

WORKING GROUP'S REPORT ON 10th PLAN

INTRODUCTION

1. The Planning Commission had constituted a Working Group on Small Scale Industries for the 10th Plan, under the Chairmanship of Secretary, Ministry of SSI&ARI, vide their letter No. VSI/9(39)/2001 dated 12th February 2001 (Annexure-I). The Working Group was required to submit its report to the Steering Committee on the VSI Sector, headed by Dr. S.P. Gupta, Member, Planning Commission. The approach paper to the 10th Five Year Plan provided the underlying basis for the exercise.
2. The 10th Five Year Plan envisages a GDP growth of 8% p.a. for the period 2002-2007 and a growth rate of 11% p.a. for the industry sector as a whole. Normally, the growth rate of the SSI Sector has been 1 to 2 percentage points higher than that of the overall industrial sector. Hence, the growth rate of the SSI & ARI sector for the purpose of this exercise has been proposed at 12% p.a.
3. The first meeting of the Working Group was held on 27th of April 2001, wherein it was decided to co-opt 10 additional members and to constitute six Sub-Groups to deliberate upon their specified domains in detail in the context of the terms of reference. A copy of the order constituting six Sub-groups may be seen at Annexure-II and the order on co-option of additional members at Annexure-III.
4. The SSI & ARI sector in India has acquired a prominent place in the socio-economic development of the country during the past five decades. Its performance has had a direct multiplier effect upon the growth of the national economy. While contributing to the overall growth of the GDP, it has made a special contribution towards employment generation and exports. It is well recognized that over the last two decades, as the phenomenon of jobless growth has occurred in the entire organized sector, including Government, it is the SSI & ARI sector which has continued to create new jobs at a rapid rate. It has been consistently outperforming large industry in crucial parameters such as

growth in production and growth in employment. Key performance indicators in this respect are indicated in Tables I, II, III and IV below:-

TABLE – I

SSI Sector

Year	No. of units (lakh nos.)	Production (Rs. Crores) (at current prices)	Employment (lakh nos.)	Employment Growth Rate (%)	Exports (Rs. Crores) (at current prices)	Trends in Growth (%)	
						SSI Sector	Industrial Sector
1992-93	22.46	2,09,300	134.06	3.28	17,784	5.60	2.3
1993-94	23.88	2,41,648	139.38	3.97	25,307	7.10	6.0
1994-95	25.71	2,98,886	146.56	5.15	29,068	10.10	9.4
1995-96	26.58	3,62,656	152.61	4.13	36,470	11.40	12.1
1996-97	28.03	4,11,858	160.00	4.84	39,248	11.30	5.6
1997-98	29.44	4,62,641	167.20	4.50	44,442	8.43	6.7
1998-99	30.80	5,20,650	171.58	2.62	48,979	7.70	4.1
1999-00	32.12	5,72,887	178.50	3.33	54,200	8.16	6.5
2000-01	33.70	6,45,496	185.64	4.00	59,978	8.09	4.9

Khadi and V.I. Sector

TABLE – II

Year	Production				Employment (in lakh persons)		
	Khadi		V.I. (Rs. crores)	Total (Rs. crores)	Khadi	V.I.	Total
	Quantity Mill. Sq. Mtrs	Value (Rs. crores)					
1992-93	105.20	353.49	2523.45	2876.94	14.45	38.00	52.45
1993-94	98.40	357.27	2876.57	3233.84	13.87	39.36	53.23
1994-95	90.80	389.71	3234.34	3624.05	13.19	40.27	53.46
1995-96	105.10	522.23	3504.22	4026.45	13.97	42.75	56.72
1996-97	111.49	626.40	3889.86	4516.26	14.79	43.38	58.17
1997-98	104.20	624.10	3895.21	4519.31	14.01	42.49	56.50
1998-99	98.20	635.89	4476.48	5112.37	13.85	44.44	58.29
1999-00	84.32	551.94	5613.41	6165.35	12.35	46.88	59.23
2000-01	88.00	605.00	6606.57	7211.57	12.57	50.16	62.73

Coir Sector

TABLE – III

GROWTH IN COIR PRODUCTION

Item	(Metric Tonnes)								
	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
Coir Fiber	228900	239100	250300	262600	276000	296000	334000	356000	364000
Coir Yarn	143900	156000	164600	176200	188500	201000	211000	222000	233400
Coir Products	25900	30000	40300	44000	48000	48500	54000	59500	66000
Coir Rope	35300	36000	37500	38600	39800	39900	48000	48900	51300
Curled Coir	16200	18000	21200	22000	24000	26000	28600	29800	31000
Rubberized Coir	13400	19000	31500	33000	35000	37000	43000	46300	51000
Coir Pith	--	--	--	--	--	592000	628000	666000	706000
Coir Geo Textiles	--	--	--	--	--	2000	3000	4000	5000

TABLE - IV
GROWTH IN EMPLOYMENT (COIR)

1992-93	3.62 lakhs
1993-94	3.82 lakhs
1994-95	3.90 lakhs
1995-96	3.98 lakhs
1996-97	4.15 lakhs
1997-98	4.30 lakhs
1998-99	4.63 lakhs
1999-00	4.83 lakhs
2000-01	5.34 lakhs

5. Coir exports during 2000-2001 were Rs. 313.66 crores.
6. The performance indicators reveal that the sector, as a whole, has sustained a high rate of growth, commensurate with increase in employment. However, it must be noted that during the entire 8th and 9th Plan period, the SSI sector has grown at over 11% in only 2 years, i.e. 1995-96 and 1996-97. In the Khadi Sector, both production and employment have been steadily declining over the years. The Village Industries sector has been performing well, with high rates of growth. In the Coir Sector, growth in production of Coir Fiber has fluctuated from 2.2% in 2000-01 to 12.8% in 1998-99. During the 8th Plan and 9th Plan period, the growth in coir fiber has exceeded 12% only in 1998-99.

