, studies etc are eligible for funding
21	HRD Mission for Leather Mr. R.K. Malik Director Department of Industrial Policy & Promotion Ministry of Commerce and Industry Room No: 252 Udyog Bhavan New Delhi Tel: 011 - 23061951		Training under the following three categories: Primary – Flaying – Preservation – Tanning – Finishing – Waste Treatment – Footwear – Leather Garments – Leather Goods Secondary – vocational qualification Tertiary – Management training	Industrial/ Govt (institution)	Total project cost to be co shared between Gol and the industrial/ Govt (institution) partner in the ration 85:15 in case of secondary and tertiary training. Gol share limited by following condition: Per person cost of investment of Gol funds over three years should not exceed Rs. 400, Rs. 1000 and Rs. 2500 with an over all cap of Rs. 4 Cr, Rs. 4.5 Cr and Rs0.5 Cr for primary, secondary and tertiary trgs. Hardware cost in case of

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
					govt/ established institutions only will be funded with learner strength >20
Ministry of Labour (Including Director General Employment & Training)					
22	Modular Employable Skills (MES) under Skill Development Initiative Scheme (SDIS) Shri Kesai R No. 520, 5 th Floor Shram Shakti Bhawan New Delhi	2007	Training cost	<ul style="list-style-type: none"> – Institutes (including autonomous institutes) set up by Central Government / State Governments / UT Administrations. – Private Institutes of repute affiliated/ accredited to a Board / University / Council (NCVT, AICTE etc.) 	The following fee structure stands: Rs.500 per module for modules having duration upto 90 hrs, Rs.1000 per module for modules having duration from 91 to 180 hrs, Rs.1500 per module for modules having duration from 181 hrs to 270 hrs and Rs.2000 per module for modules having duration more than 270 hrs. – SC/ST to be given 25% concession in fee – Fee to successful candidates will be refunded – For each candidate trained VTP will get Rs. 15/ per hr of trg One time of advance of Rs. 3 lakh will also be given to VTP

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
23	Upgradation of Government ITIs through Public Private Partnership Mr. Hukum Singh Joint Director Director General of Employment Training Ministry of Labour Room No: 524 Shram Shakti Bhavan Rafi Marg New Delhi Tel: 011 - 23711642	–	<ul style="list-style-type: none"> – upgradation of ITI as a whole – State owned ITI and infrastructure is used Setting up of state steering committee and state implementation cells and their expenses – Salaries and wages to be borne by state Government 	Institute management Committee (IMC). IMC will be an industry led society with State Govt representatives on board	<ul style="list-style-type: none"> – Interest free loan upto Rs. 2.5 Cr – Though not mandatory industry partner could contribute either financially or through machinery – Loan has a moratorium period of 10 yrs after which has to be paid in equal annual installments over twenty yr time period
Coir Board					
24	Rejuvenation, Modernisation and Technology Upgradation of the Coir Industry Special Cell Coir Board, Coir House, MG Road, Kochi – 682016 Kerala	2007	– Work sheds and motorized rats for the spinning sector and mechanized looms for the weaving sector	SHGs: A group of 8 for the spinning sector and a group of 6 for the weaving sector	<ul style="list-style-type: none"> – 40% or Rs. 80,000 per unit for spinning unit – 40% or Rs. 2,00,000 per unit for tiny/ household weaving unit
Department of AYUSH					

