

## MODULE- 4

### Modern Small Business Enterprises & Institutional Support for Business Enterprises

#### Modern Small Business Enterprises

- Small businesses are privately owned corporations, partnerships, or sole proprietorships that have fewer employees and/or less annual revenue than a regular-sized business or corporation.
- Businesses are defined as "small" in terms of being able to apply for government support and qualify for preferential tax policy varies depending on the country and industry.
- Include service or retail operations such as convenience stores, small grocery stores, bakeries.

#### Role of Small Scale Industries

- Dynamic and vibrant sector of the economy.
- Prominent role in socio-economic transformation of the country.
- Accounts for 35 percent of industrial production, 40 percent of exports and 90 percent of employment opportunities.
- The Small scale industry sector has, over the past six decades, acquired a prominent place in the socio- economic development of the country.
- Importance of Small-scale Industries
  - Provide increased employment through labour-intensive process.
  - Require lower gestation period.
  - Easy to set up in rural and backward areas.
  - Need small/ local market.
  - Encourage growth of local entrepreneurship.
  - Create a decentralized pattern of ownership.
  - Foster diversification of economic activities.
  - Introduce new products particularly to cater to local needs.
  - Influence the standard of living of local people.
  - Provide equitable dispersal of industries throughout rural and backward areas.
- Impact of Globalization and the world Trade Organization (WTO) on Small-Scale Industries (SSI)
  - Tighter patent laws through regulation of intellectual property rights under the Trade-Related Aspect of Intellectual Property Rights (TRIPS) agreement.
  - Worldwide market and opportunity to export.
  - Intensified competition in the domestic market.
  - Import of high quality goods.

#### Characteristics of SSI

- Capital investment is small and most of them have small number of workers
- Generally owned by a single or at the most two persons and engaged in production of small goods
- Most of them are family owned business
- Workers are not well recognized and they may do different types of works as need arises
- Funded by owner's savings or short-term loans
- SSI activity is mainly dependent on owner's entrepreneurship
- Exploitation of human and natural resources

- Generally management and organizations are very poor
- Profit margin is less
- Innovation and risk bearing is high
- Generally found in urban and semi urban areas.

### **OBJECTIVES OF SSIs**

- Creation of employment opportunity
- Improvement of output , income and better standard of living
- Elimination of economic backwardness of rural and underdeveloped areas.
- To reduce regional imbalance
- To provide employment and means of a regular source of income to the needy people living in rural and semi-urban areas
- To improve the quality of industrial products produced in cottage industries and increase production and profits.
- To facilitate import substitution.
- To encourage entrepreneurship and self-reliance.
- To mobilize regional resources of capital

### **Concepts and definitions of SSI Enterprises**

- Small-scale Industrial Unit : An industrial undertaking in which the investment in fixes assets in plant and machinery. Does not exceed Rs.100 lakh.
- Ancillary Unit: This is a sub-class of SSIs. An industrial undertaking which is engaged or is proposed to be engaged in
  - The manufacture of parts, components.
  - Rendering of services, or supplying.
- Export-oriented Unit (EOU) : The SSI has an obligation to export 30% of production.
- Tiny Unit: The investment limit in plant and machinery in respect of tiny enterprises is Rs. 25 Lakh.
- Women Entrepreneurs: 51% equity holding by women
- Small-scale services and Business (industry-related) Enterprises (SSSBs): SSSBs with investment in fixed assets, excluding land and building, up to Rs. 10 Lakh. The services are advertising agencies, Marketing consultancy, Industrial consultancy etc.
- Activities not recognized as SSIs and SSSBs : Transportation, storage, Retail/wholesale, Hotels etc.