REVIEW OF IXth PLAN

7. The Ninth Five Year Plan had laid down targets in terms of output, employment and outlay for the sector. Table-V below indicates these targets and achievements until the end of the 4th year of the IXth Plan.

TABLE – V**APPROVED OUTLAYS FOR THE 9TH FIVE YEAR PLAN****(Rs. crores)**

ORGANISATION	Approved total outlay of 9th Plan	Expenditure upto 31st March, 2001
SIDO	1,390.00	1047.92
NSIC	209.00	122.92
KVIC	1,604.42	1250.42
COIR	116.00	47.63
TOTAL	3319.42	2468.89

EMPLOYMENT TARGETS (9TH PLAN TERMINAL YEAR)

ORGANISATION	Employment Target (Lakh persons)	Actual job creation upto 31.3.2001 (Lakh persons)
SIDO	184.00	185.64
KVIC (both Khadi & VI)	70.00	(Khadi) 12.57 (VI) 50.16
COIR	5.76	5.34
TOTAL	259.76	253.71

PRODUCTION TARGETS (9TH PLAN TERMINAL YEAR)

ORGANISATION	Target upto 2001-02	Achievement upto 31.3.2001
SIDO	(Rs. crores) 738180.00	(Rs. crores) 645496.00
KVIC	Khadi Cloth (m.sq.mtrs) 280 Village Ind. (Rs. crores) 7261.00	Khadi Cloth (m.sq.mtrs) 88.00 Village Ind. (Rs. crores) 6606.57
COIR	Metric Tonnes 375	Metric Tonnes 364

8. A proper assessment of the performance of the sector during the 9th Plan must be made against a period of 10 years beginning with the post liberalization era from 1991 i.e, the 8th & 9th Plan periods taken together. The sector grew at over 9% during the 8th Plan and has sustained this growth during the first four years of the 9th Plan. Employment generation has also been sustained at almost 4% during this entire period. A number of new initiatives were flagged off during this period which are enumerated below.

SSI Sector

- A Technology Development and Modernisation Fund by SIDBI
- Setting up of Testing Centres by Government and industries associations.
- Increased focus on tool rooms with latest equipment and machinery to address tooling requirements of small units.
- Strengthening of entrepreneurship development institutes.
- Enactment of a Delayed Payment Act for ensuring prompt payment to SSI units of their dues from large industry.
- Setting up of Sub-Contracting Exchanges to facilitate buyer-seller interaction.
- Subsidisation to SSI entrepreneurs for participation in international fairs.
- Training programmes on export packaging.
- Reimbursement scheme in respect of ISO 9000 Quality Certification for individual SSI units.
- Technology upgradation in industries specific clusters.
- IT based initiatives for information sourcing.
- Simplification of Labour Laws governing SSIs.

- Services given enhanced importance in small sector.
 - Focus on the tiny sector.
 - Prime Minister's Rozgar Yojana for educated unemployed youth.
 - Integrated Infrastructure Development (IID) Scheme for setting up industrial estates exclusively for SSI units.
9. A success rate of over 86% was achieved in disbursement of loans through PMRY.

Khadi & V.I. Sector

10. The High Powered Committee under Shri Narasimha Rao had reviewed the performance of the Khadi Sector and based on its recommendations, a number of steps were taken. These included:-
- A line of credit of Rs. 1000 crores from consortium of banks.
 - 125 blocks development programme.
 - National programme on selected village industries.
 - District special employment programme.
11. Margin money scheme was introduced from 1995-96. In addition, a KVIC-UNDP Sub-Programme was launched to assist the village industries sector.

Coir Sector

- Propagation of coir geo textiles.
- Introduction of MDA Scheme in coir.
- Increased focus on exhibitions and trade promotion for coir.

Recent initiatives

12. In 1999, an independent Ministry of SSI&ARI was established. The setting up of a Study Group under Dr. S.P. Gupta provided a road map for developing the SSI sector. In the meanwhile, a Group of Ministers for the SSI Sector was constituted under the Chairmanship of Hon'ble Home Minister, Shri L.K. Advani. The interim recommendations of the Study Group were considered by the Group of Ministers and were implemented through the Comprehensive Policy Package where the focus was on enhancing global and domestic competitiveness of Indian SSIs through measures in respect of fiscal concerns, credit, marketing, technology, policy and infrastructure. These included -

- Excise exemption upto Rs. 100 lakhs.
- Technological upgradation - 12% Capital Subsidy Scheme.
- Credit Guarantee Scheme upto Rs. 25 lakhs.
- Raising of limit of composite loans to Rs. 25 lakhs.
- Raising of project cost limits under National Equity Fund to Rs. 50 lakhs.
- Infrastructural Development (IID) Scheme extended to all areas.
- New scheme for upgradation of industrial estates.
- Testing Centres with involvement of Industry Associations.
- Marketing Development Assistance Scheme for SSIs.
- 3rd Census.