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
25	<p>Scheme for Development of AYUSH Clusters</p> <p>Shri D D Sharma Director Department of AYUSH 1st Floor, Red Cross Building Red Cross Road, New Delhi Tel: 01123327669</p>	2007	<p>Cost of Buildings, Physical infrastructure, plant and machinery for undertaking:</p> <ul style="list-style-type: none"> – Core Interventions such as those related to setting up of common facilities for testing, certification, standardization, quality control and other capacity building measures – Add On Interventions such as those related to marketing/ branding, provision of general infrastructure to support production units etc – <i>Testing laboratory is a mandatory component</i> 	Special Purpose Vehicle formed by at least 15 AYUSH GMP certified enterprises located in an existing cluster	The assistance would be restricted to 60 % of the Project Cost subject to a maximum of Rs 10.00 crores
26	<p>Assistance for Exchange Programme / Seminar / Conference / Workshop on AYUSH</p> <p>Director, E&C Section, Department. of AYUSH, Indian Red Cross Society Building , Red Cross road New Delhi-110 001</p>		<p>a. National conference / Workshops / Seminar organized by Department of AYUSH</p> <p>b. National Conference / Workshop / Seminar organized by the State Government</p> <p>c. National Seminar organized by NGOs</p> <p>d. National Seminars or Workshops/ Conference by eminent Institutions / University</p>	<ul style="list-style-type: none"> – State Governments. – Autonomous bodies functioning under the Department. – Central / State Government Institutions involved in the promotion of the cause of AYUSH. – Reputed NGOs and individuals (Indian & Foreign) involved in the dissemination of proven results of 	<ul style="list-style-type: none"> – For component a: Rs. 3.00- Rs. 5 Lakhs – For component b: Upto Rs. 3 Lakhs – For component c: Upto Rs.1 Lakhs – For component d: Upto Rs. 2 Lakhs

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
				<p>AYUSH, promotion & development of AYUSH and having at least 3 years experience in the field.</p> <p>– f) Apex / recognized associations of trade and industry working in the field of AYUSH.</p> <p>–</p>	
Ministry of Food Processing Industries					
27	<p>Mega Food Parks Scheme</p> <p>Mr. A L Meena, Joint Secretary, Room No. 211, Ministry of Food Processing Industries, Panchsheel Bhawan, August Kranti Marg, New Delhi -110049</p> <p>Tel: 011-26492476 Fax: 011-26492863</p>	2008	<ul style="list-style-type: none"> – Core Processing Facilities (Farm Proximate Collection centers and Primary processing centres) – Factory Buildings – Enabling Basic Infrastructure – Non Core Infrastructure – Project Implementation Expenses 	<ul style="list-style-type: none"> – SPV, a corporate body under the Companies Act with atleast five legally independent entrepreneurs/ business units <p><i>The Scheme has provision for Project Management Agency at National and Project Management Consultant at SPV level</i></p>	<p>One time capital grant of 50% of the Project cost subject to a maximum of Rs. 50 Crores in general areas and 75% of the Project cost subject to a maximum of Rs. 50 Crores in difficult and hilly areas including North East</p> <p><i>Project cost is exclusive of land cost</i></p>

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
	Mr. Awadhesh Kumar Director Tel: 011-26492113 Fax: 011-26492863 Email: awadhesh.kumar@nic.in				
28	Scheme for Cold Chain, Value Addition and Preservation Infrastructure Mr. A L Meena, Joint Secretary, Room No. 211, Ministry of Food Processing Industries, Panchsheel Bhawan, August Kranti Marg, New Delhi -110049 Tel: 011-26492476, Fax: 011-26492863 Mr. Awadhesh Kumar Director Tel: 011-26492113 Fax: 011-26492863 Email: awadhesh.kumar@nic.in		a. Minimal Processing Centre at the farm level and this centre is to have facility for weighing, sorting, grading waxing, packing, pre-cooling, CA / MA cold storage, normal storage and IQF. b. Mobile pre-cooling vans and reefer trucks. c. Distribution hubs with CA /MA chambers/cold storage /Variable Humidity Chambers ,Packing facility, CIP Fog treatment, IQF and blast freezing. d. Irradiation facility Any two of the components from a, b or c should necessarily be set up as part of the project	Individuals or groups of entrepreneurs	50% the total cost of plant and machinery and technical civil works in General areas and 75% for NE region and difficult areas (North East including Sikkim and J&K, Himachal Pradesh and Uttarakhand) subject to a maximum of Rs 10 Crore