### **Definition of SSI**

- Conventional Definition: cottage and handicraft industries that employ conventional labour-oriented methods to produce conventional products, mainly in the rural areas. Some examples are handloom and handicrafts.
- Operational definition: “all the undertakings having an investment in fixed assets in plant and machinery, whether held on ownership terms or by lease or hire-purpose, not exceeding Rs. 60 lakhs”.
- National Income Accounting: A unit engaged in manufacturing in manufacturing , servicing, processing, servicing and preservation of goods having investment in plant and machinery, at an original cost not exceeding Rs.60 lakhs”

## **Government policy and development of the Small Scale sector in India**

- Administratively, India's SSI sector is divided into seven industry groups
- Traditional Sector:
  1. Handicrafts
  2. Handlooms
  3. Khadi, village and cottage industries
  4. Coir
  5. Sericulture
- Modern Sector
  6. Power looms
  7. Residual small-scale industries
- Indian definition of small-scale enterprises (SSE) based largely on cumulative amount of investment in plant and machinery whose limits have been periodically revised upwards.
- Emerging liberalized and competitive economic environment necessitated structural and fundamental changes in the policy framework, causing a shift in focus from protection to promotion.
- Govt. has announced several objectives and intentions through SSI industrial Policy Resolutions(IPRs).
- Different Policies

### **IPR 1948:**

- During 1948, SSIs are suited for using local resources to create employment for rural areas.
- Initially SSI faced lot of problems like shortage of raw materials etc.
- Main thrust of IPR 1948 was to provide protection to SSIs

### **IPR 1956:**

- It provided continuing policy support to the small sector and aimed to ensure that decentralized sector gained enough self support.
- About 128 items were reserved for exclusive production in small sector.
- Small Scale Industries Board(SSIB) constituted a working group in 1959 for the purpose of examining and formulating a development plan for SSIs
- During this policy a specific developmental projects like "Rural Industries Projects" and "industrial Estate Projects" were started to strengthen SSIs.
- IPR-1956 for SSIs aimed at "Protection and Development" and initiated the modern SSI in India.

### **IPR 1977**

- The main thrust was on effective promotion of cottage and small scale industries widely spread in rural and urban areas.
- IPR 1977 classified small scale into 3 categories:
  - Cottage and house hold industries
  - Tiny sector: Investment within 1 lakhs
  - SSI: Investment up to 15 lakhs

### **IPR 1980**

- Main objective of IPR 1980 was defined as facilitation an increase in industrial production.

- It helped small sector by increasing the limit from Rs. 1 Lakh to Rs. 2 lakhs for tiny industries, from 10 lakhs to 20 lakhs in small scale units and from Rs. 15 lakhs to 25 lakhs for ancillaries (Providing necessary support to the primary activities of operation)

### **IPR 1990**

- It gave lot of scope for SSIs to generate wage and self employment based opportunities.
- Investment ceiling in plant and machinery for tiny units is increased from 2 to 5 lakhs, 35L to 60L and 45L to 75L.
- Implemented a new scheme of central investment subsidy for SSIs.
- SSI technology up gradation programs are implemented under technology development centre in Small industries Development Organization(SIDO)
- New small Enterprise policy 1991(Industrial Policy)
- Govt. of India issued a new policy named “Policy measures for Promoting and strengthening and supplementing small tiny and village enterprises.
- Its main theme is to improve growth rate of SSI which in turn improves country’s growth.
- Implement Small Industry Development Organization(SIDO)
- Set up of Export development centre(EDC) in SIDO
- Small Industries Development Bank of India(SIDBI) was established in 1990 to provide credit facilities to SSIs.
- Emphasis to establish special cell in SIDO for developing and training for women entrepreneurs.
- Policy also proposed to encourage and support industry associations to establish counseling and common testing facilities and to pursue orientation programs of modernization etc.

### **Policy Initiatives since 1999**

- Economic scenario changed and competitive environment causing a shift in focus from protection of SSIs to promotion.
- Govt. took number of steps including change in investment limits, facilities for foreign participation, export promotion, marketing assistance and so on.
- More Important steps are:
  - A new ministry of small scale industries and agro and rural industries was created on oct. 14, 1999.
  - A new credit insurance scheme was announced in the budget 1999-2000 for SSI security to banks and to improve flow of investment.
- Banks on the basis of 20% of their annual turnover determine the capital limit for SSI units. From 4 cr. to 5 cr.
- A national programme to boost rural industrialization has been announced to set up 100 rural clusters every year.