- Enhancement of family income limits under PMRY.
 - Enhancement of investment limit for SSSBEs.
13. This has been followed by dereservation of readymade garments, toys & leather and enhancement of investment ceiling to Rs.5 crores for hosiery and hand tools. Progress has also been made towards a single law for the SSI sector.

Khadi & V.I. Sector

14. Following the report of the K.C. Pant Committee, a number of initiatives were taken for the Khadi and Village Industries sector, after the formation of an independent Ministry. A Comprehensive Policy Package for Khadi was announced, which included:-
- Additional working capital of Rs. 250 crores.
 - Rebate policy of 5 years instead of year-to-year adhoc basis.
 - Option of availing rebate or MDA.
 - Insurance cover to Khadi artisans.
 - Technology upgradation.
 - Quality control.
 - Development of common facility centres for industrial clusters.
15. A special effort was made towards revamping of sales outlets and focussed marketing effort was put in place for Khadi as well as Village Industries' products.

Coir Sector

16. In the Coir Sector, initiatives since 1999 include:-

- Development and promotion of new products such as coir pith.
- UNDP assisted programme for technology transfer and modernisation and capacity building in coir sector.
- Strengthening of R&D activities.
- Withdrawal of Minimum Export Price.

12% GROWTH

17. 12% rate of growth is in itself an ambitious target and requires allocation of substantially greater resources to the sector. However, it must be remembered that achieving this target is much more than a question of merely allocating higher resources to the Ministry or to the sector. It requires substantial enhancement in the amount of credit flowing to the sector, improvement in infrastructure, (especially in respect of power), avenues for marketing of the increased production, reduction of rigidity in labour regulation, etc. Most of these forward and backward linkages are exogenous factors, where the locus of control lies beyond the SSI or the ARI sector. The overall scenario for the sector is also worsening on account of the industrial slow down which has been in evidence since early 2001 and finds an echo in the latest figures of the Index of Industrial Production which indicate that growth in the industrial sector as a whole has slowed down to 2.3% during April – September, 2001 over the corresponding period in 2000. The SSI & ARI sector mirrors the trend of the industry as a whole. This has been accentuated by the recession in the U.S., Japan and Germany, three of the world's biggest markets, in turn impacting upon our exports. It is prudent to expect that a turn around in industry would require at least a year or two during which a rate of growth of 12% would be unrealistic. Consequently, the later years of the 10th Plan would require to make up for the shortfalls

in the early years and thus the required rate of growth in the latter half of the plan would be pushed up to as high as 14% to 16%.

18. As stated above, growth rates of 12% p.a. have been witnessed only as episodic or one-off occurrences and not as sustained phenomena in the past. However, the sector as a whole has an advantage in terms of the strong base, which has been built up over time, in each of the sub-sectors. Against this backdrop, the target of 12% is achievable, provided key concerns, both internal and external, are addressed. Focussed attention on these will, in effect, help to put in place an enabling environment. For the purpose of this report, these have been categorized into three:-
 - Strategy support;
 - Policy support; and
 - Budgetary / Plan support.
19. Strategy support refers to interventions and implementation issues which come within the purview of the respective administrative Ministries, i.e. the Ministry of SSI and the Ministry of ARI. The basic strategy which both the Ministries and their agencies propose to follow are included here. This will also include restructuring of existing schemes and launching of new schemes/programmes.
20. Policy support refers to policy interventions in favour of the sector, required to be taken by other agencies and Ministries of the Government of India. These include Ministries of Finance, Law, Power, Commerce & Industry, Labour, Urban Development & Poverty Alleviation as well as agencies such as Reserve Bank of India, CBDT, CBEC, etc. The assistance required from these external agencies has been listed for each sub-sector separately and the need is for a sympathetic understanding of the problems of this sector. Support from these agencies on the lines suggested in the report will go a long way in creating an enabling environment of the kind that is required.

21. Budgetary / Plan support refers to the total approved outlay for the Plan period. The approved outlay for the SSI & ARI sector for the 9th Plan was Rs. 3319.42 crores. This constituted 0.38% of the 9th Plan's total public sector outlay of Rs. 8,75,000 crores and 4.6% of the outlay for the industry and mineral sector of Rs. 71,684.00 crores. Given the fact that it is the industry sector, in general, which shall be the engine of growth for the 10th Plan, and the SSI & ARI sector, in particular, which shall be the primary provider of jobs, pegging the outlay at similar levels for the 10th Plan will not deliver results. The projection of funds made later in this chapter has been arrived at after careful deliberations, keeping in mind the mandate given to the sector – that of growth and job creation. A realistic allocation in the Tenth Plan needs to be higher than the earlier proportion of 0.38%.