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
29	Scheme for Setting up/ up gradation of food testing laboratories Mr. K. Rajeswara Rao, Joint Secretary Ministry of Food Processing Industries, Room No. 207 Panchsheel Bhawan, August Kranti Marg, New Delhi -110049 Tel 011-26494032 Fax 011-26492176 Capt. Sanjay Gahlot, Director Telefax 011-26497635 Sanjay.gahlot@nic.in		<ul style="list-style-type: none"> – Laboratory equipments – Civil works 	<ul style="list-style-type: none"> – Domestic industry, exporters, Small and medium – Enterprises – Existing academic & research institutions – Food standards setting bodies – Government 	<ul style="list-style-type: none"> – 100 % of equipment cost and 25% of the cost of technical civil works for general areas and 33% for difficult areas in case of Central/State Government and its organizations /Universities (including deemed universities) – In case of all other implementing agencies/private sector organizations : 50% of cost of laboratory equipments and 25% of the cost of technical civil works for general areas and 70% of cost of lab equipment and 33% of technical civil works for difficult areas <i>Grant is inclusive of cost of Programme Management Agency (5%)</i>
30	Scheme for Promotional Activities	a.	b. Seminars/ workshops c. Studies/ surveys d. Exhibitions/ fairs	<ul style="list-style-type: none"> – Government/ academic bodies – Industries 	<ul style="list-style-type: none"> – For component a: 50% of the cost upto Rs. 3 lakhs

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
	Shri Sanjay Kumar Singh Under Secretary Ministry of Food Processing Industries Room No. 215, Panchsheel Bhawan August Kranti Marg New Delhi – 110049 Tel 011-26493680		e. Study tours	Association/ NGOs – Cooperatives etc	<ul style="list-style-type: none"> – For component b: 50% of the cost upto Rs. 3 lakhs – For component c: 25% of actual rental space with a ceiling of Rs. 20 lakhs for Govt organizations. For others assistance for common item of expenditure as space rentals, construction of stall, publication etc will be given. For organizing a fair, assistance shall be decided on merit – For component d: no specific pattern mentioned
Department of Rural Development					
31	Special Projects under Swarnjayanti Gram Swarozgar Yojana (SGSY) Dr. Amar Singh Joint Secretary / Mr. Amajit Banga Director (DRDA) Ministry of Rural	1999	Projects aimed at increasing competitiveness of MSMEs such as skill upgradation, entrepreneurship development, production related infrastructure, testing, processing, packaging etc <i>Projects should target rural BPL families</i>	<ul style="list-style-type: none"> – State Government – Panchayati Raj Institutions – Semi Government Organisations – National/ international level organisations 	75% of the Project cost would be funded by Department (the Project cost should be in the range of Rs. 1 Cr- Rs. 15 Cr)

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
	Development Department of Rural Development Room No. 249 G Wing Krishi Bhavan New Delhi – 110001 Tel 011-23382313 Fax 011-23387536 Email dramar@nic.in				
Department of Science and Technology					
32	Instrument development Programme (IDP) The Adviser & Head (IDP) Instrument Development Programme Department of Science & Technology Technology Bhawan, New Delhi – 110016 TeleFax No: (011) 26963695 E-mail: laxman@nic.in		Programmes leading to indigenous development and up gradation of instruments in the following thrust areas: – Analytical / Optical Instrumentation ; – Medical Instrumentation; – Industrial Instrumentation; – Sensors ; – Imaging Techniques and Instrumentation <i>No support is provided towards creating basic infrastructure and building</i>	– Scientists/engineers/ technologists working in universities and other academic institutions; – R&D institutions /laboratories having adequate infrastructure and facilities to carry out R&D work in collaboration with industry	Assistance towards project staff salaries, equipment , consumables, domestic travel and other miscellaneous items Open ended, assistance not specified
33	International S&T Cooperation(ISTC)	–	– R&D Projects Scheme – Joint workshop/Exhibition/ Seminar	– Scientists/faculty members working in regular capacity in	– Support for equipment, consumables and exchange visit

