CHAPTER I
INTRODUCTION

Background

Worldwide, the Small and Medium Enterprises (SMEs) are recognised as an "engine of growth". In India, however, it is necessary to refer to the "Micro, Small and Medium Enterprises (MSMEs)"on account of the significance of the micro enterprises, both in the total population of MSME and in the economy as a whole. The process of globalization has, on the one hand, opened the gateways of opportunities to the MSMEs: of closer interactions and access to much larger markets, to name only a few. It has, on the other hand, exposed the segment, particularly the micro and small enterprises (MSEs) in India, to the challenges of intense competition, both domestic and global.

1.2 Among the six basic principles of governance underlying the National Common Minimum Programme (NCMP) of the Government, sustained "economic growth in a manner that generates employment" has a pride of place. **The NCMP also describes the micro and small enterprises (referred to so far as the "small scale industries", or SSI) as "the most employment-intensive segment"**. At the beginning of the **Tenth Plan (2002-03)**, the segment provided gainful **employment to an estimated 24.9 million people** in the rural and urban areas of the country **through 10.5 million units**, engaged in manufacturing and providing a wide range of services. Over the next four years **(end 2005-06)**, **they are estimated to have grown to 12.3 million units, providing employment to 29.5 million persons**. This represents an **average annual growth rate of 4.33 per cent in the number of these units** and, what is more important, that of **4.57 per cent in employment**. If the units in the khadi, village industries and coir industries are also taken into account, the employment is well over 332 million. **This is thus rightly called the segment, which provides employment next only to agriculture**. A simple analysis shows that the **employment intensity of the segment (registered units) is 1 person for Rs. 1.49 lakh invested in fixed assets, as against 1 person per Rs. 5.56 lakh in the large organised sector**.

1.3. Nearly **39 per cent of the gross manufacturing output and 34 per cent of the exports of India arise from these enterprises**.

Approach to the Eleventh Plan

1.5.1 The 11th Plan would aim at raising the rate of growth of the industrial sector to 10 per cent and manufacturing growth to 12 per cent per annum.

1.5.2 Continuing commitment to priority lending for MSEs remains an essential feature of development banking, required for the growth [The Vaidyanathan Committee that laid a road map to revitalize rural credit cooperatives has observed that the situation of finance for micro and small non-agricultural enterprises (MSE) is even worse than that of farm credit].

1.5.3 The 11th Plan must ensure that the policies are sufficiently flexible to support the development of micro finance.

1.5.4 In the 11th Plan, the strategy for manufacturing proposed by the National Manufacturing Competitive Council (NMCC), which includes the following initiatives, should be operationalised:

(i) Taxes and duties should be made non-distortionary and internationally competitive. Internally, the tax system must promote and be consistent with the unified national market, so that the Indian Industry can reap the benefit of economies of scale and scope.

(ii) While initiatives to provide infrastructure in general are important, they should be supplemented by efforts to promote infrastructure development in local areas such as Special Economic Zones (SEZ) and Special Economic Regions.

(iii) Technological modernisation will be the key to high industrial growth.

(iv) State Governments should take steps to create an investor friendly climate, including providing a Single Window Clearance of applications for establishment of industrial units.

(v) Labour-intensive mass manufacturing based on relatively lower skill levels provides an opportunity to expand employment in the industrial sector. There is a case to relax legal requirements on SMEs if the State Governments adopt a comprehensive social security scheme for workers, say, along the lines proposed by the National Commission for Enterprises in Unorganized Sector. For example, State Governments that put in place such a scheme could be empowered to exempt SMEs from the application of some laws like the Employer's Liability Act, Weekly Holidays Act, Employment Exchange (Compulsory Notification of Vacancies) Act and Apprentices Act.

(vi) Another constraint affecting the growth of labour-intensive manufacturing is the reservation in many of these industries for the small-scale sector. With reduced barriers to trade and the negotiation of free trade agreements with our neighbours and with the ASEAN countries, our domestic producers have to compete with imports even if they do not aim for export markets. They cannot do so if reservation limits their ability to modernise. The policy of progressive de-reservation of industries for small scale production has reduced the list of reserved industries from about 800 to 239. This policy should continue in the 11th Plan at an accelerated pace.

(vii) Industrial licensing should be progressively eliminated. Equally important is the need to amend the Companies Act, 1956.

(viii) The existing incentive programmes such those available for the North-East, J&K, Himachal Pradesh and Uttaranchal need to be reviewed with a view to assessing their impact on industrialization in these areas.

(ix) The industrial growth strategy would be incomplete if it does not recognise the critical role and the special needs of the micro, small and medium enterprises (MSMEs).

1.5.5 The 11th Plan will place special emphasis on infrastructure and skill formation.

1.5.6 Competition is the best guarantee of consumer protection and should be strongly encouraged.
1.5.7 It needs to be ensured that the un-registered small enterprises and units outside the co-operative fold are also able to benefit from Government schemes.

1.5.8 The approach needs to change from emphasis on subsidies to creating an enabling environment. A cluster approach can help increase viability by providing these units with infrastructure and support services of better quality at lower costs.

1.5.9 All entry barriers should be removed and business risks for start-ups mitigated, the latter, *interalia*, through a large number of well-managed business incubators in the identified thrust areas of manufacturing.

1.5.10 MSEs should be liberated from the Inspector Raj.

1.5.11 Innovation and creativity should be incentives. It should mitigate business risks for startups by removing all entry barriers.

1.5.12 In order to improve the competitiveness of SMEs, schemes for establishment of mini tool rooms, setting up of design clinics and providing marketing support should be innovated on public private partnership (PPP) basis.

1.5.13 There should be special focus on the services sector, so that its potential to create employment and growth is fully realised.

1.5.14 Under the 11th Plan, there should be two kinds of schemes – one focussing on the lives of small firm workers, artisans and craft people and other on their livelihood.

1.5.15 One of the important tasks of the 11th Plan would be to review the position regarding the availability of timely and adequate credit (both term loan and working capital) to small and medium enterprises from commercial banks and other financial institutions and suggest measures to eliminate the shortcomings that are noticed.

Working Group and Sub-Groups
1.6.1 By its order of 8 June 2006, the Planning Commission constituted the Working Group on Micro, Small Scale Enterprises and Agro and Rural Industries for the Eleventh Five Year Plan (2007-2012), consisting of traditionally defined small scale industries and small scale service and business entities, on the one hand, and khadi, village and coir industries, on the other, under the chairmanship of Secretary to the Government of India, Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries {Secretary (SSI & ARI)}.

1.6.2 The **Working Group** held its first meeting on 28 August 2006 and after deliberation **constituted eight Sub-groups** on the important aspects of the promotion and development of Micro, Small and Medium Enterprises, including Agro and Rural Industries like Khadi, Village and Coir Industries.

1.6.3 The **terms of reference** of the **Sub-Groups** are summarised below:

Sub-Group I
Legal Framework, Regulations, Policies and Global Environment; Impact of WTO Agreements and Harnessing the Opportunities; and Sector-wise Issues of Employment Expansion, Enhancing Competitiveness in the Context of Globalisation, Existing Labour Laws, Safeguarding Labour Welfare, Graduation of Enterprises up the Pyramid and Other Changes against the Backdrop of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 and the Approach to the Eleventh Plan.

Sub-Group II
Credit and Fiscal Policies: Measures of Delivery; and Issues of Sickness/Closure and Rehabilitation across all Segments of MSEs, including Khadi, Village and Coir Industries.

Sub-Group III
Role of Central and State Governments, Industry Associations and other Civil Society Organisations in Promotion and Development of Micro, Small Medium Service Enterprises and Manufacturing Medium Enterprises, in the context of the MSMED Act, 2006.

Sub-Group IV
Strategies, Policies and Programmes for Modernisation and Technology Upgradation (for attaining globally benchmarked quality standards through better access to improved tools, equipment and processes, provision of common facilities and appropriate R&D), Training for Skill Development and Entrepreneurial Development, Encouraging Innovation and Attracting Venture Capital.

Sub-Group V
Strategies, Policies and Programmes for Cluster Development, including Strengthening of Infrastructure.

Sub-Group VI
Marketing Strategies and Export Promotion, with Emphasis on Public Private Partnership.

Sub-Group VII
Khadi and Village Industries – Strategies, Policies, and Programmes for Modernisation, Technology Upgradation, Marketing (including Export), and Employment Expansion.

Sub-Group VIII
Coir Industries ---- Strategies, Policies, and Programmes for Modernisation, Technology Upgradation, Marketing (including Export), and Employment Expansion.

CHAPTER II
OVERVIEW OF THE SEGMENT

Government Policies

2.1.1 The Micro and Small Enterprises (MSEs) or, the Small Scale Industries (SSI), as they were termed till the enactment of the Micro, Small and Medium Enterprises Development Act, 2006, **and the Khadi, Village and Coir Industries**, **have played a significant role in employment generation, dispersal of industrial establishments and growth and development of the economy**.

Small Scale Industries

2.1.2 Evolution of the **policy framework and support measures of the Central Government for the SSI is, for the limited purposes of this Report, grouped** into the **following periods**:

- 1948-1991: Regulated Development Phase
- 1991-1999: Phase I of Liberalisation
- 1999-2004: Phase II of Liberalisation
- 2004-2006: Current Phase

2004-2006

2.5.1 The National Common Minimum Programme (NCMP) of the Government **declares that the most employment-intensive segment of small scale industries would be freed from the "Inspector Raj" and given full credit, technological and marketing support**. **The NCMP also 12 states that a major promotional package for the sector would be announced** and infrastructure up-gradation in major industrial clusters will receive urgent attention.

2.5.2 Accordingly, the Government has, *inter alia,* taken the following steps:

(i) **By enacting the Micro, Small and Medium Enterprises Development Act, 2006, one of the needs felt and articulated by this segment for long has been met**.

(ii) **The Government has announced a Policy Package for Stepping up Credit to Small and Medium Enterprises** assuring, *inter alia,* a 20 per cent year-on-year growth in credit flow.

(iii) **The Package for Promotion of Micro and Small Enterprises has also been approved**. **The measures in the Package would run concurrently with the Eleventh Plan**.

(iv) **In the National Manufacturing Strategy adopted by the National Manufacturing Competitiveness Council (NMCC),**

2.6 De-reservation

2.6.1 The issue of de-reservation has been a subject of animated debate within the Government for the last twenty years.

2.6.2 However, it would be important to simultaneously take steps to provide adequate support to those units that could be adversely affected by de-reservation.

2.7 Performance - *cum*-Credit Rating Scheme
All efforts need be made to publicise the Scheme more widely, so that a much larger number of MSEs are encouraged to avail of its benefits.

2.8 Initiatives of the National Commission on Enterprises in the Unorganised/Informal Sector (NCEUIS)

2.8.2 The Commission has also identified the following issues for its Action Plan and decided to constitute Task Forces to deliberate on them and make appropriate recommendations:

- Growth Poles for Promotion of Unorganised Enterprises
- Legal and Administrative Problems before Unorganised Enterprises
- Improving the Access of Unorganised Enterprises to Finance
- Social Security for Unorganised Sector Workers
- Statistical Issues in the Unorganised/Informal Sector

2.9 Khadi, Village and Coir Industries

2.9.2.1 The original KVIC Act, for example, prescribed an all-embracing array of direct functions for the Commission. **In the model of development enunciated in this Act, there was, however, no reference to fostering "entrepreneurship" among the people engaged in these activities nor was there any provision to build linkage with the SSI or the rest of the industry sector**. **It is easy to see how the role of the Commission thus became largely regulatory.**

2.9.2.2 In 1987, as a sequel to a wide-ranging review by a Committee set up by the Government; theKVIC Act of 1956 was amended comprehensively. **Apart from expanding the definition of "rural area" (to include towns with population up to 10,000) and inducting independent professionalism the Commission's composition**, **the amendments introduced several progressive changes in the functions of the Commission**. For example, (i) **co-ordination with other agencies** engaged in rural development, (ii) **encouraging and assisting in creation of common service facilities** for processing, facilitating production and marketing, (iii) forging **links with established marketing agencies** for sale and marketing of KVI products, (iv) encouraging/promoting **research in technology**, including **use of non-conventional energy as well as electric power**, with a view to "**increasing productivity, eliminating**

drudgery and.... enhancing.... competitive capacity" and disseminating the results of such research, (v) guiding institutions/persons engaged in development and operation of KVI through **supply of designs, prototypes and other technical information for** "**producing goods and services for which there is effective demand in the opinion of the Commission"** and (vi) establishing and maintaining "**separate organizations**" **for carrying out any or all of these functions** were explicitly included in the functions of the Commission.

2.9.2.3 The next decade, particularly the first half of the 1990s, witnessed significant Central sector programmatic interventions in the KVI segment. The most notable among these was implementation of some of the recommendations of a High Power Committee, chaired by the then Prime Minister.

2.9.2.4 To accelerate expansion of Khadi activities and generation of rural employment, the **Scheme of Consortium Bank Credit (CBC) was taken up and implemented over three years beginning 1994-95**.

2.9.2.9 The cumulative impact of the efforts of the Central and State Governments, KVIC and State KVIBs since the significant amendments of 1987 to the KVIC Act can be summarised in Table-I .

Table I: Key Performance Indicators of Khadi

Year	*Production (Rs. crore)*	*Growth rate* (per cent)*	*Sales (Rs. crore)*	*Growth rate* (per cent)*	*Employment (lakh persons)*	*Growth rate* (per cent)
1987-88	227.52	-	220.25	-	14.14	-
1988-89	235.35	3.44	258.06	**17.17**	14.04	***-0.71***
1989-90	257.88	**9.57**	291.25	**12.86**	14.12	0.57
1990-91	285.95	**10.88**	296.19	1.70	14.15	0.21
1991-92	328.63	**14.93**	368.96	**24.57**	14.20	0.35
1992-93	353.49	**7.56**	387.13	4.92	14.45	1.76
1993-94	357.28	1.07	409.24	5.71	13.87	***-4.01***
1994-95	389.71	**9.08**	490.86	**19.94**	13.19	***-4.90***
1995-96	522.23	**34.00**	567.36	**15.58**	13.97	5.91
1996-97	626.40	**19.95**	581.11	2.42	**14.79**	**5.87**
1997-98	624.10	***-0.37***	**745.90**	**28.36**	14.01	***-5.27***
1998-99	**635.89**	***1.89***	647.83	***-13.15***	13.85	***-1.14***
1999-2000	551.94	***-13.20***	631.79	***-2.48***	12.35	***-10.83***
2000-01	431.57	***-21.81***	570.55	***-9.69***	9.56	***-22.59***
2001-02	416.69	***-3.45***	527.86	***-7.48***	8.48	***-11.30***
2002-03	443.07	6.33	577.63	**9.43**	8.58	1.18
2003-04	453.50	2.35	587.05	1.63	8.61	0.35
2004-05	461.54	1.77	617.84	5.24	8.64	0.35
2005-06	468.30	1.46	628.69	1.76	8.68	0.46

- ***Note**: The growth rates of value of production and sales are year-on-year **nominal rates**, not taking inflation in to account.*

2.9.3.2 One may summarise the performance of the Village Industry segment in a Table similar to Table I:

Table II: Key Performance Indicators of Village Industries

Year	*Production (Rs. crore)*	*Growth rate (per cent)**	*Sales (Rs. crore)*	*Growth rate (per cent)**	*Employment (lakh persons)*	*Growth rate (per cent)*
1987-88	1260.88	—	1391.49	—	27.66	—
1988-89	1443.37	14.47	1598.15	14.85	28.83	4.23
1989-90	1705.30	18.15	1895.47	**18.60**	32.14	**11.48**
1990-91	1994.07	**16.93**	2228.97	**17.59**	34.42	**7.09**
1991-92	2264.16	13.54	2526.36	13.34	35.96	4.47
1992-93	2523.45	11.45	2810.13	11.23	38.05	**5.81**
1993-94	2876.58	13.99	3232.01	**15.01**	39.41	3.57
1994-95	3234.35	12.44	3578.33	10.72	40.27	2.18
1995-96	3504.22	8.34	3861.75	7.92	42.75	**6.16**
1996-97	3889.85	11.00	4232.90	9.61	43.38	***1.47***
1997-98	3895.21	***0.14***	4319.38	***2.04***	42.49	***-2.05***
1998-99	4476.48	14.92	4953.18	14.67	44.44	4.59
1999-2000	5613.40	**25.40**	6137.40	**23.91**	46.88	**5.49**
2000-01	6491.69	**15.65**	7384.55	**20.32**	50.51	**7.74**
2001-02	7140.52	9.99	8383.49	13.53	54.16	**7.23**
2002-03	8126.30	13.81	9615.71	14.70	57.87	**6.85**
2003-04	9228.27	13.56	10988.17	14.27	62.58	**8.14**
2004-05	10458.89	13.34	12487.35	13.64	68.14	**8.88**
2005-06	11915.54	13.93	14647.33	**17.30**	74.09	**8.73**

* ***Note***: *Like in Table I, these are nominal year-on-year growth rates, not corrected for inflation.*

- **2.9.3.3** The following **conclusions** can be drawn from the data given in Table II:

(i) In less than **two decades**, the VI segment **production has gone up 9.45 times, sales have increased 10.53 times and employment has grown 2.68 times**.