SSI SECTOR

22. Broadly speaking, the issues affecting the SSI sector can be categorised as under:-

- (i) Impact of globalisation
- (ii) Credit
- (iii) Marketing
- (iv) Technology
- (v) Infrastructure
- (vi) Regulatory regime
- (vii) Cluster Development
- (viii) Access to information
- (ix) Delayed Payments
- (x) Skill & Entrepreneurship Development

23. The report focuses on the prevailing environment in respect of each of these and the way ahead. The paragraphs below provide a brief backgrounder.
24. The removal of all Quantitative Restrictions (QRs) over the last few years alongwith the gradual reduction of tariff barriers has opened our economy to global competition. While this has enabled availability of cheaper raw materials and improved market access to overseas markets for SSIs, it is also a fact that the level of competition in the domestic market has increased. Pressure on price and quality is increasing through the availability of cheaper and better products. The process of opening up of the economy has accelerated over the last 5 years and must be taken into account when forecasting for the Tenth Plan. While most of the initial apprehensions arising out of cheap Chinese imports have now been allayed, it is a fact that SSIs will need to improve product quality and reduce costs if they are to safeguard their markets. Competitiveness in the market will increasingly be a function of the ability of SSIs to respond effectively to change. Globalisation will also help facilitate increasing partnerships at a vertical level such as outsourcing arrangements as well as at the horizontal level such as consortia or alliances. Once again competitiveness will be the key if SSIs wish to be part of any such production or supply chain. In this, the role of SSI Associations shall also be extremely crucial. They need to be assisted in enhancing their capabilities and they themselves must play a more proactive role in reaching out to their members and working with them in this respect.
25. A 12% increase in production on year-to-year basis necessitates a huge requirement of credit. Despite efforts by various agencies and the long-standing recommendations of Committees, the credit requirements of units in the SSI & the ARI sectors remain unmet. While long term credit needs are being substantially addressed, working capital availability continues to be sub-optimal. In an era where the interest rate regime has been deregulated, the benefit of falling rates is not being passed on to SSIs. In this context, the chapter on credit has brought out the need for improvements in the credit delivery mechanism and the credit flow. Credit initiatives must include promotion of “without recourse factoring”. This will help to bring in much needed bills culture. Concrete action is required for the rejuvenation of State Financial Corporations (SFCs). The G.P. Gupta

Committee has already provided a road map for this. Considering the huge unsatisfied demand for credit, a case can also be made out for fixing a target percentage for each bank in respect of credit to be given to SSIs. The total requirement of funds projected by the Working Group for the 10th Plan, assuming a 12% rate of growth, is Rs.63,357 crores for long term credit and Rs.1,22,942 crores for working capital funds. This must be compared with the actual flow of credit of Rs. 38,000 crores for long term funds and projected amount of Rs.64,177 crores towards working capital at the end of the 9th Plan.

26. While talking about credit, the issue of sickness must also be addressed. Even though it is recognized that sickness can arise out of a variety of factors and default in payment of bank loans is only one manifestation of sickness, it has increasingly also become clear that much of the redressal for the problem of sickness lies within the banking domain. The Committee headed by Shri S.S. Kohli has laid down a definition for sickness in the SSI sector and looked at guidelines for revival of potentially viable units. While this addresses one aspect of the problem, there has also been an increasing articulation of the need for an exit mechanism through bankruptcy laws. High rates of entry and of exit evidence dynamism in a sector. It is well documented that in a number of industrialized economies, failures of business have often been stepping-stones to success at a later stage. Closure of business need not always be seen as a traumatic event - best avoided. It must be recognized that setting up of new businesses and closure of some is an activity, which cannot be stopped. What is required is ensuring that businesses, which are otherwise viable, do not fail because of controllable factors and when failure does occur, exit causes as less pain as possible.
27. A 12% rate in growth amounts to almost doubling of production levels in the terminal year of the 10th Plan from what they were at the end of the penultimate year of the 9th Plan. Even if this were to be achieved, this production would not be an end in itself. Unless the produce can be marketed, producing more will prove to be self-defeating. Marketing must therefore, be given greater attention. While marketing at one level relates to improving the quality of the product and its packaging, at another level it also relates to ensuring price competitiveness and enabling greater access to markets. Government's

Purchase and Price Preference Policy must evolve into a mandatory purchase policy. The product mix must increasingly become market driven. Sectors must be identified where we can remain competitive and these need to be backed up by advertisement campaigns for generating consumer consciousness. The removal of QRs has already ensured that international competition shall be present in most domestic market segments. SSI & ARI products will need to compete against them and consolidate the niche which they have hitherto secured for themselves.

28. Technology upgradation has received inadequate attention over the past few years. The rapid cycle of obsolescence and its cascading impact upon cost of production has necessitated the need for much greater attention. Information about technology options, assistance in evaluating such options, financing technology upgradation and facilitating actual transfers of technology have become necessary. The setting up of a technology bank has been suggested. The Capital Subsidy Scheme for Technology Upgradation has been launched to provide a financing option. The need now is for greater utilisation of this scheme.
29. Poor infrastructure manifests itself through non-availability as well as poor quality. Shortage of power and low voltage have become endemic. In the absence of a well thought out programme for rapid enhancement of power supply, a 12% growth in production would remain unachievable. Similarly, upgradation of existing industrial estates and creation of new estates need to be taken up on priority by both Central and State Governments. As environmental concerns acquire greater importance, increasingly, industrial units are being required to be located in areas designated for the purpose, which necessitates the need for greater emphasis on this programme. Industrial estates need reliable power and water connections, telecom & net connectivity with adequate bandwidth, effluent treatment plants, roads, access to sea and air ports and a host of other common facilities. Government intervention must ensure that such estates come up. Private initiative has begun to come forward in this area. This needs to be encouraged and supplemented. Some States have also begun to experiment with product specific industrial estates.