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
	The Head International Division Department of Science & Technology Technology Bhawan, New Delhi-110016 Tel. No: (011) 26590438 Fax: (011) 26862418 E.mail: mkmishra@.nic.in		<ul style="list-style-type: none"> – exchange visit of scientist – inter Institutional Linkages – fellowship – organisation of visit of thematic scientific and composite (scientific and industrial) delegations. – transfer of Technology to Indian industry 	<ul style="list-style-type: none"> – Universities, National R&D laboratories/institutes – Private R&D institutes – Industry 	Extent of assistance not specified
34	Joint Technology Projects under STAC/IS-STAC Adviser IS-STAC Ministry of Science & Technology Technology Bhawan New Mehrauli Road New Delhi – 110 016 Tel. No: (011) 26960203 Fax. No: (011) 26960203 E-mail: mig@alpha.nic.in		Joint Technology project between the user Ministry and DST proposed by implementing agency for: <ul style="list-style-type: none"> – R&D in thrust areas – Research Development & Demonstration (RD&D) Projects demonstrated on industrial scale – Studies on topics relating to technology assessment and/or development of new technology – Organizing Inter-Sectoral Workshops <i>Building and any major infrastructure creation not allowed</i>	<ul style="list-style-type: none"> – An industry – R&D Laboratory – Academic institutions 	<ul style="list-style-type: none"> – Equipment, salaries, consumables, domestic travel, overheads, contingencies etc – Financial support from user ministry expected Extent of assistance not specified
35	State Science & Technology Programme(SSTP) Adviser & Head	–	<ul style="list-style-type: none"> – Establishment and supporting State Councils for S&T – Organization of meeting/workshops on specialized S&T topics 	<ul style="list-style-type: none"> – State & Central Institutions – State S&T Councils – Non-Governmental Organisations 	<ul style="list-style-type: none"> – Equipment, salaries, consumables, contingencies, domestic travel, overheads etc

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
	(Technology Development and Transfer Division) Department of Science & Technology Technology Bhawan, New Mehrauli Road New Delhi – 110 016 Telefax: (011) 26510686 E-mail: laxman@nic.in		<ul style="list-style-type: none"> – Carrying out studies/surveys – Identification of science and technology programme for development of weaker sections of the society. – Location specific research and technology development programmes – Undertaking Science and Technology demonstration projects in States <p><i>Vehicles, buildings, any other major infrastructure item not allowed</i></p>	(NGOs)	Extent of assistance not specified
Department of Scientific and Industrial Research (DSIR)					
36	International Technology Transfer Programme Technology Bhavan New Mehrauli Road New Delhi - 110 016. Phone: 011-26866123, 26567373; E-Mail: ashwani@alpha.nic.in	–	<ul style="list-style-type: none"> – Organization of technology based trade fairs – Participation of technology intensive organizations in such fairs – Setting up of “Technology Trade Facilitation Centres”, – Organization of “Training-cum-Awareness Programmes for Overseas participants” – Organization of area-specific buyer-seller meets in India and abroad 	<ul style="list-style-type: none"> – Government supported bodies and agencies – Public funded institutions – Industry associations and chambers – UN bodies – Reputed consultancy organizations – NGOs 	Partial support generally covering costs towards documentation, professional charges, travel, office equipment and stationery, computerisation, preparation and printing of documents, reports, invitation cards, banners etc., and consumables in pilot plants or working models