(ii) The rates of growth, though not even all through, have been strongly positive except in couple of years. The years of low/negative growth rates appear to be those during which credit under REGP was provided through KVIC under the CBC Scheme.

(iii) The rates of growth of all three parameters are considerably and consistently higher than those noticed for Khadi, which saw very steep peaks and troughs in its growth trajectory during the same period.

Recent Initiatives in Khadi and Village Industries

2.9.4.1 The last few years have seen some new initiatives. In 2002-03, KVIC introduced the **"Product Development, Design Intervention and Packaging (PRODIP)" Scheme**. **"Rural Industries Service Centres (RISC)" Scheme** was started in 2004-05. This Scheme is for establishing common facility centers for both khadi and VI with Government grant funding of up to Rs. 5 lakh per RISC. The grant can go up to Rs. 25 lakh in suitable cases.

2.9.4.3 A **Scheme of Fund for Regeneration of Traditional Industries (SFURTI)** like khadi, village and coir industries was approved in October 2005 and is under implementation.

2.9.5 Revamping of the Khadi and Village Industries Commission

The Government's **National Common Minimum Programme (NCMP)** emphasised the importance of this segment of the economy and declared that the **KVIC (and the programmesimplemented through the KVIC) would be "revamped"**. The Expert Committee (EC) set up for**22**this purpose submitted its report to the Government (Ministry of Agro & Rural Industries) in April2006. The **main recommendations of the EC** included:

- Amending the KVIC Act, 1956 comprehensively so as to **(a) make the Commission more professional, like a modern corporate body with (i) the Commission becoming a policymaking entity like a corporate "Board of Directors" (ii) a modern management** headed by the Chief Executive Officer, **accountable to the whole Commission** and **in charge of running the organisation according to the policies and priorities laid down by the Commission but without day-to-day intervention of the Chairman (b) introduce a permanent consultative mechanism at the Zonal level** and, **(c) include enabling provisions in the law to get the programmes and activities implemented through selected on-Governmental professional agencies**, in tune of the needs of the times.
- **Restructuring the khadi programme**

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Coir Industries

2.9.7.1 As noted, the Coir Industry Act, 1953 came into effect in February 1954 and led to the establishment of the Coir Board. **The strong (and antiquated) regulatory stance of this legislation is particularly noteworthy**.

Act:

12. Control of export of coir fiber, coir yarn and coir products –

2.9.7.4 The performance of the coir industry during the last ten years is summarised in Table-III.

Table III: Key Performance Indicators of Coir Industry

Year Annual Production Growth Exports Growth Employment Growth
Plan outlay (Rs. crore) rate (Rs. crore) rate (lakh rate
(Rs. crore) (per cent) (per cent)* persons) (per cent)*
1996-97 ***6.90*** 309.70 – 212.58 – **5.34** –
1997-98 11.00 338.40 **9** 238.93 **12** ***4.31 -19***
1998-99 ***8.88*** 389.30 **15** 292.19 **22 4.63 8**
1999-2000 12.43 398.05 2 303.05 ***4*** 4.84 ***4***
2000-01 13.85 436.80 **10** 313.66 ***4*** **5.35 11**
2001-02 ***8.14*** 461.75 6 320.58 ***2*** 5.43 ***2***
2002-03 11.20 ***451.80 -2*** **352.71 10** 5.56 ***2***
2003-04 16.20 473.20 5 407.50 **16** 5.87 6
2004-05 16.79 500.50 6 473.40 **16 6.06** ***3***
2005-06 35.43 533.00 6 508.45 ***7*** **6.22** ***3***
*Note: * The growth rates are year-on-year, in nominal terms.*

Recent Initiatives in Coir Industries

Growth and Development of Micro and Small Enterprises (MSEs) during Ninth and Tenth Plans

Table IV: Performance of SSI during Tenth Plan

Number of units (lakh) Production (Rs. crore
Year Registered Unregistered Total Employment Constant Current
(lakh prices prices
persons) (2001-02)
2002-03 15.91 93.58 109.49 260.21 306771 314850
(6.9) (3.6) (4.07) (4.4) (8.68) (11.54)
2003-04 16.97 96.98 113.95 271.42 336344 364547
(6.7) (3.6) (4.07) (4.3) (9.64) (15.78)
2004-05 17.53 101.05 118.59 282.57 372938 429796
(3.3) (4.2) (4.07) (4.1) (10.88) (17.90)
2005-06 18.71 104.71 123.42 294.91 418884 497842
(6.7) (3.6) (4.07) (4.4) (12.32) (15.83)

Table V: Trends in Growth: SSI and Industrial Sector
Year SSI Sector (percentage growth Industrial Sector (percentage over previous year) growth over previous year)
9th Plan
1997-98 8.43 6.7
1998-99 7.70 4.1
1999-2000 8.16 6.7
2000-01 8.23 5.0
2001-02 6.06 2.0
10th Plan
2002-03 8.68 5.7
2003-04 9.64 7.0
2004-05 10.88 8.4
2005-06 12.32 8.2

Performance of MSEs during Tenth Plan

2.11.1 Micro and Small Enterprises (MSEs) represent a vibrant and dynamic segment of the Indian economy, contributing an estimated 39 per cent of industrial production and 34 per cent of totale exports. The estimated number of MSE units in the country is 123.42 lakh of which 18.71 lakh are registered and 104.71 lakh unregistered. At the end of 2005-06, total production of the MSEs was estimated at Rs. 4, 97,842 crore at current prices and Rs. 4, 18,884 crore at constant (2001-02) prices.

2.11.2.1 For the 10th Plan, an average annual growth rate of 12 per cent was envisaged for the value of production of the SSI against which the estimated average annual growth rate during the first four years of the Plan is 10.38 per cent.

2.11.2.2 The growth rates of the production of the SSI and that of the entire manufacturing sector during the 9th and the 10th Plan periods have been plotted in the following graph. It is clear that on an average the SSI growth rates are 2.45 per cent above those of the whole manufacturing sector.

CHAPTER III

OBSERVATIONS/ RECOMMENDATIONS OF SUB-GROUPS

3.1 The attempt is to incorporate, without dilution or moderating, the principal recommendations of each Sub-Group as the Sub-Group concerned made them. The operative clauses/parts are highlighted.

3.2 The recommendations of **Sub-Group I** are as under:

(A) Implementation of the MSMED, Act, 2006.

(i) The enactment of the MSMED Act, 2006 has created the micro, small and medium enterprise continuum for optimisation of capacities, attaining economies of scale, technological up gradation, vertical growth of MSEs, etc., in line with the globally accepted norms. **The Government would need to emphasise the primary need for facilitating the growth and development of this preponderant majority of micro enterprises, as has been recognised by the MSMED Act, 2006, by way of specific measures for preference in Government procurement, measures to check delayed payment, etc**.

(ii). A **comprehensive study needs to be undertaken to evaluate the existing status of these sub-sets of MSMEs vis-à-vis their counterparts in other countries so as to get global benchmarking and design policies and programmes accordingly**

(iii) An **action plan** needs to be chalked out **to sensitise all stakeholders**, including the State Government/UT Administration officials, **to the operational implications of the MSMED Act, 2006 and also periodically review the progress of** its **implementation**.

(iv) State Governments/UT Administrations should incentives and encourage the filling of Entrepreneurs' Memorandum by the micro and small enterprises as well as by the **medium service enterprises**.

(v) The States/UTs should **encourage "on-line" filing of memoranda** under the MSMEDAct.

(vi) Although the Delayed Payments Act was promulgated in 1993 and subsequently amended in 1998, it did not yield the desired results in mitigating the problem of delayed payments. The MSMED Act, 2006 provides for strengthened provisions to deal with the situation. **State Governments/UT Administrations need to expeditiously constitute the Micro& Small Enterprises Facilitation Council(s)** (MSEFC) in accordance with the mandatory provisions of the Act. **The Central Government should monitor the Implementation of these provisions closely**, unlike in the past.

(vii) The Central Government, while classifying enterprises, needs to provide **clearer guidelines in respect of equity, licensing and definition of "equipment" for determining the status of service enterprises and other related matters** so that there is no ambiguity/problem in implementation. There should be constant review/monitoring at the Central Level. There should be **readily accessible databases of all enterprises of all categories that have filed their memoranda**, at both State and Central levels. It is further recommended that:

(a) The **no-licensing policy under section 29(B) of the I (D & R) Act, 1951 may be extended to medium enterprises**; (in addition to micro and small enterprises now equated with the erstwhile SSI) by utilizing Explanation 2 under sub-section (1) of section 7 of the MSMED Act.

(b) The **provision of reservation for the public sector** [Appendix III of the I (D & R) Act, 1951] **need not be applicable to MSMEs** because of the sheer inability of this Segment to venture into these reserved products.

(viii) **The limit on equity participation (both by domestic and foreign enterprises) should be reviewed.**

(ix) The MSMED Act, 2006 has envisaged an effective role to Enterprise Associations in decision-making. There is **need for capacity building of these Associations so as to make them more effective at ground level and strengthen them to become effective partners in promotion and development** of micro and small enterprises. The Package for Promotion of MSEs has a scheme for this purpose, which would need to be utilized effectively.

(B) Timely and Adequate Credit to Micro and Small Enterprises and Fiscal Incentives

(i). **The reduction in Net Bank Credit to the SSI in the last decade and in the number of SSI accounts is a cause of serious concern. This needs to be monitored periodically through effective meetings of the Standing Advisory Committee of RBI**.

(ii). **SIDBI needs to focus on the MSEs and particularly the micro enterprises as against medium enterprises, with a view to enhancing its contribution to that segment**.

(iii) **Fiscal incentives to the micro and small enterprises need to be reviewed** as from 2000 there has been a change in the scenario due to inflation. An **upward revision** is also necessitated **because of the increase in the ceiling on investment** for small enterprises.

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(C) Dereservation

While dereserving,the Government would need to provide comprehensive back up, including financial assistance, technological modernisation, marketing assistance, R&D and other common facilities tothe affected enterprises to enable them to continue to be competitive both in the global and domestic markets.

(D) Procurement Preference

An effective preference policy for procurement of goods and services produced/rendered by micro and small. The policies need not have any provision for price preference to MSEs. Each **Ministry/Department and CPSU, etc., should make a specific mention of the compliance with the preference policy in its Annual Report** to be tabled in Parliament. **Progressive Associations of MSEs should be associated with monitoring implementation and suggesting appropriate revision of the policies**.

(E) Labour Laws

(i) **Labour laws applicable to the MSMEs should be simplified** by adopting the **following measures**:

(a) **Manufacturing micro enterprises should be exempted from all labour laws except the Minimum Wage Act**.

(b) A **separate and simple legislation on labour related matters should be enacted for MSMEs employing less than 100 workers**.

(c) Benefits of **insurance coverage against death, disease and disability** should be provided **to workers and employees** of micro, small and medium enterprises.

(d) The **following Acts should not be made applicable to units with less than 50/100 workers with/without power.**

(ii) To **encourage self-certification under various labour laws**, self-certified returns submitted by MSEs may be treated as prima facie compliance. **Inspections may be conducted only when absolutely essential.**

(F) General and Cross-cutting Issues

(i) **Rules and regulations concerning Environment Protection and Pollution Control** need to be **simplified** and **clearances** made **more transparent** and **less time consuming**.

(ii) **Sensitisation, particularly of micro enterprises,** on **applicability of rules and**

regulations should be carried out by the **respective agencies**, through **print/visual media** and other methods like **awareness programmes**, etc.

(iii) To **improve the effectiveness of PMRY** as a measure for self-employment, **revised design parameters of the scheme**, in terms of family income limits for eligibility, project cost ceiling, corresponding ceilings of subsidy, rates of assistance to States towards training of beneficiaries before and after selection, etc, **as envisaged in the "Package for Promotion of Micro and Small Enterprises (MSE)" is a welcome step**.

(iv) **Strengthening of database pertaining to MSMEs** is a **crying need** of the hour.

(v) One of the major implications of the MSMED Act, 2006 is the introduction of (a) an unfettered class of service enterprises, and (b) manufacturing and services medium enterprises. This warrants **immediate restructuring of the authorized implementing agencies at the Central and State/UT levels, both in terms of expertise and resources**, which should be undertaken immediately through a High Level Expert Committee at the Union Level, comprising members from States/UTs, etc.

(vi) **Implementation of the National Manufacturing Competitiveness Programme (NMCP) should be speedy and be monitored properly.**

(vii) **Obsolete technology is a major handicap** (ranking just after availability of credit) and to overcome the problem the **Package for Promotion of MSEs proposes** constitution of a **Technology Mission**. It is important to ensure that the **Mission is constituted at the earliest** to avail of the benefits of its recommendations in the XI Plan period.

(viii) The **Cluster Development Programme needs to be strengthened**.

(ix) Support **measures for vertical growth of small enterprises to medium and further of medium enterprises to large** need to be formulated.

(xi) **Export Promotion** and provisions of **Marketing Assistance Schemes need a review** to enable inter-scheme interlinking and to ensure cooperation of stakeholders as also the agencies involved, Indian Missions abroad, etc.