### **IPR 2000**

- Industrial Policy 2000 was actually a comprehensive policy package for SSIs
  - Credit linked capital subsidy of 12% against loans for technology up-gradation was provided in specific industries
- The limit of Composite loan was increased from 10L to 25L.
- The family income eligibility limit of 24000 was enhanced to 40000 per annum under Prime Minister Rozgar Yozna (PMRY).

- The limit of Investment was increased in industry related service and business enterprise from 5lakhs to 10L

#### **IPR 2001-2002**

- Investment limit was enhanced from 1Crore to 5 cr. for units in handloom sectors.
- Credit guarantee fund scheme was increased from 125 Cr. to 200 cr.
- 14 items were de-reserved during June 2001 related to leather goods and toys.
- Market development assistance scheme was launched exclusively for SSI sector
- Policy initiatives on SSI sector in 2003-2004
- 75 items reserved for manufacturing consisting of chemicals, leather products, laboratory reagents in 2003.
- Selective enhancement in plant & machinery form 1crore to 5 crore : 13 items in stationary and 10 items in the drugs and pharma.
- Union budget 2003-04 announced banks would provide interest rate of 2%.
- Composite loan limit for SSI enhanced from 25L and 50L.
- The lower limit of 5L on loans covered under credit guarantee scheme has been removed. All loans upto 25L made eligible are under credit guarantee scheme.
- 417 specialized bank branches made operational throughout country.
- Small and Medium Enterprise(SME) fund of 10000 crore was set up under SIDBI to solve problem of inadequate finance for SSIs.
- Laghu Udyami Credit card scheme was liberalized. Under this scheme the credit limit was increased to 10L from 2L.

#### **IPR 2003-04**

- It gave reservation for chemical and chemical products, leather products and laboratory reagents etc.
- Enhancing investment from 1 cr. to 5 cr.
- Loan limit to SSI was increased from 25L to 50L
- Specialized bank branches were made operational for SSIs.

#### **IPR 2004-05**

- It suggested measures considered necessary for improvement in the productivity of enterprises, generation of large scale employment opportunities, raw material supply, technology up gradation, skill development by training.
- The reserve bank of India raised the composite loan limit from Rs. 50L to 1Crore.

#### **IPR 2005-06**

- The ministry of SSI has identified 180 items for De-reservation
- Small and Medium enterprises were recognized in the services sector and were treated on par with SSIs in manufacturing sector.
- Technological facilities have been increased.'
- Tax concessions for SSIs and so on.

### **Growth and Performance of Small Scale Industries in India**

- Pre- and Post- liberalization Periods.
  - The potential for creating employment
  - The output level of SSI went an increase of nearly 20 times over a period of 20 years.

- Exports have gone up by nearly 40 times.
- The pace of growth was relatively lower compared to that of the pre-liberalization period.
- Performance of small-scale Industries in India.
  - The SSI contributes to the GDP
  - The value of production has increased.
  - The sector is estimated to grow at the rate of 7.5%
- Share of small-scale Industrial Units in Total Exports.
  - With the growing trend towards liberalization and globalization, export is one of the focus areas of SSI units.
  - The commodity-wise export of major products by SSI units has also increased over a period of time
- Sickness in SSI sector Sickness was identified through the latest definition of RBI given by the Kohli Committee. Incipient sickness was identified in terms of continuous decline in gross output.
- Sickness in the total SSI sector was to the tune of 1%, whereas in the registered and unregistered SSI sector it was 3.38% and 0.64% respectively.
- The maximum number of sick units-about 59.33% was located in West Bengal, Kerala, Maharashtra, Karnataka and Andhra Pradesh.
- Out of the units having lone outstanding with institutional source such as banks and financial institutions, sickness was reported to be about 19.6% in the registered SSI sector and 16.61% in the unregistered SSI sector. In the total SSI sector, this percentage was 17.8.
- Incipient sickness, Identified in terms of a continuous decline in gross output was 11.5% in the registered SSI sector and 6.48% in the unregistered SSI sector. In the total SSI sector, this percentage was 7.4.
- Combining the three yardsticks used to measure sickness:
  - Delay in repayment of loan over one year.
  - Decline in net worth by 50%
  - Decline in output in last three years, about 13.98% of the units in the registered SSI sector were identified to be either sick or incipient sick.
- This percentage was only 6.89 in the case of unregistered units. In the total SSI sector, this percentage was 7.82.
- The States of Kerala, Tamil Nadu, Andhra Pradesh, Karnataka, and Maharashtra had maximum number of sick/incipiently sick SSI units. These five states together accounted for 54.28% of the sick/incipiently sick SSI units in the country.
- “Lack of demand” and “Shortage of working capital” were the main reasons for sickness/incipient sickness in both the registered and unregistered SSI sectors.