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
37	Consultancy Promotion Programme The Head Consultancy Promotion Division Department of Scientific and Industrial Research Ministry of Science and Technology, Technology Bhavan, New Mehrauli Road New Delhi 110016 Tel (Direct) : 26518103 (EPABX) : 26590404, 26567373, 26962819, 26562134 Fax : 26960629, 26518103 E-mail : rajkumar@nic.in	2007	a. Consultancy Promotion Programme for : <ul style="list-style-type: none"> Strengthening consultancy capabilities such as R&D efforts, studies, surveys, skill upgradation, venture capital etc Development of Consultancy for SMEs such as setting up of consultancy clinics, consultancy parks, commercialization of technologies etc Documentation of experiences / information dissemination, etc Support to consultancy promotion organisations / institutions International Cooperation & Export of Consultancy Services b. Setting up of Consultancy clinics c. Setting up Design Engineering Service centres	Consultancy promotion organisations / institutions and related agencies	<ul style="list-style-type: none"> Extent of assistance not specified for component a. Partial support of about 70 - 80% of the total estimated cost for setting up consultancy clinics 60% support of total budget of the project mainly services & experts/ consultants, capital equipments, salary of core staff, traveling, office expenditure, advertisement or any other relevant expenditure excluding space for setting up of Design and Engineering service centres
38	Technology Information Facilitation Programme	2005	a. Development of endogenous capacities	– Institutions receiving annual recurring grants from the	Financial support (partial or full) and technical guidance (components as Manpower,

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
	Department of Scientific and Industrial Research Technology Bhavan, New Mehrauli Road New Delhi - 110 016 Telefax: 91-11-26516078, Tele: 91-11-26565329 Email: alh@nic.in , srv@nic.in		<ul style="list-style-type: none"> - Promotion of content development - Industrial trend reports - Information support for industrial clusters b. Digital and indigenous knowledge base - National websites/ servers - Indian digital library of theses and R&D publications - Documentation of traditional knowledge and folk wisdom - Information for community – digital provide and opportunities c. Establishing knowledge net - Promotion of information access and sharing - Virtual systems - Electronic publishing of selected Indian S&T materials - Open archive initiatives – a web alternative to scholarly communications d. Mapping of national S&T productivity e. Education, training and R&D - Surveys and R&D studies - Manpower development programme f. International activities 	Central or State Government Agencies including the Council of Scientific and Industrial Research, Indian Universities, academic institutions, R&D institutions, Public Sector Undertakings, etc. – Institutions registered as professional societies under the Societies Registration Act. – Institutions incorporated under the Companies Act, and – Professional & industry Associations.	Equipment, Consumables, internal travel and other miscellaneous expenditure

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
			<i>Foreign Travel not permissible</i>		
39	Technology Development & Utilization Programme for Women Department of Scientific and Industrial Research Technology Bhavan, New Mehrauli Road New Delhi - 110 016 Telefax : 91-11-26516078, Tele:91-11-26565329 Email: srv@nic.in, priya@nic.in	2007	<ul style="list-style-type: none"> – Studies/ surveys for the assessment of technology related information needs of women in different walks of life. – Documentation and content development on the following aspects: – Technologies useful for production activities, personal care and community management including food procesing, water conservation, waste disposal, maintenance of health and hygiene, etc. – Best practices in the use of technology to strengthen competitiveness of gainful activities by women. – Contribution of women innovators/entrepreneurs. – Contribution of women scientists/ technologists working in various Scientific laboratories. – Technologies and products beneficial to women. – Establishing Consultancy Cells for imparting technical 	Organisations working on areas related to development of technologies for women such as: <ul style="list-style-type: none"> – Institutions receiving annual recurring grants from the Central or State Government Agencies including the Council of Scientific and Industrial Research, Indian Universities, academic institutions, R&D institutions, Public Sector Undertakings, etc. – Institutions registered under the Societies Registration Act. – Institutions incorporated under the Companies Act, – Professional & industry 	Financial support (partial or full) and technical guidance (components as Manpower, Equipment, Consumables, internal travel and other miscellaneous expenditure

