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Report  
of  
The Working Group  
on  
Micro, Small & Medium Enterprises (MSMEs) Growth  
for  
12<sup>th</sup> Five Year Plan (2012-2017)



Ministry of Micro, Small & Medium Enterprises  
New Delhi

## FOREWORD

The Micro, Small and Medium Enterprises (MSME) sector contributes significantly to manufacturing output, employment and exports of the country. It is estimated that in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 per cent of total exports of the country. The sector is estimated to employ about 69 million persons in over 26 million units throughout the country. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by MSMEs in the country. It is well known that MSME sector provides maximum opportunities for both self-employment and jobs, outside agriculture sector. The inclusiveness of the sector is underlined by the fact that nearly 50% of the MSMEs are owned by disadvantaged groups of society.

To make the sector a significant player in the global marketplace, Government has taken a number of policy initiatives during the recent period. The definitions and coverage of MSE sector were broadened significantly under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 which recognized the concept of "enterprise" to include both manufacturing and services sector besides, defining the medium enterprises, setting up a Board for developing policy frameworks and indicating a procurement policy.

To identify issues inhibiting growth of the sector, a Task Force was constituted by the Prime Minister in 2009. In its report, the Task Force made 85 recommendations to unshackle the Indian MSMEs. While most of the recommendations have already been implemented, there are some specific issues related to policy and Government support which need immediate attention.

Planning Commission constituted the present Working Group on Micro, Small & Medium Enterprises (MSMEs) Growth for the 12<sup>th</sup> Five Year Plan (2012-17), under the chairmanship of Secretary (MSME) with 46 members representing various Ministries/Offices of Government of India, representatives of selected State Governments and Industry Associations, NGOs etc. in May, 2011. The terms of reference of the Group was, carrying forward the recommendations of the Prime Minister's Task Force and suggest specific action plan and milestones to be achieved within the 12<sup>th</sup> Plan period. Further, the terms of reference of the Group also includes suggestions to address problems of Un-organised Sector and formulate proposals/schemes to facilitate overall growth of the MSME sector.

A framework for the report of the Working Group was developed in the first meeting of the Group and 11 Sub-Groups were constituted for detailed study of important focal areas to identify the bottlenecks and suggest facilitation needed to overcome them. In its second meeting the Working Group decided to give the recommendations on following thematic verticals:

- i. Finance, including credit.
- ii. Infrastructure.
- iii. Technology.
- iv. Marketing & Procurement.
- v. Skill Development & Training.
- vi. Institutional Structure

Khadi is the proud legacy of our national freedom movement and the father of the nation. One of the most significant aspects of Khadi and Village Industries (KVI) in Indian economy is that it provides sustainable employment to rural artisans. The Working Group has recommended a road map for projecting Khadi as well Village Industries as pure, ethnic and environment friendly products in the global market. Similarly, Coir sector has an enormous growth potential. This wonder fibre could be converted into high value products like geo- textiles and other green products. The recommendation of the Working Group is to promote value added coir products with required funding by the Government. The Group recommends retaining unique status of both the sectors and proposes separate allocation for them.

While all recommendations of the Working Group are considered to be important to facilitate growth of MSME sector during the 12<sup>th</sup> 5-Year Plan period, the Group would like to mention a few Game Changers in the recommendations, implementation of which will be crucial for the ski-jumping of MSME Sector in the global market place.

The MSME sector of India is today at the gateway of global growth on the strength of competitive and quality product range. However, facilitation from the Government is required to minimise transaction costs of technology upgradation, market penetration, modernisation of infrastructure etc. History shows that only with persistent and effective Government support in these areas the SMEs of countries like Japan, Korea etc. emerged as global players. The PM's Task Force has already taken significant initiatives in this regards. The recommendations of this Working Group for the 12<sup>th</sup> Plan period will be vital enabler towards implementation of the initiatives of the Task Force through participative, transparent and scalable policies and schemes of the Government of India.

I would like to record my sincere appreciation of painstaking efforts of members of the Working Group, Chairmen and members of the sub groups and others who contributed in making this comprehensive report. I also appreciate the secretariat services provided to the Working Group and Sub-Groups by the Office of Development Commissioner, MSME.

New Delhi

Dated: 13/01/2012



(R K Mathur)

Secretary, MSME &  
Chairman, Working Group on MSMEs Growth

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## EXECUTIVE SUMMARY

### Background

1. Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country.

2. Khadi is the proud legacy of our national freedom movement and the father of the nation. Khadi and Village Industries are two national heritages of India. One of the most significant aspects of Khadi and Village Industries (KVI) in Indian economy is that it creates employment at a very low per capita investment. The KVI Sector not only serves the basic needs of processed goods of the vast rural sector of the country, but also provides sustainable employment to rural artisans. Khadi and Village Industries today represent an exquisite, heritage product, which is 'ethnic' as well as ethical. It has a potentially strong clientele among the middle and upper echelons of the society.

3. Coir Industry is an agro-based traditional industry, which originated in the state of Kerala and proliferated to the other coconut producing states like Tamil Nadu, Karnataka, Andhra Pradesh, Orissa, West Bengal, Maharashtra, Assam, Tripura, etc. It is an export oriented industry with annual exports of over Rs.800 crore, and having greater potential to enhance exports by value addition through technological interventions and diversified products like Coir Geotextiles etc. The acceptability of Coir products has increased rapidly due to its 'environment friendly' image.

4. Ministry of Micro, Small & Medium Enterprises (MSME) envision a vibrant MSME sector by promoting growth and development of the MSME

Sector, including Khadi, Village and Coir Industries , in cooperation with concerned Ministries/Departments, State Governments and other Stakeholders, through providing support to existing enterprises and encouraging creation of new enterprises.

5. During the first 4 years of XI Plan, MSME Sector exhibited a growth rate of 13% on an average, an impressive performance compared to most of the other sectors. However, the sector is suffering from quite a few impediments, which need to be addressed immediately to make Indian MSMEs a global hub of entrepreneurship and global supplier of competitive and innovative products of highest quality.

6. To identify issues inhibiting growth of the sector, a Task Force was constituted by the Prime Minister in 2009. In its report, the Task Force made 85 recommendations to unshackle the Indian MSMEs. While most of the recommendations have already been implemented, there are some specific issues related to policy and Government support which need immediate attention.

7. Planning Commission constituted the present Working Group on Micro, Small & Medium Enterprises (MSMEs) Growth for the 12<sup>th</sup> Five Year Plan (2012-17) with 46 members representing various Ministries/Offices of Government of India, representatives of selected State Governments and Industry Associations, NGOs etc. in May, 2011. The terms of reference of the Group (Appendix I) were to carry forward recommendations of Prime Minister's Task Force and suggest specific action plan and milestones to be achieved within 12th Plan period. Further, the terms of reference of the Group also mandated suggestions to address problems of un-organised Sector and proposals for devising programmes/schemes to facilitate overall growth of the MSME sector.

8. In its first meeting, the Group constituted following 11 Sub-Groups (Appendix II ) with representation from MSME Associations and experts on the respective subjects to focus on specific issues related to growth of MSME sector and suggest specific action plans:

- i. Credit and Institutional Finance.
- ii. Technology & Innovation.
- iii. Skill Development & Training.
- iv. Marketing & Procurement.
- v. Infrastructure.
- vi. Khadi & Village Industries
- vii. Coir Sector.
- viii. Institutional Structure.
- ix. Emerging Technologies.
- x. Special Areas & groups.
- xi. Unorganized Sector.

9. The Working Group examined the recommendations of the 11 sub-Groups. While formulating its recommendations, the Working Group took note of the fact that the National Manufacturing Policy envisages increasing the sectoral share of Manufacturing in GDP to 25 % over the next decade and generating additional 100 million jobs in manufacturing sector through an annual average growth rate of 12-14 % in manufacturing sector. MSME sector being the major base of manufacturing sector in India, with its contribution of over 45% in the overall industrial output, the Working Group is of the view that the achievement of the NMP targeted growth of the manufacturing sector would necessitate substantial enhancement of the growth rate of MSME sector during the 12<sup>th</sup> Plan from the current growth rate of 12-13%. This would call for quantum jump in plan allocation for the sector during the 12<sup>th</sup> Plan to address major bottlenecks facing the sector.

10. Although 11 Sub-Groups were constituted to deliberate various aspects of MSME sector, the Working Group decided that issues relating to growth of MSME sector may be classified under six important verticals of i) Credit & Finance ii) Technology iii) Infrastructure iv) Marketing & Procurement v) Skill Development & Training and vi) Institutional Structure, to provide theme based focus while devising any strategy for the sector. Recommendations of the Working Group have also been made according to these verticals. However, keeping in view the unique status of the Khadi & Village Industries

and Coir Sector in Indian economy, it was decided that there would be separate recommendations for these two sectors. Similarly, concerns of unorganized sector and special areas & groups would be given due consideration while formulating any programme /scheme under above six major verticals.

The summary of the recommendations of the Working Group under major verticals and sectors are given below.

### **Credit & Finance**

11. Credit is a crucial input for promoting growth of MSME sector, particularly the MSE sector, in view of its limited access to alternative sources of finance. . Various estimates on the credit availability to the MSME sector however indicate a serious credit gap. Though the heterogeneous and unorganized nature of the sector poses inherent challenges for a credible estimate, the fact remains that there is considerable credit gap, which is a matter of serious concern and needs to be bridged if the sector has to foray into the next level of growth trajectory. While acknowledging the efforts of the Government, RBI and Financial Institutions in providing adequate, timely and affordable credit to the sector which has resulted in substantial increase in the number of accounts and total credit flow, the Working Group felt the need for serious policy prescriptions that goes beyond traditional ways of fixing targets alone.

12. Building an eco-system for facilitating credit flow to MSMEs is important. Government needs to strengthen credit flow to the MSE sector, particularly micro sector by strict implementation of guidelines for year-on-year growth of MSE credit and its prescribed flow to the micro-sector. The reach of the MSEs to the banking net work has to be substantially enhanced through setting up of branches near clusters. In fact, a cluster- centric approach is the best bet for addressing the credit needs of the MSME sector, because of reasons of operational convenience and trust building. Information flow and transparency, through use of IT, would contribute greatly to the process of adequate, timely and affordable credit to the MSME sector.

13. To address the risk perception of banks, particularly for lending to MSEs, the Credit Guarantee Scheme needs to be strengthened with enhanced budgetary support. The corpus of CGTMSE should be enhanced by an additional provisioning of Rs. 10,750 crore during 12<sup>th</sup> Plan period to enable CGTMSE to increase its guarantee coverage of MSE loans to 1,80,000 crore by the end of the plan. Also, there should be substantial increase in the number of MSEs covered under the Performance and Credit Rating Scheme which is a facilitating factor for easy access to credit with liberal terms. The group recommends to enhance the allocation for Performance and Credit Rating Scheme to Rs.600 crore during 12<sup>th</sup> Plan.

14. Lack of equity support for the MSME sector inhibits their growth. Equity support provides the leveraging capacity for raising additional debt to support capital expansion. In order to fill equity gap, the Working Group recommends introduction of a new scheme to supplement Promoter's Contribution by way of equity support with an allocation of Rs. 5000 crore.

15. Access to finance needs to be enlarged through alternative sources of capital such as private equity, venture capital and angel funds. This is crucial for facilitating the growth of knowledge based enterprises which have high potential in Indian context. Further, prospective enterprises in emerging areas such as nano-technology, bio-technology, aero-space, defence-applications and homeland security would also require such alternative sources of finance since traditional channels are unable to meet their needs. Apart from fiscal incentives for promoting such alternative sources of capital (such as tax concessions), there has to be aggressive market intervention, such as promoting companies for market making and ensuring scaling up of operation of SME exchange by providing appropriate incentives. The Plan has to provide resources for such market interventions as well as for spreading awareness. Accordingly, the Group proposes allocation of Rs. 2500 crore for promoting Venture Capital and Rs.100 crore for market making & spreading awareness under Scheme for SME Exchange.

16. Delayed payments or delayed realization of receivables has all along been a growth constraint of MSME sector by impinging on their liquidity.

Factoring services by banks/ NBFCs would help in addressing the issue in a great way. In order to upscale the factoring services for augmenting the flow of finance to MSME sector, it is suggested to enable setting up of a number of factoring companies which requires support by way of equity capital contribution to the new and existing factoring companies to enhance their network and enable them to leverage higher credit from the institutional channels. Hence, it is suggested to introduce a scheme called “Support for Factoring Services” with budgetary support of Rs 500 crore during the 12<sup>th</sup> plan, under which assistance would be provided for equity / margin money support for factoring companies , Publicity & Popularization of the scheme and training for Associations on the benefits & support under factoring services.

17. The Working Group recommends a total allocation of Rs.19450 crore for various schemes under Credit vertical during 12<sup>th</sup> Five Year Plan.

### **Technology**

18. Technology will be the foremost factor for enhancing the global competitiveness of Indian MSME Sector. Without infusion of appropriate technology, survival in the global market place would be a question mark for a large majority of micro & small enterprises and even the medium enterprises. The Prime Minister’s Task Force on MSMEs has identified low technology, generally used by the MSME sector, as a major cause for poor competitiveness of the sector.

19. The immediate challenge is development of appropriate technologies for various manufacturing processes which will lead to substantial reduction in cost of manufacturing by enhancing labour productivity, reducing material wastage and minimising energy consumption. Such technologies could be developed by close interaction of R&D institutions with industries and through innovative projects of techno-preneurs. Accordingly, a multi-tier support system may be required for inducing technology based competitiveness of the sector with the collaboration of government, industry clusters, industry associations and private R&D institutions. There is a need to support innovative ideas to develop them to marketable products, facilitate linkage of

MSME Clusters/Mini Clusters to public and private R&D institutions and finally subsidise the cost of technology available in the international market. Liberal Government policies and assistance are pre-requisites for nurturing innovative ideas both by academic institutions and techno-preneurs.

20. The issue may be addressed by developing collaborations of Public / Private R&D institutions with the cluster/industry associations to take up R&D in focused areas of manufacturing with clear objectives, deliverables, time line and project budget. This will ensure industry acceptability of the technology developed and delivery of the technology within the specified time frame. The Government assistance may vary depending upon the level of the technology & the transaction cost involved and may be kept at an attractive level, especially for the projects taken up for technology development for nano-technology, aerospace, defence sector etc. to incentivize these sectors. Competitive manufacturing technologies are available in the international market for various industries. To facilitate absorption of such globally competitive technologies, government may subsidise the industry. Extent of support may again vary with the type of industry and the level of technology being adopted.

21. The Group recommends a scheme for Technology Acquisition and Support with adequate allocation to assist both development of indigenous technology and acquisition of global technology by the Indian MSMEs. Setting up of a fund for Technology Acquisition and Support was also recommended by the Prime Minister's Task Force on MSME sector and without such support the MSME sector cannot come out of its technological obsolescence and move up the value chain.

22. The Group recommends that separate schemes of the Ministry for installation of plants and equipments with advanced technologies, viz., CLCSS & NMCP components be merged into the aforesaid scheme for Technology Acquisition and Development. Adoption of renewable energy based technologies may also be provided adequate incentive to overcome higher transaction cost for adoption of such technologies by the MSMEs. The

Group also recommends that the ceiling on eligible project cost under the existing Credit Linked Capital Subsidy Scheme (CLCSS) be raised to Rs. 5 crore with a built in mechanism in the scheme for indexing of the limit on project cost with the rate of inflation.

23. The Group also recommends that technology oriented initiatives under NMCP be clubbed as the modified NMCP Scheme and offered to MSME Clusters/Mini-Clusters as a package on a Cafeteria mode and they can develop their own projects as per the requirements. This will obviate offering separate doses of various techniques for process and productivity improvement. However, the present scheme on support for Information and Communication Technology may be continued as a separate scheme under the umbrella scheme to wide spread adoption of ICT by the MSME sector with adequate government funding.

24. Following interventions are proposed to provide support to the start-ups in the Hi tech and Emerging Sectors–

- a) Modular industrial estates/laboratories near premier technical institutions with the required plug & play facilities.
- b) Linkage to angel/venture capital for sourcing the initial capital requirement.

25. The Group recommends that during the 12<sup>th</sup> Plan period, at least 20 modular industrial estates with plug and play facilities in the respective areas may be launched in collaboration with IITs, IISc and other premier institutions. Towards providing starting capital, globally angel/venture funds are the prime source of funds to the Start Ups. While these funds finance a project on the basis of their own risk analysis and valuation, the Groups opines that Government can provide some comfort to these funds towards reducing the risk. This could be in the form of a guarantee or by co- investment through a Government promoted venture fund. The venture capital fund launched by SIDBI can play major role in this regard.

26. In the opinion of the Group, instead of launching a separate scheme for the start-ups, it may be appropriate to address the above issues under the respective verticals. Accordingly, setting up of modular estates has been taken up under the Infrastructure vertical and financing mechanism under the Credit & Finance vertical. As mentioned above, IPR related issues are to taken up by the IP facilitation centres which may be appropriately funded under NMCP.

27. The Working Group recommends a total allocation of Rs.9500 crore for various schemes under Technology vertical during 12<sup>th</sup> Five Year Plan, of which Rs.5000 crore is proposed for Modified NMCP, Rs.4000 crore for Scheme for Technology Acquisition and Development including CLCSS and Rs.500 crore for Scheme for Promoting ICT Application.

### **Infrastructure Development**

28. Cluster based intervention has been acknowledged as one of the key strategies for comprehensive development of Indian industries, particularly the Micro and Small Enterprises (MSEs). The Ministry of MSME has adopted the cluster approach as a key strategy for enhancing the technical and physical infrastructure as well as capacity building of micro & small enterprises and their collectives in the country. It launched a special scheme known as 'Integrated Technology Upgradation and Management Programme' (UPTECH) in 1998. In August 2003, the Scheme was renamed as Small Industry Clusters Development Programme (SICDP) and made broad-based by adopting holistic development encompassing soft interventions (viz. technology, marketing, exports & skill development) and hard interventions (viz. setting up of Common Facility Centre (CFC), etc.). The SICDP guidelines were comprehensively revised in March 2006. The scheme was renamed as Micro & Small Enterprises – Cluster Development Programme (MSE-CDP) and its guidelines were further modified in February 2010 with enhanced funding support. Since 1994, Ministry had also been supporting creation and upgradation of industrial infrastructure in the States under Integrated Infrastructural Development (IID) Scheme. In accordance with decisions of the

Package for Promotion of MSEs, this scheme was subsumed under MSE-CDP in October 2007, with the existing funding pattern.

29. To strengthen and expand existing IID component of MSE-CDP Scheme of M/o MSME, the Group recommends that the eligible project cost for infrastructure development (excluding cost of land) for Government of India assistance should be enhanced from present limit of Rs 10 crore to Rs 15 crore. To complement the efforts of State and Central Government, private sector (companies and SPVs) should also be allowed for development of infrastructure , with Government of India assistance. Assistance for upgradation of existing industrial estates may be made more attractive in order to get proposals from State Governments for upgradation of existing industrial estates. Demand based additional IID projects may be permitted in districts, subject to 90% allotment and 50% setting up of units in approved IID projects. The Group recommends continuation of the infrastructure development scheme with increased allocation.

30. Land and infrastructure constraints are major problem areas, particularly in bigger and metro cities. As production processes of majority of MSEs can be accomplished in Flatted Factories, such Complexes may be encouraged by providing financial support under the IID scheme. Likewise, accommodation problem of industrial workers may be addressed to a great extent by supporting dormitories (in or around industrial estates/ areas). SPVs may run the dormitories on sustainable basis. The Group recommends establishing flatted factory complexes during the 12<sup>th</sup> Plan period.

31. Maintenance of Industrial Estates (mainly maintenance of roads, drainage, sewage, power distribution and captive power generation, water supply, dormitories for workers, common effluent treatment plants, common facilities, security, etc.) is a critical component for successful functioning of the industrial enterprises in any industrial estate/ industrial area. Industrial estates are generally developed by state industrial development bodies (e.g. HSIDC in Haryana, RIICO in Rajasthan). It may be appropriate to handover maintenance of Industrial Estates to industries associations, local bodies, state government agencies, SPVs on self sustaining basis.

32. World over, hi-tech and innovative enterprises start in Modular Industrial Estates. To encourage such ventures, Modular Industrial Estates having Raw material Bank, Technology Resource Centre, Design Centre, Business Centre, Tool Room, Testing Centre, Incubation Centre, Training Centre, Mini Trade Fair Centre etc. are proposed to be set up near Centres of Excellence like IITs. It is proposed that during 12<sup>th</sup> Plan, modular Estates be launched for start-ups in emerging sectors under the IID Scheme.

33. The Cluster Development Programme of the Ministry of MSME (MSE-CDP) is focused towards upscaling the MSME Clusters of India and to enable them to be globally competitive through soft and hard interventions. The Group recommends that the programme be continued for the 12<sup>th</sup> Plan period with scaled-up interventions, both hard and soft, in MSME clusters.

34. In order to provide integrated marketing support to MSMEs, the Group recommends for introduction of a new 'Scheme for development of Marketing Infrastructure for MSMEs' during 12<sup>th</sup> Plan Period. The projects/infrastructure to be funded under the proposed scheme would inter-alia include Establishment of Display-cum-sale/Exhibition Centres and Establishment of Information Dissemination Centres.

35. Presently, there are many testing laboratories in the country which are providing testing facilities to the industrial sector including micro units. Specialized testing facilities for certain high end products specially leather items are not available in the country. The exporting MSME units are availing these facilities from the overseas testing labs. As such, there is need for creation of additional testing facilities in the country. The Group recommends setting up of at least 100 nos. quality testing laboratories for MSMEs in cluster/industry concentration, district/major industrial area. This activity can be undertaken under Public Private Partnership mode. There is also need for upgradation of existing Test Laboratories under the Ministry.

36. The 18 Tool Rooms / TDCs/CFTIs functioning under the Ministry are Centres of Excellence for upscaling the skill base of the respective industries as well as providing common facility services in state of the art machines.

Keeping in view the enormous growth potential of the sectors like engineering, auto component, leather etc. and need for skilled workers in these sectors, it is recommended that 100 such facilities be set up in important clusters / industrial districts during the 12<sup>th</sup> Plan period. Further, upgradation of existing Tool Rooms / TDCs/CFTIs should also be focused upon.