### **Problems for Small Scale Industries**

- The problems of small industries may be divided into groups – External and Internal. External problems are those which result from factors beyond the control of the industrialist such as the availability of power and other infrastructure facilities required for the smooth running of small-scale industries. Internal problems are those which are not influenced by external forces.
- Internal

- Choice of idea
- Feeble structure
- Faulty planning
- Poor project implementation
- Poor management
- Poor production
- Quality
- Marketing
- Inadequate finance
- Labour problems
- Capacity utilization
- Lack of vertical and horizontal integration
- Inadequate training in skills
- Poor and loose organization
- Lack of strategies
- External
- Infrastructure
  - Location
  - Power
  - Water
  - Post Office and so on
  - Communication
- Financial
  - Capital
  - Working capital
  - Long-term funds
  - Recovery
- Marketing
- Taxation
- Raw Material
- Industrial and financial regulations
- Inspections
- Technology
- Policy
- Competitive and volatile environment
- Problems faced by SSI
- Difficulty in obtaining credit from commercial banks because of their general inability to provide security.
- Inability to offer liberal credit terms in the sale of their products.
- Absence of management expertise. Often managed by one person who performs a number of functions usually with no formal training.

- Difficulty in competing with imported products due to high production costs.
- Competition from other local entrepreneurs in the same line of business competing for the limited local market.
- Difficulty in obtaining industrial land in towns and cities. The shortage of industrial land is giving rise to more and more backward operations.
- Under capitalization
- Difficulty in identifying appropriate technology and technical assistance.
- Bureaucratic red tape and regulations.
- Identification of Industrial projects for development
- Project preparation and evaluation.
- Financial or credit support and investment promotion.
- Consultancy and counseling services.
- Development of infrastructure of various kinds in the appropriate areas.
- Entrepreneurship development
- Industrial training and skill formation
- Quality control and testing facilities.
- Market promotion, both domestic and export.
- Procurement of raw materials and equipment.
- Productivity increase through modernization.
- Incentive measures, by industry and by area.
- Local initiative.
- Regional and International technical and financial assistance.
- Cooperation among developing countries.

### **Impact of liberalization, privatization and Globalization on SSI**

- Started in 1991
- Indian economy had grown to new heights
- Liberalization
  - Refers to the relaxation of the previous government, restriction usually in the area of social economic policies
  - Import of scarce and non-available raw materials
  - Best example: Electronic and computer industries
- Privatization
  - Privatization means transfer of ownership and/or management of an enterprise from the public sector to the private sector
  - ITI and LIC
- Globalization
  - Globalization implies integration of the economy of the country with the rest of the world economy and opening up of the economy for foreign direct investment by liberalizing the rules and regulation and by creating favorable socio – economic and political climate for global business
  - Export