(G) Continuing and New Schemes/Programmes

(i) All existing schemes and programmes of the Ministry of SSI and the Ministry of ARI need to be continued in the Eleventh Plan, with the following changes:

Sl. Existing Scheme/Programme Scheme/Programme in which
No. to be subsumed
1. Infrastructural Development Micro and Small Enterprise Cluster
of SSI in Rural Areas Development Programme (after

renaming SICDP)
2. "Mini-Tool Rooms & Training Extension Centres of Tool Rooms Centres" component of the under the National Manufacturing Scheme of Tool Rooms Competitiveness Programme

Existing Schemes being weeded out

3. "Sub-contracting Exchange for Ancillary Development" except the Vendor Development Programme
4. "Upgradation of SIDO Workshops into Mini Tool Rooms" component of the Scheme of Promotion of Small Scale Industries
5. "Testing Centres by Industries" component of the Scheme "Testing Centres"
6. "Energy Conservation Programme" component of the Scheme of "Technology Upgradation"

(ii) **The following new schemes would need to be introduced** in the Eleventh Plan (**as part of the Package for Promotion of MSEs**):

(a) Four Training-*cum*-Product Development Centres (TPDCs) for agro and food processing to facilitate promotion and development of micro and small enterprises in food processing through.
(b) Promotion of Vertical Shaft Brick Kiln (VSBK) Technology for adoption by MSEs engaged in bricks manufacturing.
(c) Establishment of Technology Mission to assist MSMEs in technology upgradation, energy conservation and pollution mitigation.
(d) Financial Assistance to Select Management/Business Schools and Technical Institutes,
to conduct tailor-made courses for new as well as existing micro and small enterprises.
(e) Financial Assistance to 5 Select Universities/Colleges to run 1200 Entrepreneurial Clubs.
(f) Scheme for Capacity-building, Strengthening of Database and Advocacy by Industry/ Enterprise Associations, in consultation with the Associations and States.

(iii) Similarly, **under the National Manufacturing Competitiveness Programme (NMCP)**, the **following new schemes** would need to be introduced:
(a) National Programme on Application of Lean Manufacturing.
(b) Design Clinic Scheme to Improve Design in Manufacturing MSMEs.
(c) Promotion of Information and Communication Technology (ICT) in Indian Manufacturing Sector.
(d) Setting up Mini-Tool Rooms.
(e) Technology and Quality Management Support for MSMEs
(f) Support for Entrepreneurial and Management Development of MSMEs
(g) Induction of Quality Management Standards and Quality Technology Tools among Manufacturing MSMEs to Improve Their Competitiveness.
(h) National Campaign for Investment in Intellectual Property.
(i) **Market Assistance/SMEs and Technology Upgradation Activities**
(j) **Marketing Support/Assistance to SMEs.**

3.3.2 Recommendations

(A) Monetary and Credit - related Measures

(i) In order to facilitate credit flow commensurate with the growth targets for the MSEs, **banks need to be encouraged to allocate 15 per cent of the priority sector lending to MSEs in a phased manner during the 11th Plan. At the same time, all-out efforts need to be made by the banks to achieve the stipulated 60 per cent of the MSE lending to the MEs (erstwhile tiny segment). Further, the credit growth rate for the MEs may be separately stipulated at 20 per cent p.a.**

(ii) In line with the RBI directives, **it is recommended that banks may deal with applications of exporting MSMEs within a period of 15-21 days, depending on the quantum of loans, after submission of applications complete in all respects**.

(iii) Considering the limited ability of the export-oriented micro and small entrepreneurs to bring in sufficient equity/promoters contribution, a flexible debt-equity ratio may be adopted by banks while sanctioning export credit to such MSEs.

(iv) As far as possible, **renewal of working capital limit may be made simpler and less time consuming**. **Whenever an increase in limit is considered, additional limit may be sanctioned expeditiously with only additional documents**.

(v) For the MSEs, the interest rate on working capital loan may preferably be pegged at the PLR of respective banks.

(vi) The MEs provide most of the employment in the MSE segment and at very low per capita investment. They thus need preferential nurturing. Sizeable private investment in MEs to generate more employment would be possible only when they are treated at par with the agriculture sector so far as interest rates on loans to them is concerned. At present, the interest rate on farm loans is 7 per cent, with GoI's subsidy of 2-3 per cent. Similarly, loans are provided to KVI institutions under the ISEC Scheme at interest of 4 per cent. The KVI segment provides employment to nearly 8.3 million persons where as the manufacturing and service MEs together provide employment to an estimated. 2.42 million, at per capita investment of just about Rs.1.10 lakh (according to the Third Census data). It is, **therefore, strongly recommended that all loans up to Rs.5 lakh to MEs (excluding credit from micro finance institutions) may be given, free of collaterals, at interest rate of 8 per cent, excluding transaction cost. Any loss of income to banks may be compensated by the Central Government suitably**.

(vii) In order to bring in transparency in credit sanction, each bank/DFI may clearly indicate a time frame for disposal of loan applications of MSEs, based on the quantum of credit requirement, which may be strictly adhered to and monitored.

(viii) All the MSE credit - related schemes may be prominently displayed at each and every branch of banks. Moreover, such information may be widely publicised**,** more so in all clusters of MSMEs.

(ix) Collateral security/third party guarantee has been and continues to be one of the main impediments to the credit flow to MSEs. In order to overcome this problem and ensure hassle-free credit delivery, particularly to micro enterprises, the followings measures are suggested to increase the coverage under Credit Guarantee Fund Trust for Small Industries (CGTSI):
(a) Mass awareness campaigns on the activities of the CGTSI need to be undertaken.
(b) The present capital base of CGTSI may be leveraged for increasing the guarantee coverage of MSEs from the present level of about 51000 units.
(c) In addition, the tax exemption status, which is presently given to CGTSI up to FY 2007, may necessarily be extended till FY 2012.
(d) The extant RBI guidelines on collateral or third-party guarantee free loans may be adhered to by the banks and this may be strictly monitored.
(e) In order to mitigate the problem of inadequacy of promoters' contribution, measures need to be taken to provide equity support to MSEs. The National Equity Fund (NEF) Scheme has not been successful and may, therefore, be reviewed and redesigned to make its operation easier and enhance its acceptability. This exercise may be undertaken in consultation with IBA/SIDBI on the pattern of Credit Linked Capital Subsidy Scheme (CLCSS).

(f) **A new intermediary of Banking Facilitators may be developed by utilising the vast numbers of educated unemployed youth of the country. These Facilitators would be trained by the lead banks in their respective areas and then help the entrepreneurs in establishing banking linkages, facilitate fulfilling banking formalities for loans, etc. They would earn their fees on a per case basis. The fee would be paid by the applicant to the bank which in turn will pay the specific Facilitator. The Government and the lead banks could share the cost of training the facilitators on a scale agreed to between the Government and the IBA. Initially, a pilot scheme may be taken up in selected clusters (say, 100) of MSEs**.

(g) SIDBI is pioneering a micro credit model based on delivery of credit through empowered micro finance institutions (MFIs). **Making available a fund of about Rs. 150 crore to SIDBI in the 11th Plan for Business Development Services, providing forward/backward linkages for all-round development of micro enterprises, capacity building of MFIs and the bank staff handling these portfolios would be one of the most appropriate initiatives during the 11th Plan to cover a large number of MSEs**.
(h) SIDBI's micro credit activities are undertaken by its specialised Department called SIDBI Foundation for Micro Credit (SFMC). During the last few years, SFMC has assisted the empowerment of more than 90 MFIs, with a cumulative sanction of more than Rs. 800 crore, benefiting more than 28 lakh persons, mostly women.

Considering that micro credit can a long way in poverty alleviation and employment generation, **it is suggested to hive off SFMC from SIDBI and give it a wider mandate to function as an all-India apex institution in matters of micro-credit, including policy advocacy. This new entity could be named as Micro Credit and Services Development Corporation of India (MCSDI). Besides giving credit, it will also impart training to and capacity building of MFIs as well as micro enterprises. Micro credit insurance may also be brought under the purview of this new organisation**.

(i) SIDBI conceptualised the Rural Industries Programme (RIP) to address problems like rural unemployment, better commercial exploitation of the local resources and rural-urban migration. Given the high emphasis on rural development, it is suggested to implement 500 RIPs during the 11th Plan with a Plan allocation of Rs. 50 crore (@ Rs.10 lakh for each RIP). The RIP implementing agencies can also act as 'banking facilitator' or *vice versa.* RIP can be integrated with District Development Plans, where DICs of the respective States could be the nodal agencies. Panchayats and BDOs may be involved in preparing a District plan for Industrialisation with focus on MSEs utilising the local resources (raw material and man power).

(j) In case of delayed payments from state Government departments/PSUs/ municipal and other local bodies to the MSEs, it is suggested that SIDBI/SBI/PSBs may be identified as the nodal agencies for effecting delayed payments of, at least 75 per cent of the total dues, and in case the respective state agencies do not repay the same to SIDBI/SBI/PSBs within the prescribed time frame, the amount may be deducted directly from their Plan Allocation and be paid to SIDBI/SBI/PSBs by Central Government/Planning Commission. This would solve working capital problem of SMEs to an extent.

(k) In order to widen the scope and applicability of the Credit Linked Capital Subsidy Scheme (CLCSS) all-over India, it is suggested that:

(1) The scheme may be applicable to medium enterprises as it is in this segment, which has graduated from the SSI sector.
(2) It is further suggested that the scheme may be made applicable to both registered and unregistered SSI units and also to all manufactured products.
(3) The subsidy limit may be enhanced to the value of P&M up to Rs. 5 crore to cover up the entire SSI sector.
(4) The CLCSS, which is expiring in 2007, may be extended to the Eleventh Plan.

(l) One way of rationalising the pricing of credit is to efficiently measure the credit risk. SIDBI, with its long experience of term financing, has developed an advanced but simple, technology-based rating model for MSMEs called the Credit Appraisal and Rating Tool (CART). This model for credit rating up to Rs. 50 lakh has been duly recognised by RBI which recommended its implementation by banks. **SIDBI may give this CART model, free of cost, to all banks/DFIs which would**

facilitate its increasing application across the financial sector. Once this model is put in place throughout the system, banks can easily assess the credit worthiness of even small MSEs and accordingly, decide the quantum and price of the loans.

(m) For the SMERA rated MSEs, RBI may advise the banks and FIs to launch a special scheme of assistance, under which the financial assistance may be extended at a relatively lower interest rate, ranging from 25 basis points to 150 basis points, depending on the degree of SMERA rating vis-a-vis the bank's own rating.

(n) Subsidy for rating may be provided for both the first-time rating and renewal of rating.

(o) A promising way of channelising credit to the MSMEs is to rate the MSME clusters. Once these clusters are rated, based on internationally accepted parameters, credit flow will increase to the clusters not only from domestic sources, but also from abroad.

(p) The factoring services are still in a nascent stage in India, mainly due to high and diverse stamp duties in different States and registration of assignments. In order to encourage growth of factoring services, Industrial and Commercial Undertakings Bill, 2000 may be passed expeditiously as this would protect the service providers from the recovery risk and thereby give a boost to this mode of finance for the small and micro enterprises.

(q) International experience vindicates the cluster based financing as the most effective and sustainable way of delivering credit to MSEs. For the structural interventions in MSE clusters, it is suggested to adopt and develop 100 MSE clusters over the 11th Plan Period. Considering the average cost of cluster development including setting up of new/upgraded industrial estates, new/upgraded Tool Rooms and Training Centres, etc., at Rs. 25 crore per cluster, the total requirement would be Rs. 2500 crore which can be funded, based on the Public-Private Partnership (PPP) model, with Government contributing 40 per cent and private sector 60 per cent. This calls for the 11th Plan allocation of Rs. 1000 crore which would catalyse additional private investment of Rs. 1500 crore.

(r) At the same time, in order to navigate the MSEs to a higher growth trajectory, special economic zones (SEZs) for MSEs may be created with attendant fiscal benefits. Some of the high growth MSE clusters can also be converted into SEZs.

(s) The MSME sector still remains insulated from venture capital, mainly because of

(i) lack of expertise in risk assessment of MSMEs, (ii) lack of exit options – there is no secondary market for trading in smaller firms' shares, making exit very difficult for the VC investor, (iii) higher transaction costs – the costs to an investor in appraising the risks and returns from an investment tend to be fixed and high relative to the size of the investment for such VCs, and (iv) owners/promoters avoiding to access venture capital due to fear of loosing management control of their businesses. In order to overcome these obstacles and improve venture capital penetration in the MSME segment, the following suggestions are made:

(1) To support seed and early-stage SME entrepreneurs through public funds that would be invested by private VC funds through public-private partnership scheme. SIDBI may be made the agency to manage such funds, carry out the task of selecting the VC fund managers and for providing funds to them through a corpus to be created by the Government for this purpose, as SIDBI has been investing in various VC funds as a 'fund-of-funds' and has the necessary experience and expertise to evaluate, assess and monitor performance of VC funds.

(2) In order to make the corpus self-sustaining, the fund support out of the corpus shall be made by way of preferential capital/units carrying pre-agreed rates of return. If, say, an investment is made with preferred rights of 8 per cent per annum, the recipient fund shall first return the corpus support received together with the 8 per cent compounded return per annum before giving any monies to the other contributors to the fund. This, while creating a partial safety net for the fund corpus and allowing it to be turned around faster, shall make the investments into recipient funds more attractive for other investors.

(3) An initial allocation of Rs. 2500 crore may be made for the eleventh five year plan of which Rs. 1000 crore may be placed with SIDBI immediately with further draw down as the fund utilisation picks up.

(4) In the long-term, private funds may be funded with institutional finance, such as pension funds. This may be supported through regulation that permits prudential investment by pension funds in risk capital funds up to say 5 per cent of their corpus.

(5) Enable the creation of limited liability corporations (LLCs) through an amendment on redeemability under the Companies Act; extend the applicability of the proposed limited liability partnership (LLP) structure to risk capital funds.

(6) Accreditation by SEBI of high net-worth overseas investors. The high costs of establishing an overseas venture capital fund is a serious deterrent to the establishment of smaller (below $50m) funds. It is a bigger deterrent still to overseas angels who are usually non-resident Indians with the skills that domestic entrepreneurs need. Accreditation (by SEBI) may offer such individual overseas investors the same rights and tax treatment as registered VC firms.

(t) In order to encourage new innovative MEs to set up micro enterprises, a separate cadre of ‘Micro Capital Funds’ with special component for the North-Eastern region needs to be created.

(1) The objective of such a Fund will be to provide equity like support at size that may be sub-optimal for regular venture capital, say investments below Rs. 2 crore. This Fund would be used to extend soft loans in lieu of equity capital, on the lines of the National Equity Fund, along with bank finance. In addition, the Fund would also provide corpus support to business incubators for providing capital support to the incubatee businesses. Other innovative models can be developed by the Fund to provide capital support to the MEs as also smaller of the SEs.

(2) An initial corpus of Rs. 500 crore may be made available to SIDBI for ‘Micro Capital Funds’ as Plan allocation during the 11th Plan of which Rs. 50 crore may be reserved for the NER.

(u) SIDBI has been providing multi-dimensional support to the SMEs for more than a decade. However, it is worth noting that such efforts of SIDBI have had only limited impact on the sector due to various constraints of SIDBI, such as, absence of access to low-cost fund, restricted scope of business, adverse impact of SFCs, insignificant return on certain investments, etc.

(1) As one of the means to push the MSME sector to the forefront of the national economy, it is envisioned that SIDBI could become a true leader of delivery of credit and associated services to the MSMEs, as NABARD is for the agricultural sector. SIDBI should be strengthened to emerge as the apex principal financial institution, encompassing all aspects of relevance to the MSME including policy advocacy. For this, SIDBI may be accorded necessary operational flexibility and financial support to enable it to fulfil its mandate for the growth and promotion of MSMEs.