30. During the 9th Plan Period, efforts have been made at improving the quality of infrastructure at clusters and using them as spring boards of core competencies. This process needs to be carried further in the 10th Plan. Efforts are required in respect of both natural and induced clusters. The importance of these clusters is evident by the fact that as much as 60% of SSI exports originate from clusters. The creation of common facilities, upgradation of infrastructure, demonstration projects, capacity building, strengthening of associations, effective credit delivery and brand building are activities which have been suggested for building around clusters. In addition to the existing UPTECH scheme, components are required to be drawn from other schemes in the SSI sector such as the IID Scheme as well as from external agencies such as UNIDO.
31. Access to relevant information for SSIs has aspects relating to both availability of real time information in the public domain as well as physical access. While the availability of policy related information has improved substantially through the launch of the portal under the SENET programme, there is a need to augment this with more market related and financing related information. This would involve linkages with databases and facilitating e-commerce. Alongside this is the problem of physical access or the “last mile”. Penetration of computers in the SSI sector is still limited. SSI presence on the web is even lesser. There is a need to augment capabilities of SSI associations by providing them physical access to computers and providing training for effective use. Government must also endeavour to make available more and more of its services through the Net to help enhance relevant content.
32. Despite the enactment of the Delayed Payment Act and the amendment made to it subsequently, effective resolution of the issue still eludes the SSI sector. The problem has got accentuated by the industrial slowdown, whereby distress in a large buyer is being transmitted to small supplier through the withholding of payments. While promoting linkages between large and small, it is equally important to ensure that commercial terms do not get weighed against the SSI. It has been suggested that the denial of MODVAT credit and of income tax deduction in respect of payments not made would be an effective step to check this malaise.

33. Entrepreneurship and skill development have been one of the priorities of Government from the very beginning. While initially Government was the single source for promoting entrepreneurship development, this effort is now being supplemented by entrepreneurship development institutes, banks and NGOs. In respect of training, there is a need for standardization of course content and improving quality of teaching. Programmes which promote entrepreneurship, such as PMRY, need to be sustained, so that more new businesses can be set up. Skill development programmes need to be redesigned in consultation with the Ministry of Labour and its agencies, to meet the changing requirements of the marketplace.
34. While the recommendations of the Working Group are highlighted in the ensuing chapters, the support structure required for achieving the growth target of 12% for the SSI sector is indicated below.

(a) **Strategy Support**

- Focus on thrust areas, viz. impact of globalisation, credit, marketing, technology, infrastructure, regulatory regime, cluster development and informatics along with delayed payments and entrepreneurship development.
- Continue reservation with periodic review in consultation with stakeholders.
- Give priority to sunrise industries.
- Services in SSI Sector (SSSBE) be given greater attention.
- Introduce SME concept to facilitate seamless growth while safeguarding interest of SSIs.
- Continue selective enhancement of investment ceiling for industry sectors with competitive edge.
- Business development services be nurtured.
- Strengthen TBSE and TRCs as Technology Information Centres.
- Provide incentives for adoption of low cost environment-friendly technologies.
- Prepare and circulate sectoral compendium of available technologies.

- Extend incentives to SSIs for adoption of HACCP/EMS etc. Organise training and educational programmes in this respect.
- Develop marketing consortia through NSIC, State Corporations, SSI Associations.
- Augment sub-contracting facilities and conduct programmes for technical upgradation of vendors/sub-contractors.
- Promote skill development in knowledge-based industries.
- Support innovations in the sector.

(b) **Policy Support**

- Legislation be brought in respect of:
 - Factoring Services;
 - Limited Partnership; and
 - Single Law for the SSI Sector.
- Law relating to insolvency/bankruptcy be put in place.
- Revitalise State Financial Corporations (SFCs).
- Deny MODVAT credit and income tax deduction for delayed payments.
- Government to mandatorily purchase 33% from SSI sector.
- Improve availability and quality of power.
- Reform of labour laws for introducing self-certification and enhancing threshold limit, so as to eliminate inspector raj.
- Incentive system for outsourcing to SME sector.
- Extend exemption on branded goods to urban areas.

- Fix 16% target for bank lending to SSIs within priority sector limit.

(c) **Budgetary / Plan Support**

- Projected requirement of funds for the SSI sector for the Tenth Plan is Rs. 8789.71 crores (including NSIC's proposed outlay of Rs. 792.71 crores). Scheme-wise outlay may be seen at Table- VIII.
- Provide complete corpus and income tax exemption to Credit Guarantee Fund Trust.
- Provide resource support to SIDBI and restore its tax exempt status.
- New funding proposed by S.P. Gupta Study Group be effected in respect of:
 - Establishment of Incubation Centres.
 - Infrastructure Development Fund.
 - Laghu Udyog Nirman Nidhi (Venture Capital Fund).