Impact of WTO/GATT on SSIs



- General Agreement on Tariffs and Trade (GATT)
- Multilateral global initiative
- Agreement signed by group of 123 nations to promote trade among members in 1947
- political disputes and problems could be solved by GATT
- USA and British made it possible
- The challenges are
  - E-commerce
  - Agriculture commodities
  - Narcotics, nuclear and dangerous materials.
  - Political and regional forces on trade and industry.
  - Development of backward regions.
  - Barter deals.
  - Counter trade.
  - Bilateral trade agreement and monopolies
  - Regional trade blocks
  - Services
  - Trade information
  - Trade disputes in international business
  - High tariffs by some countries.
  - Trade restrictive practices.
  - Subsidies

### **World Trade Organization (WTO)**

- WTO was established in January 1st, 1995 as a successor to the GATT.
- It serves as the legal and institutional foundation of the multilateral trading system.
- The Uruguay Round Trade Agreement that created WTO also eliminated tariffs for some manufactures' goods, reduced barriers to trade in agriculture, expanded protection for copy rights, patents and other intellectual property, provided some reduction in barriers to services and foreign investment.
- It also reformed the multilateral trade process and included strong dispute settlement mechanism.
- WTO has 123 members, another 31 countries have applied for membership 45
- **Objectives of WTO**
  - Make optimum utilization of world's resources for improving the income standard of living, promoting employment and expanding production and trade activities among various countries.
  - Encourage sustainable development and ensure that environment care and development activities together.
  - Efforts should be made that poor countries as well as developing countries get an opportunity to have a share in the growth in the world trade.
- **Functions of WTO**

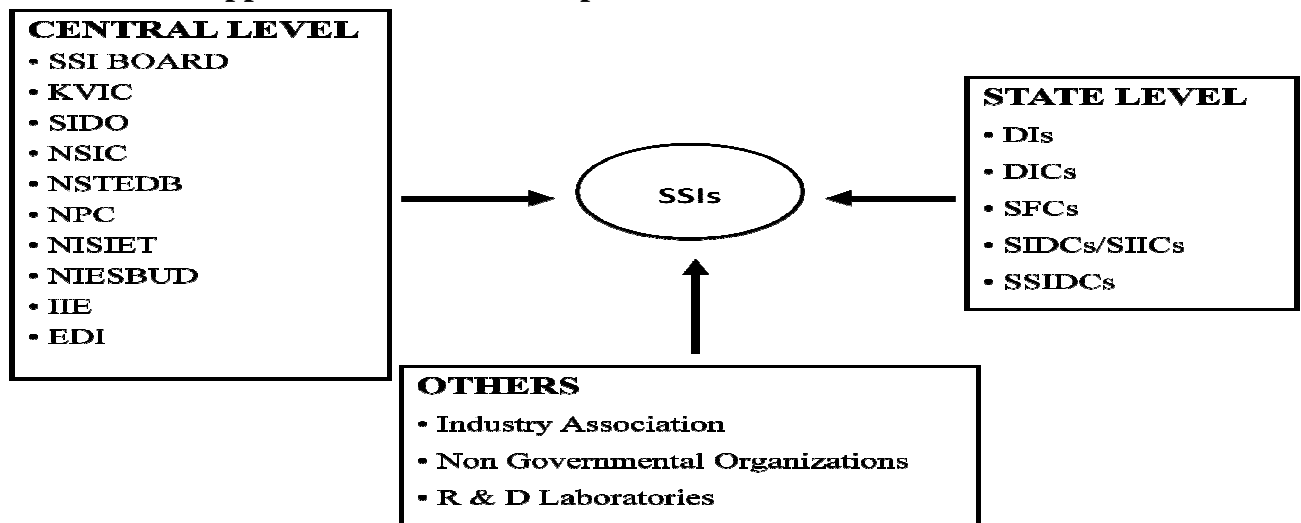
- It covers all the commodities that are internationally traded and have formulated rules and procedures for each category as a guidelines to member countries.
- Though WTO does not interfere in economic and political issues of the member countries , it does involve in case of policies regarding international trade.
- WTO has various expert committees and subcommittees for different categories to review various subjects and also to work as consultants.
- It arranges visits of its experts to various countries for training development activities.
- WTO acts as an arbitrator to sort out disputes between various countries.
- It reviews and advises trade policies of various countries so that such policies are conducive for international trade.
- Implementation and monitoring of multilateral and bilateral trade agreements which are essence of the WTO.
- To keep a track of trade related activities, member countries will inform WTO about various trade activities they have been doing in the global market.
- Evaluation of international trade and seek explanation wherever abnormal variations in terms of over dominance or very 48 poor performance are observed.
- **Advantages of WTO**
  - Safe guards from unilateral actions of the developed countries.
  - Increased access to export markets.
  - Increased R&D efforts in the country.
  - Access to advanced technology to the existing and new industries.
  - Increased opportunity to sub contracting and job work for SSI.
  - Increased global competition resulting higher efficiency and improved quality.