37. The Working Group recommends a total allocation of Rs.11360 crore for various schemes under Infrastructure vertical during 12<sup>th</sup> Plan period, of which Rs.7500 crore is proposed for Establishing new & modifying existing Tool Rooms/ TDCs/CFTIs, Rs.1560 crore for Industrial Infrastructure Development Project, Rs.1000 crore for Setting up new & upscaling existing Testing Centres / Testing Stations, Rs. 800 crore for MSE-Cluster Development Programme and Rs.500 crore for establishing Marketing Infrastructure for MSMEs under PPP mode.

### **Marketing and Procurement**

38. Marketing is the most important tool in business development that leads a product from creation to customer through different channels. In this era of globalization, market for a product sans frontiers. Marketing is one area where MSMEs face more challenges than opportunities. The challenges range from procurement of raw materials to lack of market information. Marketing is a dynamic activity that requires constant update on the marketing intelligence and new tools of marketing. It includes a whole gamut of activities such as packaging, labeling, trade mark, bar coding, brand building, advertisement, domestic & international exhibitions, buyer-seller meet, marketing intelligence, e-marketing and customer service to name a few. Compared to large industries, MSMEs face several constraints in the marketing & procurement front due to their limited maneuverability in such wide ranging activities either on account of lack of finance or on account of lack of awareness.

39. With the increasing global economic integration, international market has become much wider than the domestic market for MSMEs. Over the

years, the share of MSMEs in total manufacturing export has risen to a healthy level of over 40 percent. However, this rosy figure comes with a caution that hardly one percent of MSMEs are exporting units. This calls for widening and deepening of international markets by MSMEs. Globalization and WTO norms make profound impact on the existence as well as market of MSMEs. On the other side, there is a rising domestic market due to rising income, especially the rising rural income. MSMEs need to tap these potential markets by way of aggressive marketing, improved technology and better competitiveness. MSMEs should also devise strategies to counter increasing market invasion by branded products of big corporates, a threat which is looming large on MSMEs.

40. While marketing of products of MSMEs mostly depends upon the market forces and individual efforts of the enterprises, Government and its organizations can play the role of a facilitator to help MSME sector in these endeavors. Ministry of MSME and its attached organizations have been assisting the sector through certain schemes and programmes. However, emerging marketing challenges call for scaling up of these programmes and introduction of certain innovative policies/ programmes for the Sector during the 12<sup>th</sup> Five Year Plan.

41. There are multiplicity of market development assistance programmes to support MSMEs for participation in domestic and international trade fairs, bar coding, packaging and standardization within the Ministry. There is need for rationalization and consolidation of such programmes under different broad heads. There is also need for up scaling such programmes with higher financial allocations during the 12<sup>th</sup> Five Year Plan to cater to the vast requirement of the MSME sector. The Group recommends an allocation of Rs.550 crore for Modified Market Development Assistance (MDA) Scheme and Rs.200 crore for the Scheme on Barcoding & Packaging during 12<sup>th</sup> Plan.

42. The Working Group recommends new schemes in 12<sup>th</sup> Five Year Plan especially in areas of use of ICT for creating cluster-level, state-level and national level B2B portals with connectivity to international markets and

marketing infrastructure such as setting up of testing facilities and establishment of information dissemination centres and display-cum exhibition centres. The plan allocation for such schemes can be made under Infrastructure vertical and Technology vertical (ICT Scheme) respectively. The vacant land available in the premises of MSME DIs and DICs can be put to use for construction of display cum exhibition centres and establishment of information dissemination centres.

43. The Working Group also recommends setting up of marketing organizations in clusters in PPP mode through formation of SPVs, which would form the focal point at the cluster level for all marketing related activities such as e-marketing, branding, advertising, bar-coding, participation in domestic and international trade fairs etc. Accordingly, an allocation of Rs. 360 crore is proposed for above initiatives during 12<sup>th</sup> Plan.

44. Today, India is among the fastest growing economies in the world. Besides the large enterprises, a significant section of Indian MSMEs have acquired global competitiveness, particularly in sectors like Auto components, Leather Goods, Garments, Engineering items, Gems and Jewellery etc. In the services sector education, health care, grooming and beauty therapies have enormous export potentials. Direct export from these enterprises particularly to countries in developing world like Africa could be multi folded through enabling services like information on new markets /products, offshore warehousing, product promotion etc. As individual enterprises do not have sufficient resources to take up such initiatives, Government can provide necessary facilitation by cluster / consortia based initiatives through PPP mode. Besides focusing on global markets for product exports, time is also ripe for Indian MSMEs to shift their manufacturing bases. The interventions may include assisting Indian SMEs to acquire firms abroad to expand offshore manufacturing, especially in Africa & Latin America , country specific and product specific market studies, research, market forecasting , business practices & regulations in potential international markets , aggressive market promotion activities, especially through permanent marketing windows in Indian Diplomatic Missions abroad, developing brand equity of Indian MSMEs,

particularly for niche products like herbal medicines, health care, education etc., developing market intelligence on enterprises available for take over etc. The Group recommends that a dedicated scheme with a corpus of Rs.1000 crore under Marketing vertical may be kept aside for enabling global footprints of Indian MSMEs.

45. The Government has recently approved a Public Procurement Policy for MSME sector. The implementation of the policy needs to be hastened. Further, there is also need for gradual inclusion of private sector in the procurement policy for the MSME sector. Offsets under defence purchases have vast potential for MSME sector. There is need for setting up a mechanism in the M/o Defence to ensure that the offsets under defence purchases are suitably focused to support SMEs in upgrading their capacities. There is also need for setting aside certain percentage of raw material by bulk producers for MSME Sector.

46. The Working Group recommends a total allocation of Rs.2110 crore for various interventions under Marketing vertical during 12<sup>th</sup> Five Year Plan.

### **Skill Development & Training**

47. Lack of skilled manpower and information as well as lack of reach to modern technology are key issues affecting the growth of MSME sector. It is often said that India enjoys a “demographic dividend” compared to rest of the world due to its huge population in productive age group. Most of the other developed as well as developing countries face the threat of an aging population. If this comparative advantage can be augmented with adequate skill development, India can become the global supplier of quality manpower. In this backdrop, Ministry of MSME has decided to accord top priority to skill development. The Ministry conducts a large number of short term as well as long term courses to train unemployed youth for self employment, to provide necessary skill to the youth to make them eligible for wage employment and also to upgrade the skill level of existing workers and entrepreneurs of MSME sector. Prime Minister’s Task Force has identified lack of skilled manpower as a road block for the growth of the MSME Sector. The Ministry of MSME

has been mandated to provide skill to 42 lakh persons during the 12<sup>th</sup> Plan period. The challenges before the Ministry are:

- i. To upscale the training capacities from the present capacity of training 4 lakh persons per year to more than 8 lakh persons per year during the 12<sup>th</sup> Five year Plan.
- ii. Spreading skill development activities throughout the country, particularly in the backward areas & the areas infected by extremism and reach the weaker sections of the society.
- iii. Developing an eco-system for the success rate of training in self employment or job employment through the process of Train - Loan - Link – Support.
- iv. Developing a pool of certified trainers with adequate technical competency.
- v. Developing a self-sustainable mode for conducting the training programmes with reduction in budgetary allocation over the period.
- vi. Standardising the curricula for the training programmes to be implemented uniformly all over India.
- vii. Developing a transparent system for conduct of the programmes, registration of participants etc. and putting it in the public domain.

48. The Working Group recommends up-scaling of the training capacity of the Ministry through public private partnership mode. Group also recommends that besides existing programmes for entry level/new entrepreneurs, training programmes be also conducted for skill up-gradation of Chief Executives/Owners of the MSMEs with some element of subsidy from the government. To ensure quality of training programmes conducted and transparency in the entire process of selection-registration-administration-handholding of the trainees, it is recommended that a web-based management information system be launched. The respective portal should also host the details of the training curricula, trainer/faculty and process of training. Further, training may be provided for MSME Associations also.

49. To coordinate the entire process of conducting skill development programmes setting up of a virtual SME University has also been recommended. The proposed University will standardise the training curricula, certify the trainers and certify the trainees on completion of the programme. Ultimately, the University will be a repository of the details of the persons trained under various programmes of the Ministry as well as other Ministries and function as a virtual Employment Exchange.

50. Towards enhancing skill level of workers of MSME Sector, setting up of 100 Tool Rooms/ Technology Development Centres(TDCs)/ Central Footwear Technology Institutes (CFTIs) is recommended which will provide specialised training to the existing and prospective workers of the manufacturing sector. These Institutions set up in Industrial Districts / Clusters with state of the art machines shall provide training to the youth to make them readily employable in high growth sectors like auto components, engineering, leather, garments etc. Necessary Budgetary allocation has been proposed under Infrastructure vertical.

51. For ensuring sustainability of programmes, it is proposed that programmes be gradually taken to self-financing level, which will also ensure quality as demonstrated by training programmes conducted by Tool Rooms on self-sustainable basis.

52. To ensure a high success rate of trainees, involvement of industry associations in training programmes has been recommended for identification of the skill gap, developing appropriate training curricula and handholding of trainees in self/wage employment. To ensure institutional credit to the trainees for self employment, it has been proposed that 50% of the targets under PMEGP may be set aside for the trainees of the various skill development programmes undertaken in the Ministry.

53. The Working Group recommends a total allocation of Rs.3600 crore for various schemes under Skill Development & Training vertical during 12<sup>th</sup> Five Year Plan under which a provision of Rs.2500 crore is kept for the umbrella

scheme on Skill Development, Rs.900 crore for setting up / strengthening of EDIs, Rs.100 crore for proposed Virtual SME University and Rs.100 crore for ongoing TREAD scheme.

### **Institutional Structure**

54. The Institutional and legal framework for promotion and development of Micro, Small & Medium Enterprise (MSME) sector of India is spread both at the National & State level. The primary responsibility for the development of MSMEs lies with the State Governments. Government of India supplements their efforts through a range of initiatives. The employment intensive MSME sector has suffered extensively due to plethora of laws, rules and regulations that have accumulated during the years of control regime. Ensuring compliance with so many regulations coupled with Inspector Raj has stifled growth of the sector considerably. Prime Minister's Task Force, in its report, have made significant recommendations on liberalising the policy regime for the MSME sector, viz., introduction of Insolvency Act, liberalisation of labour laws, liberalisation of Apprenticeship Act, strengthening of District Industries Centres etc.

55. The Group has identified the following issues to be immediately addressed to unshackle the growth of the MSME sector –

- i. Environmental issues
- ii. Labour issues
- iii. Exit policy
- iv. Amendment of MSMED Act
- v. Restructuring of the DICs and MSME-DIs

56. On the environmental issues, it is recommended that the relevant policies be made uniform all over India with appropriate relaxation of the controls for MSMEs. Regarding labour issues, the immediate need is to consolidate plethora of labour laws into one user friendly law. The enactment of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 is a harbinger for the growth of MSME Sector. However, there is an urgent

need to strengthen various provisions of the Act along with enactment of the rules under various sections.

57. The District Industries Centres under State Governments and MSME Development Institutes of Ministry of MSME provide facilitation to the new and existing entrepreneurs in developing their enterprises. With the implementation of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, two new sectors were classified in the country i.e. medium sector and service sector, which required special attention for promotion and growth as these sectors were identified for the first time in any statute. The total number of small and micro units tremendously increased from 3.3 million in 2000-01 to 26.1 million in 2007. The number of entrepreneurs trained in 2002-03 was 10,739 which has increased 8.2 times to 99,635 in 2010-11. Contrary to that the trainers and technological force of officers in MSMEDIs has gone down by 30%. Office of DC, MSME and MSMEDIs need to be strengthened both in terms of facilities and manpower to take additional charge of medium enterprises, formulate and implement promotional measures for them to make India a land of sunrise and technologically advanced enterprises. To provide support at the grass root level to the MSMEs, there is an immediate need for the resurgence of both the agencies. To provide support at the grass root level to the MSMEs, there is an immediate need for the resurgence of both the agencies. While an elaborate proposal for the restructuring of the DICs is already under the consideration of the Government, re-engineering of the MSME Development Institutes and the office of the Development Commissioner, MSME may be taken up during the 12<sup>th</sup> Plan Period. The Group recommends an elaborate programme during the 12<sup>th</sup> Plan Period for re-engineering of the office of DC, MSME as well as the network of field offices and retraining of the officers with a proposed outlay of Rs. 1000 crore. Similarly, creation and maintenance of a comprehensive database of MSME sector, including unorganized sector, is a pre requisite for sound policy formulation. The database should also include data on Govt./ PSU procurement from MSEs and sectoral data. The group recommends immediate attention to these requirements and proposes a scheme with an allocation of Rs.2000 crore for this during 12<sup>th</sup> Plan Period.

58. Introduction of filing of Entrepreneurs Memorandum under the MSMED Act was an important initiative towards liberalisation of the MSME sector. This provision liberated the entrepreneurs from the hurdles of registration of enterprises required under previous policy regime, for availing institutional finance and infrastructural support. However, implementation of the process of filing of Entrepreneurs Memorandum is still very tedious and full of road blocks. The Group recommends for application of e-governance for streamlining of procedures and for that purpose setting up of an information and data base network among the DICs, MSME-DIs and the Ministry.

59. Provision of the delayed payment under the MSMED Act was another facilitator for ensuring regular cash flow to Micro & Small Enterprises against the supplies made. Micro & Small Enterprises Facilitation Councils (MSEFC) stipulated under the Act to be set up at the State level were foreseen as facilitators to the MSEs. However, most of these MSEFCs are not operating efficiently. In fact, in some states they are yet to be constituted. The Group recommends immediate action for upscaling the activities of these MSEFCs and introduction of an information and communication network for operation and monitoring of these MSEFCs. Further, the Group recommends an allocation Rs. 100 crore during 12<sup>th</sup> Plan for promoting online filing of EM and capacity building of MSMEFCs.

60. The Working Group recommends a total allocation of Rs.3100 crore for various interventions under Institutional Structure vertical during 12<sup>th</sup> Five Year Plan.

### **Khadi & Village Industries**

61. The broad targets for development of khadi and Village industries sector during the 12<sup>th</sup> Plan period are to achieve at least 11% growth in Khadi sector and 13% growth in Village Industries. The strategy for achieving targets are to develop product-wise clusters of Khadi & Village Industries products and develop their domestic as well as export market, introduce innovations in design, technology, creation of entrepreneurship and growth in manufacturing

in rural non-farm sector to prevent migration by enhanced allocation for PMEGP. Other focal areas are building up competitiveness in traditional industries in Khadi and VI sectors by enhanced allocation for the cluster development scheme of SFURTI, upgradation of the Khadi Institutions, introduction of Public Private Partnership in marketing operations etc.

62. In order to have a greater impact of interventions, thin spreading of resources has to be avoided. A number of schemes having apparently overlapping objectives were under implementation during XI five year plan. It was desired that an exercise of rationalization of schemes be carried out to have a fewer number of schemes with enhanced allocations. Existing schemes and small interventions (other than SFURTI itself, MDA, ISEC and JBY, as also PMEGP, KRDP and MGIRI) of XI Plan with similar or even overlapping objectives will accordingly be bundled together under new umbrella names.

63. Schemes namely, (i) 'Enhancing Productivity and Competitiveness of Khadi Industry and Artisans', (ii) 'Strengthening Infrastructure of Existing Weak Khadi Institutions and Assistance for Marketing Infrastructure' (iii) 'Product Development Design Intervention and Packaging', (iv) 'Workshed Scheme for Khadi Artisans', (v) 'Rural Industries Service Centre' and other small interventions run by KVIC during XI Plan from Khadi Grants and VI Grants are proposed to be bundled along with existing components of SFURTI.

64. Interventions under existing Village Industry Grants undertaken by KVIC for promotion of village industries under seven specified categories (i.e., Agro Based & Food Processing Industry (ABFPI), Forest Based Industry (FBI), Mineral Based Industry (MBI), Polymer & Chemical Based Industry (PCBI), Rural Engineering & Bio Technology Industry (REBTI), Handmade Paper & Fibre Industry (HMPFI) and Services & Textiles) will be bundled under the name 'Promotion of VI and Development of Existing Weak VI Institutions' (PROVIDE). This will also have an additional component of a revival package for around 500 weak VI institutions as also insurance for VI artisans. The interventions of 'HRD', 'IT' and 'Estates & Services' under VI Grants will be clubbed under the name 'Development of Infrastructure and Skillsets in KVI Sector' (DISK).

65. Marketing and Publicity will be clubbed under a scheme named 'Marketing (including Export Promotion) and Publicity'. The assistance provided as MDA under Khadi Grant and VI Grant will, in its modified form, be a distinct part of this scheme.

66. Khadi S&T and VI S&T will be clubbed together. It will also have a new distinct component of providing assistance to khadi and VI institutions for promotion of khadi and VI as an eco-friendly, exclusive, green product.

67. Supports like MDA, ISEC and JBY being the basic and critical component of any KVI institution will continue independently. It may be added that the programmes of PMEGP, KRDP and MGIRI will also continue independently.

68. PMEGP has emerged as the flagship scheme of the Ministry of MSME. It is pertinent to mention that PMEGP contribute significantly to the creation of first generation entrepreneurs in the unorganized sector who can eventually graduate to the organized sector. The Working Group recommends strengthening of the scheme with enhanced allocation and a few modifications. Project cost ceiling under the scheme may be raised suitably with reduced subsidy for bigger projects. The target under PMEGP may be enhanced to assist setting up of 4 lakh enterprises with additional employment creation to the tune 32 lakh during 12<sup>th</sup> Plan period, with an outlay of Rs. 9,700 crore (Rs.9200 crore for margin money subsidy and Rs.500 crore for backward & forward linkage component).

69. SFURTI, the nodal scheme of the Ministry for resurgence of the Khadi and Village Industries clusters, was launched during 2005-06 and was mostly implemented during 11<sup>th</sup> Plan period in 29 Khadi and 50 Village Industries Clusters. External evaluation study has been conducted in respect of KVI clusters and the results are encouraging. It is proposed to take up 915 KVI Clusters(15 KVI Heritage Clusters, 450 Khadi, & 450 VI Clusters) with enhanced quantum of grants under a scheme with a proposed outlay of Rs. 1000 crore. The scheme will have components of common facility centre and all other necessary supports required for KVI activities, most of which are being provided at present in a multitude of schemes under Khadi Grant, VI Grant and other

schemes. Here it may be mentioned that SFURTI also very significantly contributes to the creation of a competitive advantage for the units in the unorganized sector especially the traditional industries, through better support services and economies of scale.

70. The other major recommendations of the Group for the sector are completion of ongoing KRDP in 250 Khadi Institutions and its continuation for another 300 Khadi Institutions with an allocation of Rs.1290 Crores, allocation of Rs.470.00 Crore towards Market Promotion, including export promotion exhibitions, publicity, new scheme for Marketing complexes/ plazas and other activities, Rs.100.00 crore allocation for MGIRI for carrying out innovations, product development, and provision of Rs. 225.00 Crore towards interest subsidy for Khadi Institutions not eligible under modified SFURTI and Miscellaneous heads under Khadi grant.

71. An outlay of Rs.30 Crore is proposed for promotional measures for 7 categories of village industries under a new scheme of Promotion Of Village Industries and Development of Existing Weak Village Industries Institutions (PROVIDE) which may also include the existing interventions undertaken by the KVIC for the promotional Village Industries. In addition, a revival package is proposed for about 500 Village Industry Institutions with an outlay of Rs.200 Crore under the proposed scheme.

72. Bundling of IT, HRD & Estates and services to meet the infrastructural, ICT and Skill need of KVI sector is also proposed under a new scheme of Development of Infrastructure and Skillset in KVI sector (DISC) with an outlay of Rs.356 Crore. Allocation of Rs.25.00 Cr. towards promotion of khadi as an exclusive heritage and green products, Rs.20 Crore for incentivizing IPR in KVI Sector and Rs.25 Crore in Science & Technology in Khadi & Village Sector is also recommended. The Ministry may also consider allocation of Rs.300 Crore for one time waiver/settlement of loans.

73. The Group recommends a total allocation of Rs.14800 crore for various interventions in Khadi & Village Industries sector during 12<sup>th</sup> Plan Period.

## **Coir Sector**

74. Coir is the wonder material of India with diverse applicability. A bi product of coconut, coir has age old use in making mats, ropes etc. Limited to the southern coastal region of India, mainly Kerala, till independence coir industry was 'another' agro bi- product sector. However, with the setting up of Coir Board, Government of India developed a new vision for the sector. With the initiatives of Coir Board, Coir sector today is a supplier of diversified products like geo- textiles etc.

75. Currently, the Industry is suffering from shortage of coir fibre, the basic raw material of the industry. In order to enhance the utilization of coconut husks, the Group recommends establishing Husk Collection Banks as a backward integration to the fibre extraction units in the industry. Coir is an environment friendly product. The Group recommends that by leveraging the 'Green' image, the target of export of Coir and Coir products may be doubled by the end of XII plan period from the current export level of Rs.800 crores per annum. A target of domestic sale of Rs.2000 Crore may also be set for the 12<sup>th</sup> Plan period.

76. Coir Board should also develop an action plan to increase the no. of working days to 250 minimum so that the present workers could be sustained. Further, additional employment could be generated to 50,000 workers in the non-traditional sectors besides generating employment to a substantial no. of women workers in the husk collection activities.

77. At present, the training programmes being implemented by Coir Board do not entail any commitments on the part of trained hands to continue in the coir sector. Therefore, a new Entrepreneurship Development Programme may be introduced under which training should be provided to the women workers/prospective entrepreneurs who have already made some commitments to start coir units under specially designed training programmes. The Group noted that the achievement under the Mahila Coir Yojana during the past four years ranges from 10% - 48%. Therefore, a modified scheme of Mahila Coir Yojana by including modern spinning devices and weaving equipments may be introduced during 12<sup>th</sup> Plan. The ceiling of assistance may be increased

suitably from the present level of Rs.7,500/- to offset the increase in the cost of machinery etc.

78. The present scheme of Development of Production may be continued during the XII Plan period with enhanced ceilings. The Central Coir Research Institute, Kalavoor and the Central Institute of Coir Technology, Bangalore have developed a few technologies which are capable of revolutionizing the coir industry. However, all these technologies have not reached the grass root level as CCRI and CICT have only a limited contingent of scientists and technical staff. The Group recommends creation of Centres of Excellence in different zones of the country so as to effectively transfer the technologies developed by the CCRI/CICT to the trade.