(2) In the wake of financial sector reforms, SIDBI should necessarily undertake the full range of banking activities and emerge as a one-stop-shop for MSMEs, including working capital facilities and non-fund based facilities. Necessary amendments to the SIDBI Act are suggested.

(3) At the same time, it is necessary to provide low cost resource support to SIDBI, for which the suggestions are:

- Allocation of tax free bond quota of, at least, Rs.1000 crore every year.

- Subscription to SME Bonds to be provided by SIDBI may be made by SME units which could entitle them to avail of income tax benefits; funds raised from such bond issues can be deployed back by SIDBI for direct SME lending.

- Interest on 8 per cent GoI bonds could be waived for the next 5 years to enable

SIDBI to continue to support the SFCs.

- Permit SIDBI's contribution to the CGTSI Corpus Fund as deduction by inserting a suitable clause in section 36(1)(xiv) of the Income Tax Act.

- Exempt SIDBI from stamp duty on Commercial Paper and other instruments; FIs like NABARD and EXIM Bank are already exempted.

(v) An important credit delivery mechanism, approved by the RBI, is the scheme of Small Enterprises Financial Centres (SEFC) aiming to facilitate strategic alliance between branches of banks and branches of SIDBI in selected clusters. Under the scheme, SIDBI has entered into the Memorandum of Understanding with 13 leading commercial banks for joint/co-financing of projects of SME units in the identified clusters. The SEFC scheme has not yet taken off. In order to make the scheme more effective, it is suggested that IBA may intervene to create a suitable monitoring mechanism for wider spread of the SEFC scheme.

(w) Capital market is a relatively cheaper source of funds for industries as compared with debts/bank finance. Advanced countries have stock exchanges for SMEs. But this is yet to gain momentum in India. It is suggested that for increasing the participation of SMEs in the equity markets, the threshold limit for bringing out public issues could be lowered for them. The rules and regulations may be simplified to make the process cost effective and attractive for the SMEs. It is suggested to revive OTCEI to facilitate access of SMEs to the capital market.

(x) The NPA norm for loan amount up to Rs.25 lakh from the present 90 days of overdue may be relaxed to 180 days for MEs, in particular.

(y) The potentially viable sick SSI units need interest concessions more than anything else to improve their financial position under rehabilitation. To this end, during the process of rehabilitation, if there is any loss of income arising out of nonreceipt of interest in respect of limits, it may be computed for the relevant period and allowed as notional charge while calculating taxable income of the FIs and banks.

(z) Measures may be initiated by the GoI to strengthen the DRT/legal machinery, including increasing the number of Presiding Officers so as to expedite judgements in such cases, preferably within months. As a facilitating measure and to speed up recovery process, retired bank officials may be appointed recovery officers.

(B) Fiscal Measures

(1) Direct Taxes

(i) Depreciation for energy saving devices, pollution control equipment and alternative energy production devices may be restored to 100 per cent. Further, 100 per cent depreciation may also be made available on computers/micro processors, devices for water conservation and expenses incurred on preventing corrosion.

(ii) In order to encourage MSEs to undertake in-house scientific research, the weighted deduction of 150 per cent of the expenses incurred on scientific research may be extended for a further period of at least 5 (five) years and allowed to all sectors.

(iii) R & D incentives may be allowed to MSEs for sponsoring technical institutes, or contribution to the funding of nursing training centres and similar institutes with the view to upgrading skills. This would help in setting up of various training institutes in MSE clusters.

(iv) Weighted deduction of 150 per cent to be given on all expenditure made by MSEs for promoting supply of natural renewable resources like bio-fuels, agro-forestry, medicinal herbs etc.

(v) There may be a threshold limit of Rs.5 lakh for MSEs subject to levy of Fringe Benefit Tax below which units could be granted an exemption. The increase in business thus accrued and higher tax collection would offset the revenue loss incurred by imposing the threshold limit.

(vi) With the rapid changes taking place in the business landscape the world over, it has become imperative for SMEs to pay special attention to technology upgradation and adopt new technologies through an innovative approach. Hence, in order to assist SMEs in adopting state of the art technology, option may be given for claiming deduction of investments made in technology upgradation as allowable expenditure up to 35 per cent of the modernisation expenditure.

(2) Indirect Taxes

With a view to simplifying the procedure and ensuring that there is no revenue leakage, it is suggested that all dealers be permitted to issue invoices similar to the invoices being issued by the manufacturers in terms of the provisions of rule 11 of Central Excise Rules, 2002 and pay CENVAT at the rate applicable on the date of removal on the value as determined under sub-section (2) of section 3 or section 4 of the Act, as the case may be (Selling price of the traded goods). The difference between the CENVAT amount passed on to the user customer by paying excise duty on the sale proceeds and the excise duty credit available on the purchase of the traded goods may be made good by the dealer by paying through PLA.

3.4 The observations/recommendations of **Sub-Group III** are discussed in this section

(A) Size of Medium Manufacturing Enterprises

(i). **The Sub-Group recommends that the Government may undertake a comprehensive study and also initiate the process of conducting a Census of the manufacturing medium enterprises. The EM data on manufacturing medium enterprises could form the basis for such study/Census**.

(B) Size of Service Enterprises

. **The Sub-Group recommends that a separate study be also undertaken by the Government to estimate the size and contribution of the MSM service enterprises and to suggest measures to promote their linkages with themanufacturing sector. The Sub-Group further recommends that this Census should cover allservice activities within its ambit**.

(C) Promotion of Linkages between Manufacturing and Service MSMEs

(i) **Sub-Group recommends organising vendor development programmes with focus on service MSMEs, highlighting their potential to meet the requirements of manufacturing MSMEs and accordingly, an enhanced outlay of Rs.9 crore for organising vendor development programmes during the 11th Plan**.

(iii) To promote/encourage linkages and cooperation between the manufacturing and. **With this objective in view suitable studies should be undertaken to suggest measures for promoting effective linkages between manufacturing and service MSMEs**.

(iv) **The guidelines to be framed for Procurement Preference Policy (both at the Central and State levels) should include procurement of services from the MSMEs**.

(iv) The Small Industries Development Bank of India **(SIDBI) should evolve suitable schemes/facilities in co-ordination with other banks and financial institutions to promote/encourage linkages between the manufacturing and service MSMEs, and provide financial and other support to service providers to ensure that the eligible borrowers/units engaged in service activities are not deprived of funds**

(D) Graduation of Small Enterprises to Medium Enterprises

(i) Access to modern technology will be one of the key drivers of growth of MSME during the 11th Plan. The Planning Commission Working Group on 'Science and Technology for SMEs' has identified the thrust areas to stimulate adoption of modern technologies by the MSEs. To achieve these objectives, the Working Group has made several recommendations, including launching of new schemes during the 11th Plan. This Sub-Group endorses the recommendations of the Working Group on 'Science and Technology for SMEs' and recommends that a massive thrust be provided to R&D and innovation among MSMEs during the 11th Plan, with due focus on enterprises in/ of the North-Eastern Region, special category States, women and weaker/disadvantaged sections.

(ii). **The Sub-Group recommends an increase in the number of workers to 25 for those using power and 50 for those not using power to be covered under the Act**. **The Sub-Group recommends that these requirements should be replaced with self-certification for encouraging graduation of small enterprises to medium**.

(iii). **The Sub-Group recommends that the benefits of General Excise Exemption Scheme should be extended to graduating small enterprises for three years after such graduation at a tapering scale of 75, 50 and 25 per cent respectively of their entitlement just before graduation**.

(iv), **the Sub-Group recommends that the limit on collateral free loans covered under the Credit Guarantee Scheme may be enhanced from the existing Rs.25 lakh to Rs.1 crore**.

(E) Role of State Governments

(i). **The Sub-Group recommends that the State/UT Governments should initiate expeditious action on the measures to be taken by them under the MSMED Act, 2006**.

(F) Testing Facilities

(H) Training

(I) Certification

(J) Sub-Contracting Exchanges (SCX)

(K) Vendor Development Programmes (VDPs)

(K) GENERAL

The following issues need to be addressed by the Government for it to play a proactive role in providing the impetus to the MSME sector to grow at a much faster pace:

- *Setting up Industrial Parks*
- *Availability of adequate and timely credit*
- *Marketing*
- *Labour Law Reforms*

3.5 The observations/recommendations of **Sub-Group IV** are as under:

(A) Role of SIDO, SISIs and Other SIDO Institutions
SIDO may switch to proactive role of a facilitator for innovation at all sub-segment levels,focusing specially on the micro and small enterprises. A Roaming Task Force (RTF) may be set-up at each SISI.

(C) Awareness and Demand Pull

Improving general awareness among the MSEs of their own weaknesses against the backdrop of the rules of the global market place with its breadth and depth of competition willreap rich benefits.

(C) Training Programmes at SISIs and Other SIDO Institutions

(i) **Training programmes at SISIs/other SIDO institutions may be reviewed to incorporate contemporary re-modelling of the programmes**.

(ii) **Training programmes on topical subjects**

(iii) **Innovation may be democratised**.

(iv) **Emphasis on training in Quality Management and Assurance in product/ process/services and due diligence in the practices in each distinguishable group of MSEs isalso a core issue**. **There is no room for dual quality concept ---- one for local consumption and the other for export. It has to be one quality concept that is globally acceptable**.

(v) **Concepts and practices of KAIZEN and JIT should be part of the extensive training of entrepreneurs** to enhance their innovative capabilities.
3.6 The observations/ recommendations of **Sub-Group V** are as under:
(A) Policy Issues

(B) Special Components/Focus Areas

(C) Methodology

(D) Sharing Knowledge and Best Practices

(E) Monitoring and Evaluation

(F) Policy Research and Analysts

3.7 The observations/recommendations of **Sub-Group VI** are summarised below: These are broadly divided in two groups: (I) Not involving Budgetary Support and (II) Requiring Budgetary Support.

(I) Recommendations not involving Budgetary Support

(A) Credit, Foreign Exchange Regulations, Factoring Services, etc.

(B) Amendments to Procurement Preference Policy
(C) Raw Material Distribution Centres
(D) Improving Transport Infrastructure Support
(E) Development of Standard Marketing Software
(F) Registration of MSEs with UN Agencies
(G) Marketing Assistance for MSEs in North-Eastern Region (NER)/ Disadvantaged Sections of the Society

Ten per cent of the total outlay should be utilised for development of marketing facilities and services in the NER, and Special Category States, etc., during the 11th Plan. In addition, 20 per cent of the total outlay may also be earmarked for entrepreneurs from disadvantaged sections of the society which include micro and small enterprises owned by the Scheduled Castes/Scheduled Tribes and women entrepreneurs. Further, provisions have also been recommended under various schemes/initiatives for development of NER and other disadvantaged section of the society.

(II) (i) Existing Schemes
(A) Market Development Assistance Scheme for Export Promotion (MDA)
(B) Patent Registration by MSEs
(C) Export Samples Funding Scheme
(D) Training in Marketing and Exports
(E) Development of New Packaging Methods
(F) International Cooperation
(G) Marketing Assistance Scheme
Total 58.00
(H) Performance and Credit Rating Scheme for Small Enterprises
(II) (ii) New Schemes
(A) Development of Marketing Infrastructure Support
(a) Establishment of Small Business Incubators
(b) Establishment of Quality Testing Laboratories
(c) Establishment of Display Halls/ Exhibition Grounds
(d) Establishment of Marketing Hubs
(e) Establishment of Information Dissemination Centres
(B) Small Enterprises Establishment Programme

3.8 Observations/recommendations of **Sub-Group VII** are detailed below:

(A) Khadi

(i) There is an urgent need to rejuvenate the khadi programme. For this purpose, it is necessary to enlist new khadi institutions by relaxing the restrictions on registration, wherever necessary and feasible, particularly in general areas. The defunct or dormant societies/institutions under 'D' category should be revived. This is utmost necessary in order to expand the base of khadi production at grassroots level. Unlike other organised activities khadi is an area, where production cannot be multiplied by overnight planning, since it is a labour intensive hand operated process. Any proposal to enhance the production during the 11th Plan requires a long-term perspective instead ad hoc decision.

(ii) As in the case of the institutional base, raw material supply also need to be strengthened. The existing infrastructure of six sliver plants is too inadequate to meet the total raw material requirement of the khadi sector. This is more so in the 11th Plan when higher production of khadi is targeted. In order to support the production, there is a need to establish at least six more sliver plants, one in each zone, on commercially viable basis.However, this endeavour need not be entirely financed from budgetary resources of the Government. This can be built up on Private Public Partnership basis. Further, some of the existing sliver plants were established way back in 1986 and hence renovation and upgradation of their plant and machinery would be required after careful study of the need.

(iii) The antiquated technology in the form of old charkhas and looms in operation is another area which requires attention during the 11th Plan. A Scheme for Enhancing Productivity and Competitiveness of Traditional Khadi Activities and Artisans has been formulated. Implementation of this Scheme by earmarking necessary outlay for replacing/renovating charkhas and looms is necessary during the 11th Plan.

(iv) Yet another major area of difficulties faced by the khadi sector is the shortage of adequate working capital. This sector could not avail of the required level of working capital from the banking institutions. The experience since 1997-98 in this regard reveals that banks are not ready to honour the interest subsidy eligibility certificates issued by KVIC to the full extent. This problem, coupled with the stoppage of loans to KVIC from budgetaryre sources has only worsened the situation. Taking this into cognisance the Sub-Group isof the strong view that the Government should reactivate the loan head under khadi which can be utilised at least for providing direct funds to the small and comparatively medium khadi institutions in general areas, in addition to all institutions in the North-Eastern Region.

(vi) In order to enhance the availability of bank loans the well-established khadi institutions, should initiate credit rating (of khadi institutions) on priority basis by taking the help of some professional agencies. Further, as an effort to rejuvenate the khadi sector and improve its productivity and quality, the Sub-Group recommends supply of improved looms and ready warp to khadi institutions.

(vii) The Government provides rebate to the KVIC for khadi and polyvastra on year to year basis. The Sub-Group is of the view that the Government should continue to extend rebate to the khadi sector till an alternative scheme is accepted by the khadi implementing agencies. It is further observed that at present, rebate is provided from the Plan funds made available by the Government of India to KVIC every year. Rebate is a promotional grant and a committed expenditure; Government may, therefore, consider allocating the necessary funds for rebate as non-Plan grants to KVIC, so that the Plan expenditure would not suffer.

(viii) In the era of eco-friendliness, khadi is gaining popularity, not only in the domestic but also in the international market. However, the Sub-Group has no hesitation to point out that the publicity and propaganda measures undertaken so for did not yield its desired results. There is a need to take up aggressive publicity for popularising the khadi products in the domestic as well as international market. This sector should be in a position to take benefit of ever-increasing awareness about eco-friendliness.