KHADI & VILLAGE INDUSTRIES SECTOR

35. The performance of the Khadi & Village Industries sector during the 8th and 9th two Plan periods has revealed disquieting trends. In respect of Khadi, the backdrop for the 10th Plan is the huge shortfall in achievement which is likely to have a cascading effect. Production of Khadi has declined in absolute terms, employment in the Khadi sector has fallen and unsold inventories are mounting because production is not market oriented. Infrastructure is inadequate to support both production as well as post production activities. There is uncertainty about the rebate policy. Seasonality in sales, inadequacy of working capital, poor designs and quality of products have tended to create a negative image in the market place. On the positive side, in the Village Industries sector, after a period of almost flat growth, an increase has been witnessed from 1998-99. Products of

Village Industries are finding increasing acceptance through modern packaging and greater marketing effort.

36. A Comprehensive Policy Package for the Khadi and Village Industries sector has been announced. Concerted effort is needed to ensure its implementation. Other initiatives have been taken such as modernization of sales outlets and arranging for tie-ups for marketing of Village Industries products. “Khadi” and “Sarvodaya” brands have been registered as trademarks and plans are afoot to declare Khadi as a heritage product.
37. The distinguishing features of production in the Khadi and Village Industries sector are that it is through environment friendly and non-polluting processes, simple techniques, cost efficiency, employment generation and short gestation period. Almost all the employment provided by the sector is in rural India. Khadi’s association with the Freedom Movement gives it a strong emotive appeal. There is thus an imperative need to revitalize the sector through specific and targeted interventions. Given the huge challenge facing in the Khadi Sector, growth in production has been pegged at 8% per annum and in employment at 3% per annum. In the Village Industries sector, growth in production has been set up at 11% per annum and in employment at 7% per annum. The support required to realize this target during the Tenth Plan is indicated below:

(a) Strategy support

- Focus on comprehensive marketing effort encompassing
 - Promotion of brand name.
 - Renovation of sales outlets.
 - Opening of new sales outlets.
 - Participation in international exhibitions.
 - Independent marketing company.
- Market oriented production.

- Increasing credit flow to institutions.
- Improving availability of raw materials
- Setting up new clusters.
- Setting up common facility centres in clusters.
- Research and development including linkages with research institutions.
- Quality assurance in KVI sector.
- Establishment of technology interfaces.
- Special emphasis on KVI programmes in backward, hilly and border areas.
- Extensive use of self-help groups and panchayats.
- Extensive use of Information Technology for monitoring, networking and building up databases.
- Improving training facilities.
- Setting up new training centres.
- Independent evaluation of programmes.

(b) Policy support

- Early clearance of comprehensive policy package.
- Reservation for KVI products in Government purchases.
- Purchase preference for KVI products by Government.
- Exemption for Khadi sector from Industrial Disputes Act, Value Added Tax, Excise Duty, Sales Tax and Octroi.

- Transport subsidy for KVI activities in North-East.
- Sales outlets on preferential basis from States and local Governments.
- Exemption from Stamp Duty for Khadi institutions for registration and mortgage.
- Conversion of term loan to working capital.
- Moratorium at least for one year for working capital loans.

(c) Budgetary/Plan support

- Projected requirement of funds for the Khadi sector is Rs.979.23 crores and for Village Industries is Rs.2069.93 crores. This includes a budgetary loan of Rs.100 crores for Khadi and Rs.25 crores for Village Industries respectively.
- Loans from banking sector are projected at Rs.337.20 crores for Khadi and Rs.5514.17 crores for Village Industries.
- The KVI sector requires funding from both Government and the banking system.
- Support from banks is more critical for the Village Industries sector where as much as 60% of the funding needs to come from the banking sector.

COIR SECTOR

38. In line with the overall target of 12% growth per annum for the SSI & ARI sector as a whole, the coir sector also aims to achieve a similar growth target. This endeavour revolves around two principal objectives:-

- a substantial increase in utilization of coir husk in the country from its existing level of around 30% to 45%, and
- improving the quality of employment as well as generating new jobs in the sector.

39. The coir industry currently employs 5.34 lakh workers. 80% of the primary producers are women engaged in fibre extraction and spinning activities. It is envisaged that by the end of the 10th Plan, the total employment in the sector would cross 6.05 lakhs and the quality of employment provided to the existing workers would also improve substantially.
40. The coir industry confronts problems relating to technology upgradation, marketing, information, innovation and design as well as the need to extend beyond Kerala in terms of production infrastructure and extension services.
41. As in the case of the SSI sector, the growth rate of 12% per annum involves more than allocation of higher sums of money. Specific interventions have been recommended for the 10th Plan. These include:-

(a) **Strategy Support**

- Promotion of coir blended products – with industrial and design inputs.
- Increased role for private sector and NGOs.
- Joint collaborative projects.
- Cluster approach.
- Focus on non-traditional areas outside Kerala and building up capabilities.
- Campaign to improve brand image of coir.
- Improving database including market intelligence.