79. Under the Prime Minister's Gram Sadak Yojana (Bharat Nirman), it has already been decided to use coir geo textiles for construction of rural roads in 9 States. In future, the project is likely to be extended to all 28 States of the country. The coir industry will be facing problems in catering to the huge requirements of the coir geo textiles all over the States unless adequate measures are taken by the industry to have a decentralized production infrastructure to cater to the huge requirements. The Anugraha loom developed by the CCRI will be handy for development of production infrastructure for the manufacture of Coir geo textiles. Coir yarn can be spun using fully automatic spinning machines established with the support of REMOT Scheme. Action plan for the production of coir geo textiles may be prepared and implemented by the Board during the 12th plan period.

80. Government of India approved the Scheme of Rejuvenation, Modernisation and Technology Upgradation of Coir Industry (REMOT) for implementation during the XI Five Year Plan with a total outlay of Rs.243 crore comprising the Government of India grant of Rs.99 crore. The scheme envisaged rejuvenation, modernization and technology upgradation of 4000 spinning units and 3200 tiny household units during a period of five years. The maximum ceiling of financial assistance under the scheme may be enhanced suitably to cover small and medium scale units who will be able to

afford higher investments, with an allocation of Rs.192 Crores during the 12<sup>th</sup> Plan Period.

81. As of now, no brand promotion efforts are undertaken by the coir industry either in national or in international market. Participation of the Board in trade fairs may be continued so that the 'Indian Coir' becomes a generic brand in the international markets. Allocation of Rs. 198 crore has been proposed for promotion of domestic and export markets during 12<sup>th</sup> plan period. 'Alleppey Coir', which has been awarded the prestigious Geographical Indication tag, also need to be promoted as a brand so as to take full advantage of the G.I. Registration. An allocation of Rs.10 Crores for IPR related activities including registration of GI may be provided. New schemes may also be formulated for Husk Collection Banks, use of natural dyes and Health Insurance for Coir Workers. Besides, the existing schemes of SFURTI, Science & Technology, Market Promotion etc. may also be continued with appropriate restructuring.

82. The Group recommends a total allocation of Rs.870 crore for various schemes in Coir Industries sector during 12<sup>th</sup> Plan Period.

### **Support Package for Start-Ups in Emerging Areas**

83. The Sub Group on Emerging Technologies has made a number of recommendations on supporting the start-ups. Start-ups are enterprises with innovative ideas, often in the areas of emerging technologies, launched by technically qualified entrepreneurs. The basic infrastructure requirement of any start-up is a minimum working facility, mostly ICT based, for experimenting with the idea. The global model is 'Plug and Play' modules for immediate starting of activities. These should be preferably located near a premier institution in the respective subject where required testing and handholding facilities will be available.

84. So far, financing the projects are concerned, generally the bank loans are not readily available for such start-ups due to the unverified business model and high risk of failure. World over, angel funds and subsequently,

venture capital provide the capital support to the start - ups. When the business model reach the stage of commercial success, the growth rate of the start-ups become phenomenal and naturally they shift to full-fledged offices/industrial premises for scaling up of the activities with the conventional sources of finance like bank credit etc.

85. The Group recommends that during the 12<sup>th</sup> Plan period, modular industrial estates with plug and play facilities in the respective areas may be launched as pilot projects. Towards providing starting capital, globally angel/venture fund are the prime source of funds to the start- ups. The venture capital fund launched by SIDBI can play major role in this regard. Towards protecting the Intellectual Properties generated by the start ups, Government may assist in filing of patents or alternative IP protection mechanisms.

86. In the opinion of the Group, instead of launching a separate scheme for the start-ups, it may be appropriate to address the above issues under the respective verticals,viz., setting up of the modular estates has been taken up under the Infrastructure vertical and financing mechanism under the Finance& Credit vertical. IPR related issues may be taken up by the IP facilitation centres funded under NMCP component of Technology vertical. However, a Cell in the O/o DC (MSME) may be formed to function as a single window for the start-ups.

### **Un-organised sector**

87. The Sub-Group on Un-organised sector has recommended outlay of Rs. 45,550 crores under different heads – skill development (Rs. 17550 crore), hand holding support (Rs. 2500 crore), credit support (Rs. 7500 crore), infrastructure development (Rs.16000 crore) and creation of data-base (Rs 2000 crore) for the 12<sup>th</sup> Five Year Plan. It is the considered view of the Working Group that since the issues relating to unorganized sector are being addressed by different Ministries under different schemes, it may not be appropriate to recommend a huge allocation for the sector under the Plan

Budget of the Ministry of MSME. The Working Group recommends independent examination of the recommendations of the Subgroup on Unorganised Sector by the Planning Commission while evolving a unified set-up for addressing the issues relating to the sector by bringing under one folder various schemes/proposals for the sector as implemented by different Ministries. However, schemes and interventions of M/o MSME would continue to target both unorganised and organised enterprises evenly. Focus of the Ministry would be to facilitate graduation of the unorganised enterprises into the organised fold.

### **Special Areas and Groups**

88. The Sub-Group on Special Areas and Groups has recommended specialized area specific funds for development of backward areas and special groups. The Working Group is of the view that the recommendations of the Sub-Group constituted on Special Areas & Special Groups may not be taken up separately and the most feasible way to address the issues related to the backward areas like North Eastern Region, Special areas like Jammu & Kashmir, hilly States, Left wing Extremism affected States is to provide exclusive components and delivery systems for these areas within the Schemes/Programmes proposed under the identified verticals. For providing exclusive handholding of the weaker sections of the society viz., SC, ST, Women and differently abled persons to join the main stream Industrial and Entrepreneurial process, the Working Group recommended that special components for such weaker sections be made under each programme/scheme of the Ministry with enhanced Government support and facilitation.

### **Summary and Conclusion**

89. While all the above recommendations of the Working Group are considered to be important to facilitate growth of the MSME sector during the 12<sup>th</sup> Five Year Plan period, the Group would like to mention the following Game Changers in the recommendations, implementation of which will be crucial for the ski-jumping of MSME Sector in the global market place.

## **Finance**

- Operationalization of SME exchanges for enabling access to Equity Finance

## **Technology**

- Scheme for acquisition and up-gradation of technology

## **Infrastructure**

- Developing clusters of excellence
- Setting up of 100 Tool Rooms and PPDCs

## **Marketing**

- Procurement policy for Goods/services from MSEs by the Government Deptts. and Central PSUs.
- B2B International portal.
- Enabling global footprints of MSMEs
- Leveraging Defence Offset Policies in favour of MSMEs

## **Skill Development**

- Revamped Skill Development & Capacity Building Programme.
- Encouraging young/ first generation entrepreneurs by upscaling PMEGP and other programmes.

## **Institutional Structure**

- Strengthening of Institutions – MSME-DIs, EDIs and KVI Institutions
- Application of E-tools in promotional and regulatory matters for facilitating easy entry.
- Real time Statistical & Policy Analysis through strengthening of Database.

90. The Working Group recommends focused efforts for time-bound implementation of the Game Changers.

91. The Working Group recommends 6 umbrella schemes relating to 6 verticals, i.e (i) Credit and Finance, (ii) Technology and Innovation, (iii) Infrastructure, (iv) Marketing, (v) Skill and Entrepreneurship Development, (vi) Institutional Structure. The schemes/proposals mentioned under each vertical

would be treated as components of the Umbrella Scheme relating to the vertical. The advantages of such an approach are manifold. There would be flexibility of utilization of funds under each Umbrella Scheme. Funds can be transferred to components which are doing well from those experiencing tardy implementation. The implementation of different components would be cost-effective and time saving since the inter-linkages between different components can be addressed simultaneously. For example, the land procurement and construction of building relating to setting up of CFCs, Testing Labs, Flatted Factory Complexes, Modular Industrial Estates, Tool Rooms/TDCs etc. can be addressed simultaneously under the Umbrella Scheme on Infrastructure whenever the land and building under different components are planned in the same place. The greatest advantage of implementation of Umbrella Scheme under each vertical is the visibility of impact of implementation of such Schemes.

The vertical wise proposed plan allocation for 12<sup>th</sup> Five Year Plan is as follows:

Sl No.	Vertical	Projected BE for 12 <sup>th</sup> Plan (Rs in cr.)
1	Credit & Finance	19450
2	Technology Upgradation	9500
3	Infrastructure Development	11360
4	Marketing & Procurement	2110
5	Skill Development & Training	3600
6	Institutional Structure	3100
7	Khadi & Village Industries Sector	14800
8	Coir Sector	870
Total		64790

92. The Working Group favours retention of separate identity of Khadi and Village Industries and Coir Sector in Plan allocation because of uniqueness of each of these sectors with autonomous administrative set-ups. Clubbing plan allocation for these two sectors under major verticals would not have much operational use partly because of weak linkage effect between the relevant

components of MSME sector, KVI sector and Coir sector and partly because of independent and separate administrative arrangements for these sectors. However, the Plan Matrix (Appendix III) can be used to assess the resource implication of each of the six verticals for the Ministry as a whole encompassing MSME Sector, Khadi and Village Industries Sector and Coir Sector.

93. To conclude, the Group would like to record that the MSME sector of India is today at the gateway of global growth on the strength of competitive and quality product range. However, facilitation from the Government is required to minimise the transaction costs of technology upgradation, market penetration, modernisation of infrastructure etc. History shows that only with persistent and effective Government support in these areas, the SMEs of countries like Japan, Korea etc. emerged as global players. The PM's Task Force has already taken significant initiatives in this regard. The above recommendations of this Working Group for the 12<sup>th</sup> Plan period will be vital enabler towards achieving quantum jump in the growth of MSME sector through participative, transparent and scalable policies and schemes of Government of India.

# **Chapter – I**

## **Approach to 12th Plan and Overview of MSME Sector**

1.1 The National Manufacturing Policy envisages increasing the sectoral share of Manufacturing in GDP to 25 % over the next decade and generating additional 100 million jobs in manufacturing sector through an annual average growth rate of 12-14 % in manufacturing sector. MSME sector is the major base of manufacturing sector in India with its contribution of over 45% in overall industrial output. To achieve the ambitious targets of National Manufacturing Policy, the Working Group on MSME Growth looks forward to enhance the growth rate of the MSME sector substantially from the existing level of 12 - 13 % growth rate per annum.

### **Approach to 12<sup>th</sup> Plan**

1.2 The Approach Paper of the Planning Commission for the 12<sup>th</sup> Plan period mentions MSME Sector as the foundation for the overall manufacturing sector. Nurturing competitive MSMEs would help in absorbing new technologies and improving productivity in manufacturing sector, with stimulation of the growth of dynamic clusters as a key to such an approach. The Approach Paper also stresses on need for skilled human resources for competitive enterprises and linking Skill Development and training initiatives with industry requirements. It also stresses the importance of penetration of information and communication technology, which can enhance the overall competitiveness of the sector as well as the quality of governance. Further, it also recognizes the important role of innovation in spurring growth and unleashing potential of enterprises. Thrust on frugal innovation will result in generation of affordable and accessible products and services of global standards.

## **Vision for MSME Sector**

1.3 The Working Group on MSME Growth envision a vibrant MSME sector by promoting growth and development of the MSME Sector, including Khadi, Village and Coir Industries , in cooperation with concerned Ministries/Departments, State Governments and other Stakeholders, through providing support to existing enterprises and encouraging creation of new enterprises.

1.4 Towards achieving the same, the Working Group for the 12<sup>th</sup> Five Year Plan focuses on the following key issues.

1. Improving the availability of finance by way of facilitating access to bank credit, opening alternate routes for equity funding through angel funding, venture capital, private equity etc. as well as facilitating entry to capital markets through IPOs and specialized exchanges for SMEs.
2. Improving marketing and procurement facilities through preferential treatment for MSEs in public procurement, development of B2B portals and establishing cluster based marketing networks.
3. Improving the skill level of work force through harmonization of training programmes under the Ministry with the mission of the Prime Minister's National Council for Skill Development.
4. Improving infrastructure for the MSME sector by ensuring availability of work places, common facility centres and specialized growth centres for start ups.
5. Improving technology and innovation through continuation of National Manufacturing Competitiveness Programme (NMCP), facilitating technology transfer and creation of intellectual properties and wide spreading adoption of information and communication technologies.

6. Facilitating entry of young/first generation entrepreneurs through entrepreneurial support, access to venture/equity funding, ensuring collateral free credit, providing ready-to-move workplaces, enabling entrepreneur friendly policy environment and finally ensuring access to market.
7. Developing an institutional framework for handholding of the Micro & Small entrepreneurs to move up the value chain and facilitating global competitiveness of the small & medium enterprises.
8. Projecting Khadi as eco-friendly and heritage product and leveraging KVI sector to achieve 11% growth in khadi, 13% growth in V.I. production and 12% growth in the flagship scheme PMEGP.
9. Acquiring new dimensions for Coir Sector through diversification of products and market as also technological interventions to enhance quality and competitiveness so as to double the exports from present level of Rs.800 crore within 5 years.

### **Overview of MSME Sector**

1.5 Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. The sector contributes significantly to manufacturing output, employment and exports of the country. In terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 per cent of total exports of the country. It is estimated to employ about 60 million persons in over 26 million units throughout the country. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by

the MSMEs in India. It is well known that the MSME sector provides maximum opportunities for both self-employment and wage-employment, outside agriculture sector. MSME sector contributes not only to higher rate of economic growth but also in building an inclusive and sustainable society in innumerable ways through creation of non-farm livelihood at low cost, balanced regional development, gender & social balance, environmentally sustainable development and to top it all, recession proofing of economic growth, which the sector has proven time and again .

1.6 Recognizing the contribution and potential of the sector, Ministry of SSI has been rechristened as Ministry of MSME with a broader outlook to address the overarching policy issues relating to sustaining, developing and facilitating MSMEs. It was intended to create a dynamic and enabling MSME ecosystem that eases entry barriers, formulates proactive policy framework and creates a sound regulatory environment. With the enactment of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, the concept of “enterprise” and a classification of enterprises on the basis of investment into Micro, Small and Medium were introduced.

1.7 While MSME sector continues to script an exciting success story in India, there are inherent weaknesses and systemic failures which require bold policy initiatives and massive resource allocation. The sector is a blend of tradition and modernity with an alarming level of informal sector enterprises at the bottom of ‘MSME Pyramid’. The process of liberalization and global market integration has opened up wide opportunities for the sector, as also new challenges. Transparent and efficient policy- regulatory frame work is the need of the hour. Government and other stakeholders should take concerted efforts to adopt bold strategies, best practices and progressive policy making to unleash MSME sector.

1.8 Tables below indicate the growth in nos. of MSMEs, fixed investment, production performance, employment generation and export contribution:

### Performance of MSME sector

Year	Total MSMEs (Nos. in lakh)	Fixed Investment (Rs. Crore)	Production (Rs. Crore) at Current Prices	Employment (Lakh persons)	Export (Rs. Crore)
2000-01	101.01	146845	261297	238.73	69797
2001-02	105.21	154349	282270	249.33	71244
2002-03	109.49	162317	314850	260.21	86013
2003-04	113.95	170219	364547	271.42	97644
2004-05	118.59	178699	429796	282.57	124417
2005-06	123.42	188113	497842	294.91	150242
2006-07	261.01	500758	709398	594.61	182538
2007-08	272.79	558190	790768	626.34	202017
2008-09	285.16	621753	880805	659.35	NA
2009-10	298.08	693835	982919	695.38	NA

*Source: Annual Report of Ministry of MSME for the year 2010-11*

### 1.9 Comparative growth rate of MSME sector to Industrial sector

MSME sector has consistently registered a higher growth rate than the overall growth of industrial sector as can be seen from the table given below:

Year	Growth Rate of MSME Sector (%)	Growth rate of overall Industrial Sector (%)
2002-03	8.68	5.70
2003- 04	9.64	7.00
2004-05	10.88	8.40
2005-06	12.32	8.20
2006-07	12.60	11.60
2007-08	13.00	8.50
2008-09	NA	2.80
2009-10	NA	10.40

*Source: Annual Report of Ministry of MSME for the year 2010-11*

### 1.10 Contribution of MSME sector (other than services) to the Gross Domestic Product (GDP)

Year	Contribution of MSME (%) to	
	Total Industrial production	Gross Domestic Product (GDP)
1999-00	39.74	5.86
2000-01	39.71	6.04
2001-02	39.12	5.77
2002-03	38.89	5.91
2003-04	38.74	5.79
2004-05	38.62	5.84
2005-06	38.56	5.83
2006-07	45.62	7.20
2007-08	45.24	8.00
2008-09	44.86	8.72

*\*The data for the period up to 2005-06 is for Small Scale Industries (SSI)*

*Source – Annual Report of Ministry of MSME for the year 2010-11*

## **1.11 Khadi and Village Industries sector**

1.11.1 Khadi is the proud legacy of our national freedom movement and the father of the nation. Khadi and village industries are two national heritages of India. One of the most significant aspects of khadi and village industries (KVI) in Indian economy is that it creates employment at a very low<sup>1</sup> per capita investment. The KVI sector not only serves the basic needs of processed goods of the vast rural sector of the country but also provides sustainable employment to rural artisans. Khadi and Village Industries today represent an exquisite, heritage product, which is 'ethnic' as well as 'ethical'. It has a potentially strong clientele among the middle and upper echelons of the society. Government of India has bestowed the responsibility of developing the KVI sector on Khadi and Village Industries Commission (KVIC), a statutory body established by the KVIC Act, 1956. Today, KVIC is the apex organization in the country for planning, promotion, organisation and implementation of programs for the development of khadi and village industries in rural areas in coordination with other agencies engaged in rural development. Functions of KVIC comprise of building up of a reserve of raw materials and implements for supply to producers, creation of common service facilities for processing of raw materials as semi-finished goods and provisions of facilities for marketing of KVI products apart from organizing training for artisans engaged in these industries and encouraging co-operative efforts amongst them. To promote sale and marketing of khadi and products of village industries or handicrafts, KVIC forges linkages with established marketing agencies wherever feasible and necessary. KVIC also promotes research in production techniques and equipments employed in Khadi and Village Industries sector.

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<sup>1</sup> Fixed capital investment per head of an artisan or a worker does not exceed Rs 1 lakh which is Rs 1.5 lakh for hilly areas

1.11.2 As per figures reported by KVIC, khadi and village industries' production has been growing at a compound annual growth rate of 11.2 %<sup>2</sup> over the last fifteen years as can be seen from Table below.

Table: Khadi and VI production during last 15 years

Year	Production in Rs crore		
	Khadi	VI	KVI
1996-97	626.40	3889.86	4516.26
1997-98	624.10	3895.21	4519.31
1998-99	635.89	4476.48	5112.37
99-2000	551.94	5613.41	6165.35
2000-01	431.57	6491.69	6923.26
2001-02	416.69	7140.52	7557.21
2002-03	443.07	8126.30	8569.37
2003-04	453.50	9228.27	9681.77
2004-05	461.54	10458.8	10920.4
		9	3
2005-06	468.30	11915.5	12383.8
		4	4
2006-07	491.52	13537.1	14028.7
		9	1
2007-08	543.39	16134.3	16677.7
		2	1
2008-09	585.25	16753.6	17338.8
		2	7
2009-10	628.98	17508.0	18136.9
		0	8
2010-11	673.01	19198.8	19871.8
		5	6

<sup>2</sup> Calculated on the basis of annual production figures reported in KVIC Annual Reports

1.11.3 KVIC has reported<sup>3</sup> that KVI production during 2010-11 has been Rs 19,871.86 crore (khadi Rs 673.01 crore and village industries Rs 19,198.85 crore), KVI sale Rs 25,792.99 crore (khadi Rs 917.26 crore and village industries Rs 24,875.73 crore) and KVI employment 113.80 lakh persons (khadi 10.15 lakh and village industries 103.65 lakh persons). However, there is need to further improve the data collection mechanism and put the system on more scientific basis. There has to be authentic, appropriate and useful data for the KVI managers and the decision-makers, with a regular periodicity of updation. This would require developing a more scientific system for availability of more reliable data on annual production, sale and employment and exports in khadi and village industries sector as an authentic estimate for sectoral statistics by involving reputed Government agency such as NCAER or other professional organizations.

1.11.4 Developing KVI sector and sustaining it will require an enabling environment. Any strategy adopted to develop KVI sector will necessarily involve an approach to facilitate this task through an appropriate regulatory framework. KVIC Act 1956 which was amended in 2006 will also require a re-look to assess whether it reflects the realities and development imperatives of a rapidly changing society. To ensure sustainability, it is necessary to make earnings of all those involved in the sector, especially the artisans, attractive, reduce drudgery, infuse appropriate technology and glorify the profession by giving due recognition to the talents. Production has to grow and value addition has to be significantly very high in order to cater to the bulk requirement and reach newer markets including export market. To cater to the more sophisticated clientele, products have to be of very high quality, innovatively designed and exclusive. KVI products have the potential to be marketed as eco-friendly, green, natural, niche products. To harness this, institutions and units need to be encouraged to go for ISO certification more and more and obtain GI registration, design copyrights, other quality marks, etc so that they are in a better position to provide effective quality assurance to attract customers. Towards this objective, it is required to have an intervention to provide incentives to the institutions/units that go for such quality certifications, etc. Existing national level institute (MGIRI) will be

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<sup>3</sup> KVIC Annual Report 2010-11

developed as a Centre of Excellence and Innovation in KVI designs, processes and products.

1.11.5 Projecting khadi *inter-alia* as eco-friendly, bio-degradable, non-exploitative both in respect of man (i.e. no child/ bonded labour/ exploitation, etc.) and in respect of nature (right from 'inception' to 'grave'), readily available and unique, being an exquisite heritage product, ethnic, hand-woven and humane will, therefore, be aimed at. The endeavour will also be to develop distinctive items, which would internationally attract high street fashion to consider khadi in their repertoire / collections. Simultaneously, however, certain low-end value products, especially which have high demand / returns, etc., will not be lost sight of. To ensure sustainability, appropriate technology will be pushed into the sector in a time-bound manner in the form of improved machines and infrastructure for optimising value-addition and increasing productivity. Inputs to khadi activities will preferably be encouraged in a concentrated manner through clusters, to enhance efficiency and to create visible impacts.

## **1.12 Coir Sector**

1.12.1 Coir industry is an agro-based traditional industry, which originated in the state of Kerala and proliferated to the other coconut producing states like Tamil Nadu, Karnataka, Andhra Pradesh, Orissa, West Bengal, Maharashtra, Assam, Tripura, etc. It is an export oriented industry with annual exports of over Rs.800 crore, and having greater potential to enhance exports by value addition through technological interventions.