(ix) Quality is an area of concern in the khadi sector. No doubt, being a labour intensive, hand made product, brining uniformity in the KVI products is a difficult task. Perhaps the lack of uniformity, thereby making each product unique, is an inherent characteristic of products generated in this sector. Quality plus this eagerness required emphasis. Rather than a disadvantage, this can be converted into a Unique Selling Proposition (USP). The efforts being made by KVIC in the recent past by establishing tie-up with Textile Committee(Government of India Establishment) for utilising their laboratory infrastructure for quality test is a positive step in this direction. The Sub-Group recommends introduction of some stamping system to show that khadi is a quality-tested product, by properly embossing certain label on each meter of khadi cloth. This may not only ensure the quality of khadi products but also help gain credibility among the customers.

(x) Accumulating stock is yet another area which needs attention. Obviously stock equivalent to previous sales may not be bad in terms of economy. However, stock in the form of unsaleable products, which are not as per the market requirement, is a damaging factor that needs to be looked into. The Sub-Group suggests evolving some monitoring system so that production of certain varieties of khadi without studying the marketability of such products, by the institutions can be avoided. Certain guidelines can be issued to the khadi producing institutions in this regard, so that they give priority to market demanded products instead of going for varieties of production which are not required by the market. However, this is an isse to be closely examined, before bringing into practice.

(xi) The Committee constituted under the chairmanship of Shri K.C. Pant strongly recommended the need for declaring khadi a national heritage as khadi is a symbol of national pride and of India's freedom struggle. The Sub-Group examined in detail the issue of spurious khadi flooding the market. It may not be out of place to mention that the spurious khadi has become a curse to this sector and the problem should be addressed on war footing. Khadi is actually what it is defined in the Khadi and Village industries Commission Act. However, in the name of khadi, cloths are produced by unscrupulous elements to take the benefit of customers' preference for khadi. In this context, it is not only that the customers are cheated but also the existence of genuine khadi is threatened. There is an imperative need to protect "Khadi" as a trade mark or any other appropriate way.

(xii) The Government of India provides funds required for rebate payment under khadi grant head. However, this has been allocated under annual plan provision being provided to KVIC. The Sub-Group is of the view that the Government need to look at this issue a fresh, and allocate the necessary funds for Khadi sales rebates under non-plan head instead of plan head. This may be more relevant since the outflow of rebate is as a committed promotional expenditure under Khadi programme.

(B) Village Industries

(i) The Sub-Group recommends that during the 11th Plan, KVIC should turn its focus on traditional artisans also as in the case of entrepreneurs under REGP. It is felt that considerable extent of infrastructure has been already created by various NGOs, CooperativeSocieties and individuals under the traditional village industries, which were financed by KVIC in the pre - REGP era. Such infrastructure can be activated further for generating additional employment during the 11th Plan. It is proposed to generate around

7 lakh new employment opportunities by reviving the existing old village industries units by utilizing their infrastructure.

(ii) The Sub-Group recommends that the khadi institutions, which have well-established infrastructure, can be motivated to diversify their activities by taking up old traditional village industries. However, these traditional village industries may not be able to fit into the framework of bankable projects and are unable to withstand the stringent viability criteria being adopted by the bankers. In such a situation, it is, necessary to assist such traditional village industries from the budgetary source by providing necessary loan and grant allocation towards this purpose in the budget allocation being provided for KVIC.
(iii) The SFURTI, which is implemented based on the cluster approach, has identified 50 clusters of village industries at initial stage. As suggested by the Sub-Group in the case of khadi, the Village Industries Sector too required enhance target under SFURTI in order to cover larger areas of the V.I. Sector. The Sub-Group is of the view that the cluster allocated to KVI Sector under Khadi and Village Industries need be stepped up every year during11th Five Year Plan. Though the Scheme is envisaged for a Five Year period it required further extension towards the end of 10th Five Year Plan so that this Scheme can take care of the Regeneration of Traditional Sector of Village Industries as well as Khadi under the purview of KVIC.(iv) While establishing the Khadi and Village Industries Commission the policy makers of our country did realise the need for adequate policy support to the KVI programme inorder to take the same to the last needy person in the rural area. Over the years, the successive Governments provided various policy supports to this sector, which resulted its growth to the extent being witnessed today. The Sub-Group is of the view that various policy support to this sector is imperative due to different reasons such as this sector has to play an important role in generating employment at comparatively low cost and particularly among the socio economically weaker section of the society and backward areas. The KVI Programme,which has undertaken on a mass basis by involving the labour intensive technology has got short gestation period, which is more economical and acceptable to the rural sector and if properly developed this sector can arrest the migration of rural population to the urban centres in search of job, thereby can help to the economy to reduce the heavy overhead expenditure to be made by the Government for urban centres.
(v) Funding to the programme is one of the key areas which required considerable attention. As per KVIC Act, the Central Government may after due appropriation made by Parliament by the law in this behalf pay to the Commission in each financial year such sums as maybe considered necessary for the performance of the functions of the Commission under KVIC Act. The Sub-Group observed that the fund flow to the KVI Sector from the Government of India budgetary support is not as per the required level. The following statistical presentation is a matter of concern as the resources available for the development of KVI Programme from the Government of India’s budgetary support is in a declining trend over the plan period. No doubt, the contribution of KVI sector in terms of GDP is very meagre. However, *inter alia* the role of KVI sector in generating rural non-farm employment and empowering rural poor is much commendable. The socio-economic benefit and positive impact of this programme on the poverty stricken rural poor is a matter deserve great emphasis.

(C) Public Sector Outlay vis-à-vis KVIC Share

(Rs. crore)

Plan Period	Public Sector Outlay	KVIC Plan Outlay	Percentage
1960	11.58	0.77	0.77
2nd Plan	4672.00	78.71	1.99
3rd Plan	8577.00	86.90	1.08
4th Plan	16160.00	97.73	0.07
5th Plan	37250.00	118.26	0.48
6th Plan	97500.00	521.72	0.49
7th Plan	180000.00	611.21	0.30
8th Plan	434100.00	1251.20	0.21
9th Plan	859200.00	1432.60	0.17
10th Plan (P)	1592300.00	2080.00	0.13

(i) The Sub-Group observed that due to the non-release of funds required for committed expenditure like pension, salary etc. under the non-Plan head, KVI often compelled to divert the funds from its Plan Head to meet such committed expenditure which would definitely adversely affect the other programmes. As such, Government of India need to consider to provide total required funds to the KVIC under its non-Plan expenditure every year so that any escalation of funds from the Plan expenditure can be prevented.

(ii) The Government of India may be holding valid for stopping loan assistance to KVIC, from Government of India's budgetary source. However, the Sub-Group recommends to the Government to consider re-activate to the loan head in to KVIC's budgetary heads, so that various aspirations expected from this sector during the 11th Five Year Plan can be met in a judicious manner in that respect it is also necessary to provide some budgetary support to KVIC for setting up a 'nursing fund' in the form budgetary loan, in order to help the weak/D category institutions.

(iii) Though scheme for availing institutional finance for khadi programme was in vogue since 1997-98, as, *inter alia*, the availability of funds from that source is not at the desired level. This issue was earlier studied by various Committees appointed by Reserve Bank of India. The Committee appointed by Reserve Bank of India in 1991, in its report revealed that while SSI sector as a whole, received bank credit for Working Capital at the level of8.1 per cent of its output, the Village and tiny industries in the Sector could get only about2.7 per cent of the output. The committee recommended, banks should give priority to village industries, tiny industries and other small-scale units in that order while meeting the credit requirement of the Small Scale Sector. Yet another Committee appointed by Reserve Bank of India in 1993, after detailed study of the issue brought out various recommendation. While analyzing the problem though banks were of the view that the Working Capital requirement of khadi units requiring bank loan up to Rs. 5.00 lakhs maybe calculated as per KVI formula, while the requirement of other units may be calculated on the basis of past trends of peak levels of inventory holding and receivable. It has also suggested that in case of any differences between peak season and lean season requirement separate limit may also be fixed. After analyzing various pros and cons of the issue, the Committee came out with clear recommendation that "assessment made by KVIC is exceeds hearsay about 10 per cent than the assessment made by banks, the bank should accept the VIC assessment and sanction/renew the credit limit accordingly". The Govt. of India i.e. the Ministry of Finance which is dealing with the banking sector may take up the issue by providing clear instructions to the banks for strictly adhering this suggesting so that many of the khadi institutions may get better share of the institutional credit than of the present level.

(iv) The Government of India is notified KVIC as part of priority sector for availing institutional credit, like other SSI and agricultural activities. In the priority sector itself there is subsectoralpercentage allocation to the agricultural sector. KVI sector plays a major role in the additional labour absorption as a non-farm sector, for generating employment opportunities to the rural population in general and those who have displaced from the agricultural sector specifically. Keeping this aspect in view, the Sub-Group recommends earmarking separate percentage share, out of the 40 per cent allocated to the priority sectors to satisfy the need of institutional finance under KVI sector.

(v) The Value Added Tax (VAT) is in implementation in almost all States except a few. Prior to the implementation of VAT many KVI products were enjoying exemption from sales tax at various rate in almost all States. The Committee observed that the State Government should extend exemption from VAT to all KVI products of units registered with KVIC/KVIBs. The Government of India may take up this issue with the State Government at their highest level.

(vi) Due to various inherent features, the khadi programme is most conducive for the benefit of the weaker section peoples more particularly, the SC/ST categories. It may be worthwhile to mention that under Khadi programme the coverage of SC, ST beneficiaries was as high as about 35 per cent. This achievement was effected without any physical reservation in this category which underlines the relevance of this programme for empowering the weaker sections of the society. The Sub-Group recommends during the 11th Five Year Plan at least 35 per cent of additional employment generation to be targeted for SC and STcategories.

(vii) The export achievement under KVI sector was not high. Perhaps this may be due to the basic objective of KVIC to produce the goods as per the local requirements. Achievement made under the export arena was only benefit achieved by this sector due to the concerted efforts of KVIC. The export under KVI Sector during the 10th Five Year Plan was not moved up to the desired level. The beginning of the 10th Five Year Plan, the export figure was worth Rs. 45.94 cores, which has met a setback during 2004-05 for declining torso. 39.08 cores. However, again during 2005-06 it has moved up to Rs. 40.41 crores. The historical data of the export under the purview of KVIC shows a very erratic and fluctuating trend. Sub-Group is of the view that in view of the great potential of eco-friendly products in the export market, there is good scope for encouraging export oriented institutions to produce export demanded products.

(viii) Sub-Group after analyzing the export data concluded that export data disseminations underKVI Sector may not be accurate. One primary reason for this inadequate export data flow from the field to KVIC may be due to the fact that KVIC has no substantial role in the export monitoring. In that context, the Sub-Group strongly recommends to accord Export Promotion Council Status to KVIC so that all exports under KVI Sector can be brought under on common umbrella. The institutions/agencies involved in the export of KVIproducts need not knock at the different doors for getting assistance in this regard. This is more pertinent in the context with many of the export oriented institutions produce varieties of products and in that respect they have to approach different Export Councils for assistance. If the KVIC is empowered with the Export Promotion Council status units registered with KVIC/State KVIBs, which are producing multi-level products, can be relieved from difficulties and KVIC can take care of their requirements.

(ix) The Sub-Group discussed in depth the organisational structure being followed under Khadi
and Village Industries programme. The khadi was exclusively a domain of registered institutions (NGOs), they organised the individual artisan under their fold for conducting the khadi programme. The Sub-Group discussed merits and demerits of NGOs in organizing such programme and concluded that the present system of implementing khadi programmeexclusively through the NGOs is most ideal and same should be continued during the 11thPlan. The NGOs possess local knowledge, local leadership and they are in touch with thegrassroots level artisans and also familiar with the issues related to the local areas.

(xi) KVIC's Plan allocation is spread over mainly over nine Budget Heads. As per the KVICAct, there is a provision for a separate budget under Khadi, V.I. and General & Miscellaneous. The G & M is mainly meant for providing support service to the development of Khadi and village industries activities. However, the allocation of Government of India throughout the years confined only to two budget heads i.e. Khadi & Village Industries. This necessitates pooling resource from Khadi and V.I. funds for constituting the G & Mfunds. The Sub Group is of the view that KVIC's Plan allocation should be specifically earmarked under 3 budget heads and Government should provide the entire financial requirement required under all these 3 heads. The Government of India provides loans toKVIC in the earlier years as per the rate of interest prescribed from time to time by the Government under such loans. However, the loan support to KVI sector has been discontinued in the case of V.I. since 1999 and Khadi since 2001. In this context, it is observed that there are 2 budget provision under KVIC's plan head i.e. subsidy in lieu of interest to Govt's loans for both khadi and V.I. This is only in the form of book adjustment.However, showing this allocation under KVIC's plan head without actual cash flow will only inflate the quantum of plan allocation without actual benefit to the KVI sector. In that context, the Sub-Group is of the view that this may be removed from the plan allocation altogether. It is also observed that there is no problem in removing book adjustment indication from budgetary allocation because it is understood that few years ago, the Government of India is to locate renewal of post loan every year under KVIC's non-plan head, which was only a book adjustment. Subsequently, the same has been removed from the budget head of KVIC.

3.9 The observations/recommendations of **Sub-Group VIII** are detailed below:

(B) Employment

(i) Taking into consideration the modernisation/technology upgradation components and cluster - based development leading to achievement of better productivity, the Sub-Group projected the employment generation in coir sector to 8 lakhs by 2011-12 from the present

level of estimated employment at 6.40 lakhs (2006-07).
Employment (lakh persons)
2006-2007 (Base Year) 6.40
2007-2008 6.60
2008-2009 7.00
2009-2010 7.25
2010-2011 7.50
2011-2012 8.00

(C) Production
With the implementation of various developmental programmes, it is expected to enhance utilisation of raw material in coir industry from the current level of 40 per cent to 60 per cent by the
end of the 11th Plan. The Sub-Group expects that there will be a 10 per cent annual growth rate in
production of coir fibre in the country.
Production (MTs)
2006-2007 (Base Year) 4,30,000
2007-2008 4,70,000
2008-2009 5,15,000
2009-2010 5,70,000
2010-2011 6,35,000
2011-2012 7,10,000
(D) Exports
As per the Coir Board statistics, the export of coir and coir products from India during 2005-06
is valued at Rs.508 crore as against Rs.595 crore reflected in the export data of the Ministry of
Commerce. The export projected for 2006-07 based on the Board's statistics is Rs.560 crore. The
Sub-Group made a projection of Rs.1500 crore by the end of 11th Plan.
Exports (Rs. crore)
2006-2007 (Base Year) 560
2007-2008 680
2008-2009 830
2009-2010 1015
2010-2011 1225
2011-2012 1500
(E) Gross Production
Gross Production (Rs. crore)
2006-2007 (Base Year) 2100
2007-2008 2350
2008-2009 2600
2009-2010 2950
2010-2011 3320
2011-2012 3700
(F) Programmes

(i) The Sub-Group identified the following priority areas for focused attention during the 11th
Plan:

(a) **Research & Development**

* Modernisation of existing equipment and looms
* Development of machinery for production of coreless yarn
* Pilot plant for natural dyes
* Bio-refinery based on coir pith as a renewable biomass
* Eco Laboratory and National Coir Information Centre
* Development of binder-less coir composite board
* Adoption of global quality standards and drawing out specifications for range of coir geotextiles based on end-use applications.