### **Ancillary Industry and Tiny Industry**

- Ancillary Industry
- Ancillary industries are small industries having investment in fixed assets, plant and machinery not exceeding Rs.75 lakhs and engaged in
  - Manufacturing of parts , components , sub assemblies ,tooling or intermediates
  - The rendering of services , supplying ,rendering or proposing to supply or render 30% production of the total services .
- All the service –oriented enterprises are now eligible for registration as SSIs and are entitled for the same concessions and incentives that are offered for SSIs.
- Several clarifications are issued on the above definitions of ancillaries by government from time to time. Some of them are:
  - In calculations of plant and machinery , the original price paid by owner irrespective of new or old is to be considered for accounting.
  - The cost of equipment.
  - Units producing intermediates are considered as ancillaries.
  - Units providing service facilities like machining , pressure cleaning , sand blasting etc., are recognized as ancillaries.
- **Advantages of Ancillary Units**
  - Providing an effective solution to the marketing problems of SSIs

- Complementary with regard to output and enable reduction in the production cost.
- Employment generation and utilization of money in untapped hands.
- Reduction in gestation period of production.
- **Tiny Industry**
- A unit is treated as Tiny Industry where investment in plant and machinery does not exceed Rs.5lakhs.
- The growth in Tiny industries –facilitates self – employment , results in wider dispersal of industrial and economic activities and ensures maximum utilization of local resources.
- **ADVANTAGES**
  - Utilization of local resources like men and material
  - Limited capital to start the industry
  - Less risk involved
  - Smaller gestation period
  - Production of goods as per choice of consumers
  - Exports, there by earning foreign exchange
  - Employment generation to rural people
  - Regional development
  - Entrepreneurial development

### **Institutional Support for Business Enterprises**



**Institutions Supporting Small-scale Industries**

### **CENTRAL LEVEL INSTITUTIONS**

- Small-scale Industries Board (SSI Board)
- Constituted in 1954 to facilitate the coordination and inter-institutional linkages for the development of SSI sector
- The Board is an apex advisory body constituted to render advice to the government on all issues pertaining to the SSI sector
- The office of the Development Commissioner (Small-Scale Industry) serves as the secretariat for the board
- The Board operates broadly in the following areas:
  - Policies & programmes

- Development of industries in specific region like Northeast
- Ancillary development, quality improvement, marketing assistance.
- Credit facilities, taxation and modernization
- Industrial sickness

### **Khadi and Village Industries Commission (KVIC)**

- Statutory body created by an act of Parliament.
- It is charged with planning, promotion, organization and implementation of the program for the development of Khadi and other village industries in the rural areas in coordination with other agencies engaged in rural development.
- KVIC's functions also comprise building up a reserve of raw materials and implements for supply to producers, creation of common service facilities for processing of raw materials and provision of marketing of KVIC products.
- KVIC is entrusted with the task of providing financial assistance to institutions or persons engaged in the development and operation of Khadi and village industries and guide them through supply of designs, prototypes and other technical information.