1.12.2 The Coir Board was set up under the Coir Industry Act, 1953 by the Government of India for the overall sustainable development of the coir industry in India. The functions of the Board as laid down under the Act include undertaking, assisting and encouraging scientific, technological and economic research, modernisation, quality improvement, human resource development, market promotion and welfare of all those who are engaged in this industry.

1.12.3 The industry is besieged with a lot of problems owing to low productivity, low technological intervention, lack of modernization, quality deterioration, etc. Besides, during the recent past the industry is also facing problems of scarcity of raw materials and shortage of skilled man power consequent to the migration of labour to other sectors. There is a felt need to make appropriate interventions to mitigate the problems and make the industry a modern and vibrant one.

### **Major Concerns of MSME Sector**

1.13 Policy planners do not fully recognize the contribution of MSME sector including KVI & Coir sector while allocating resources. The under-valuation arises from complex and qualitative nature of the services rendered. Further, the sector has been confronted with countless problems such as lack of access to timely and affordable credit, absence of innovative channels of financing, low level of technology adoption, poor brand building & marketing, low level of innovation and low penetration of ICT to name a few. Even in export front, despite a reasonable growth story and share in overall exports, MSMEs are faced with several constraints. Indian MSMEs are facing stiff competition in existing export markets especially with regard to traditional sectors. This calls for diversification of markets as well as products with increased value addition. Number of exporting MSMEs also need to be increased substantially to fulfill country's ambitious export targets. Similarly, Skill Development is another important area where lot of focus and funds are required with respect to MSMEs, considering its capacity to absorb large amount of skilled work force and our need for a talented pool of youngsters.

1.14 While the growth of the MSME Sector during the past decade is quite impressive, there is need for further unshackling of the sector to derive its full growth potential. In this regard, providing a congenial regulatory framework and removal of the entry barriers are two pivotal issues. While the MSMED Act, 2006 has addressed the overall regulatory issues related to the MSME sector at Government of India level, the State level regulatory scenario is quite diverse with some of the States having highly supportive policies for the

promotion of the Sector others are lagging behind. The issue has been addressed by the Sub-Group constituted on Institutional Structure.

1.15 The entry level barriers for the new entrepreneurs are still very high in India as per the studies conducted by International Agencies, 'Doing Business' in India is still a difficult proposition. Besides the regulatory issues, availability of Institutional finance to a new entrepreneur is an area of concern. The Sub-Group on Credit has a mandate to provide a more congenial financial environment to the new entrepreneurs. Again, high rate of closure of enterprises and exit of entrepreneurs is a global phenomenon for the MSME Sector. Developing an exit policy for the sector is a challenging task and needs coordinated initiatives by multiple Ministries.

1.16 The gross mismatch between MSME sector's colossal contribution to the economy and insufficient resource allocation should be rectified at once to lead Indian economy to a higher growth trajectory. In this backdrop, MSME sector needs massive allocation during 12<sup>th</sup> Five Year Plan period (2012-17) through enhancing allocation to existing schemes as well as by adequately funding new game changing policy initiatives.

### **PM's Taskforce**

1.17 To identify issues inhibiting growth of the sector, a Task Force was constituted by the Prime Minister in 2009. In its report, the Task Force made 85 recommendations to unshackle the Indian MSMEs. While most of the recommendations have already been implemented, there are some specific issues related to policy and Government support which need immediate attention.

### **Working Group on MSMEs Growth**

1.18 Planning Commission constituted the present Working Group on Micro, Small & Medium Enterprises (MSMEs) Growth for the 12<sup>th</sup> Five Year Plan (2012-17) with 46 members representing various Ministries/Offices of Government of India, representatives of selected State Governments and

Industry Associations, NGOs etc. in May, 2011. The terms of reference of the Group (Appendix I) were to carry forward the recommendations of the Prime Minister's Task Force and suggest specific action plan and milestones to be achieved within the 12<sup>th</sup> Plan period. Further, the terms of reference of the Group also mandates suggestions to address problems of Un-organised Sector and formulate proposals/schemes to facilitate overall growth of MSME sector.

1.19 In its first meeting, the Group constituted 11 Sub-Groups on important focal areas for detailed study of the bottlenecks and to suggest facilitation needed to overcome them. The thematic purview of the respective Sub Groups is as follows. Details of terms of references of the sub Groups are at Appendix II.

- i. Credit and Institutional Finance.
- ii. Technology & Innovation.
- iii. Skill Development & Training.
- iv. Marketing & Procurement.
- v. Infrastructure.
- vi. Khadi & Village Industries.
- vii. Coir Sector.
- viii. Institutional Structure.
- ix. Emerging Technologies.
- x. Special Areas & groups.
- xi. Unorganized Sector.

1.20 At the outset, the Working Group decided to define focus areas as follows:

- i. Finance, including credit.
- ii. Marketing & Procurement.
- iii. Skill Development & Training.
- iv. Infrastructure.
- v. Technology.
- vi. Institutional Structure

1.21 The Working Group favours retention of separate identity of Khadi and Village Industries and Coir Sector in Plan allocation because of uniqueness of each of these sectors with autonomous administrative set-ups. Clubbing plan allocation for these two sectors under major verticals would not have much operational use partly because of weak linkage effect between the relevant components of MSME sector, KVI sector and Coir sector and partly because of independent and separate administrative arrangements for these sectors. However, the Plan Matrix (Appendix III) can be used to assess the resource implication of each of the six verticals for the Ministry as a whole encompassing MSME Sector, Khadi and Village Industries Sector and Coir Sector.

### **Unorganized sector**

1.22 Keeping in view the predominance of unorganized enterprises in the MSME universe, the Working Group constituted a Sub-Group to specially focus on the problems, growth issues of the unorganized sector as well as suggest support package for the unorganised enterprises. The Sub-Group on Unorganised sector has recommended outlay of 45,550 crores under different heads of skill development (Rs. 17550 crore), hand holding support (Rs. 2500 crore), credit support (Rs. 7500 crore), infrastructure development (Rs.16000 crore) and creation of data-base (Rs 2000 crore) for the 12<sup>th</sup> Five Year Plan. It is the considered view of the Working Group that since the issues relating to unorganized sector are being addressed by different Ministries under different schemes, it may not be appropriate to recommend a huge allocation for the sector under the Plan Budget of the Ministry of MSME . The Working Group recommends independent examination of the recommendations of the Subgroup on Unorganised Sector by the Planning Commission while evolving a unified set-up for addressing the issues relating to the sector by bringing under one folder various schemes/proposals for the sector as implemented by different Ministries. However, schemes and interventions of M/o MSME would continue to target both unorganised and organised enterprises evenly. Focus

of the Ministry would be to facilitate graduation of the unorganised enterprises into the organised fold.

### **Special Areas and Groups**

1.23 Promotion of enterprises in the North Eastern States, special category States of hilly regions and Left Wing Extremism affected areas is a major challenge before the Government. For equitable development of these States/Areas as well as to bring the youth of these areas in the main stream of economic growth, promotion of MSMEs is the most effective tool. To dwell with the entire gamut of enterprise and entrepreneurship development related issues in the special areas, Working Group constituted a Sub Group. The Sub-Group on Special Areas and Groups has recommended specialized area specific funds amounting to Rs. 1,800 crore for development of backward areas and special groups. The Working Group is of the view that the recommendations of the Sub-Group constituted on Special Areas & Special Groups may not be taken up separately and the most feasible way to address the issues related to the backward areas like North Eastern Region, Special areas like Jammu & Kashmir, hilly States, Left wing Extremism affected States is to provide exclusive components and delivery systems for these areas within the Schemes/Programmes proposed under the identified verticals.

1.24 Again for economic upliftment of the youth belonging to the weaker sections viz., SC/ST/Women and differently abled persons, entrepreneurship development is a globally recognized tool. For providing exclusive handholding of the weaker sections of the society viz., SC, ST, Women and differently abled persons to join the main stream Industrial and Entrepreneurial process, the Working Group recommends that special components for such weaker sections be made under each programme/scheme of the Ministry with enhanced Government support and facilitation. However, keeping in view the excellent performance under the TREAD scheme of the Ministry, which is an ongoing scheme, towards development of self help group of women, the group recommends

continuation of the schemes during 12 Plan period with the budget allocation of Rs. 100 Crores.

1.25 Recommendations of the Working Group on Major Verticals are described in Chapter II. Recommendations on Khadi & Village Industries and Coir sector are described in Chapter III.

## Chapter – II

### Recommendations of the Working Group on Major Verticals

#### 2.1 Recommendations on Credit & Finance

##### 2.1.1 Facilitating Credit Availability

(i) **The various estimates on the availability of credit to MSME Sector indicate a huge credit gap.**

(ii) 4<sup>th</sup> Census on MSMEs for reference year 2006-07, only 5.2% (13.5 lakh units) of total enterprises (261 lakh units) availed credit from financial institutions.

(iii) According to the Report on Creation of a National Fund for the Unorganised Sector by National Commission on Enterprises in the Unorganised Sector (NCEUS) (November 2007), the credit gap for the micro enterprises in the unorganised sector was estimated at Rs. 6.01 lakh crore (75%) as at end March 2011, with the caveat that the number of such unorganized micro enterprises was estimated at 68 million with an average credit off take of Rs 1.18 lakh per enterprise.

(iv) Though different estimates give different picture on credit gap, they are indicative of the huge credit gap in the MSME Sector which is adversely affecting the growth of the sector. The gap is normally met through informal channels, which are often at higher cost than the institutional finance.

(v) In order to reduce the MSME credit gap, Scheduled Commercial Banks (SCBs) may be directed to maintain minimum 22% in their outstanding credit growth to MSME sector during the first two years of the 12<sup>th</sup> Five Year Plan (i.e. FY 2012-13 and FY 2013-14) and further minimum 25% during the remaining three years of the 12<sup>th</sup> Five Year Plan (i.e. FY 2014-15, FY 2015-16 and FY 2016-17).

(vi) Banks should achieve 10% increase in new micro enterprises borrowers on year-on-year basis during the 12<sup>th</sup> Five Year Plan. As a Subset, banks should add at least 12 new MSMEs in their semi-urban and urban branches.

- (vii) Guarantee coverage under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) may be increased to at least 10 times the corpus during 12<sup>th</sup> Five Year Plan. The corpus of the scheme may be enhanced by an additional Rs 10750 crore during 12<sup>th</sup> Plan period. This is expected to make available Rs 180,000 crore of credit guarantee to MSEs by the end of 12<sup>th</sup> Plan.
- (viii) RBI-registered 'AAA' and 'AA+' rated NBFCs be made eligible for becoming Member Lending Institution of CGTMSE, subject to availability of additional corpus of CGTMSE
- (ix) As per the RBI instructions, Banks may adopt clusters in collaboration with Industry Associations.
- (x) Industry Associations can become an effective institutional mechanism for facilitating credit flow to MSME sector. The model adopted by SIDBI in this direction may be replicated by lead bank in their domain MSME clusters.
- (xi) RBI may announce a revised OTS scheme for SMEs under which MSMEs classified in NPA category as on 31<sup>st</sup> March 2008 would also be eligible for obtaining finance after settlement of dues under OTS.
- (xii) Banks to strictly follow Nayak Committee norms while sanctioning working capital to MSMEs and also adopt simplified application cum sanction form and Common Scoring Model for loan upto Rs. 25 lakh.
- (xiii) SIDBI and NSIC may be permitted to raise SLR bonds / Tax free bonds /Capital Gains bonds from the market as per the eligibility limit fixed by Government of India to enable these institutions in providing cost effective credit to the MSME sector.
- (xiv) Develop the capacity of the MSE loan officers by the banks to provide various advisory services like technology upgradation, consortium-led marketing etc. to the MSEs.

### **2.1.2 Venture Capital Funding**

To enable the MSMEs to have access to Venture Capital (VC) Funds, the following needs to be implemented:

- i. Exposure by banks to dedicated MSME VC Funds be treated as priority sector lending.
- ii. Enhance existing exposure by banks to Capital Market cap by 20% for MSME VC Funds (from 40% to 48% for dedicated MSME VC Funds)
- iii. Permit investment upto 10% of corpus by Pension/Provident Funds in dedicated MSME VC funds.
- iv. Introduce personal Income Tax rebate for investment in equity of MSMEs to be listed on the proposed SME Exchange – Direct / Indirect through MFs.
- v. Exempt investments in dedicated MSME VCFs from provisioning by banks.
- vi. Dedicated MSME VCFs' income be made tax-free – apart from awarding pass-through status.
- vii. A guarantee fund with a corpus of Rs. 2500 Cr. for the Venture / Angel fund investments in MSMEs.

### **2.1.3 SME Exchange**

- i. The SME Exchange may be operationalised soon and upscaled during the 12th Five Year Plan. The success of the MSME listings on the MSME Exchange would depend a lot on the final investors of the Exchange. The final investors comprise of (i) High – net worth individuals and corporate, (ii) Qualified institutional buyers (QIBs) like VCFs, PE funds, PFs etc and (iii) Banks. These investors can be attracted by appropriate regulatory framework and other incentives. The first time investment in the shares of MSMEs in the proposed SME

Exchange should be eligible for personal income tax rebate. Securities Transaction Tax should be waived for the first three years on the securities traded at the SME Exchange. Further, a budgetary support of Rs. 100 crore be made to incentivize market making and to create awareness about the proposed SME Exchange.

#### **2.1.4 Support for Marketing**

- i. Banks should come out with a short term loan scheme to provide bridge finance to micro entrepreneurs to proactively participate in the international trade fairs during the period they get the subsidy from Ministry of MSME.

#### **2.1.5 Performance and Credit Rating**

- i. The Ministry is already implementing a scheme to assist MSEs in Performance and Credit Rating by recognized agencies, which facilitates favourable interest rates from Banks as well as access to export markets. Being implemented by NSIC, the scheme is subsidizing the performance and credit rating fees charged by the rating agencies. Keeping in view the wide demand for assistance under the scheme, the Group recommends enhancement of allocation under the scheme from Rs. 174 Cr. in 11<sup>th</sup> Plan to Rs. 600 Cr. during 12th Plan period.

#### **2.1.6 Equity Financing**

Lack of growth capital for the MSME sector inhibits their growth beyond certain point. Growth capital has the leveraging capacity for raising additional debt to support capital expansion of these SMEs. In order to fill the equity gap and also ensure MSMEs growth, it is suggested to introduce a new scheme to supplement Promoter's Contribution in case of projects proposed to be implemented by MSMEs to avail of loans from Banks/ FIs. Accordingly, it is recommended that a budgetary support of ` 5,000 crore be made during the 12th plan, under which equity finance will be extended. Since these budgetary funds will be paid back by MSMEs after their business successes,

such an approach of equity support to MSMEs will have budget neutrality in the medium to long term.

### **2.1.7 Factoring Services**

Delayed payments or delayed realization of receivables has all along been a growth constraint of MSME sector by impinging on their liquidity. Factoring services by all banks, particularly for MSMEs would help in addressing the issue and will fill an important gap in the MSME lending as factoring assistance does not involve any requirement of collateral and help MSMEs in sales ledger administration, collection and credit protection. In order to upscale the factoring services for augmenting the flow of credit to MSME sector, it is suggested to enable setting up of a number of factoring companies which requires support by way of equity capital contribution to the new and existing factoring companies to enhance their networth and enable them to leverage higher credit from the institutional channels. Hence, it is suggested to introduce a scheme called “Support for Factoring Services” with budgetary support of Rs.500 crore during the 12<sup>th</sup> plan, under which assistance would be provided for equity / margin money support for factoring companies, Publicity & Popularization of the scheme and provision of training for Associations on the benefits & support under factoring services to spread awareness among individual enterprises.

**2.1.8** The details of Proposed Budget Outlay under this vertical may be seen at **Table 1 - Annexure**

## **2.2 Recommendations on Technology Upgradation of MSMEs**

**2.2.1** Technology will be a major input for upscaling the MSME sector and to make them globally competitive. Technology inputs may be broadly grouped into three categories –

- i) Technical know-how, designs/drawings etc.,
- ii) State-of-the Art Plants & equipments/machinery and
- iii) Soft skills for enhancement of productivity, quality, design , innovation, etc.

The Government support to the MSME sector may be provided through following three schemes addressing the above components –

### **2.2.2 Technology Acquisition**

- i. Cluster/Industry and R&D institutions (like CSIR) can work together to develop appropriate technologies with defined objectives, deliverables, cost and time line.
- ii. Involvement of cluster/industry associations is essential for validation and successful adoption of these R&D products.
- iii. Medium enterprises and larger small enterprises have reached the critical scale of operations to absorb global state-of-the-art technologies; however, the cost is an issue.
- iv. The Ministry may launch a Technology Acquisition Scheme to provide assistance in both, development of indigenous R&D products as well as procurement of global technology. The possibility of a revolving fund for technology acquisition may also be considered.
- v. Ministry may organise Technology exhibitions with the assistance of Technical bodies / Institutes for disseminating information on latest technologies, and may also select certain demonstration projects for implementation at Govt cost, so that the proven technologies can be absorbed by MSMEs.

- vi. The key sectors which are likely to have high growth will be given specific focus. These include not only the conventional high growth sectors like Auto components, Textile, Leather but emerging areas such as Homeland & internal security, defence, civil aviation, bio-technology, nano technology, etc.
- vii. The Govt initiatives viz. Defence offset policy, MSME procurement policy etc, need to be leveraged suitably to ensure that MSME sector becomes technically advanced and competitive. The indigenisation of latest components and technology would be encouraged through Technology Acquisition initiatives.
- viii. Technology Incubators of Ministry of S & T would be replicated through Accelerator model for technology development and encouraging innovations. The financing of these initiatives will be assisted by Govt to maximum possible extent.
- ix. As regards to Innovation, the best practices of other countries such as Israel or Darfa model of USA, may be examined and suitably adopted for Indian scenarios. This is especially, to boost SMEs in Defence and Security sectors wherein huge growth potential would exist in coming years.

### **2.2.3 Procurement of Machinery and Equipments**

- i. Along with the technology acquisition, the sector needs modern equipment/machinery for adoption of the technology.
- ii. Under CLCSS, assistance is provided for procurement of machinery and equipment for technology upgradation.
- iii. The project ceiling under the scheme is needed to be enhanced to Rs.5.00 Crore to provide support for acquisition of state-of-the-art equipments, which would be needed for Medium Sector.
- iv. The focus on Clean Energy related technology and renewable energy will have to be given to make MSME sector more energy efficient. The benchmarking of SME clusters with respect to energy consumption will also be required to derive information on energy intensive sectors.

#### **2.2.4 Support for Soft Skills**

- i. Under NMCP, support is already being provided for implementation of best practices for enhancing productivity, quality and product designs along with assistance for enhancing marketing. NMCP also has a component for Infrastructural Support through Tool Rooms.
- ii. One reason for lesser success of NMCP may be separate schemes for separate components which need separate implementation channel /mechanism.
- iii. The components of NMCP may be divided into three groups – i) Product and process related, ii) Marketing related and iii) Infrastructure related, which may be addressed under the respective verticals.
- iv. It would be appropriate to combine all schemes related to productivity, quality and design into one scheme, which may be offered on a 'cafeteria' mode. The leveraging of similar initiatives by other ministries and departments including state Govts. will have to be considered in specific industry verticals.
- v. Cluster/Industry verticals may be invited to develop own packages with combination of various tools as per the requirements under the new scheme, which may be implemented through the respective nodal agencies/experts.

#### **2.2.5 Emerging & Innovative Sectors**

- i. Intensive support is required for the emerging and innovative sectors of bio-tech, nano-tech, defence, civil aviation, aero-space, homeland and internal security, items etc.
- ii. The emerging sectors may be provided assistance on a higher scale under each of the three proposed schemes for technology acquisition, procurement of equipments and support for soft skills, respectively. The additional benefits in terms of pilot projects (with max. Govt funding) may be considered to generate confidence among MSMEs on emerging technologies.

- iii. Similarly, higher scale of assistance may be decided for adoption of clean manufacturing technologies, renewable energy sources and environment friendly processes.
- iv. A key issue for investment in emerging technologies will be regarding critical mass of production. This will be encouraged by taking lead through Govt procurement. The procurement policies of MSME and defence offset policies will encourage SMEs in this matter.

#### **2.2.6 Information and Communication Technology**

- i. NMCP has a separate component for ICT application. As ICT today covers all areas of activity of an enterprise – processing, training, marketing, infrastructure planning etc., the need for a separate component on ICT may be reconsidered.
- ii. More appropriately, there should be support for application of ICT in each of the five verticals/support – Finance, Technology, Marketing, Infrastructure and Skill Development.
- iii. The use of new concepts such as CLOUD Computing will offer an effective and affordable solutions for early ICT penetration during XIII plan. The CLOUD computing would minimise the investment risks for SMEs. It is expected that upto 90% of registered MSMEs in the country, would be using ICT applications by the end of XII plan.

2.2.7 The details of Proposed Budget Outlay under this vertical may be seen at **Table 2 – Annexure**.

## **2.3 Recommendations on Infrastructure for MSMEs**

### **2.3.1 Industrial Infrastructure Development**

- i. .To complement efforts of State and Central Government, private sector (companies and SPVs) should also be allowed for development of infrastructure.
- ii. Maintenance of industrial estates is a critical component for successful functioning of Industrial Enterprises in any Industrial estate/area. Industries Associations, Local bodies, state govt. agencies, SPVs may be entrusted to take care of the issue on self sustaining basis by levying maintenance charges, or one time collection.
- iii. Availability of Land for MSEs has to be ensured. State governments may earmark at least one industrial estate in each block. Government may identify barren lands and allot it to MSEs at affordable price or set up industrial estates.
- iv. Land use classification may be updated, based on demand. Clear Policy should be evolved on “Change of Classification for Industrial purpose”.
- v. Deemed Local Body Status should be given to manage Industrial estates by bringing necessary changes in rules / procedures. SPVs should be formed in each estate with representation from the Government and the Developing agency. It should be empowered to collect charges and maintain the estate
- vi. Industrial Township Act, like the one in Tamilnadu, may be invoked for estates having more than 50 Acres of Land. This should be made mandatory under the ‘Panchayat Raj Act’.
- vii. Smaller estates, where the Deemed Local Body Status / Industrial Township act could not be invoked, local body can share the revenue with the SPV.