(b) **Marketing Support – Domestic and Export Market Development**

* Infrastructure support through integrated cluster based approach
* IT - enabled support services and e-governance
* Welfare of coir workers
* Gender empowerment
* Establishment of professional design clinics

* Productivity and quality improvement
* New initiatives in North-Eastern Region

(ii) The Sub-Group decided to re-group various schemes/programmes proposed for the 11th
Plan under the following broad Schemes

(a) Science & Technology Scheme
(b) Skill Upgradation and Quality Improvement Scheme
(c) Development of Production Infrastructure Scheme
(d) Domestic Market Promotion Scheme
(e) Export Market Promotion Scheme
(f) Trade and Industry-related and Other Functional Support Services Scheme
(g) Coir Industrial Technology Upgradation Scheme (CITUS)
(h) Welfare Measures

(iii) The broad categories of Plan heads under (i) (a) and (b) above were there in the 10 th Plan
too, though in respect of the second and the sixth the nomenclature of the head gets slightly
modified. In respect of various schemes proposed under each Plan head as detailed above,
some modifications have been proposed to enlarge the scope of the Scheme for wider application and to ensure better advantage to the trade and industry.

(iv) In respect of Mahila Coir Yojana recommended for continuation during the 11th Plan under
Skill Upgradation and Quality Improvement Scheme, it is proposed to provide a forward linkage by bringing Anugraha and Anupam Looms (compact metallic looms capable of being handled by the women artisans) within its purview and to provide training in weaving

to the women artisans. In the case of SC/ST beneficiaries, the percentage of subsidy proposed
is 80 per cent as against 75 per cent provided to all under the on-going Scheme. In the case
of Development of Production Infrastructure Scheme, financial assistance was granted only to the Brown Fibre sector during the 10th Plan. The Sub-Group recommended extending
the benefits to the white fibre sector, including the co-operatives too. Further, it was also recommended to bring the spinning households and small manufacturing units under the umbrella of this Scheme and making them eligible for financial assistance for construction
of loom shed, ratt shed, repairs to handlooms, retrofitting the existing ratts, etc. Market Development Assistance Scheme is now applicable only to the co-operative and public sector undertakings. The Sub-Group recommended extending the benefits to the private sector too during the 11th Plan under the Domestic Market Promotion Scheme. Under the Export Market Promotion Scheme, the Sub-Group recommended introduction of Technology Upgradation Fund Scheme and establishment of Design Clinic as also Coir External Market Assistance Scheme with funding support through extra budgetary resources.

In the case of Welfare Measures, apart from the existing insurance coverage provided to the coir workers against accidents at work place, it is proposed to give medical care and assistance for education of children of coir workers through appropriate programmes. Moreover, the Sub-Group recommended continuation of Production Enhancement Linked
Coir Workers' Welfare Scheme, which was introduced in on an experimental basis during
2006-07. Coir Industry Technology Upgradation Scheme (CITUS) is a new scheme recommended for implementation during the Eleventh Five Year Plan.

(G) Schemes and Outlays

The schemes proposed for implementation during the 11th Plan are broadly as given below:

Proposed Financial Outlay for Eleventh Plan (2007-2012)

(Rs. crore)

Sl. No.	Schemes	Total
A. CONTINUING SCHEMES		
1.	Science & Technology Scheme	50.00
2.	Skill Upgradation & Quality Improvement Scheme	35.00
3.	Development of Production Infrastructure Scheme	40.35
4.	Domestic Market Promotion Scheme	55.00
5.	Export Market Promotion (including the new activities) Scheme	291.00
6.	Trade & Industry related and Other Functional Support Services Scheme	42.95
7.	Welfare Measures	60.50
B. NEW SCHEMES		
8.	Coir Industrial Technology Upgradation Scheme	300.00
9.	Rejuvenation of Coir Sector and Modernisation Programme for Coir Industry Scheme	194.50

Total 1069.30

(H) Initiatives in the North -Eastern Region (NER)

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CHAPTER IV

FINAL RECOMMENDATIONS OF THE WORKING GROUP

The recommendations of the Working Group are as under:

1. IMPLEMENTATION OF THE MSMED, ACT, 2006

(i) (a) The enactment of the MSMED Act, 2006 has created the first-ever legal framework for the MSME continuum, to facilitate their holistic development by way of optimisation of their capacities, attaining economies of scale, technological upgradation, vertical growth
of MSEs and the like, in line with the global best practices. However, the representatives of micro enterprises, the preponderant majority and the most employment-intensive segment of the MSME continuum, apprehend that the inclusion of the "medium enterprises" within the ambit of the Act and raising the investment ceilings for small enterprises may to the larger of the SMEs corner disproportionately large benefits, to the exclusion of micro & small enterprises.
(i) (b) While the Working Group is deeply conscious of the need to emphasise the role of this
preponderant majority of micro and smaller of the small enterprises, the apprehension voiced by the Sub-Group is, in the view of the Working Group, misplaced and a throwback
on the era of "protectionism" that characterised the initial policies and support measures for the SSI. There is no economic or social premium on continuing to be "micro" for all times in these days of globalisation – in fact, such sequestering more likely to sap the dynamism of the micro enterprises that they have so far displayed in the face of constraints.
The micro must (and be enabled to) grow to small and medium and the small to medium and large and so on and make space for the new micro and small to enter the market. There is enough room for all to grow and prosper.
(i) (c) In any case, due care has been taken in the MSMED Act, 2006 for this purpose. Section
9 of the Act provides specially for various measures for the MSEs. Specific scheme only for the MSEs for preference in Government procurement and strengthened measures to check delayed payment are cardinal features of the new Act and fully reflect the will of the Parliament in favour of the MSEs. The recently approved Package for Promotion of Micro and Small Enterprises is another example of the thrust of public policy with regard to the MSEs.
(ii) In the framework of the Act, the "service" and "medium" enterprises are new entrants.
The Working Group, therefore, recommends that comprehensive studies through competent professional organisations be undertaken to assess the existing status of these enterprises vis-à-vis their counterparts in other comparable developing countries as well as those developed. Based on these studies, a White Paper should be brought out on the "State of the Indian Medium and Service Enterprises against Global Backdrop –Options for Policy and Intervention Measures for Growth" within the first year (2007-08) of the Eleventh Plan and widely disseminated for discussion and comments. This will then facilitate informed policy initiatives to foster the promotion and development of these enterprises and helping the micro and small enterprises to also graduate to these larger enterprises. Necessary schemes can and should be drawn up thereafter and accommodated as part of the mid-term review of the Eleventh Plan.
(iii) A programme needs to be chalked out to sensitise stakeholders including State Governments/UT Administrations on the implications of the MSMED Act, 2006 and to

review the progress made in the implementation of the Act.

(iv) State Governments/UT Administrations should incentivise and encourage the filling of Entrepreneurs' Memorandum by the Micro and Small Enterprises as well as by the Medium Service Enterprises.

(v) The State Governments/UTs should encourage online filing of memoranda under the MSMED Act.

(vi) Although the Delayed Payments Act was promulgated in 1993 and subsequently amended in 1998, it did not yield the desired results to arrest the problem of delayed payments. The MSMED Act, 2006 provides for strengthened provisions to deal with the situation. State Governments/UT Administrations need to constitute their Micro & Small Enterprises Facilitation Council/Councils (MSEFC) urgently in accordance with the mandatory provisions of the Act. The Central Government should also monitor the implementation of these provisions closely, unlike in the past.

(vii) In the context of classification of enterprises under the MSMED Act and the relevant notifications of the Department of Industrial Policy and Promotion under the Industries (Development and Regulation) Act, the Central Government needs to provide guidelines on equity investment in MSMEs, (need, if any, for) licensing (clearer definition of) equipment (for determining the status of service enterprises) and other related matters so that there is no ambiguity/problems to the implementing authorities. The permissible limit of equity participation (both by domestic and foreign enterprises) in the MSMEs needs to be reviewed, keeping in view the global scenario and inducing stronger linkages among/between small, medium and large establishments. A crucial query that needs to be addressed in this context pertains to the effectiveness of any such restriction on equity participation by others in the liberalised system of filing of memoranda based on self

disclosure. There is no need to prescribe any restriction on equity participation in MSMEs by entities with other (subsisting) industrial interest.

(viii) There should be institutional arrangements for constant review/monitoring of all issues concerning implementation of the new Act at the Central level. This function can be discharged effectively through regular periodical meetings of the National Board for MSMEs and the Advisory Committee, as mandated in the Act. Readily accessible database on the enterprises of all categories that have filed their memoranda should be built both at the State and Central levels and hosted on the respective websites.

(ix) The limit of equity participation (both by domestic and foreign enterprises) needs to be reviewed keeping in view the existing global scenario and inducing more and more interlinking between small, medium and large establishments. A crucial query that needs to be addressed pertains to the effectiveness of any such restriction on equity participation by others in the liberalized system of filing of memoranda based on self-disclosure. There

is no need to prescribe any restriction of equity participation in MSMEs by entities having
industrial interest elsewhere.
(x) MSMED Act, 2006 has provided an effective role to industry associations in decision making.
There is a need for capacity building of associations so as to make them more effective at ground level and strengthen them to become effective partners in the promotion and development of the micro and small enterprises. The package for promotion of MSEs has a scheme for this purpose, which would need to be utilised effectively.

2. DE-RESERVATION

Approach Paper of the XI Five Year Plan refers to the deleterious impact of and the need to do
away with the policy of "reservation" of certain products for exclusive manufacture by the MSEs. To
facilitate further investment for technological upgradation and higher productivity, 585 items have
been taken off (2004-07) the list of items reserved for exclusive manufacture by MSEs. This step has
paved the way for major thrust on additional investment, employment generation and export in/by
the sector. The Ministry of Small Scale Industries has already held detailed consultations with many
stakeholders and is hopeful of generating further consensus to trim this list down. It is expected that
in the coming year, the micro and small enterprises manufacturing the remaining reserved items and
their associations would realise the present negative impact on the continuation of reservation in an
open globally-competitive economy, and thereby assist the Government to de-reserve the entire sector
by the end of the year 2007-08. However, it would be important to provide schemes and of measures
to provide adequate support to those units that may be adversely affected because of this proposed
de-reservation. Such measures could be through providing higher support under the CLCSS and
specific technical interventions under the SICDP in clusters of such units, particularly in those states
where the manufacture of such reserved items is substantially big.

3. PROCURMENT PREFERENCE

4. LABOUR LAWS

Labour laws applicable to the MSMEs should be simplified and self-certification promoted.

5. PRADHAN MANTRI ROZGAR YOJANA (PMRY)

To improve the effectiveness of PMRY as a measure for self-employment, the design parameters of the scheme, in terms of family income limits for eligibility, project cost ceiling, corresponding ceilings of subsidy, rates of assistance of States towards training of beneficiaries before and after selection etc, as envisaged in the "Package for Promotion of Micro and Small Enterprises (MSE)" is a welcome step. The strengthening of PMRY could prove fruitful only if the said measures are implemented well in time and constant review to have the impact of these measures is done on a regular basis.

6. DATABASE

Strengthening of database pertaining to the MSMEs

7. "MEDIUM " & "SERVICE" ENTERPRISES

One of the major **implications of the MSMED Act, 2006** has been the introduction of (i) an unfettered class of service enterprises, and (ii) medium enterprises of manufacturing and servicing variety. This warrants an immediate restructuring of the authorized implementing agencies at the Central and State/UT level, both in terms of expertise and resources, which should be undertaken immediately through a High Level Expert Committee at the Union Level, comprising membership from State/UT level, etc.

8. NATIONAL MANUFACTURING COMPETITIVENESS PROGRAMME (NMCP)The implementation of the National Manufacturing Competitiveness Programme (NMCP) should be speedy and needs to be monitored properly to have the desired results. There should be **a special cell** in the office of DC (SSI) to look after the implementation of the NMCP and other programmes of NMCC.

9. TECHNOLOGY MISSION

Obsolete technology is a major handicap (after timely and easy availability of credit) and to overcome the problem the package for promotion of MSEs proposes the **constitution of a Technology Mission**. It is important to ensure that the Mission is constituted at the earliest to utilise its benefits in the XI Plan period.

10. SETTING UP OF NEW TOOL ROOMS

More and more Tool Room and Training Centres (TRTCs) on the pattern of SIDO Tool Room need to be developed at different places in the country, for technical skill development. The demand for such force is increasing and there are vast employment opportunities in such fields. The demand for efficient tools, dies, moulds, jigs and fixtures is on rise. Such TRTCs could be more effective in creating technical supportive force and helping in creation of self-ventures in the making of such auxiliary items. To start with, 3 such TRTCs could be started in those States where no Tool Room exist.

10.1 CLUSTER DEVELOPMENT

The need for cluster development has been acknowledged as one of the most preferred option for integrated and focused development of MSMEs in areas where they have come up organically (on their own) or developed over a relatively long period. **The Cluster Development Programme** needs to be strengthened. In view of the fact that cluster development programmes are implemented by a number of Ministries/ Departments in the Government of India, concerted efforts should be made for developing synergies and converging the benefits of various cluster development schemes so as to facilitate optimal utilization of available resources.

10.2 COMMON FACILITIES

In order to make the SICDP broad-based**, the scope of the scheme** should be enlarged by incorporating the essential features of other schemes operated by the Ministry of SSI that have collective approach for development, viz., Integrated Infrastructure Development Scheme, schemes for Setting up of Testing Centres by Associations, Information & Communication Technologies (ICT) intervention,etc.

10.3 LOW-COST CLUSTERS FOR UNEMPLOYED YOUTH ON AVAILABLE LAND

Low-cost Clusters have been suggested for unemployed youth on available land with basic
infrastructure like water, power, road and any other need based infrastructure and also to have common
facility center for improved production in the backward/select (SC/ST/Minority) Districts to have
the dispersal of micro and small establishments in these areas and generate employment for localities.
The effort will provide much needed socio-economic development in such areas.

10.4 EMPOWERED GROUP OF MINISTERS (EGOM)

In view of the fact that cluster development programmes are implemented by a number of Ministries/Departments in the Government of India, concerted efforts need to be made for building
synergy and converging the benefits of these programmes on the target group, most of which are
MSEs. This will ensure optimal utilisation of available resources and multiply the outcome manifold.
An Empowered Group of Ministers (EGOM) has, therefore, been constituted recently to harmonise
the policies and practices of cluster development programmes of various Ministries and monitoring
their implementation. It is expected that the revised SICDP of the Ministry of SSI and the SFURTI of
the Ministry of ARI would be implemented effectively with Central assistance (on terms and conditions

at par with the best among the cluster development programmes of all Ministries), inclusion of
infrastructural upgradation as an essential component and enhanced assistance to clusters of women's
enterprises.

11. STUDIES

12. SKILL DEVELOPMENT

**Skill development of micro and small enterprises to be encouraged to cater to the burgeoning
need for skilled manpower**.

13. ESTEBLISHMENT OF DISTRICT SKILL DEVELOPMENT CENTRES (DSDCs)

There is lot of potential available at ground level but the same has not been explored due to lack
of training facilities at ground level. For available talent, particularly, among youth, there is a need to
have "District Skill Development Centres (DSDCs), at least one in each district. During the 11_{th}
Plan sufficient budgetary provisions should be made to attain the objective of imparting skill
development and need based programme on the lines of SIDO Tool Rooms at the District level, to
groom the available talent and assist in employment generation through self-employment ventures.