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
			<p>knowledge on adoption of latest technologies.</p> <ul style="list-style-type: none"> – Awareness creation and training of women in technologies useful for production activities, personal care, community management, including food processing, water conservation, waste disposal, etc.. – Case studies of successful R&D, Technology Development and business women <p><i>No support will be provided for basic infrastructure and buildings</i></p>	<p>Associations</p> <ul style="list-style-type: none"> – Trusts registered under Indian Trusts Act. 	
40	<p>R&D Grants For New Product / Process Development</p> <p>Ms S Ravindran Scientist 'G' and Head (TPDU) Technology Bhavan, New Mehrauli Road, New Delhi-110 016. Ph: 26516078 srv@nic.in</p>	2003	<ul style="list-style-type: none"> – R&D Project for development of a new/ improved product resulting in Prototype development and ending with demonstration in commercial environment. – R&D Project for development of a new / improved process resulting in establishment of process know-how, development of process equipment and demonstration of yield, efficacy etc in a Pilot plant 	<ul style="list-style-type: none"> – Industrial units either on their own or jointly with national research /educational institutions, international bodies/ companies, individuals, 	<p>Partial funding support towards cost of:</p> <ul style="list-style-type: none"> – Exclusive personnel for the project – Consultancy services used exclusively for the research activity, including bought-in research, technical knowledge, patents, etc); – Patenting ; – Running costs – Cost Testing, trials &

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
			<i>Cost of following activities not supported :</i> <ul style="list-style-type: none"> – Pre-project activities (including preliminary literature survey and patent search) , – Permanent employee costs – Travel costs of industry personal, – Industry overheads, – Contingency provisions, – Payments for technology received from commercial organisations, – Infrastructure facilities like land, building, – Production and production test equipment, – Standard quality control equipment. 		certification
41	Technology Management Programme Head, Technology management Programme DSIR, technology Bhawan New Delhi-16 Tel: 011-26960098, 26567373 Email: jsabhat@nic.in	2005	<ul style="list-style-type: none"> – Compilation and analysis of data on foreign collaboration approvals – Analytical, technology status and development studies – Studies on technology and management issues – Targeted research studies on specific issues in technology transfer, technology & innovation management 	Industry and Industry associations Consultancy organizations Research Institutions Universities and Academic Institutions State and Central	Extent of assistance not specified

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
			<ul style="list-style-type: none"> – Case studies covering technology management aspects – Resource centres on technology management – Information dissemination – Training, Interaction meets, Seminars/ management development programmes – Student paper contest – Pedagogic tools – Technology management audit exercises 	Govt or International Agencies/ bodies	
Ministry of Finance					
42	Viability Gap Funding Mr Govind Mohan Joint Secretary (I&I), Department of Economic Affairs Room No: 67-B, North Block, New Delhi - 110001 Tel: 011-23093881 Fax 011-23092024 Email: govindmohan1@yahoo.com Ms. Aparna Bhatia	2005	<ul style="list-style-type: none"> – Roads and bridges, railways, seaports, airports, inland waterways; – Power; – Urban transport, water supply, sewerage, solid waste management and other physical infrastructure in urban areas; – Infrastructure projects in Special Economic Zones – International convention centres and other tourism infrastructure projects; 	<ul style="list-style-type: none"> – Private Sector Company (a company in which 51% or more of the subscribed and paid up equity is owned and controlled by a private entity) and will be selected through open competitive bidding 	Viability gap funding to the extent of 20% of the Project cost

S No	Scheme	Year of Launch	Components for funding	Implementing agency	Funding Support to the Extent of
	Director Tel: 23094443 Email: aparna.bhatia@nic.in				



Office of Development
Commissioner
Ministry of MSME
'A' Wing, 7th Floor
Nirman Bhawan
New Delhi – 110108, India
PABX No: 011-23063800
I: www.dcmsme.gov.in

Deutsche Gesellschaft für
Internationale Zusammenarbeit
(GIZ) GmbH
MSME Umbrella Programme
B – 5/1, Safdurjung Enclave
New Delhi- 110029, India
T: +91-11-49495353
F: +91-11-49495391
E: amit.kumar@giz.de
I: www.giz.de