- viii. Availability of Power is one of the major criteria of an Industrial estate. Many states, particularly Tamilnadu is facing acute power shortages. Captive power generation has to be encouraged.
- ix. Electricity Act has to be amended to wheel power by Estates / Clusters and distribute among themselves. (At present the Act permits only an individual captive power user to transport power).
- x. SPVs should be authorized to buy power from anywhere and distribute it to its member units.
- xi. Many states are providing uninterrupted power supply to MNCs and depriving even the normal power to SMEs. Priority in providing Power connection as well as uninterrupted power should be ensured for MSEs. Electricity Act may be amended to stop any unfair practice.
- xii. 50% Subsidy should be given to Micro Units for buying Gensets.
- xiii. Providing good, motorable roads is one of the foremost duties of a Government. Roads are very essential for an Estate. Many of our estates lack this. There is an urgent need to up-grade the existing estates.
- xiv. Demand based additional ID projects may be permitted in district, subject to 90% allotment and 50% setting up of units in approved ID projects in one district.
- xv. Assistance for upgradation of existing industrial estate may be made more attractive in order to get proposals from state govt. for upgrading of existing.
- xvi. More awareness is required regarding infrastructure development through MSE-CDP. Scheme should be made more liberal by allowing expenditure variations for various components within the overall funding support of the Government.
- xvii. Provision under MSE-CDP scheme may be made for Product Specific Modular Estates having Raw material Bank, Technology Resource Centre, Design Centre, Business Centre, Tool Room, Incubation Centre, Training Centre, Mini Trade Fair Centre etc.

- xviii. Land and infrastructure constraints are a major problem, particularly in bigger and metro cities. Flatted Factory Complexes may be encouraged under MSE-CDP. Likewise, accommodation problem of industrial workers may be addressed by supporting dormitories. SPVs may run the dormitories on sustainable basis.
- xix. Setting up of CFC under MSE-CDP may be allowed for activities not dovetailed under any other verticals

### **2.3.2 Infrastructure for quality assurance**

- i. There is a need to set up quality testing laboratories for MSMEs in almost every cluster/industry concentration, district/major industrial area. This activity can be undertaken under Public Private Partnership mode. The Group recommends setting up of 100 nos. quality testing laboratories including strengthening of existing MSME Testing Centres during the 12<sup>th</sup> Plan Period.

### **2.3.3 Development of Marketing Infrastructure for MSMEs**

#### Establishment of Display Halls/Exhibition Grounds and Information Dissemination Centres

There is a need to provide assistance to MSMEs to enable them to show case their products and capabilities to produce high quality products and also to sell them at spot. Setting up of display halls and exhibition centres, in each State capital or major industrial centres having concentration of MSMEs is recommended. This scheme can be implemented by the Central or State Organisations, Industry Associations, Export Promotion Councils in the Public Private Partnership mode. District Industries Centres (DICs) having adequate vacant land can also support this activity by creating such infrastructure. The Group recommends establishment of 10 nos. exhibition halls and display centers.

The Group also recommends that Information Dissemination Centres should be established during the 12<sup>th</sup> Plan period for dissemination of information with one main centre for coordinating the activities of all the centers.

#### **2.3.4 Setting up of New Tool Rooms and Technology Development Centres**

- i. Towards enhancing skill level of workers of MSME Sector, setting up of 100 Tool Rooms/ Technology Development Centres(TDCs)/ Central Footwear Technology Institutes (CFTIs) is recommended which will provide specialised training to the existing and prospective workers of the manufacturing sector. These Institutions set up in Industrial Districts / Clusters with state of the art machines shall provide training to the youth to make them readily employable in high growth sectors like auto components, engineering, leather, garments etc. Necessary Budgetary allocation has been proposed under Infrastructure vertical. There is also need for upgradation and modernisation of the existing 18 Tool Rooms/ TDCs of the Ministry.

**2.3.5** The details of Proposed Budget Outlay under this vertical may be seen at **Table 3 - Annexure . . .**

## **2.4 Recommendations on Marketing & Procurement**

### **2.4.1 Public Procurement Policy:**

i. Marketing is a major concern for the MSMEs. To ensure a reasonable market share for MSMEs in the Government procurement, a public procurement policy has been announced under MSMED Act, 2006. The policy envisages the target of 20% of the total procurement made by Central Ministries/Deptts./PSUs. The result for the micro and small enterprises. The overall target of 20% would be made mandatory at the end of 3 years. Out of the 20% target of annual procurement from MSEs, a sub-target of 4% has been earmarked for procurement from MSEs own by SC/ST entrepreneurs. The policy will facilitate in improving the market access of micro and small enterprises through Government procurement and also develop linkages between micro and small enterprises and large enterprises.

### **2.4.2 Market Development Assistance**

#### **i. Convergence of Existing MDA Scheme**

The convergence of 'Marketing Development Assistance (MDA) scheme run by Ministry of MSME, NSIC, KVIC and Ministry of Commerce needs to be made. Uniformity in the concessional rates for space rental, air fare etc. by various organizations will make the scheme clearer and commonly acceptable by its end-users. A uniform selection criterion should also be laid down for all implementing agencies.

#### **ii. Increased budgetary allocation for organization/participation of exhibitions.**

Presently, the budgetary limit for participation in a domestic exhibition/trade fair is restricted to Rs. 10 lakh. Similarly, for organizing the domestic exhibition / trade fair the maximum budgetary support is Rs. 30 lakh. Keeping in view, the expenditure involved in participation/organizing the event, the ceiling may be enhanced from Rs. 10 lakh to Rs. 30 lakh and Rs. 30 lakh to Rs. 60 lakh respectively.

### **iii. Organization of specific fairs**

In addition to participation in International fairs/exhibitions, Industry associations should be encouraged to organize MSME specific fairs after identifying the markets/products for aggressive marketing. Chambers of Commerce (Indian & foreign) and Indian embassies should be actively involved in this exercise.

### **iv. Advance intimation for participation in exhibitions**

Participation in exhibitions/fairs should be decided in advance (preferably yearly schedule at the beginning of the year) and publicized through Industry Associations/other means to achieve better participation from MSMEs.

### **v. Dissemination of the scheme**

Awareness of the scheme should be enhanced by dissemination of information w.r.t. participation by MSMEs in national/international exhibitions.

### **vi. Wider participation in exhibitions**

MSMEs operating in small towns, remote/tribal areas and women entrepreneurs should be encouraged to participate in fairs/ exhibitions. Help of Industries Associations could be taken to identify MSMEs who can participate in such fairs after taking into account their product range and quality of products.

vii. Accordingly, the budget allocation for MDA scheme needs to be enhanced.

### **2.4.3 Bar Coding**

To make the scheme more effective, Group recommends the following:

- i. Wider publicity be given for creating awareness of the scheme.

- ii. Presently, reimbursement of one time registration fee is covered in MDA scheme and the reimbursement of recurring annual charges are covered under NMCP scheme. It is recommended that both components of the scheme should be merged into one scheme.
- iii. In addition to micro and small enterprises, the scheme should also be extended to medium enterprises. The ceiling of reimbursement should be 90% of one- time registration fee and annual charges in case of MSEs and 50% in case of medium enterprises.
- iv. Reimbursement of annual charges should be extended from present first three years to first five years.
- v. The existing disbursement procedure be amended wherein Government should provide funds to GS1 India directly and GS1 India will utilize these funds by releasing to MSEs on reimbursement basis and will report periodically to the Ministry of MSME about the status of utilization of budget.

#### **2.4.4 Packaging & Designing**

There is only one specialized institution i.e. Indian Institute of Packaging (IIP) in the country which imparts training in packaging and designing and it is unable to meet the huge demand of MSME sector. It is recommended that more numbers of specialized institutions need to be set up during the 12<sup>th</sup> Plan Period. In addition, the awareness of these institutions should also be spread among the MSMEs to avail benefits under the scheme.

#### **2.4.5 Establishment of Marketing Organizations (SPVs) in Clusters**

Marketing Organizations in Clusters can be established through formation of Special Purpose Vehicles (SPVs) in the form of Co-operative Societies to support MSMEs in the procurement of raw materials and marketing of their products. These societies should involve in designing of products, branding of products,

advertisement of products and e-marketing through B2B portals. Group recommends setting up 36 societies/companies in the form of SPVs during the 12<sup>th</sup> Plan Period.

#### **2.4.6 Greater Use of Information Technology (IT)**

To make greater use of IT in the MSME sector, Sub Group recommends for developing and implementing an international user friendly B2B portal to make it accessible to larger section of MSMEs of India and abroad during the 12<sup>th</sup> Plan Period.

#### **2.4.7 Implementation of Schemes through ‘Voucher Delivery System’**

‘Voucher Delivery System’ (VDS) can be introduced for implementing the various government schemes in an effective and efficient manner. Under the VDS mechanism, upon presenting the voucher by implementing agency under the scheme, the bank will reimburse and release the amount to nominated implementing agency directly. The system will ensure faster disposal of the proposals leading to timely achievement of targets under the schemes.

#### **2.4.8 Brand Building**

Group felt the need to build All India Marketing Assistance Network through physical and electronic means. This can be achieved by building and coordinating the efforts of various institutions engaged in the promotion and development of MSME sector at State, Regional and Cluster levels and also by involving MSME Associations in the country to undertake various marketing functions. Group suggests that it would be apt to make NSIC as an Apex organization to coordinate the efforts of the various institutions. NSIC can provide help in organizing/participating national and international

exhibitions, formation of Special Purpose Vehicle (SPV) for marketing in clusters through societies/companies, providing consultancy etc. Further, efforts should be made to promote industry specific brand building of Indian products. MSEs may be extended support to create awareness about their products through participation in overseas trade shows.

#### **2.4.9 Enabling Global Footprint of Indian MSMEs**

Today, India is one of the fastest growing economies in the World and poised to become an economic super power. This has been fuelled by the excellent growth rate of Indian economy during the past decade and also the stagnation suffered by the developed world during the recent period. The deceleration of the developed economies, sovereign debt issues in the European countries and USA etc. have stymied exports from developed countries. On the other hand, the high growth rate of Indian economy during the recent period has enabled an outward bias to the Indian Industry. While acquisitions by Industry leaders viz., Jaguar Land Rover by Tatas and African Telecom Company Zain by Bharti are making the global headlines, these are also opening newer opportunities for the Indian MSMEs in the overseas markets. With the enhancement of the productivity and quality, a significant section of Indian MSMEs have acquired global competitiveness. Exploring newer markets and opportunities, particularly in developing world like Africa could be multi folded through enabling services like information on new markets /products, offshore warehousing, offshore manufacturing, product promotion etc. Government can provide necessary facilitation by cluster / consortia based initiatives through PPP mode. Government can facilitate the global footprint of Indian MSMEs by providing support for conducting market studies in new markets for newer products, developing brand equity of Indian MSMEs particularly for niche products like herbal medicines, health care, education etc., developing market

intelligence on enterprises available for take over etc. The Group recommends that a dedicated scheme with a corpus of at least Rs.1000 crores during the 12<sup>th</sup> Plan period may be launched to support the MSMEs in their above initiatives.

#### **2.4.10 E-marketing**

Group felt that E-marketing would be very helpful for MSME Sector in resolving their marketing related problems and recommends that it may be promoted through the following:

- i. E-marketing can be promoted through launching of specialized MSME portals. The portal should contain the information of prospective buyers, sellers, products etc.
- ii. The establishment of e-Kiosks in Govt. & private domain would also help in enhancing marketing capabilities of MSMEs. These e-Kiosks can be involved in providing market intelligence, market requirements, Branding of products, advertisement of products & creating E-tools, E-marketing B2B portals.
- iii. Creation of Special Purpose Vehicle (SPV) in the form of societies/companies can also help in promoting E-marketing through B2B portal.

#### **2.4.11 Offset**

Set up a mechanism in the M/o Defence to ensure that the offsets under defence purchases are suitably focused to support SMEs in upgrading their capacities.

**2.4.12** The details of Proposed Budget Outlay under this vertical may be seen at **Table 4 – Annexure.**

## **2.5 Recommendations on Skill Development and Training**

### **2.5.1 Development of Entrepreneurial Skill**

- i. The Skill and Entrepreneurial Development Programmes of the Ministry of MSME are the flagship programmes of the Government, since 1960s, for providing unemployed youth with necessary skill for wage employment and particularly for starting of micro enterprises. Keeping in view the increasing number of youth joining the job market in the next five years, the scheme may be continued with enhanced scope and quality. The Prime Minister's National Council on Skill Development was constituted on 1<sup>st</sup> July 2008. The objectives of the Council are to lay down overall broad policy objectives, financing and governance models and strategies relating to skill development with a framework of private public partnership. The Council has set a target of creating 500 million skilled people by 2022 with emphasis on inclusiveness. To achieve the targets set for the Ministry of MSME by the Prime Minister's Skill Development Council of training 1.5 crore persons within 2022 and more than 40 lakh persons during the 12<sup>th</sup> Five Year Plan period (2012-17), the Ministry need to develop a mission for skill development linked with the entrepreneurial promotion with adequate budgetary support.
- ii. Equitable access to training for all youth of India is another benchmark initiative of the Prime Minister's Skill Development Mission. Towards facilitating skill development of youth from the weaker section, the Ministry of MSME is already providing skill development training to SC/ST/Women and differently abled persons free of cost. For focused programmes for these categories of youth, there is also provision for stipends. To facilitate participation of more youth from the weaker section in the skill development programmes of the Ministry, the Ministry may set up focused Entrepreneurial Development Institutes (EDIs) in the backward areas and districts. These EDIs may provide

residential skill development programmes for the youth from the backward areas.

- iii. There is also an urgent need for convergence of skill development programmes conducted by the various divisions and offices under the Ministry of MSME as well as programmes conducted by other Ministries. The Ministry has already taken initiative for standardisation of curricula of skill development programmes conducted by various divisions and offices. This programme may be appropriately harmonised so that a youth may join a skill development programme according to his immediate requirement and present qualification/background and subsequently upscale his skill through more advanced programmes, viz., starting from the grass root level programmes conducted by KVIC, MSME-DIs etc. and can reach to the advanced programmes conducted by the MSME Tool Rooms/TDCs and EDIs.
- iv. In this regard, linkage of the skill development programmes of the Ministry with the proposed National Vocational Education Qualification Framework (NVEQF) is also essential, so that after completion of each skill development training, the participant is appropriately certified to be able to join next level of programmes conducted by any institution conducting programmes under NVEQF. This will also need accreditation of the skill development programmes conducted by the Ministry under the overall framework of NVEQF, thus making these programmes an integral part of the overall national level skill development framework.
- v. Developing a labour market information system (LMIS) is also essential for identifying present and future skill gaps in the various sectors of the economy and accordingly, design and conduct skill development programmes. Ministry of Labour & Employment has already started an initiative in this regard and when the system is developed, it can be accessed by the Divisions / Offices under the Ministry conducting skill

development programmes, to develop appropriate regional and sectoral training curricula. However, as the focus of the skill development programmes of the Ministry is to cater to the requirements of the MSME sector, these programmes are required to be conducted in closed collaboration with the sectoral stakeholders, particularly the MSME Associations. This will ensure providing skill to the youth as per the requirements of the local/regional MSMEs, which in turn ensure placement of the trainees.

### **2.5.2 Upscaling of Training Infrastructure**

- i. The MSME Development Institutes under the office of DC-MSME are conducting skill development programmes since 1960s. With the increasing number and range of the programmes, these MSME-DIs need to be strengthened with equipments and facilities for providing quality training. For this purpose, training labs and workshops on technologies like automobile repair, mobile repair etc. should be provided to these institutes. As majority of the training programmes are conducted outside, providing mobile training vans may also be considered.
- ii. The MSME Testing Centres/Testing Stations are providing training in laboratory technologies / calibrations, along with testing services. Keeping in view the large demand for the skill, the training capacity of these TC/TS should be enhanced with adequate training facilities.
- iii. The 10 tool rooms and 8 Technology Development Centres under the Ministry are providing high level skill development programmes. Keeping in view the huge demand for such skill at least 100 such tool rooms TDCs/ CFTIs may be opened in growth oriented clusters / Industrial districts.
- iv. The 3 National level Entrepreneurship Development Institutes under the Ministry are conducting trainer's training programmes for domestic and international participants. The training facilities of EDIs should be further upscaled with International linkage for developing curricula,

pedagogy etc. to make them centres of excellence for skill and entrepreneurial development.

- v. Similarly, the training facilities of NSIC, KVIC and Coir Board should also be upgraded to cater to their focal constituencies.

### **2.5.3 Transparency in Implementation and Quality Assurance**

- i. Towards wide and transparent dissemination of the training programmes of the Ministry, a single web-based portal should be launched, which will provide complete and detailed information about the training programmes being organised/planned by the various offices/agencies under the Ministry all over the country. In fact, the same portal should have a provision for submitting online application by the prospective candidates.
- ii. At present, the Ministry do not have a system for rating the training programmes organised by the various offices/agencies under the Ministry and particularly those conducted by the private partner institutions. It is necessary to implement a rating system immediately for the training institutions and place the same in public domain.
- iii. It is also necessary to develop a hierarchy of the levels of various training programmes organised by various agencies viz., the programmes conducted by KVIC for the village/rural artisans at level one and hi-tech programmes conducted by the Tool Rooms at the highest level with the level of other programmes in between. This may help the prospective participants to join a programme according to their skill requirements.
- iv. There is also an immediate need for assuring quality of the programmes conducted. This could be ensured through quality of the Training Faculty, standardisation of the course curricula and real time monitoring of the programmes conducted. While quality of the faculty could be ensured through a systemic quality upgradation programme of the faculty, the training curricula need to be standardised by consultation with MSME Associations, expert agencies and other

Stakeholders. Real time monitoring of the programmes is possible through management information system software.

#### **2.5.4 Virtual SME University**

- i. Government has constituted NSDC to facilitate participation of private sector and civil society in Skill Development Programmes. The programme modules conducted by NSDC supported institutions need also to be harmonised with the programme modules of the Ministry. Ideally, there should be an independent national level institution/body to harmonise conducting of the programmes, the quality of the programmes and the level of the programmes at all-India level.
- ii. The task mentioned above may be best done by a virtual SME University with the necessary intellectual and financial resources, which can provide the necessary accreditation service to the training institutes/organisations, decide the level of the programmes and also certify individual trainers as per their proficiency level.
- iii. The proposed University should also maintain online data base of the accredited institutions as well as trainers whose services can be availed by the skill development institutions as per their requirements. Towards further synergizing skill development programmes at all-India level, the University should provide certification of the participants, after completion of the programme, with appropriate grading/rating. Logically, the data base of the certified trainees, available online, will function as a virtual employment exchange.

#### **2.5.5 Training on PPP mode**

- i. The Ministry is already operating a scheme “Assistance to Training Institutions” (ATI) under which State level entrepreneurship Institutes are provided financial support to upgrade and upscale. Under the Scheme, private/NGO promoted training institutions are also assisted

in conducting skill development programmes. The scheme is being presently implemented only by the 3 National level Entrepreneurship Development Institutes (EDIs) under the Ministry. As enhancing the skill of unorganised sector will be a focal area of the Ministry during the 12<sup>th</sup> Five Year Plan, all offices/ divisions of the Ministry should upscale their training capacity through PPP mode under the ATI Scheme. It would be essential to enhance the budget allocation under the 'assistance to training institution' scheme to at least Rs. 2500 crore.

- ii. The Ministry is also required to make special allocations to set up EDIs in special areas viz., NE region, Jammu & Kashmir, Naxalites affected areas etc. and the special categories of persons like differently-abled, destitutes etc. For these categories of candidates, special residential programmes may also be considered.
- iii. At present, the programmes of the Ministry are provided almost free, with the exception of the high level programmes conducted by the Tool Rooms and the National level EDIs. Ideally, all training programmes conducted by the Ministry should be fee-based to enhance their sustainability and support from the Ministry to desiring participants may be released through credit vouchers.

#### **2.5.6 Hand holding of Trainees**

- i. The process of facilitating skill development starts with identification of the prospective entrepreneurs and completes only with handholding of the trained entrepreneur to start an enterprise with required finance etc. The Ministry already operates a flagship scheme, PMEGP for subsidising bank credit to new entrepreneurs. PMEGP need to be enlarged to take care of credit need of at least 50% of the trainees of the programmes conducted by the Ministry.
- ii. Handholding of new entrepreneurs for setting up the enterprise, operations and marketing is also essential for success. Towards this end, the existing scheme of the Ministry, Rajiv Gandhi Udyami Mitra Yojna needs to be further upscaled. Along with the individuals and

other institutions, industry associations should also be encouraged to provide handholding services to new entrepreneurs. For this purpose, adequate support package may be developed. Ideally, hand holding should be an integral part of the skill development programme with the training agencies providing required hand holding services to the trainees for employment/self employment.

**2.5.7 Faculty Development and Upgradation** – To provide state of the art skill to the participants of the skill development programmes conducted by the Ministry, skill upgradation of the training faculty is essential. For this purpose, the Ministry should initiate a programme for periodic upgradation of skill of the officers of the Ministry to make them aware about the global developments in the area of skill development. Ideally, the faculty development programme should have linkages with skill development Institutions of Germany, Japan and other countries having strong national skill development framework. Research and development initiatives should also be encouraged among the training faculty leading to regular publication of research papers in frontier and innovative skill development approaches. The issue of faculty retraining is addressed under the Institutional Structure vertical.

**2.5.8 Programmes for North East and Special Category States** – Deriving demographic dividend from the burgeoning youth population is a challenge for India, particularly in the North Eastern States, hilly and terrorist infected Special Category States and the districts affected by left-wing extremism (LWE). Widening of skill development network of the youth is required in these special areas to ensure peace through economic development. This Group has recommended setting up of Special EDIs in these States and Areas to provide skill development training to the youth, preferably through residential courses. These programmes should focus on activities based on locally available resources and requirements of the local industries. For this purpose, appropriate linkage with the industry Associations, local administration and other agencies engaged in economic development in these areas need to be ensured.

### **2.5.9 TREAD Scheme**

The Trade Related Entrepreneurship Assistance and Development (TREAD) Scheme of the Ministry is a focal programme for assistance to illiterate & semi literate women of rural and urban areas for self employment. Under the Scheme, assistance is provided to non-governmental organisations for capacity building of women in self-employment through various non-farm activities. The projects from NGOs for handholding, training and providing marketing support to illiterate & semi literate women of rural and urban areas **are** provided linkage to bank finance with upto 30% of the project cost subsidized by Government. The Scheme need to be further upscaled to encourage self-employment in women, particularly, from rural and backward areas with further increase in allocation.