### **Small Industries Development Organization (SIDO)**

- Established in 1954 on recommendation of Ford Foundation
- Over the years, it had seen its role evolve into an agency for advocacy, handholding and facilitation for the small industries sector.
- SIDO provides facilities for testing, tool mending, training for entrepreneurship development, preparation of project and product profiles, technical and managerial consultancy, assistance for export, pollution and energy audits, and so on.
- SIDO provides economic information services and advises the government in policy formulation for the promotion and development of SSIs.

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

- Established in 1955 by GOI with the main objectives to promote, aid and foster the growth of SSIs in the country
- Over four decades of transition and growth in the SSI sector, NSIC has provided strength through a progressive attitude of modernization, up gradation of technology, quality consciousness, strengthening linkages with large and medium-scale enterprise and boosting exports of products from small enterprises
- Main services provided by NSIC are:
  - Machinery and Equipment (Hire Purchase / Lease scheme)
  - Financial Assistance Scheme
  - Assistance for Procurement of Raw Material
  - Government Store Purchase Program
  - Technology Transfer Centre (TTC)
  - Marketing Assistance

### **National Science and Technology Entrepreneurship Development Board (NSTEDB)**

- Established in 1982 by GOI, is an institutional mechanism to help promote knowledge-driven and technology-intensive enterprises
- Major objectives are:

- promote and develop high-end entrepreneurship for S&T manpower as well as self-employment by utilizing S&T infrastructure and by using S&T methods
- facilitate and conduct various informational services relating to promotion of entrepreneurship
- network agencies of support system, academic institutions and R&D organizations to foster self-employment using S&T with special focus on backward areas
- act as a policy advisory body with regard to entrepreneurship

### **National Productivity Council (NPC)**

- Autonomous institution functioning under the overall supervision of the Ministry of Industry, GOI
- Primary objective is to act as a catalyst in enhancing the productivity of all sectors of the economy, including industry and agriculture
- Administered by a tripartite Governing Council (GC) which has equal representation from the government, industry and trade unions
- Active in the field of consultancy and training and has a number of specialized divisions to provide tailor-made solutions to agriculture and industry. These divisions, manned by trained consultants, deal with issues related to industrial engineering, plant engineering, energy management, HRD, informal sector, agriculture and so on
- NPC is a member of the Asian Productivity Organization (APO), Tokyo, an umbrella body of all productivity councils in Asian region
- To channelise expertise of NPC to small-scale and informal sector, SIDBI has tied-up with NPC for enhancing technology in small units

### **National Institute for Small Industry Extension and Training (NISIET)**

- Set up in early 1950s, NISIET acts an important resource and information centre for small units and undertakes research and consultancy for small industry development
- An autonomous arm of the Ministry of Small Scale Industries, the institute achieves its objectives through training, consultancy, research and education, to extension and information services
- In 1984, UNIDO has recognized NISIET as an institute of meritorious performance under its Centre of Excellence Scheme to extend aid

### **National Institute for Entrepreneurship and Small Business Development (NIESBUD)**

- NIESBUD is an autonomous body under the administrative control of the Office of the DC(SSI)
  - NIESBUD established in 1983 by the Ministry of Industry, GOI, as an apex body for coordinating and overseeing the activities of various institutions/agencies engaged in Entrepreneurship Development particularly in the area of small industry and business
  - The policy, direction and guidance to the institute is provided by its Governing Council whose chairman is the Minister of SSI.
  - Besides conducting national and international training programs, the institute undertakes research studies, consultancy assignments, development of training aids, etc.
- State Level Institutions – DIs and DICs**
- Directorate of Industries (DIs) – At the State level, the Commissioner/ Director of Industries implements policies for the promotion and development of small-scale, cottage, medium and

large scale industries. The Central policies for the SSI sector serve as guidelines but each State evolves its own policy and package of incentives. The Commissioner/ Director of Industries in all the States/UTs, oversee the activities of field offices, that is, the District Industries Centers (DICs) at the district level