14. DISTRICT COMPUTER LITERACY PROGRAMME

15. EXPORT & MARKETING

16. SEPARATE TRADE FAIR AUTHORITY FOR MICRO, SMALL AND MEDIUM ENTERPRISES

17. CREDIT-RELATED MEASURES

18. INITIATIVES FOR ENTERPRISES IN THE UNORGANISED SECTOR

19. CREDIT LINKED CAPITAL SUBSIDY SCHEME (CLCSS) FOR TECHNOLOGYUPGRADATION

20. DEDICATED TV CHANNEL FOR AWARENESS

21. SETTING UP /OPENING OF NEW SISIS/BRANCH INSTITUTES

22. KHADI & VILLAGE INDUSTRIES AND COIR INDUSTRIES

22.1 KHADI & VILLAGE INDUSTRIES

23. COIR INDUSTRIES

24. REORGANISATION OF TENTH PLAN SCHEMES

Sl. Name of the Existing Name of the Scheme/Programme in
No. Scheme/Programme which to be subsumed

1. Infrastructural Development of Micro and Small Enterprise Cluster
SSI in Rural Areas. Development Programme (after renaming
the SICDP).
2. "Mini Tool Rooms & Training Proposal of Mini Tool Rooms in the PPP
Centres" (for States) component mode under the National Manufacturing
of the Scheme for Tool Rooms. Competitiveness Programme.

3. National Programme for Rural Scheme of Fund for Regeneration of Industrialization (NPRI). Traditional Industries (SFURTI).

Existing Schemes Proposed to be Dropped

1. Sub-contracting Exchange for Ancillary Development (except the Vendor Development Programme)
2. "Upgradation of SIDO Workshops into Mini Tool Rooms" component of the Scheme for Promotion of Small Scale Industries
3. "Testing Centres by Industries" component of the Scheme "Testing Centres"
4. "Energy Conservation Programme" component of the Scheme for Technology Upgradation
5. National Entrepreneurship Development Board (NEDB) Scheme
6. Coir Board – Scheme of Co-operativization as States have not shown interest.

25. FINANCIALS

(1) MINISTRY OF SMALL SCALE INDUSTRIES

(i) SIDO Rs. 11039.00 crore
(ii) NSIC Rs. 150.00 crore
(iii) MoSSI Rs. 546.00 crore

Total (1) Rs.11735.00

(2) MINISTRY OF AGRO & RURAL INDUTRIES Rs.12396.87

Grand Total (1) & (2) Rs.24131.87

CHAPTER V

LIST OF TENTH PLAN SCHEMES/ PROGRAMMES

RECOMMENDED FOR CONTINUATION

Sl. No. Scheme/Programme

(A) Ministry of Small Scale Industries

I Small Scale Industries

1. SISIs
2. Upgradation of Workshops to MTRs
3. Advertising & Publicity
4. Laghu Udyog Samachar
5. SENET Project

II Research Institutions

1. ESTC, Ram Nagar.
2. NGTC, Firozabad.
3. PPDC, Meerut
4. PPDC, Agra
5. PPDC, Kannauj
6. IDEMI, Mumbai
7. CITD, Hyderabad

III Training Institutions & Training Programme

1. CFTI, Chennai
2. CFTI, Agra
3. MDP
4. SIDO Officers Training Programme
5. EDP
6. WTO

7. IPR
8. National Award (EDP)
9. TREAD

IV Ancillary Development

1. Vendor Development Programme for Ancillarisation

V Tool Rooms

1. CTR & TC, Kolkatta
2. CTR, Ludhiana
3. IGTR, Ahmedabad
4. IGTR, Aurangabad
5. IGTR, Indore
6. CTR & TC, Bhubneshwar
7. IDTR, Jamshedpur
8. HTI, Jalandhar
9. HTI, Nagaur
10. Technical Training Centre, Guwahati

VI Marketing Assistance & E P

1. Publicity & Exhibition
2. Export Promotion
3. National Awards (Quality)
4. MDA Scheme

VII Testing Centres
1. RTCs
2. FTSs
VIII Technology Upgradation
1. Small Industry Cluster Development Programme
2. ISO 9000 Reimbursement
3. Modernization of SIDO Workshops
4. Energy Conservation Programme
Sl. No. Scheme/Programme

IX IID Scheme (subsumed in Small Industry Cluster Development Programme)
X Collection of Statistics
XI Credit Guarantee Scheme for SSI Sector
XIII Credit Linked Cap. Subsidy Scheme
XIV Package for Promotion of Micro and Small Enterprises
NSIC
I Other Grants
II Marketing Assistance Scheme
OTHER SCHEMES
I Surveys, Studies & Policy Research
II International Cooperation
III Training Institutions
1. NISIET, Hyderabad
2. NIESBUD, Noida
3. Assistance to EDIs
4. IIE, Guwahati (NE Region)
5. NCEUS
I National Commission on Enterprises in the Unorganised Sector
(B) Ministry of Agro & Rural Industries
I KVIC
A Khadi
1. Khadi Grant including MDA for Khadi (Rs.10.00 crore)
2. Khadi (S&T)
3. Interest Subsidy (Khadi)
4. Khadi Loan
B Village Industries (VI)
1. VI Grant
Sl. No. Scheme/Programme

2. VI Grant (S&T)
3. VI Loan
4. Interest Subsidy (VI)
5. REGP
II COIR BOARD
1. Plan (S&T)
2. Plan (General)
3. Training Extension, Quality Improvement

4. Mahila Coir Yojana & Welfare Measures
III PMRY Division, PMRY (Modified)
1. PMRY subsidy
2. Subsidy EDP
IV Scheme of Fund for Regeneration of Traditional Industries (SFURTI)
Sl. No. Scheme/Programme

CHAPTER VI

LIST OF NEW SCHEMES/PROGRAMMES MINISTRY OF SMALL SCALE INDUSTRIES

(A) UNDER THE CCEA-APPROVED PROMOTIONAL PACKAGE FOR MICRO AND SMALL ENTERPRISES (ANNOUNCED IN PARLIAMENT ON 27 FEBRUARY 2007)

1. Four "Training-*cum*-Product Development Centres (TPDCs) for Agro & Food Processing
Enterprises" to facilitate promotion and development of micro and small enterprises in food processing.
2. "Promotion of Vertical Shaft Brick Kiln (VSBK) Technology" for adoption by MSEs engaged in bricks manufacturing.
3. "Establishment of Technology Mission to Assist MSMEs in Technology Upgradation, Energy Conservation and Pollution Mitigation".
4. "Financial Assistance to Select Management/Business Schools and Technical Institutes for Customised Courses for New/Existing MSEs".
5. Financial Assistance to Select Universities/Colleges for Promotion and Operation of Entrepreneurial Clubs of Alumni".
6. "Scheme of Capacity-building, Strengthening of Database and Improved Advocacy by Industry/Enterprise Associations", after consultations with the Associations and States.
7. "Micro and Small Enterprises – Initiation, Support, Promotion, Integration, Revitalisation
and Empowerment (MSE-INSPIRE) Scheme".
8. "Strengthening PMRY – by liberalising eligibility parameters of family income limits, ceiling on project cost, ceiling of subsidy, increasing training cost and counselling costs for eligible applicants.

(B) SCHEMES UNDER NATIONAL MANUFACTURING COMPETITIVENESS PROGRAMME (NMCP)

1. "National Programme on Application of Lean Manufacturing".
2. "Design Clinic Scheme" to bring design expertise to the Manufacturing Sector.

3. "Promotion of ICT in Indian Manufacturing".
4. "Establishment of Mini Tool Rooms".
5. Technology and Quality Management Support for SMEs"
6. "Support for Entrepreneurial and Management Development of SMEs".
7. Enhancing Manufacturing Competitiveness through Application and Adoption of Quality
Management Standards and Quality Technology Tools".
8. "National Campaign for Investment in Intellectual Property".
9. "Technology Upgradation Scheme for SMEs".
10. "Marketing Support/Assistance to SMEs".

(C) ADDITIONAL NEW SCHEMES PROPOSED

(I) MINISTRY OF SMALL SCALE INDUSTRIES

1. District Skill Development Centres
2. District Computer Literacy Programme
3. Low Cost Clusters for Unemployed Youth
4. Setting-up/Opening of New SISIs/Branch SISIs

5. Trade Fair Authority of Micro, Small, Khadi & Village Industries
6. TV Channel for MSME Sector
7. New Tool Rooms in Kanpur, Chennai & Agra
8. National Entrepreneurship Development Programme
9. MSE-INSPIRE

(II) MINISTRY OF AGRO & RURAL INDUSTRIES

(a) New Schemes (KVIC)

1. Restructuring of REGP
2. Workshed-*cum*-Housing Scheme for Khadi Weavers
3. Scheme for enhancing productivity & competitiveness of Khadi Industries
4. Package for developing infrastructure for Khadi Institutions including nursing fund for weak institutions.

(b) New Schemes (Coir Board)

Rejuvenation, Modernisation and Technology Upgradation of Coir Industry

(c) Autonomous body under Ministry of ARI

Setting up of Mahatma Gandhi Institute for Rural Industrialisation (MGIRI), Wardha**.**

CHAPTER VII

Scheme/Programme-wise Recommended Eleventh Plan Outlay withSuggested Annual PhasingMINISTRY OF SMALL SCALE INDUSTRIES

Major Programmes of SIDO's XI Plan

X Plan :

(Rs. in crore)

(i) Approved Plan Outlay (Planning Commission) 1969
(ii) Actual Allocation/Budget (Made by Finance) 1669
(iii) Expenditure of (ii) above 1596
(98 per cent)

XI Plan: Proposed Outlay 11039

(i) Normal SIDO Schemes 1904
(ii) Promotional Package related schemes 1585
(iii) NMCP related schemes 863
iv New Schemes 6687
2007-08 Annual Plan (BE) 490

SIDO: Proposal Financials

(Rs. in crore)

Sl. Scheme Group Head BE XI Plan Funds likely to be
No. 2007-08 (2007-12) utilized for SCs/STs
Amount per centage

I Quality and Technology Support
Institutions and Programmes 160.00 1860.00 744.00 40
II Promotional Services Institutes &
Programmes 30.00 390.00 156.00 40
III a) MSME Cluster Development Programme 63.00 620.00 434.00 70
b) MSME Growth Poles (NCEUS) 5.00 140.00 98.00 70
IV Credit Support Programmes 208.00 1172.00 1172.00 100
V MDA Programmes 4.00 74.00 29.60 40
VI Upgradation of Data Base 20.00 96.00 9.60 10
VII New Schemes 6687 4224.00 63
Total 490.00 11039.00 6768.00 62

SCHEMES UNDER SIDO PROMOTIONAL PACKAGE

(Rs. in crore)

Sl. Name of Scheme Proposal for XI
No. Plan

1. Augmentation of Portfolio Risk Fund/Micro Finance 143.32
2. Establishment of Risk Capital Fund 100.00
3. Credit Guarantee Trust Fund 930.75
4. 4 FPI/TPDCs (Training/Product Development Centres) 3.75
5. Cluster Development Programme 240.00
6. Strengthening of two existing CFTIs 2.00
7. ISO 9000 80.00
8. Promotion VSBK Technology in Brick Manufacturing 1.07
9. Establish Technology Mission to Assist MSMEs 3.00
10. 20 per cent EDPs for Weaker Sections 0.84
11. Assist some Management/Technical Colleges, to conduct
Tailor-Made Courses 3.00

12. Assist 5 Universities/Colleges to run 1200 Entrepreneurial Clubs 15.00
13. Empowerment of women owned Enterprises –Participation in
Twenty-five Exhibition & Marketing Facilities 6.00
14. Collection of Statistics in Information on MSME through
annual sample survey, Quninuennial census 50.00
15. Build Capacity & Strengthen Data Base & Associations 6.00
Total 1484.73

NATIONAL MANUFACTURING COMPETITIVENESS PROGRAMME (NMCP) SCHEMES

(Rs. in crore)
Sl. Name of Scheme Proposal for XI
No. Plan
1 Application of Lean Manufacturing 300.00
2. Design Clinic Scheme 41.00
3. Promotion of ICT Manufacturing Sector 100.00
4. Setting up of Mini-Tool Room on PPP Mode 135.00
5. Technology and Quality Management Support for SMEs 93.50
6. Entrepreneurial & Management Development of SMEs 66.50
7. Encourage Quality Management Standards and Quality Technology Tools 50.00
8. National Campaign for Investment in Intellectual Property 50.00
9. SMEs & Technology Up-gradation Activities 26.50
10. Marketing Support/ Assistance to SMEs (Bar Coding) 1.16
Total 863.66

XI Plan NEW SCHEMES

Sl. Name of Scheme Funds Funds likely to
No. required be utilized for
(Rs. in crore) SCs/STs
Amount
(Rs. in crore) per centage
A. SIDO SCHEMES
1. District Skill Development Centres 4200 2520 60
2. District Computer Literacy Programme 1140 1026 90
3. Low Cost Clusters for Unemployed
Youth 525 315 60
4. Setting-up/Opening of New SISIs/
Branch SISIs 332 166 50
5. Trade Fair Authority for Micro, Small,
Khadi and Village Industries 194 77.60 40
6. T.V. Channel for MSME Sector 11 5.50 50
7. New Tool Rooms in Kanpur, Chennai 285 114.00 40
and Agra
Sub-Total 6687 4224.10 63
B. MoSSI SCHEMES
1. National Entrepreneurship Development
Programme 285 57.00 20
2. MSME –INSPIRE 100 20.00 20
Sub-Total 385 77.00 20

Grand Total 7072 4301.10 61

SIDO : Annual Plan 2007-08 & XI Plan 2007-12

(Rs. in crore)

Sl. Schemes/Programmes and BE XI Plan
No. Activities covered 2007-08 (2007-2012)

A. SIDO

I. Quality & Technology Support Institutions & Programme

1. Tool Rooms & Tech. Institutions 49.23 300.00
2. Credit Link Capital Subsidy Scheme 85.00 730.00
3. ISO 9000/14001 Reimbursement 10.00 80.00
4. Energy Conservation Programme 0.02 0.03
5. **NMCP** (Lean Manufacturing, MTR, ICT, Technology & Quality Management Support, Design Clinic, Enabling Manufacturing Sector Component through Quality Management, Marketing Asst/ SMEs. 15.00 746.00
6. Package (VSBK & Technology Mission) 0.75 3.97

Sub-Total 160.00 1860.00

II. Promotional Services Institutes & Programmes

1. SIDO Officers' Training Programme 0.50 3.00
2. SISIs (includes provision for Workshops/ Training) 5.00 42.00
3. RTCs/ FTSs/ Testing Centres by Industry Associations 4.00 60.00
4. MDP/EDP/Skill Development 6.42 126.00
5. National Award (EDP & QP) 1.60 21.00
6. Sub-contract Exchange for Ancillary Development 1.15 7.00
Vendor Development Programme for Ancillarisation

SIDO : Annual Plan 2007-08 & XI Plan 2007-12

(Rs.in crore)

Sl. Schemes/Programmes and BE XI Plan
No. Activities covered 2007-08 (2007-2012)

7. Scheme for Conduct of Tailor made courses for new entrepreneurs through select business Schools, Technical Institutes, etc. **(Package) 0.65 9.00**
8. Scheme to support 5 select universities/ colleges to run 1200 entrepreneurs clubs. (**Package) 1.13 22.00**
9. Scheme for capacity building, strengthening of database and advocacy by industry/enterprises associations. (**Package) 1.30 25.00**
10. Land & Building for Office accommodation and residential accommodation in backward areas. 2.20 23.00
11. Training-*cum*-Product Development Centre, TPDCs. **(Package) 0.80 4.00**