**2.5.10 Standing Committee on Skill Development for the MSME Sector** – The Group recommends constitution of a Standing Committee under the Minister incharge of MSME to regularly review, monitor and upscale the skill development initiatives of the Ministry. The Committee should have representations from all Stakeholders, viz., Apex Chambers of Commerce, MSME Associations, other Ministries engaged in Skill Development etc.

**2.5.11** The details of Proposed Budget Outlay under this vertical may be seen at **Table 5 – Annexure**.

## **2.6 Recommendations on Institutional Structure**

### **2.6.1 Environmental issues**

- i. A list of items should be prepared by Central Pollution Control Board from amongst the items notified by State Pollution Control Boards for exemption from NOC and consent for setting up unit & operation respectively. The list of items should be reviewed every year and amended.
- ii. Establishment of a compliance assistance centre for MSMEs in MSME Development Institutes to create awareness on better environment management practices, policies and procedures as well as for better compliance of environment regulations.

### **2.6.2 Labour issues**

- i. The compliance of labour related enactments should be linked with incentives. This will make the enterprises compete for setting up standards of excellence, both in product and labour markets.
- ii. Following labour laws may consolidate:
  - (a) Factories Act, 1948
  - (b) Maternity Benefits Act, 1961
  - (c) Workmen's Compensation Act, 1952 and
  - (d) Contract Labour (Regulation & Abolition) Act, 1970
- iii. Emphasis to be made in the existing as well as upcoming labour related statutes for self declaration and self certification for the requirements under concerned provisions of the Acts.
- iv. Inspections should be streamlined. It should be based on authentic information/complaint and should be carried out after

the written permission of an officer higher by two ranks in hierarchy.

### **2.6.3 MSMED Act, 2006**

- i. Defined limit of investment in plant and machinery for classifying the micro, small and medium enterprises may be deleted from the MSMED Act, 2006 and should be announced through Notifications.
- ii. The monetary limit of penal provisions of MSMED Act, 2006 should be provided in Rules instead of in the Act.
- iii. Delayed payment of earnest money/security money should be included for payment of penal interest in case of MSEs as per provision in Chapter 5 of MSMED Act, 2006.
- iv. Amount of award given by Micro & Small Enterprises Facilitation Council should be realizable as arrear of land revenue.

### **2.6.4 Re-engineering and Strengthening of DC MSME and its Field Offices**

i. MSME Development Institutes of the Ministry of MSME provide facilitation to the new and existing entrepreneurs in developing their enterprises. With the implementation of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, two new sectors were classified in the country i.e. medium sector and service sector, which required special attention for promotion and growth as these sectors were identified for the first time in any statute. The total number of small and micro units tremendously increased from 3.3 million in 2000-01 to 26.1 million in 2007. The number of entrepreneurs trained in 2002-03 was 10,739 which has increased 8.2 times to 99,635 in 2010-11. Contrary to that the trainers and technological force of officers in MSMEDIs has gone down by 30%. Office of DC, MSME and MSMEDIs need to be

strengthened both in terms of facilities and manpower to take additional charge of medium enterprises, formulate and implement promotional measures for them to make India a land of sunrise and technologically advanced enterprises. To provide support at the grass root level to MSMEs, there is an immediate need for the resurgence of DC MSME and its field establishments. For effective co-ordination, regional setup is also required. Re-engineering of the MSME Development Institutes and the office of Development Commissioner, MSME may be taken up during the 12<sup>th</sup> Plan Period. The Group recommends allocation of Rs. 900 Crore during the 12<sup>th</sup> Plan Period for re-engineering and strengthening of DC MSME & its field offices .

ii. Rapid Technological Innovations, concept of multi dimensional expertise, innovative methods of management, make a strong case for periodical training of MSME-DO Officers. With globalization, the MSMEs of our country are required to discover potential and new avenues and explore new destinations for marketing in the world. Now MSMEs have to develop competitiveness to deal with the challenges posed by multinationals in India. Not only this, the MSMEs of India must expand their operations in other countries by opening manufacturing facilities or service stations abroad. Some of the areas where immediate training of the MSME-DO officers may be instrumental in bringing about the above said impact are manufacturing process, re-usable asset management, product and service design, hardware development , supply chain management and the Government Policy in select countries in the areas related to MSMEs and its impact on the MSME development in that country. A minimum of three officers from each MSME-DI and five officers from Office of DC-MSME should be deputed for training for the above purpose every year. The Group recommends allocation of Rs100 Crore during the 12<sup>th</sup> Plan Period for this purpose.

#### **2.6.5 Application of e-governance**

i. Introduction of filing of Entrepreneurs Memorandum under the MSMED Act was an important initiative towards liberalisation of the

MSME sector. The Group recommends for application of e-governance for streamlining of the procedures and for that purpose setting up of an information and data base network among the DICs, MSME-DIs and the Ministry.

- ii. The provision of the delayed payment under the MSMED Act was another facilitator for ensuring regular cash flow to the Micro & Small Enterprises against the supplies made. The Micro & Small Enterprises Facilitation Councils (MSEFC) stipulated under the Act to be set up at the State level were foreseen as facilitators to the MSEs. The Group recommends introduction of an information and communication network for operation and monitoring of these MSEFCs.

A budget of Rs.100 Crore may be allotted for ICT enabled upscaling of the EM filing and MSEFC operations.

#### **2.6.6 Creation of comprehensive database**

Creation and maintenance of comprehensive database for MSME sector, including the unorganized sector is a pre-requisite for sound policy formulation. Regular updating of database for the sector is important, which requires better administrative mechanism and enhanced budget provision. Further, there is a need for sectoral data research and compilation of data on Government/Public Sector procurement from MSE sector. An allocation of Rs. 2000 crore may be kept for creation of comprehensive data base.

2.6.7 The details of Proposed Budget Outlay under this vertical may be seen at **Table 6 – Annexure**.

## ANNEXURE

### Proposed Budget Outlay under Different Verticals during 12<sup>th</sup> Plan

**Table 1**

#### Credit and Finance: Schemes/Proposals for 12<sup>th</sup> Five Year Plan

(Rs. Crore)

<b>Scheme/Proposal</b>	<b>New /Existing</b>	<b>Projected BE for XII Plan</b>	<b>Projected Outcome/Deliverables</b>
Enhancing corpus of CGTMSE	Existing	Additional corpus of 10,750	To provide credit guarantee coverage to the tune of Rs.180,000 crore
Equity Financing	New	5000	To supplement promoter's contribution
Performance and Credit Rating Scheme	Existing	600	Enhancing credit worthiness
Venture Capital Fund	New	2500	To encourage start ups
SME Exchange	New	100	Facilitate equity access and spread awareness
Factoring services i. Equity/ margin money support for factors ii. Publicity & Popularization iii. Training of Associations	New	500	To address the issue of delayed payment and support factoring services
<b>Total</b>		<b>19450</b>	

**Table 2****Technology Up- gradation & Support for Emerging Sectors:  
Schemes/Proposals for 12<sup>th</sup> Five Year Plan**

(Rs. Crore)

<b>Scheme/proposal</b>	<b>New /existing</b>	<b>Projected BE for the XII Plan</b>	<b>Projected outcome/delivera</b>
Scheme for Technology Acquisition and Development including CLCSS	New	4,000	Introduce globally competitive technology in at least 50,00 enterprises
Modified NMCP	Existing/ modified	5,000	Introduce effective production systems, new designs, quality standards, in at least 20000 enterprises
Application of ICT	Existing/ modified	500	Use of ICT Applications by upto 90 % registered MSMEs,
<b>Total</b>		<b>9,500</b>	

**Table 3**

**Infrastructure Development: Schemes/Proposals for 12<sup>th</sup> Five Year Plan**

(Rs. Crore)

<b>Scheme/proposal</b>	<b>New/ existing</b>	<b>Projecte d BE for the XII Plan</b>	<b>Projected outcomes/deliverables</b>
Industrial Infrastructure Development Project	Existing/ New	1560	(i) Model Industrial Estates with appropriate utilities  (ii) Modular Estates with Plug & Play Infrastructure for high-tech and Innovative Start-ups.  (iii) flatted factory complexes with ready-to-move infrastructure for the light and service oriented MSMEs in tier- 1 and tier-2 cities.
Micro-Small Enterprises-Cluster Development Programme (MSE-CDP)	Existing	800	Development of 60 potential clusters through a holistic package and Common Facility Centres
Setting up of 100 Testing Centres and upscaling of the existing Testing Centres / Testing	New	1,000	Doorstep testing facilities to MSMEs in important export-oriented clusters.

Stations			
Marketing Infrastructure for MSMEs under PPP mode	New	500	Providing infrastructure for display and sale of products and display of information in 10 growth oriented clusters
100 Tool Rooms/TDCs/CFTIs in high growth Industrial Districts/Clusters and modernization of the existing ones	New/ Existing	7500	Professional skill development training to at least 15 lakh youth in state-of-the-art skills during the 12 <sup>th</sup> Plan period
<b>Total</b>		<b>11,360</b>	

**Table 4**

**Marketing and Procurement: Schemes/Proposals for 12<sup>th</sup> Five Year Plan**  
(Rs. Crore)

<b>Scheme/Proposal</b>	<b>New /existing</b>	<b>Projected BE for the XII Plan)</b>	<b>Projected outcome/deliverables</b>
Marketing Development Assistance Scheme (MDA)	Existing	550	To cover 50,000 Micro & Small Enterprises under the scheme, convergence of scheme, provision of upfront payment, removal of geographical barriers for participation by MSMEs.
Bar Code & Packaging	Existing	200	i. To cover larger number of MSMEs by merger of MDA and NMCP components and inclusion of medium enterprises under the scheme, placing of funds with GSI for direct reimbursement to MSMEs  ii. Thrust on packaging & designing to increase marketability of products
Marketing Organisations in Clusters (SPVs) in PPP mode for common brand building, advertising, e-marketing, participation in trade fairs etc.	New	360	Establishment of 36 nos. Special Purpose Vehicles (SPVs) in clusters for branding of products of MSMEs.
Enabling Global Footprints of MSMEs	New	1000	Conduct Research on i) new markets for identified products of MSMEs and ii) acquiring SMEs in other countries.  Creation of 10 nos. International MSMEs Forum.
<b>TOTAL</b>		<b>2110</b>	

**Table 5****Skill Development: Schemes/Proposals for 12<sup>th</sup> Five Year Plan**

(Rs. Crore)

<b>Scheme/proposal</b>	<b>New/existing</b>	<b>Projected BE for the XII Plan</b>	<b>Projected outcome/deliverables</b>
Skill Development Programme including capacity building of MSME Associations.	Existing, modified	2500	Providing employable skill to 8 lakh youth per year in line with the targets of PM's National Council for Skill Development
Setting up of / strengthening of EDIs	New/Existing	900	To set up EDIs/training centres in NER, special category states and LWE affected district
Virtual SME University		100	Establishing an apex body to coordinate and standardize curricula and training modules
TREAD Scheme	Existing	100	Development of SHGs for women
<b>Total</b>		<b>3600</b>	

**Table 6****Institutional Structure: Schemes/Proposals for 12<sup>th</sup> Five Year Plan**

(Rs. Crore)

<b>Scheme/proposal</b>	<b>New/ existing</b>	<b>Projected BE for the XII Plan</b>	<b>Projected outcome/deliverables</b>
Online filing of EM & capacity building of MSMEFCs	New	100	Online filling of EMs in all State / UTs and MSME-DIs
Re-engineering and strengthening of DC MSME & its field offices	New	1000	Enable 72 Offices under DC – MSME to provide demand driven services to the MSME sector.
Creation of comprehensive database		2000	i.Real time data on MSME sector for facilitating sound policy formulation ii.Compilation of data on Govt./PSU procurement from MSEs iii.Sectoral data research
<b>Total</b>		<b>3100</b>	

## Chapter III

### Recommendations on KVI & Coir Sector

#### 3.1 KVI Sector

3.1.1 To realize the growth potential of KVI sector, it is necessary that production, value addition and sale grow sustainably. The XII plan approach paper<sup>4</sup> requires that manufacturing sector grows at 11-12% annually and an overall growth of 9-10% is realized. Accordingly, keeping an eye on the sectoral growth potential and the requirement of plan mandate, a growth of 13% has been envisaged for khadi and village industries production (khadi-11%, village industries-13%). During the first four years of XI plan period, KVI production has grown 9.1%<sup>5</sup> annually as is evident from the Table below. Considering this, the growth target of 13% for KVI production is ambitious but achievable. Value addition is taken as a major thrust area in order to make khadi activities attractive and economically viable. KVIC had set an objective of achieving 70% value addition. This will need to be enhanced to at least 100% and will need to be monitored through an appropriate measurement mechanism.

Table: KVI Production during first four years of XI Plan

Year	Production (actual) ( Rs. crore)
2007-08	16677.71
2008-09	17338.87
2009-10	18136.98
2010-11	19871.86
Compound Annual Growth Rate	9.1%

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<sup>4</sup> XII Plan Approach Paper, Planning Commission

<sup>5</sup> KVIC Annual Reports

### 3.1.2 Major thrust area of value addition in khadi:

- Focusing on eco-friendly and natural products of the sector.
- Identification and development of heritage village covering KVI activities.
- Integrated inputs relating to credit, technology, marketing intervention, capacity building, innovations, skill development, infrastructure support, etc. to be provided under cluster approach.
- Identification of surplus land with KVIC and KVI Institutions and work out action plan for effective utilization of land.
- Innovations in design, technology product development and processes.
- Developing KVI products for users of all age group.
- Introducing interventions and promotional measures to increase the market share of KVI products to provide more employment opportunities for rural folk.
- Make departmental sales outlets and Central Sliver Plants vibrant and centers for generating surplus.

### The following is the projected Production of Khadi & V.I. for the XII Plan

(in Rs. crore)

Year	Khadi	V. I.	Total
2012-13	781.36	23776.50	24557.86
2013-14	848.00	26154.00	27002.00
2014-15	924.00	28769.00	29693.00
2015-16	1012.00	31645.86	32657.86
2016-17	1113.00	34810.44	35923.44
<b>Total</b>	<b>4,678.36</b>	<b>145,155.80</b>	<b>149,834.16</b>
Compound Annual Growth Rate	<b>11%</b>	<b>13%</b>	<b>13%</b>

3.1.3 Even though official figures of khadi employment show a steady increase over the years, many feel that the numbers are actually stagnating. This could

be due to part-time/ subsidiary nature of employment. This is also due to the fact that the younger generation is not attracted enough to choose khadi as a profession. Low wage and marginalized condition of the khadi artisans is also partly responsible for a perceived stagnation of employment in khadi. To address this, the proposal includes recognizing khadi activities as work of art and khadi artisans as artists and that the profession is aptly glorified and talents are recognized. Wages and incentives should be fair and commensurate to the work. This will be ensured keeping in mind the statutory minimum wages. To attract younger generations to the profession/sector, emphasis will be given not only on creation of quality employment but also on sustaining it. The existing Market Development Assistance (MDA) scheme provides for 25% share for artisans as additional incentive in the MDA on khadi production. Such incentive will be continued under modified MDA. Surplus generated from the operation of khadi institutions as a result of flexibility in pricing will also be channelized to meet the remuneration gap for the artisans as per benefit chart.

3.1.4 That the artisan is an artist has to be clearly kept in view, both for being equitable and fair to the hand-user, as also for developing high-end products. It is important that (a) the remunerations prescribed for artisans by the Commission should be commensurate with their work, and in no manner be lower than the statutory minimum wages (the physical output could be correlated to man-hours, and in case an artisan works for less than 8 hours a day, the remuneration could be evolved pro rata). It has also to be clearly kept in view that khadi has to be attractive to the weaver; capable enough to attract new generation weavers, and focus also should be on increasing artisans' earnings and developing new opportunities. Opening of bank / post office accounts for making payments to the artisans will be made mandatory. Opening of accounts is essential from the points of view of transparency and accountability; it ensures that the payment actually reaches the artisans. Payments to all artisans will be through their Bank/ PO account (and KVIC is already ensuring that this is done).

3.1.5 The khadi artisans will be empowered through their enhanced participation in the decision making process which may include giving appropriate representation in the managing/ executive committees of khadi institutions.

Improved working conditions, better equipments to increase productivity and reduce human drudgery through technology adoption will be attempted. At present, only life and personal accident insurance coverage with children scholarship as an add-on benefit is available to around 2.78 lakh khadi artisans. This will be enhanced to 100% of eligible artisans by end of XII Plan and an additional/ new component/ scheme of health insurance will be introduced. At present, 21 states have got Artisans Welfare Funds Trusts (AWFTs) the contribution to which comes from khadi institutions concerned as an in-built mechanism within cost chart. Functioning of these AWFTs will be streamlined and strengthened. All KVI institutions will be endeavoured to be covered under AWFTs.

3.1.6 There will be enhanced focus on high-end marketing of KVI products. This will be done through high value addition and innovation in design, technology, product development and process. KVIC has surplus land on prime locations at places like Nasik, Mumbai, Delhi and other places. These assets will be leveraged to develop a strong marketing network. KVI marketing complexes/ Plazas will be imaginatively developed on these lands to make space for permanent exhibition facilities. Renowned designers, budding entrepreneurs including pass-outs from premier institutions like NIFT, NID, etc., will be actively involved by allowing space in such complexes to show- case and sell their products using khadi as base material. Younger generation will be attracted through trendy designs and products and also provided an inter-active window to connect with the khadi legacy.

3.1.7 Khadi, being the proud legacy of the father of the nation and part of our national freedom movement, has to be sustainable, appreciable and understood as an exquisite, heritage product, which is ethnic as well as 'ethical'. Creation of employment is necessary, and sustaining it is considerably more important. Developing high quality, high-end products, imaginative and innovative designs and well-thought of marketing strategies, as well as targeting the high-end clientele, are necessary.

3.1.8 Special care will be extended so that the value-addition is more innovative and high, for creating high-end value products. KVIC will endeavour to create high-end products with high value-addition, catering to rich clientele and export markets. Propagation of Indian khadi will be made more focussed in terms of its eco-friendliness, bio-degradability, non-exploitative nature, both in respect of man (i.e. no child/bonded labour/exploitation, etc.) and nature (right from 'inception' to 'grave'), ready availability, and its unique character of an exquisite heritage product, ethnic, hand-woven and humane.

3.1.9 KVIC will also endeavour to develop distinctive items, which could internationally attract high street fashion to consider khadi in their repertoire, but without losing sight of certain low-end value products, especially which have high demand / returns, etc. And, cutting across everything, there has to be technological up-gradation, be it in the technology of the tools and implements and other infrastructure or be it in the arenas of optimising value-addition, optimising high-end value products, etc. In particular, technology up-gradation in tools and implements will be ensured on time-bound priority, to increase productivity and thereby ensuring sustainability. Inputs to khadi activities will be channelized in a concentrated manner through clusters, to enhance efficiency and to create visible qualitative as well as quantitative impacts.

3.1.10 Many prominent individuals and bodies have shown interest in khadi and adopted certain areas and their products have made their place in sophisticated overseas markets. Similar models would be replicated at other places by joint efforts and by forging synergy. KVIC will encourage more such designers and stalwarts to adopt areas, products, traditional industries' clusters, arrange marketing and popularise KVI products.

3.1.11 Strengthening of marketing network and creation of demand pool situation needs to be ensured so as to absorb the produce of the sector. It is observed that KVIC possess landed property at very strategic points. Such surplus land will be leveraged to make space for permanent exhibition facilities including interactive museums to attract younger generation towards khadi and village industries products.

3.1.12 The KVIC has been conferred the status of deemed EPC by Ministry of Industry and Commerce in 2006. KVIC has much potential for the KVI export to pick up to the desired extent during XI Plan, which can be seen from the following table.

Table: KVI export

Year	Value of KVI Products exported (Rs crore)
2005-06	40.41
2006-07	53.74
2007-08	91.93
2008-09	104.84
2009-10	82.83
2010-11	116.84

3.1.13 Special thrust will be given on KVI export through enhanced participation in international exhibitions, business delegations and buyer-seller meet and also through special promotional events abroad. KVI items having distinct advantages will be identified and promoted in such events. The khadi show rooms will also showcase the entire range of khadi products. Heritage products and heritage villages would be focused on. Integrated approach will be adopted especially in marketing. High-tech, high end and rich clientele will be aimed at. A new scheme component for marketing complexes/ plazas will also be there. A new component on processing focused on export with select producing units through exhibition and marketing support will also be introduced.

3.1.14 Exports will be enhanced annually at least by 25%. For this ambitious but achievable export targets will be set. The strategies for promoting exports will be evolved in KVIC-EPC in consultation with the various stakeholders. Participation in international exhibitions will be well-planned out, and will be made productive and useful. Under this scheme, top 20 or so KVI exporters will also be identified and given intensive and comprehensive handholding

support to enable them to specialize in KVI exports by achieving a substantial annual growth in export.

3.1.15 Khadi identity will be preserved and khadi USP will be harnessed. Action will be ensured on time-bound priority apropos Khadi Mark to develop it as an authentic mark of purity and genuineness of khadi. Existing khadi certification regulations are already being revised to provide for Khadi Mark. There will be independent third party validation of genuineness for issuing and renewal of Khadi Mark. Professional involvement in marketing of khadi will be ensured through appropriate PPP model, namely, Marketing Organisation, as per the on-going reforms programme.

3.1.16 Mahatma Gandhi Institute for Rural Industrialisation (MGIRI) has been established in 2001 by revamping the Jamnalal Bajaj Central Research Institute, Wardha. The objective of MGIRI is to accelerate the process of rural industrialization in the country along the lines of Gandhian vision of sustainable and self-reliant village economy and to provide S&T support to upgrade products of rural industry so that they gain wide acceptability in local and global markets.

3.1.17 MGIRI will be developed during the XII plan as a centre of excellence in rural industrialization by strengthening and expansion of the interface with reputed technological institutions, nurturing innovative ideas in rural industrialization, development of products/processes and technology dissemination providing quality testing and guidance to rural enterprise.

3.1.18 A tentative allocation of ₹ 100 crore for the five year plan is envisaged under the following components: expansion of MGIRI interface, nurturing innovative ideas, development of innovative products/ processes, developing infrastructure for quality testing and enterprises to take up innovation, technology dissemination and training, expansion of infrastructure, etc.