- District Industries Centers (DICs) – In order to extend promotion of small-scale and cottage industries beyond big cities and state capitals to district headquarters, DIC program was initiated in May, 1978, as a centrally sponsored scheme. DIC was established with the aim of generating greater employment opportunities especially in rural and backward areas in the country. At present DICs operate under respective State budgetary provisions. DICs extend services of the following nature – (i) economic investigation of local resources (ii) supply of machinery and equipment (iii) provision of raw materials (iv) arrangement of credit facilities (v) marketing (vi) quality inputs (vii) consultancy

### **State Level Institutions – SFCs**

State Financial Corporations (SFCs) – Main objectives are to finance and promote small and medium enterprises in their respective states for achieving balanced regional growth, catalyze investment, generate employment and widen ownership base of industry. Financial assistance is provided by way of term loans, direct subscription to equity/debentures, guarantees, discounting of bills of exchange and seed capital assistance. SFCs operate a number of schemes of refinance of IDBI and SIDBI and also extend equity type assistance. SFCs have tailor-made schemes for artisans and special target groups such as SC/ST, women, ex-servicemen, physically challenged and also provide financial assistance for small road transport operators, hotels, tourism-related activities, hospitals and so on. Under Single Window Scheme of SIDBI, SFCs have also been extending working capital along with term loans to mitigate the difficulties faced by SSIs in obtaining working capital limits on time.

### **State Level Institutions – SIDC / SIIC and SSIDC**

- State Industrial Development / Investment Corporation (SIDC/SIIC) – Set up under the Companies Act, 1956, as wholly owned undertakings of the State governments, act as catalysts in respective states. SIDC helps in developing land providing developed plots together with facilities like roads, power, water supply, drainage and other amenities. They also extend assistance to small-scale sector by way of term loans, subscription to equity and promotional services. 11 out of 28 SIDCs in the country also function as SFCs and are termed as Twin-function IDCs
- State Small Industrial Development Corporations (SSIDC) – Established under Companies Act, 1956, as State government undertaking, caters to small, tiny and village industries in respective states. Being operationally flexible undertakes the activities like (i) procure and distribution of scarce raw materials, (ii) supply of machinery to SSI units on hire-purchase basis, (iii) product marketing assistance, (iv) construction of industrial estates, allied infrastructure facilities and their maintenance (v) extending seed capital assistance on behalf of State government and (vi) providing management assistance to production units.

### **Other State-level agencies Extending Facilities for SSI Promotion**

- State Infrastructure Development Corporations
- State Cooperative Banks

- Regional Rural Banks
- State Export Corporations
- Agro Industries Corporations
- Handloom and Handicrafts Corporations

### **Other Agencies**

<p>National Bank for Agriculture and Rural Development (NABARD)</p>	<p>Set up in 1982, provide refinance assistance to State Cooperative Banks, Regional Rural Banks, and other approved institutions for all kinds of production and investment credit to SSIs, artisans, cottage and village industries, handicrafts and other allied activities. Helps SSI entrepreneurs to get loan for setting up SSIs in any part of the country</p>
<p>Housing and Urban Development Corporation Ltd. (HUDCO)</p>	<p>Wholly owned company of GOI, incorporated Apr.1970, as a Pvt. Ltd. Co. and subsequently, converted into a Public Ltd. Co. in 1986. Primary objective is to provide assistance for urban, social sector infrastructure, and the creation of housing facility, of late, to create SSI infrastructure. Also extends assistance for the promotion of building material industries, besides imparting consultancy, training and technical in related matters.</p>
<p>Technical Consultancy Organizations (TCOs)</p>	<p>Set up by all-India financial institutions during 70s and 80s to cater to consultancy needs of SMEs and new entrepreneurs. Services include preparing project profiles and feasibility studies, undertaking industrial potential surveys, identifying potential entrepreneurs and provision of technical and management assistance to them, undertake market research and surveys for specific products, carrying out energy audit and energy conservatism assignment, project supervision, taking up assignments on a turnkey basis, undertaking export consultancy for EOU</p>