(b) **Policy Support**

- Statutory provision for use of coir/multifibre/fibre composites in lieu of wood wherever civil construction is involved.

(c) **Budgetary/Plan Support**

- Projected requirement of funds for the Coir Sector for the Tenth Plan is Rs. 300 crores. Scheme wise outlays may be seen at Table-VIII.
 - A technology upgradation fund for coir be set up on the lines of textiles.
42. With a 12% rate of growth, it is anticipated that the value of coir products at the end of the 10th Plan would be more than double the value at the end of 2000-01. The need for funding in this respect has been highlighted above. While most strategic interventions are within the domain of the sector, policy support from Government has been solicited only in one respect - mandating the use of coir/multi fibre/fibre composites in place of wood in civil construction.

OUTLOOK FOR THE 10TH PLAN

43. Across the world, small industry is recognized as a priority area, requiring explicit support from Government. It is estimated that half to two-thirds of businesses all over the world are SMEs. They comprise a widely divergent spectrum of establishments, existing in the form of factories, workshops and trading organizations. Though definitions vary across countries, they have one thing in common. A vast majority of SMEs are relatively small and in Asia, over 90% of them employ less than 100 people. Broadly, an SME is one in which all relatively important administration, managerial and technical decisions are taken by one or two owner entrepreneurs. This allows them to respond quickly to change because of their extremely lean organizational structure. The vibrancy of the SME sector is also an evidence of the restructuring occurring in manufacturing and business relations across the globe. While multinational corporations have strengthened their presence in many countries of the world, large corporations have also realized that they cannot do everything in the most efficient manner. Large corporations are concentrating on their basic skills such as marketing, finance or final assembly, preferring to outsource many activities; be it be sub-assembly or precision manufacturing. This has opened up a plethora of opportunities for SMEs. Linkages between large and small are becoming stronger through ancillarisation, sub-contracting and franchising. These linkages provide marketing assurance, advertising support, maintenance support, access to innovation

centers, learning from best practices, capacity building, access to superior managerial skills, technology/IT support as well as finance & sourcing options to SMEs.

44. Linkages have also become increasingly prominent in India. Beginning with the ancillarisation programmes of the public sector units, the movement has spread to the private sector, with the automotive sector taking the lead. Global practices have come to the Indian market and a high level of technological sophistication, alongwith commensurate commitment, is being expected from SMEs. Upgradation of standards is also enabling these SMEs to export in their own right. To remain competitive, therefore, requires that such Indian SSIs constantly upgrade technology and make fresh investments. Government policy must therefore facilitate a seamless movement from small to medium and large. This process must also ensure that the employment intensity of operations, which is crucial to SSIs, is retained. The opening up of Indian markets to global competition implies that sub-standard products would be faced with dwindling space in the Indian market. The basic policy thrust in the SSI sector for the Tenth Plan must therefore be on enhancing competitiveness and promoting job creating. Remaining competitive would involve initiatives as outlined earlier. This needs to be supported by improving production practices, product quality, regulatory regime and a change in mindset.
45. The services sector accounts for 52% of our GDP. In services, the small sector begins with inherent advantages because of the low capital requirement and ability to give personal attention. During the Tenth Plan, services in the small scale are likely to play an even greater role in the country's industrial mosaic. This must be acknowledged and support structures put into place.
46. If increasing competitiveness and being part of a larger production chain is crucial to SSIs in India in the Tenth Plan, in the Khadi & V.I. Sector, issues of marketing, technology upgradation, designing and arresting the decline in the production of khadi have become critical. While some concerns such as credit, capacity building and marketing are common to both Khadi and Village industries, it is also recognized that interventions in both sub-sectors will require customization and specificity.

47. The Tenth Plan period for the Coir Industry is a period where the aim must be to substantially increase the utilisation of coir husk in the country from its existing level of around 30%. This involves greater focus on non-traditional coir producing states, enhancement in post fiber extraction activities, modernisation, capacity building and a professional marketing effort.

10TH PLAN TARGETS & OUTLAYS

48. Table-VI indicates physical targets in terms of production and employment for the terminal year of the 10th Plan (2006-2007) for the SSI Sector, Khadi, Village Industries and Coir Sector. The table also indicates the percentage growth in terminal year over base year of 2001-02. Schematic outlays for the sectors in question are indicated in Table-VII.
49. The outlays recommended by the Working Group for the SSI & ARI sectors are presented in Table-VIII. The total outlay sought for the SSI & ARI Sectors is Rs. 12,138.87 crores, corresponding to an employment target of 332.79 lakh persons and an export target of Rs. 1,26,817 crores. The outlay sought represents 265.69% increase over the approved outlay of 9th Plan for the sector of Rs.3319.42 crores. As has been mentioned earlier, the 9th Plan outlay of the sector was 0.38% of the total outlay. For the reasons already outlined earlier, the outlay for the Tenth Plan must be at least 0.5%.