3.1.19 A cluster based scheme named SFURTI was launched during 2005-06 and was mostly implemented during the XI plan period in 29 khadi and 50 village industries clusters. External evaluation study has been conducted in respect of KVI clusters and the results are encouraging. It is proposed to take up

915 KVI clusters with enhanced quantum of grants under a scheme with a proposed outlay of Rs. 1000 crore. The scheme will have components of common facility centre and all other necessary supports required for KVI activities, most of which are being provided at present in a multitude of schemes under Khadi Grants, VI Grants and other schemes. Here it may be mentioned that SFURTI also very significantly contributes to the creation of a competitive advantage for the units in the unorganized sector especially the traditional industries, through better support services and economies of scale.

3.1.20 Interest Subsidy Eligibility Certificate (ISEC) scheme, Market Development Assistance (MDA) and Janshree Bima Yojana (JBY) (with additional health insurance component) will continue to be extended to KVI institutions which might be outside SFURTI clusters as these are the basic and critical requirements for any KVI unit.

3.1.21 Five categories of clusters are envisaged on the basis of size of agglomeration of artisans/ units with varying scale of assistance/ grants. These are 'Heritage' (any number of artisans), large or 'A' category (minimum 500 artisans), medium or 'B' category (200-500 artisans), small or 'C' category (50-200 artisans) and micro or 'D' category (up to 50 artisans). The corresponding ceiling of grants would be Rs. 10 crore, Rs. 3 crore, Rs. 2 crore, Rs. 1 crore and Rs. 0.50 crore respectively.

3.1.22 The implementing agency will have the flexibility to choose its own basket of components of as per its need and the project size would be worked out accordingly. This is expected to enhance productivity and give clusters a competitive edge.

3.1.23 In order to have a greater impact of interventions, thin spreading of resources has to be avoided. A number of schemes having over-lapping objectives were under implementation during XI five year plan. It was desired that an exercise of rationalization of schemes be carried out to have a fewer number of schemes with enhanced allocations. Existing schemes and small interventions (other than SFURTI itself, MDA, ISEC and JBY, as also PMEGP,

KRDP and MGIRI) of XI Plan with similar or even overlapping objectives will accordingly be bundled together under new umbrella names.

3.1.24 Schemes namely, (i) 'Enhancing Productivity and Competitiveness of Khadi Industry and Artisans', (ii) 'Strengthening Infrastructure of Existing Weak Khadi Institutions and Assistance for Marketing Infrastructure' (iii) 'Product Development Design Intervention and Packaging', (iv) 'Workshed Scheme for Khadi Artisans', (v) 'Rural Industries Service Centre' and other small interventions run by KVIC during XI Plan from Khadi Grants and VI Grants are proposed to be bundled along with existing components of SFURTI.

3.1.25 Interventions under the existing VI Grants undertaken by KVIC for promotion of village industries under the seven specified categories (i.e., Agro Based & Food Processing Industry (ABFPI), Forest Based Industry (FBI), Mineral Based Industry (MBI), Polymer & Chemical Based Industry (PCBI), Rural Engineering & Bio Technology Industry (REBTI), Handmade Paper & Fibre Industry (HMPFI) and Services & Textiles) will be bundled under the acronym of PROVIDE.

3.1.26 The interventions of 'HRD', 'IT' and 'Estates & Services' under VI Grants will be clubbed under DISK. Marketing and Publicity will be clubbed under a scheme named 'Marketing (including Export Promotion) and Publicity'. Khadi S&T and VI S&T will be clubbed together. Supports like MDA, ISEC and JBY being the basic and critical component of any KVI institution will continue independently. It may be added that the programmes of PMEGP, KRDP and MGIRI will also continue independently.

3.1.27 Prime Minister's Employment Generation Programme (PMEGP) launched during the eleventh plan by merger of erstwhile Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) is expected to create around 2 lakh micro-enterprises providing employment to around 15 lakh persons by the end of XI plan. Response to PMEGP has been very encouraging. The scheme has created new hopes among youth, particularly the educated unemployed, of becoming entrepreneurs themselves. It is proposed to upscale the scheme for creation of jobs in manufacturing sector with enhanced

project cost ceiling (but reduced subsidy for bigger projects). A tentative outlay of Rs.9700 crore including Rs. 9200 crore as margin money subsidy and Rs. 500 crore as backward and forward linkage component has been proposed for creation of 32 lakh employment opportunities through creation of 4 lakh micro enterprises during XII plan.

3.1.28 PMEGP will also be used as a vehicle for pushing technology. Technology infusion in traditional and low-end value activities will enhance their profitability and competitiveness. Extension work, in the form of State-level exhibitions, ground-level interventions, workshops, model projects, etc., under PMEGP will focus on the use and up-gradation of technology. The issue of permitting more activities under PMEGP would be examined on merit. While implementing PMEGP, the needs of special category States will be kept in view. Here it may be mentioned that PMEGP also very significantly contributes to the creation of first generation entrepreneurs in the unorganized sector who can then eventually graduate to the organized sector.

The achievement under PMEGP during XI Plan is indicated in the Table below:

**Table: PMEGP Macro Picture (Rs crore)**

Year	Released by Ministry	Projects financed (Nos)	Margin Money subsidy utilized	Backward & Forward Linkages	Total Funds utilized	Employment opportunities created (No of persons)
2008-09	823.00	25,507	408.65	53.44	462.09	2,55,070
2009-10	545.71	39,502	742.76	29.83	772.59	4,19,997
2010-11	896.31	49,819	905.41	19.86	925.27	4,82,024
2011-12 (till 30.11.11)	690.07	26,631	536.43	5.00	541.43	2,44,586
<b><u>E/Total</u></b>	<b><u>2,955.09</u></b>	<b><u>1,41,459</u></b>	<b><u>2,593.25</u></b>	<b><u>108.13</u></b>	<b><u>2,701.38</u></b>	<b><u>14,01,677</u></b>

3.1.29 To revitalize khadi sector through enhanced sustainability, enhanced earnings, increase artisans welfare and their empowerment, a comprehensive Khadi Reform and Development Programme (KRDP) has been

launched during XI plan with a target of utilizing US \$150 million arranged from Asian Development Bank through 300 identified khadi institutions in the first phase. While KVIC will emphasize on completion of ongoing reform activities including those under KRDP, it will take up 2<sup>nd</sup> phase of reform programme during XII plan period. In order to implement the reform activities KVIC would require during XII Plan Rs. 430 crore to complete the remaining activities of the 1<sup>st</sup> phase and need Rs. 860 crore for the 2<sup>nd</sup> phase for another 300 institutions. To ensure success of KRDP, the programme will be implemented in the time-frame laid out and stakeholders will be involved adequately and appropriately in the process. The reforms primarily focus on:

- Selective subsidy to KVI sector
- Enhancing artisan welfare
- Greater involvement of stakeholders
- Better remuneration and quality of life for artisans
- Greater thrust on select traditional village industries

3.1.30 An outlay of Rs 30 crore has been proposed for promotional measures including technical workshops, innovations, awareness camps, etc. for seven categories of village industries (namely, Agro Based & Food Processing Industry (ABFPI), Forest Based Industry (FBI), Mineral Based Industry (MBI), Polymer & Chemical Based Industry (PCBI), Rural Engineering & Bio Technology Industry (REBTI), Handmade Paper & Fibre Industry (HMPFI) and Services & Textiles). The existing interventions undertaken by the VI Directorates of KVIC for promotion of village industries in the above categories will accordingly be clubbed as PROVIDE.

3.1.31 In addition, a revival package is proposed for around 500 weak VI institutions with an outlay of Rs. 200 crore to include provision of Working Capital at concessional rates, social security including insurance for VI artisans, replacement of equipments and tools, training, etc. as a new component.

3.1.32 Growth of KVI is constrained by indebtedness of khadi institutions and KVIC and has been a long standing problem. It is estimated that the KVIC owes over Rs 1400 crore to the Government in respect of KVI loans it extended

to KVI institutions and State KVI Boards before 1995. Direct lending by KVIC ended in 1995, with the introduction of a Consortium Bank Credit (CBC) of 15 Banks led by State Bank of India. Under CBC, Rs. 738 crore was drawn and disbursed by KVIC, of which the amount now outstanding is around Rs. 518 crore from the institutions to KVIC and around Rs. 294 crore from KVIC to SBI. The figures are, however, tentative; and the Ministry has sought a comprehensive status on exact and frozen figures from KVIC.

3.1.33 Due to the very composite nature of khadi activities, i.e. activities starting from cotton as raw material and producing finished readymade khadi garments, the working cycle is longer resulting in higher requirement of working capital than a normal commercial concern. Mainly due to this, khadi institutions are suffering from problems of under-financing and non-disposal of stock as well as large amounts locked up in inventory and receivables. As khadi institutions operate on 'no profit no loss' basis and, due to various reasons, they are not in a position to generate sufficient surplus from their operations, they are finding it difficult to repay the outstanding loans. The situation also got aggravated as institutions were facing problem of large debtors which also include the delay in receipt of payments from trading units etc. This has contributed to deterioration in financial health of the institutions. In view of this, there have been demands from various quarters for a one-time settlement / loan waiver so that the institutions could start afresh with a clean slate. A study of CBC loan was conducted through Cost Accounting Branch of Department of Expenditure and later by Indian Institute of Banking and Finance (IIBF) for an appropriate relief package. IIBF has recommended a waiver of CBC loan. To assist institutions who can still be revived, a scheme will be prepared by KVIC. An amount of Rs. 300 crore has been proposed against a possible waiver/ one-time settlement under this scheme. However, the waiver/ settlement will only cover genuine cases, and no waiver/ settlement will be proposed in case of mis-utilization/ malfeasance of funds.

3.1.34 KVIC runs a total of 132 training courses in the KVI sector. These along with its 550 accredited training centres have the capacity to train annually around 70,000 to 80,000 persons in various trades in KVI sector. KVIC has been

mandated to train 11.79 lakh persons during XII five year plan. KVIC proposes to train 7.79 lakh persons under XII five year plan in addition to 4.00 lakh persons to be trained through the accredited training centres under EDP component of PMEGP. For this, KVIC has proposal for upgrading existing 32 training centres, setting up of 10 new training centres and developing 4 national level training centres one each at Kirnagar, Nasik, Agra and in the North East. The training will, inter-alia, focus on high-end training to artisans to increase employability and earning. Existing courses will also be standardized and a system of feedback and tracking the trained persons through an MIS would be put in place.

The following consolidated physical target for the XII Plan for skill development in KVI sector is proposed.

**Table: No of persons to be trained during XII Plan**

Sr. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17	Total
1	Training programmes in KVI	97000	116700	137200	160200	185300	696400
2	Capacity Building & Technical Workshops in SDPs of Bio-Tech.	12500	14000	16500	18500	21500	83000
3	EDP training for PMEGP beneficiaries	63043	70609	79130	88261	98957	400000
	Total	172543	201309	232830	266961	305757	1179400
	Target of the Ministry	158000	190000	228000	274000	329000	1179000

3.1.35 Schemes proposed are of three types: (a) the existing schemes that are proposed to be continued in the XII Plan, (b) the existing schemes that

are proposed to be bundled together and continued in the XII Plan under new umbrella names and for which Grants will continue to be routed through Khadi Grant and VI Grant, as the case may be, and (c) new schemes that are proposed to be introduced in the XII Plan. These are:

(a) Existing Schemes that are proposed to be continued in the XII Plan:

- (i) **PMEGP (Prime Minister's Employment Generation Programme):** An enhanced outlay of Rs 9700 crore has been proposed (Rs 9200 crore as margin money subsidy and Rs 500 crore for backward and forward linkages). 32 lakh additional employment would be created through assistance for setting up of 4 lakh enterprises. Project cost ceiling is proposed to be suitably enhanced for manufacturing sector and for service sector with reduced subsidy for bigger projects.
- (ii) **KRDP (Khadi Reform and Development Programme)** with a proposed outlay of Rs 1290 crore for covering 550 Khadi Institutions in two phases. Phase I is ongoing for covering 300 institutions (against which 50 institution has already been taken up during XI Plan, besides the remaining 250 institutions of Phase I to spill over to XII plan) and another 300 institutions in Phase II of KRDP.
- (iii) **MGIRI (Mahatma Gandhi Institute for Rural Industrialization).** An outlay of Rs 100 crore has been proposed for MGIRI for innovation as well as hand holding entrepreneurs with improved products and processes.
- (iv) **ISEC (Interest Subsidy Eligibility Certificate) scheme:** ISEC for khadi & polyvastra will be continued.
- (v) **MDA (Market Development Assistance):** The scheme will be modified to bring it in line with the conditions stipulated by CCEA while approving it and KRDP. An outlay of Rs 1034 crore has been proposed, which is commensurate with the production target (□ 5168.33 crore) of khadi and polyvastra under the XII Plan.
- (vi) **JBY (Janashree Bima Yojana):** JBY will be continued with added component of comprehensive health insurance.

**(vii) SFURTI (Scheme of Fund for Regeneration of Traditional Industries):** SFURTI will be continued with an enhanced outlay of Rs 1000 crore (Rs 525 crore for 460 khadi clusters and Rs 475 crore for 455 VI clusters). These will include 15 heritage clusters to be taken on a pilot basis with higher allocation of Rs 10 crore per cluster. Besides retaining components like equipment replacement, CFC, product development support, market promotion, capacity building and exposure visits etc under existing SFURTI, the following components will be added: (i) 'Enhancing Productivity and Competitiveness of Khadi Industry and Artisans', (ii) 'Strengthening Infrastructure of Existing Weak Khadi Institutions and Assistance for Marketing Infrastructure' (iii) 'Product Development Design Intervention and Packaging', (iv) 'Workshed Scheme for Khadi Artisans', (v) 'Rural Industries Service Centre' and other small interventions like Ready Warp Units, Ready to Wear Mission, etc run by KVIC during XI Plan from Khadi Grants and VI Grants. Interest Subsidy Eligibility Certificate (ISEC), Market Development Assistance (MDA) and Janashree Bima Yojana (JBY) (along with a comprehensive health insurance for khadi artisans) will also be availed by institutions not implementing SFURTI.

(b) Schemes that are proposed to be bundled together and continued in the XII Plan for which Grants would continue to be routed through Khadi Grant and VI Grant, as the case may be:

**(i) Existing schemes and small interventions** (other than SFURTI, MDA, ISEC and JBY, as also PMEGP, KRDP and MGIRI) of XI Plan with similar or even overlapping objectives have accordingly been bundled together under SFURTI itself. These schemes are: (i) 'Enhancing Productivity and Competitiveness of Khadi Industry and Artisans', (ii) 'Strengthening Infrastructure of Existing Weak Khadi Institutions and Assistance for Marketing Infrastructure' (iii) 'Product Development Design Intervention and Packaging', (iv) 'Workshed Scheme for Khadi Artisans', (v) 'Rural Industries Service Centre' and other small interventions like Ready Warp Units, Ready to Wear Mission, etc run by

KVIC during XI Plan from Khadi Grants and VI Grants. The SFURTI scheme will be suitably modified to give the agencies implementing SFURTI the necessary flexibility to choose their own basket of components to make the project as per the need.

- (ii) Khadi S&T and VI S&T will be clubbed together. In addition, a new scheme consisting of two distinct components, the details of which will be formulated by KVIC later, will provide for holistic promotion of KVI items as heritage and green products to harness its USP.
- (iii) Necessary handholding and other supports including incentives will be provided to those institute/ units who will obtain quality certifications/ registration etc in any of the specified areas such as ISO certification, eco-certification, etc. A tentative outlay of Rs 20 crore has been proposed for this component.

There is a felt need for encouraging the development and protection of new technology/ machinery/ processes/ products, etc. in the KVI sector through provision of appropriate incentives. This will serve as a motivation for exporters/ producers to venture into development of new technology/ machinery/ processes/ products, etc. The incentive may be in the form of some one-time assistance towards the cost of development of new technology/ machinery/ processes/ products, etc., the cost of filing applications for IPR, GI registration, community trade mark, etc. and for necessary legal support.

Also, an outlay of Rs 25 crore has been proposed for this component.

**Note:** Supports like **MDA, ISEC and JBY** being the basic and critical component of any KVI institution will continue independently. It may be noted that insurance for khadi artisans is provided under JBY and insurance for VI artisans is provided for under the new component in PROVIDE.

- (iv) **Market Promotion (including export promotion) & Publicity:** This scheme will be a umbrella scheme for existing marketing and publicity activities as well as marketing plaza/ permanent exhibition space leveraging the land available and identified for the purpose, promotion of exports. Development of Reliable Statistics/ Database for KVI Sector will

be undertaken by a sub-scheme under this scheme by KVIC as a deemed EPC. Under this scheme, about 20 or so top KVI exporters will also be given intensive and comprehensive handholding support to enable them to specialize in KVI exports by achieving a substantial annual growth in export. An outlay of Rs 220 crore has been indicated. In addition, the MDA scheme will be implemented as a distinct component of this umbrella scheme for Market Promotion and Publicity. Apart from the above, under the scheme, a new component for developing Marketing Complexes/ Plazas will also be provided. Details will be worked out by KVIC to develop Marketing complexes and plazas by leveraging the surplus land available with KVIC at identified locations. An amount of Rs 250 crore has been earmarked for this component.

**(v) Development of Infrastructure and Skill set in KVI Sector (DISK):** Bundling IT, HRD & Estates and Services to meet the infrastructural, ICT and skill need of KVI sector etc has been proposed. A tentative outlay of Rs 356 crore has been indicated.

**(vi) Promotion of VI & Development of Existing Weak VI Institutions (PROVIDE):** This will be a bundle of the existing schemes of expenditure relating to the promotion of seven categories of village industries with an additional component of a revival package for around 500 weak VI institutions (as also insurance for VI artisans) with a total outlay of Rs 230 crore.

(c) New scheme that are proposed to be introduced in the XII Plan:

**Scheme for KVI/ CBC Loan Waiver/ Settlement:** This is for write off of old loans by a one-time waiver/ settlement. A tentative outlay of Rs 300 crore has been proposed for a proposed write off/ settlement in respect of pre-CBC and CBC loans so that the institutions could start their operation afresh with a clean slate.

The details of Proposed Budget Outlay for all schemes under KVI Sector may be seen at **Table-1 Annexure**.

## 3.2 Coir Sector

3.2.1 Coir Sector has a vision of acquiring new dimensions by way of following broad interventions during the 12<sup>th</sup> Plan period.

- i. Optimum utilization of raw materials to be ensured. The present utilization level of coconut husks at 40% to be enhanced to 60%, inter alia by setting up of husk collection Banks.
- ii. Empowerment of rural women by providing livelihood in coir industry to be achieved. The traditional processes of spinning and weaving to be modernized to eliminate drudgery and facilitate women to operate the machines.
- iii. Compensation for accidental death and partial/permanent disabilities under the present insurance scheme to be enhanced and a new scheme for health cover to coir workers to be undertaken.
- iv. The technologies/machinery items developed by the research institutes to be demonstrated and transferred to the grassroots level of the coir industry through appropriate extension work.
- v. Technological interventions to be made through appropriate schemes for upgradation of quality of coir and coir products.
- vi. Eco-Mark certification to be obtained for coir and coir products and to be also promoted widely in the international market.
- vii. Coir Mark Scheme to be strengthened by extending the coverage of the scheme to the entire range of coir products consigned to the domestic market.
- viii. Coir products to be popularized projecting their Unique Selling Propositions so that the exports are enhanced commensurate with the potential. The present level of exports of Rs.800 crore to be doubled within 5 years.
- ix. Technological interventions to be undertaken for higher value addition in coir and manufacture of high end products for catering to the niche market.

- x. The intellectual property rights arising in the coir sector to be encouraged and legally protected at the national and international levels.
- xi. Modernisation of coir industry to be achieved by developing high end machines with increased productivity and elimination of drudgery.
- xii. Zero wastage concept aiming at utilization of coir pith and low grade fibre for the manufacture of low value products to be evolved to cater to the domestic market in order to compete with the import of cheap substitute products.
- xiii. Employment to be provided to the existing coir workers for at least 250 days per annum and additional employment to be generated for 50,000 coir workers, predominantly women.
- xiv. A target of Rs.2000 crore sale in the domestic market to be achieved through product development and diversification and showcasing the entire range of coir products.
- xv. Incentives for using natural dyes in dyeing coir to be introduced.

3.2.2 In a nut-shell, the efforts in the Coir sector will be focused on the following critical elements:

- (i) The entire range of raw material should preferably be put to productive use, with minimal/negligible wastage of any part/s thereof. This would entail necessary research and technology-development by CCRI and necessary propagation/extension by CCRI and the Board.
- (ii) Export of raw material should be minimized – efforts should be to replace this by (a) optimum use of the raw material and (b) high value-additional, for sales in the national and international markets.
- (iii) The value-addition at the hands of the artisans and manufacturers should be innovative and high, for creating high-end value products. The first endeavour should be to create high-end products of high value-addition, with the rich clientele and the export markets in view.

- (iv) And, the endeavour should also be to develop unique items, as for example coir pith manure, coir jackets, coir umbrellas, coir hats, coir jeweller, etc., and to popularize them.
- (v) Simultaneously, however, certain low-end value products, especially which ensure use of hitherto wasted parts of the raw material or which have high demand/returns, etc., should not be lost sight of.
- (vi) The above, (iii) to (v) would require different strategies, technologies etc.
- (vii) And, cutting across everything, there has to be technological upgradation, be it in the technology of the machines and other infrastructure for which subsidy and financial assistance is disbursed by the Board or be it in the arenas of optimizing use of the raw material, optimizing value-addition, optimizing high-end products, etc.
- (viii) Use of coir pith/coir pith based products within the country, and optimizing their export abroad, has to be ensured on priority. In particular, a clear strategy to sell coir pith and pith products abroad has to be evolved.
- (ix) A vibrant and continuous link between the CCRI and the artisans/manufacturers as also the marketing and exports has to be ensured.

3.2.3 The schemes recommended for the coir sector in the XII Plan will address these areas and translate the vision into reality. While certain schemes being implemented during the XII Plan are proposed to be continued during the XII Plan, certain others are proposed to be continued with suitable modifications. Besides, a few new components / schemes are also proposed to be introduced in the continuing schemes of Plan – Science and Technology and Plan – General.

#### **3.2.4 PLAN- SCIENCE AND TECHNOLOGY**

Central Coir Research Institute, Kalavoor in Kerala and the Central Institute of Coir Technology, Bangalore are two premier research institutes

carrying out research works on all aspects of coir. These institutes have made some breakthrough achievements which can change the face of the traditional coir industry. An evaluation committee constituted by the Ministry of MSME, comprising of eminent experts from premier institutes in the country including IITs, Universities, NIMSME and NID, during the year 2008, to examine and recommend the performance of different schemes of Coir Board, has reported the works carried out by the CCRI to be of very high standard.