12. Advertising & Publicity 2.25 19.00
13. SENET Project 2.00 21.00
14. Publicity & Exhibition 1.00 8.00
Sub-Total 30.00 390.00

SIDO : Annual Plan 2007-08 & XI Plan 2007-12

(Rs. in crore)

Sl. Schemes/Programmes and BE XI Plan
No. Activities covered 2007-08 (2007-2012)

III. MSME Cluster Development & MSME Growth Poles Programme

1. Cluster Development (SICDP) (General)
(Including IID subsumed) 63.00 620.00
2. MSME Growth poles of NCEUS **(Special)** 5.00 140.00
Sub-Total 68.00 760.00

IV. Credit Support Programme

1. Credit Guarantee Scheme (General) 190.00 931.00
2. Augmentation of PRF/RCF
Micro Finance Programme-General
(Package) 17.00 241.00
Sub-Total 207.00 1172.00

V. Marketing Development Assistance Programme

1. Export Promotion &MDA Scheme 1.40 23.00
2. National Campaign for Investment in
Intellectual Property **(NMCP)** 2.50 50.00
3. Marketing Support/Assistance to
SMEs **(NMCP)** 0.10 1.00
Sub-Total 4.00 74.00

VI Upgradation of Data Base

1. Collection of Statistics 5.50 41.00
2. Collection of Statistics (Census, Annual
Surveys, Sample Surveys, Studies, etc.)
(Package) 0.00 15.00
3. Quinquennial Census (**Package)** 14.50 40.00
Sub-Total 20.00 96.00

VII New Schemes —- 6687.00

Total (SIDO) 490.00 11039.00

NSIC : Annual Plan 2007-08 & XI Plan 2007-12

(Rs. in crore)

Sl. Schemes/Programmes and Annual Plan XI Plan
No. Activities covered 2007-08 (2007-2012)

B. National Small Industries Corporation (NSIC)

I. Investment (Share Capital) 0.00 0.00
II. **Other Grants**
(a) Performance & Credit Rating of Small Scale 10.00 53.00
(b) Technology Business Incubators 0.00 5.00
(c) Small Enerprises Establishment Programme 0.00 72.00

III. **Marketing Assistance Scheme** 10.00 72.00
Sub Total (NSIC) 20.00 150.00

MoSSI : Annual Plan 2007-08 & XI Plan 2007-12

(Rs. in crore)
Sl. Schemes/Programmes and Annual Plan XI Plan
No. Activities covered 2007-08 (2007-2012)
C. Other Schemes of MoSSI
Ongoing Schemes 12.50 161.00
I. Surveys, Studies & Policy Research 0.50 5.00
II. Training Institutions 5.00 140.00
III. International Cooperation 2.00 11.00
IV. National Commission for Enterprises in the
Unorganised Sector (NCEUS) 5.00 5.00
New Schemes in XI Plan 7.50 385.00
V. National Entrepreneurship Development
Programme (NEDP) [New Scheme] 0.00 285.00
VI. Micro and Small Enterprises - Intiation, Support, 7.50 100.00
Promotion, Integration, Revitalisation and
Empowerment (MSE-INSPIRE) [New Scheme]
Sub-Total - Other Schemes of MoSSI 20.00 546.00
Total (B+C) 40.00 696.00
Grand Total 530.00 11735.00

MINISTRY OF AGRO & RURAL INDUSTRIES

Statement of Annual Plan 2007-08 and Proposed XI Plan (2007-12) of
Ministry of Agro and Rural Industries
(Rs. in crore)
Sl.No. Schemes/Programmes Annual Plan Proposed XI
2007-08 (BE) Plan Outlay
(including NER)* 2007-12
A. Central Sector Schemes
KVIC
Existing Schemes
Khadi
1. Khadi Grant including MDA for Khadi
(Rs. 10.00 crore) 110.00 910.86
2. Khadi (S&T) 2.00 10.00
3. Interest Subsidy (Khadi) 19.00 95.00
4. Khadi Loan 3.00 20.00
Village Industries
5. VI Grant 56.00 471.60
6. VI Grant (S&T) 2.00 24.00
7. VI Loan 1.00 5.00
8. Interest Subsidy (VI) 5.00 25.00
9. REGP 445.00 2907
Sub -Total (Existing Schemes) 4468.46
New Schemes
10. Restructuring of REGP 50.00 3172.78

11. Workshed-*cum*-Housing Scheme for
Khadi Weavers 5.00 90.00
12. Scheme for enhancing productivity &
competitiveness of Khadi Industries and
artisans 5.00 90.00
13. Package for developing infrastructure for
Khadi Institutions and including nursing
fund for weak institutions 5.00 2000.00
Sub -Total (New Schemes) 5352.78
Total – KVIC (Existing and New Schemes) 708.00 9821.24
Autonomous Body under Ministry of ARI
14. Setting up of Mahatma Gandhi Institute
for Rural Industrialisation (MGIRI), Wardha 3.00 16.33
Sl.No. Schemes/Programmes Annual Plan Proposed XI
2007-08 (BE) Plan Outlay
(including NER)* 2007-12
COIR BORAD
1. Plan (S&T) 7.00 50.00
2. Plan (General) Training Extension, Quality
Improvement, Mahila Coir Yojana* &
Welfare Measures 23.00 274.80
3. Rejuvenation, Modernisation and Technology
upgradation of Coir Industry (New Scheme) 25.00 244.50
Sub-Total (Coir Board) 55.00 569.30
PMRY DIVISION, PMRY (Modified)
1. PMRY Subsidy 320.00 1920.22
2. Subsidy EDP
Sub -Total (PMRY Division) 320.00 1920.22
Scheme of Fund for Regeneration of
Traditional Industries (SFURTI). 26.00 69.78
Total A 1112.00 12396.87
B. Centrally Sponsored
1. Co-operativisation of Coir Industries 0.00 0
Total Central Plan Outlay for existing
schemes (A+B) 1112.00 12396.87
Note: Separate provision under REGP and PMRY has been made in the Annual Plan 2007-08 and Proposed
XI Plan. Under New Scheme i.e. Restructuring of REGP, which envisages merger of existing REGP and
PMRY schemes, a token provision of Rs. 50 crore has been approved for 2007-08 and an additional Outlay of
Rs. 3172.78 crore has been kept in the XI Plan (2007-12). After the New Scheme is approved, the total Outlay
for the restructured REGP will be Rs. 8000 crore which will accommodate PMRY too.

No.VSE/9(40)/2006
Government of India
Planning Commission
Yojana Bhawan,Sansad Marg,
New Delhl-110001
Dated : 08 June, 2006

ORDER

Subject : Constitution of Working Group on Micro & Small Scale Enterprises and Agro & Rural Industries for the Eleventh Five Year Plan (2007-2012):

In the context of the preparation of Eleventh Five Year Plan (2007-2012), it has been decided to set up a Working Group on micro & small enterprises (MSE) sector, consisting of the traditionally defined small scale industries and small scale service and business entities, on the one hand and khadi village and coir industries, on the other.

The terms of reference and composition of the Working Group will be as follows:-

(I) Terms of Reference

i) To deliberate on the basic aspects of the approach to the Eleventh Plan (2007-2012) relating to development and growth of SSE and tiny sector as well as conceptual issues, keeping in view the ongoing process of economic liberalisation. WTO regime, Regional Trade Agreements and other comparable large countries impact on Indian economy. .

ii) To critically appraise the policies, programmes and achievements of SSI sector, including small scale, khadi, village and coir industries, in relation to production, employment (both direct and indirect) and exports during the Tenth Plan period and to analyse the reasons for shortfalls, if any, and suggest appropriate remedial measures.

To suggest a policy framework and corresponding measures (schemes/programmes) for the micro and small (manufacturing) enterprises, consistent with social and economic objectives of the Eleventh Plan for the sector with particular reference to employment generation, technology upgradation (for modernization, productivity improvement, higher competitiveness and, hence,) exports, supportive credit policies and practices, marketing support, training need of entrepreneurs, etc. Monitorable annual targets for each area may be suggested for the Eleventh Plan. Attention may also be given, in this context, to policies and measures (schemes/programmes) for MSEs engaged in provision of services and Annexure I expansion of self employment opportunities through them, incentives for both manufacturing and service MSEs to graduate to medium enterprises, and enhancing competitiveness of MSEs to enable them to face the challenges of globaiization, regional free trade agreements, etc.

iv) To suggest measures (schemes/programmes) for increasing the productivity of individual

workers/artisans/entrepreneurs as well as their groups/clusters through training, better access
to improved tools, equipment and processes, provision of common facilities, facilitating compliance with prescribed quality standards, etc.

v) To suggest measures for dispersal of small scale industrial activities, particularly in relatively backward states/areas, hill areas, rural areas and effective reduction of regional imbalances in industrial growth.

vi) To suggest a policy framework and corresponding measures (schemes/programmes), on
the lines of (ii) above, for MSEs in the khadi, village and coir industry sectors.

vii) In the light of the physical targets suggested for the Eleventh Plan period for production,
employment and experts, to make estimates of Plan outlays required for promotional/ developmental schemes and the investment required in the sector to achieve the above targets.

viii) To assess the extent of synergy between Government (Central as well as State-level) agencies, on the one hand and voluntary and other organizations, particularly MSE associations, on the other and recommend strategies and measures for strengthening the latter and improving their interface with the former on a collaborative-participative and sustainable basis.

ix) To assess the requirements of institutional finance/credit/term loan as well as working capital) for projected growth, of the entire MSE sector and meeting the sub-sectoral targets,
suggest measures for ensuring actual delivery of credit accordingly and also recommend innovative financial instruments and corresponding legislative and implementation mechanism to, encourage and enable the MSEs to acquire corporate and/or limited liability
partnership status and access capital markets, venture capital funds, etc.

x) To review the existing Central and State-level facilities for training and entrepreneurship
development for both first generation and operating MSE entrepreneurs, estimate the gaps
noticed during the Tenth Plan period and suggest measures to meet the requirements in quantitative and qualitative terms for the Eleventh Plan.

xi) To recommend effective marketing strategies and corresponding measures (schemes/ programmes) with a view to addressing the issues of (a) regular availability of critical/ scarce raw materials, (b) expanding markets of MSEs (both SSI and ARI segments) products
and services within the country and outside, particularly the latter (i.e. exports), (c) the role of consortia, State Small Industrial Development Corporations, NSIC, Khadi Commission, State Khadi and Village Industries Board, large trading houses etc., (d) more
accurately quantifying the direct and indirect exports by the sector, (e) suggesting annual targets of exports by the sector during the Eleventh Plan, and (f) corresponding support measures.

xii) To review the existing mechanisms for data collection, planning and monitoring at the
Central, State and local levels and recommend measures to improve them with a view to building up and regularly updating a comprehensive database for the entire MSE sector.
xiii) To review the working of the existing R & D institutions and suggest (a) measures for
their reorganisation, revitalisation and linkages with counterpart/corresponding R&D establishments in defence, electronics, material sciences, nanotechnology etc., on the one hand and universities, colleges, IITs, TIFAC etc. on the other; and (b) suggest appropriate time bound R&D programmes and technology missions and mechanisms for their dissemination, delivery, commercial application and patenting to/by the user MSE.
xiv) To review the existing strategies and measures for commercial linkages of MSE with medium and large enterprises and recommend appropriate strategy and mechanism for incentivising medium and large enterprises as well the MSEs to build sustainable vendor development and quality upgradation networks.
xv) To examine the feasibility and desirability of bringing all MSE products under quality
certification by upgradation of quality standards, testing facilities, etc.
xvi) To identify key areas and explore ways for implementing Public-Private Partnership model
in identified areas for sustainable development of sector.
xvii) To review the existing coverage of developmental schemes/programmes for SC/ST/ Minorities/Women engaged in the sector and to suggest specific measures for their upliftment and promotion.
xviii) To make such other recommendations as are considered appropriate.

(II) Composition of the Working Group

1. Secretary, Ministry of SSI and A&RI - Chairperson
2. AS&FA, Ministry of Industry - Member
3. Director General, Bureau of Indian Standards (BIS) - Member
4. Adviser (I&VSE)/Representative of Planning Commission - Member
5. Chief Executive Officer, Khadi & Village Industries - Member
Commission
6. Chairman, Coir Board - Member
7. Joint Secretary, Ministry of SSI - Member
8. Joint Secretary, Ministry of A&RI - Member
9. Joint Secretary, Deptt. of Banking, Ministry of Finance - Member
10. Joint Secretary, Ministry of Rural Development - Member
11. Joint Secretary, Dept. of Development of North-East Region - Member
12. Joint Secretary, Ministry of Social Justice & Empowerment - Member
13. Joint Secretary, Ministry of Women & Child Development - Member
14. Joint Secretary, Ministry of Minority Affairs - Member
15. Secretary, Deptt. of Industries, Govt. of Maharashtra . - Member
16. Secretary, Deptt. of Industries, Govt. of Punjab - Member
17. Secretary, Deptt. of Industries, Govt. of Uttar Pradesh - Member
18. Secretary, Deptt. of Industries, Govt. of Orissa - Member
19. Secretary, Deptt. of Industries, Govt. of Karnataka - Member

20. Representative of the Council of Scientific & Industrial - Member
Research (CSIR)
21. Adviser, Small Scale Industries, North Eastern Council - Member
22. CMD, National Small Industries Corporation - Member
23. CMD, Small Industries Development Bank of India - Member
24. President, Federation of Association of Small Industries - Member
of India (FASII)
25. President, Indian Council of Small Industries - Member
26. Chairman, All India SSI Committee, FICCI - Member
27. Chairman, All India SSI Committee, CII - Member
28. Chairman, All India SSI Committee, ASSOCHAM - Member
29. Chairperson, Consortium of Women Entrepreneurs of India - Member
30. Secretary, Gandhigram Trust - Member
31. Convenor, Khadi Mission - Member
32. De. Ramakrishnan, President, Industrial and Financial - Member
Reconstruction Association for Small and Tiny Enterprises
33. General Secretary, Federation of Indian Micro, Small and - Member
Medium Enterprises (FISME)
34. President/Secretary, Federation of Association of Cottage - Member
and Small Industries (FACSI)
35. President, Federation of Industries and Commerce of North- - Member
Eastern Region (FINER)
36. President, Industrial and Financial Reconstruction Association - Member
for Small and Tiny Enterprises (IFRASTE)
37. President, All India Association of Industries (AIAI) - Member
38. President, Madhya Pradesh Laghu Udyog Sangth (MPLUS) - Member
39. President, Association of Lady Entrepreneurs of - Member
Andhra Pradesh (ALEAP)
40. Chairperson, Federation of Indian Women Entrepreneurs - Member
(FIWE)
41. Chairman, Padiyur Sarvodaya Sangth, Padiyur Sarvodaya - Member
Sangth, Padiyur, Kangayam (Tamil Nadu)
42. Chairman, Gujarat Khadi Gramodyog Mandai, Gandhi Ashram - Member
43. Secretary, Gram Swarajya Parishad, Rangiya, Assam - Member
(KVI Institution)
44. Secretary, Kelakkakara South Coir Vyavasaya Cooperative - Member
Society, Thirukunnapuzha
45. AS&DC (SSI) - Member-