TABLE - VI

TARGETS FOR TENTH PLAN (TERMINAL YEAR 2006-07)

SSI Sector

	No. of units	Production at current prices	At constant prices (1993-94)	Employment
2006-07	43.78 lakhs	15,36,774 crores	8,55,988 crores	237.17 lakhs
Growth over base year 2000-01	29.9%	138%	90%	22.8%

Khadi

	Production (in million sq. mtrs.)	Production (Rs. crores)	Employment (in lakhs)
2006-07	134.00	917.16	15.00
Growth over base year 2000-01	52.2%	51.5%	19.33%

Village Industries

	Production (Rs. Crores)	Employment (in lakhs)
2006-07	12,228.98	74.57
Growth over base year 2000-01	69.24%	46.4%

Coir Sector

	Production of Coir Fiber (in mt. Tonnes)	Value of Coir Products (Rs. crores)	Employment (in lakhs)
2006-07	4,35,000	3,000.00	6.05
Growth over base year 2000-01	19.5%	130.7%	13.3%

TABLE – VII

SCHEMEWISE OUTLAYS AT A GLANCE

SSI SECTOR

Sl.No.	PLAN SCHEMES	10 TH PLAN PROVISIONS (Rs. in crores)
Existing Schemes		
1.	Credit Guarantee Fund Scheme for SSI sector	1800.00
2.	PMRY	900.00
3.	Credit Linked Capital Subsidy Scheme for Technology Upgradation	595.00
4.	IID Scheme	150.00
5.	SIDO Tool Rooms	200.00
6.	Reimbursement Scheme of ISO-9000/ISO-14000/HACCP/Procut Certification	100.00
7.	Technology Upgradation at SIDO Offices/Workshops and Energy Conservation/Pollution Control	20.00
8.	UPTECH Scheme	100.00
9.	SIDO Testing Centres	50.00
10.	Assistance for Testing Centres by Industry Associations	10.00
11.	PPDCs – Meerut/Agra/Kannauj/Firozabad	30.00
12.	Technical Centres – IDEMI/ESTC/CFTI	25.00
13.	SIDO HRD programmes and EDP	15.00
14.	SIDO Training Institutes	60.00
15.	Collection of Statistics	60.00
16.	Participation in International fairs	10.00
17.	SSI MDA Scheme	25.00
18.	Packaging for exports training	1.00
19.	National Awards	2.00
20.	SENET	25.00
21.	SISIs -	30.00
22.	Sub Contracting Exchanges	5.00
23.	Technical Publicity and Journal	10.00
24.	Counselling and Re-training of rationalized labour	3.00
25.	Construction of SIDO offices/residences in NE	20.00
26.	NPRI	5.00
27.	International Cooperation	12.00
28.	Surveys, Studies and Policy Research	10.00
29.	NEDB	10.00
30.	TREAD	12.00
31.	Micro Finance Programme	10.00
32.	Minor Schemes – Library/Hindi/HQ Renovation	5.00
	<u>Sub-total</u>	4310.00

New Schemes		
33.*	Establishment of Incubation Centres	1000.00
34.*	Infrastructure Development Fund	2000.00
35.*	Laghu Udyog Nirman Nidhi (Venture Capital Fund)	500.00
37.	Development of Women Entrepreneurs	100.00
38.	Research Studies	5.00
39.	Scheme of IPR Protection	2.00
43.	Infrastructure for Trade Fairs and Industrial Exhibitions	50.00
44.	Capacity building of SSI Associations	30.00
	<u>Sub-total</u>	3687.00
	<u>GRAND TOTAL</u>	7997.00

* Recommended by Study Group on Development of Small Enterprises.

Note: All outlays are at 2000-01 prices.

SCHEMEWISE OUTLAYS AT A GLANCE (contd..)

KHADI

(Rs. crores)

S.No.	GRANT	
1.	Rebate / MDA	598.39
2.	Interest Subsidy	164.26
3.	Promotional Exp. G&M	116.50
	LOAN	
4.	Budgetary	100.00
	Total	979.15

VILLAGE INDUSTRIES

(Rs. crores)

S.No.	GRANT	
1.	Margin Money	1159.94
2.	Infrastructure	92.83
3.	Policy Rebate	100.00
4.	Promotional (G&M)	692.16
	LOAN	
5.	Budget	25.00
	Total	2069.93

COIR SECTOR

(Rs. crores)

S.No.	GRANT	
1.	Research and Development	75.00
2.	Training, Extension & Quality Improvement	26.00
3.	Development of production infrastructure	74.00
4.	Domestic Market Promotion	60.00
5.	Export Market Promotion	30.00
6.	Trade Information Service and Information Technology	10.00
7.	Welfare Measures	10.00
8.	Strengthening of HQ	2.00
9.	Cooperativisation in Coir Sector	13.00
Total		300.00

TABLE – VIII

SSI&ARI SECTOR AT A GLANCE

TENTH PLAN

Organisation	Outlay sought (Rs. crores)	Employment Target (in lakhs)	Export target (Rs. crores)
SSI *	8,789.71	237.17	1,26,107.00
Khadi	** 979.23	15.00	--
Village Industries	*** 2,069.93	74.57	--
Coir	300.00	6.05	700.00
Total	12,138.87	332.79	1,26,817.00

9th Plan

3,319.42
(Approved outlay)

259.76
(Target)

79,300.00
(Target)

* This includes NSIC's proposed outlay of Rs. 792.71 crores

** Includes budgetary loan of Rs. 100 crores

*** Includes budgetary loan of Rs. 25 crores