Priority areas of R&D intervention to be undertaken during the XII Five Year Plan are as following:-

- Building two-way linkages with Research, Development, Training and Extension experts and field level units.
- Constantly improving the quality of Coir products and facilitating compliance with pertinent standards.
- Building/strengthening suitable laboratories to facilitate quality assurance and in-house research work.
- To identify a few products on which major thrust could be given in a well-coordinated and focused manner to substantially increase their market penetration.
- To prepare and upgrade the database of available technologies, Research, Development, Training and Extension experts available in the country and identify standing consultants from amongst them.

The details of works to be undertaken by the research institutes under the existing components of the scheme are as follows:-

#### 1. Modernization of Production Processes

Fibre/Pith production processes hitherto used by the industry require improvement so that younger generation especially women workers will be attracted towards coir extraction. To achieve these objectives, research works will be undertaken to develop efficient formulations based on bacteria, fungi, etc., for improving the quality of coir fibres extracted through Mobile Fibre Extraction Machine (SWARNA) to the

extent of retted fibres in collaboration with Rajiv Gandhi Center for Biotechnology (RGCB), Trivandrum. Research works will also be carried out on extraction of superior quality of lignosulfonates from coir pith for use in off shore and on shore oil well drilling and other uses like storage batteries, etc. Irradiation procedure will be adopted in collaboration with Babha Atomic Research Center (BARC), Mumbai, for phytosanitation of coir pith and coir products instead of fumigation using methyl bromide/ethylene oxide and to facilitate the extraction of various chemicals like bio-ethanol and bio-oils.

## 2. Development of Machinery & Equipments

Appropriate machineries will be developed and improved upon to facilitate women workers to earn more wages leading to their empowerment. Development of a versatile spinning machine will be taken up to manufacture coir yarn of various thicknesses with multiple spindles/rotors to produce at least 50kg yarn /8hour shift/spindle. Improvement of the machines like Anugraha, Pneumatic Anupam, Wrapping machine, Garden Article manufacturing machine, Cocolog manufacturing Machine, Multiple Head Curling/spinning machine and coir pith briquetting machines will be undertaken to make these women user friendly, cost effective as well as more productive with better quality products. A tool room will be set up/strengthened at Central Coir Research Institute for development-cum-repairing of different coir processing machines and for the incubation of coir processing workers to apprise them of maintenance and running the machines appropriately for maximum efficiency.

## 3. Product Development and Diversification

Value addition to the coir fibres and pith that are being exported at present will be priority areas of intervention under this scheme. To achieve this, a pilot scale laboratory will be set up/strengthened to produce paper from coir bit fibres/tender coconut husk which are at present considered as waste and used as fuel. Extraction and use of Natural Dyestuffs in the dyeing and printing of coir will be carried out in

the plant established at CCRI in collaboration with IIT, New Delhi. Collaboration works will be continued with CSIR (Council of Scientific & Industrial Research) institutes like CGCRI ( Central Glass and Ceramic Research Institute) and IICB ( Indian Institute of Chemical Biology), Kolkata, NEIST (North East Institute of Science & Technology), Jorhat, and NID (National Institute of Design), Ahmedabad for product diversification in the areas of ceramization of coir fibre blocks, enhancing the longevity of coir products and development of new decorative products out of coir respectively. Rain fall simulators and slope simulators will be used to carry out study on the coir geotextiles with regard to degradation in the course of time. Production of blended coir yarn with the natural fibres like, jute, wool, silk, cotton and sisal etc. will be carried out to develop decorative items like conference bags, golf course umbrellas, coir toys, coir garlands, fine texture mats and matting, seat cushions and upholstery. New standards will be formulated for coir polymer composite boards, binderless boards, Medium Density Fibre Boards and Block Boards as wood substitutes. Usage of coir geotextiles for strengthening of weak agrarian soils will be undertaken in collaboration with NITs (National Institutes of Technology) in different states as per IRC (Indian Roads Congress) accreditation and approval of NRRDA (National Rural Roads Development Agency). Research activities will be focused on developing innovative technologies in processing, product development/diversification, design development, etc will be undertaken to commercialize it for meeting the changing demand of coir sector.

#### 4. Development of Environment Friendly Technologies

Pollution Control Board will be taken on board for monitoring technologies which will not be creating any environmental problems. ECOMARK certification for coir and coir products will be obtained from Ministry of Environment and Forests (MoEF), Govt. of India. An ECO lab will be set up at Central Coir Research Institute for testing various parameters of coir products as per the requirements of Central

Pollution Control Board. Experiments will be carried out to establish the use of non-conventional energy for running low power equipments like willowing machines and motorized ratts, etc. for implementation in the coir industry in collaboration with ANERT, Govt. of Kerala, etc.

5. Technology Transfer, Incubation, Testing & Service Facilities

Efforts will be made to popularize new technologies/products through extension. Intellectual Property rights will be encouraged and strengthened in respect of newer technologies/products, to be marketed in the country and abroad. The utilization of technologies/products already transferred to about 55 entrepreneurs in the country will be closely followed up to monitor the progress. The tool room facility will be provided for incubation of workers/entrepreneurs from coir industry to extend the technologies at field level. Conversion of wooden handlooms in the coir industry (approximately 20,000 looms) that are more than 150 years old into Pneumatic (Uday) loom for better productivity and least drudgery will be completed during the Plan Period so that women will be finding jobs in the weaving sector with higher remuneration leading to their empowerment.

6. Extension work will be strengthened manifold to undertake the activities of carrying out the field demonstrations, Technology Transfer seminar and capacity building exercises, etc

7. The expenditure incurred under Plan S&T during the XI Plan period on the above (1 to 5) was about Rs.34 crore. The fund requirements envisaged during the XII Plan period are Rs.108 crore.

In addition, the following new component will be introduced.

8 Incentives for using natural dyes and Incentives for IPR in coir sector

(i) Many of the Western countries have banned the import of coir products dyed using synthetic dyes especially those containing azo group due to their harmful effect. In order to compete in the international market it is required to replace the banned dyestuffs with

alternative safe dyes. The Central Coir Research Institute of the Coir Board has developed 16 shades of natural dyestuffs which are extracted from the natural materials like Galnut, Mary Gold, Henna, Turmeric etc. Dyeing using these dye stuffs is expensive when compared with the synthetic dyestuffs. It is essential to promote the use of these dyestuffs extensively. Keeping this in view a pilot scale unit for extraction of natural dyestuffs has also been established at CCRI. It is proposed to evolve a new scheme for extending incentives to the exporters exporting coir products using natural dyestuffs. An amount of Rs. 6 crore has been proposed for this component during the XII Plan period.

(ii) There is a felt need for introducing a separate incentive scheme for the development of new technology/machinery/processes/products, etc in the coir sector. This will serve as a motivation for exporters/producers to venture into development of new technology/machinery/processes/products, etc. The incentive may be in the form of some one-time assistance towards the cost of development of machinery/technology/processes/products, etc. and the cost of filing application for IPR, G.I., Trade Mark, etc. at domestic and international level and for necessary legal support. An amount of Rs.10 crore has been proposed for this component during the XII Plan period.

(iii) The total fund requirements for the above two components during the XII Plan period will be Rs. 16 crore.

(iv) The total funds required for Plan Science & Technology for the XII Plan will be Rs.124 crore (Rs.108 crore for the existing components and Rs.16 crore for the new component).

### **3.2.5 PLAN- GENERAL**

The Plan General comprises of schemes for enhancement of utilization of raw materials for the coir industry, modernization of the production infrastructure, enhancement of the markets for coir, collection, compilation

and publication of statistical data on coir industry and providing insurance and health care to the coir workers.

1. Skill Upgradation, Quality Improvement and Mahila Coir Yojana:
  - (i) Creation of a skilled man-power base is an important pre-requisite for the development of any industry. It is proposed to continue the existing scheme during the XII Plan period also with a commitment that the trained hands would continue in the industry by taking up self-employment programmes. Entrepreneurship Development Programmes will be designed with adequate SC/ST/Women/NER components and introduced in the coir sector so that the intake of trained hands for the coir sector would be enhanced considerably.
  - (ii) Deterioration of quality of coir products is a major concern of the coir sector. The Coir Board will inculcate quality consciousness among the coir yarn spinners and weavers so that the defects normally occur during the manufacturing process would be avoided.
  - (iii) Mahila Coir Yojana is the first self-employment programme in the coir sector. The scheme has been found to be very effective in the women empowerment in the coir sector as it provides for 75% financial assistance for purchasing ratts for spinning. Considering the advantageous nature of the scheme, the Scheme is proposed to be continued during the XII Plan period with certain modifications to include the modern machinery items like mobile defibering machines, mini-spinning machines, etc. The pattern of assistance under the scheme will be maintained but with suitable enhancement in the ceiling of assistance from the present level of Rs.7, 500 to offset the increase in the cost of machinery.
  - (iv) The expenditure under this head during the XI plan period was about Rs.22.70 crore and it is proposed to provide an amount of Rs. 100 crore for the XII Plan period taking into account the increase in amount of assistance and addition of modern machines under the scheme.

## 2. Development of Production Infrastructure

(i) It was noted that the rapid growth in the export of coir fibre has led to scarcity of raw material in the export oriented production centre and there is an urgent need to increase the production of coir fibre within the country. Therefore, during the XII Plan period it is proposed to achieve a production of 10, 00,000 MT by the end of the terminal year of the Plan period from the present level of 5, 25,000 MT.

(ii) It is highly desirable that the entire range of raw materials should preferably be put to use with minimal/negligible waste of any part thereof. The first endeavour will be to create infrastructure and facilities to produce high end products of high value addition with rich clientele and export markets in view. It will be the endeavour to make coir product a value added high end product by suitable technological interventions for enhanced export. Considering the increasing popularity of the use of coir geotextiles, it is also important to establish units for their production. Therefore, the scheme of Development of Production Infrastructure is proposed to be continued during the XII Plan period by enlarging the scope of the scheme to include the modern machinery items like Anugraha loom, Anupam loom, Mechanised Coir Yarn Spinning machines etc. Consequently the subsidy ceiling on the cost of machinery items will also be suitably enhanced from the present level of Rs.6 lakh without any change in the pattern of assistance.

(iii) The expenditure under the head during the XI plan period was about Rs. 5.43 crore and it is proposed to provide Rs. 75 crore under this head during the XII Plan period so as to assist 300 units at a rate of Rs. 25 lakh per unit for installation of modern machinery items.

## 3. Export Market Promotion

(i) Coir products valued at about Rs.807 crore were exported to more than 110 countries during the year 2010-11. There will be considerable efforts to promote the coir products in the overseas market based on its Unique

Selling Propositions so as to cater to the niche market. The innovations will to be patented and proper recognition and financial support will be provided to the coir manufacturers and exporters who have patented their technologies. A new scheme will be evolved and implemented to extend assistance to the exporters/manufacturers who develop innovative product/machinery having wide acceptance in the industry/overseas market.

(ii) The participation of Coir Board in the international fairs will be more vibrant where the visitors are provided with all relevant information on the coir industry. The Eco-labelling of coir products from the Ministry of Environment and Forests will to be obtained as expeditiously as possible and promoted widely in the overseas market to enhance the export market. The present EMDA Schemes will be continued to assist the Micro, Small and Medium level entrepreneurs to participate in international fairs and business tour abroad. Permanent display of coir products will be organized in Indian diplomatic centres abroad to create wide publicity for the coir products abroad. There will be regular buyer-seller meets to tap new markets. "India Coir" will be promoted as a brand and natural eco-friendly product.

(iii) During the XI plan period, a total amount of about Rs. 9.30 crore was incurred under this head and considering the increase in requirements during the XII Plan period a sum of Rs. 65 crore has been proposed for under this head so as to achieve the target of Rs. 1600 crore which is double as compared to the present level of exports.

#### 4. Domestic Market Promotion

(i) There is ample scope for widening the domestic market for coir products through diversification and brand promotion. The awareness level on coir and coir products in the potential markets will be enhanced especially among the younger generation so that the domestic market for coir and coir products is sustained and developed to tap the full potential. It is envisaged to participate in National and Regional fairs to show case the capabilities of the coir industry in the country. Road

shows and Seminars will be organized to tap new markets and create awareness on new products. Promotion of Geographical indications in the coir sector like “Alleppey Coir”, “Puri coir toys” “Pollachi Coir Pith”, “Salem Coir Rope” will be extensively promoted as brands. The present scheme of Market Development Assistance will be continued by extending the coverage of this scheme to include coir cooperative societies and MSMEs. Carrying out publicity in the potential areas of market for coir products will be taken up vigorously. The Coir Mark Scheme will be improved and strengthened to make it more vibrant and a symbol of quality of coir products (like “Agmark” in agriculture products) with suitable market strategy.

(ii) As against an expenditure of Rs. 54.43 crore during the XI plan period, an amount of Rs.133 crore is proposed to be provided under this head during the XII Plan period.

5. Trade and Industry Related Functional Support Services (TIS)

(i) The scheme is recommended to be continued during the XII Plan period with a view to facilitate strategic planning for the development of the sector. Efforts will also be made to further strengthen the data on production, sale and employment and export of coir and to put it a more scientific footing, to make it more appropriate and useful to the industry and the decision-makers.

(ii) During the XI plan period, an amount of about Rs. 9.96 crore was incurred under this head and it is proposed to make a provision of Rs. 65.00 crore for the XII Plan period.

6. Insurance to Coir Workers

(i) The present scheme of Coir Workers Insurance Scheme which covers the accidental death and permanent and partial disability is proposed to be continued with certain enhancements in the compensation being paid. The present level of compensation of Rs. 25, 000 for partial disability and Rs.50, 000 for accidental death/permanent disability will be suitably enhanced.

(ii) During XI Plan period an amount of about Rs. 32.37 lakh was expended and it is proposed to make a provision of Rs. 1 crore during the XII Plan period.

In addition, the following new component will be introduced.

(iii) A large number of coir workers, especially old aged ones are suffering from various diseases mainly due to occupational hazards which require continuous medication. Expenditure for these medicines eats away a major portion of their limited income. Consequently, very often the workers discontinue medical treatment for various perennial diseases and it badly affects their productivity. It is therefore proposed to introduce a new component of health insurance for coir workers.

(iv) The anticipated expenditure during XII Plan period for implementation of this additional component will be Rs.50 crore for approximately 1 lakh families of coir workers.

(v) The total fund requirements will be Rs. 51 crore during the XII Plan period.

In addition, the following new schemes will be introduced.

### **3.2.6 Husk Collection Banks**

(i) Currently the industry is very concerned with the problems of shortage of coir fibre, the basic raw material of the industry. While there is a shortage of raw material in the industry, there is also under utilization of coconut husks. The present production of coconuts in the country is estimated at 16,461 million nuts per annum whereas only 40% of the husks produced is utilized by the coir industry. There is a need to introduce a Scheme for extending assistance to the women self help groups/cooperative societies engaged in the collection of coconut husks for coir industry so that additional quantity of husks required for the industry could be mustered for fibre extraction. It is proposed to establish Husk Collection Banks as a backward integration to the fibre extraction units in the industry. The Women SHGs/Co-operative societies engaged

for this activity will be provided infrastructure facilities like wheel barrows/trolleys, etc. and assistance for transport for carrying the husks to the fibre extraction units. A new scheme will be evolved for such interventions and one-time subsidy. The scheme will be implemented as a backward integration of the fibre extraction units.

(ii) The new scheme envisages setting up of 500 husk collection banks at a cost of Rs.5 lakh per bank and accordingly Rs.25 crore has been envisaged for the XII Plan period.

### **3.2.7 Large Industry**

(i) It is felt that Coir Board should function for the coir industry as a whole; it is not require to limit itself to micro, small and medium enterprises alone. Accordingly, a new scheme will be prepared for the assistance and interventions the Board could provide to the large enterprises also. In identifying the incentives and assistance which could be provided to large enterprises in the coir sector, the incentives and assistance provided by the other ministries to large industries in other sectors may also be kept in mind, along with the peculiar and specific requirements of the coir industry per se.

(ii) A total amount of Rs.20 crore has been included for implementation of the scheme during the XII Plan period.

### **3.2.8 REJUVENATION, MODERNISATION AND TECHNOLOGY UPGRADATION OF COIR INDUSTRY (REMOT)**

(i) The REMOT scheme envisaged rejuvenation, modernization and technology upgradation of 4000 spinning units and 3200 tiny household units during a period of five years in the XI Plan. One of the main objective of the scheme among other things is to provide more employment opportunities for women in the rural sector and gender empowerment. The Scheme needs to be continued in the XII Plan period with suitable modifications and expansion to cover manufacturing units for value added products and processing using high end machines and technologies. The maximum ceiling of financial assistance under the

scheme will be suitably enhanced from the present level of Rs. 2 lakh to cover small and medium scale units who will be able to afford higher investments besides continuing the benefits to the tiny worksheds and spinning units. The type of units eligible for assistance under the scheme will also be separately notified by the Coir Board.

(ii)The expenditure under the Scheme during the XI plan period was about Rs.66.25 crore and it is proposed to provide for Rs. 192.00 crore under the Scheme during the XII Plan period so as to rejuvenate and moderise the coir industry with high end machines by extending the coverage to all sectors of the industry.

### **3.2.9 SCHEME OF FUND FOR REGENERATION OF TRADITIONAL INDUSTRIES (SFURTI)**

- i. The interventions made under the Scheme of Fund for Regeneration of Traditional Industries in the coir clusters have been quite successful as it was possible to diagnose the problems faced by the clusters and create adequate infrastructure support and capacity building to address such problems. It is proposed that such interventions will be continued during the XII Plan period also for providing hand holding support under the SFURTI so as to make the traditional coir industry more productive and competitive in the domestic as well as international market. It is envisaged that 23 clusters will be selected from the coconut producing states and the projects implemented at a total financial outlay of Rs.20 crore.
- ii. As against about Rs. 17.34 crore spent during the XI plan period, it is proposed to provide for Rs. 20 crore under the Scheme during the XII Plan period.

The details of Proposed Budget Outlay for all schemes under Coir Sector may be seen at **Table-2 Annexure**.

## ANNEXURE

### Proposed Budget Outlay for KVI & Coir Sector during 12<sup>th</sup> Plan

**Table 1**

#### Khadi & Village Industries Sector: Schemes/Proposals for 12<sup>th</sup> Five Year Plan

(Rs. Crore)

Sl. No.	Intervention / Scheme proposal	Physical Targets	Financial (Rs. in crore)
1.	PMEGP (Margin money subsidy of Rs. 9200 crore @ Rs. 2.3 lakh per project)	32 lakh empl. @ 8 nos.	9700.00
2.	KRDP (Phase I+II): Rs. 430 cr. + Rs. 860 cr.	250 KI + 300 KI	1290.00
3.	MGIRI		100.00
4.	Interest Subsidy Eligibility Certificate for khadi and polyvastra		225.00
5.	Janashree Bima Yojana for khadi artisans (inclusive of new component of health insurance)	2 lakh additional coverage of artisans	30.00
6.	SFURTI (inclusive of 5 existing schemes subsumed therein)	915 clusters	1000.00
	Khadi /V.I. Heritage Clusters	15 clusters	150.00
	Khadi	450 clusters	425.00
	V.I.	450 clusters	425.00
7.	Khadi/ VI S&T		20.00
	Scheme for Promotion of Khadi as an Exclusive Heritage and Green Product (SPOKE)		45.00

8.	Market Promotion (including Export Promotion) & Publicity (inclusive of a new component of marketing complexes/ plazas)		470.00
	Modified MDA	Khadi and polyvastra production worth Rs 5168 crore	1034.00
9.	Development of Infrastructure and Skill set in KVI Sector (DISK)		356.00
10.	Promotion of VI and Development of Existing Weak VI Institutions (PROVIDE) (inclusive of new component for revival of weak VI institutions)	500 V.I. institutions	230.00
11	Scheme for write off of old loans by a one-time waiver/ settlement		300.00
	<b>Total</b>		14,800.00

**Table 2****Coir Sector: Schemes/Proposals for 12<sup>th</sup> Five Year Plan**

(Rs. in crore)

<b>Sl. No.</b>	<b>Plan Head</b>	<b>Budget</b>	<b>Projected outcomes/Deliverables</b>
1	<b>Science &amp; Technology</b>	<b>124.00</b>	
	i) Modernization of Production Processes	108.00	(i)20,000 Nos. traditional looms to be modernized
	ii) Development of Machinery & Development		(ii)6,000 Kgs. of natural dyes to be produced and supplied to the industry
	iii) Product Development and Diversification		(iii)100 units to be modernized by installing spinning machine.
	iv) Development of Environment Friendly Technologies.		(iv)Technology to be transferred to 50 Entrepreneurs
	v) Technology Transfer, Incubation, Testing & Service Facilities.		(v)Technology to be transferred to 10 machinery manufacturers  (vi) 10 clusters to be provided with the Technology of manufacture of coir composite board.  (vii) 10 net houses to be set up
	vi) Incentives for using natural dyes and Incentives for IPR in coir sector	16.00	150 exporters to be assisted  25 applicants to be assisted

2	<b>Plan General</b>	<b>534.00</b>	
	i) Skill upgradation and Quality Improvement including Mahila Coir Yojana	100.00	37,500 to be trained 21000 spinning equipments/machines to be distributed
	ii) Development of Production Infrastructure	75.00	300 units to be assisted
	iii) Export Market Promotion	65.00	500 exporters to be assisted 100 international fairs to be participated. Rs.1,600 crore export to be achieved.
	iv) Domestic Market Promotion	133.00	950 exhibitions to be participated
	v) Trade and Industry Related Functional Support Services	65.00	
	vi) Insurance to Coir workers	51.00	
	vii) Husk Collection Banks	25.00	500 HCBs to be set up
	viii) New scheme for large industries	20.00	
3.	Rejuvenation, Modernisation and Technology Upgradation of coir industry. (REMOT)	192.00	3000 new units to be set up
4	Scheme of Fund for Regeneration of Traditional Industries	20.00	23 clusters to be assisted
	Total	870.00	

## **Chapter IV**

### **Summary and Conclusion**

#### **4.1 Summary**

While MSME sector continues to script an exciting success story in India, there are inherent weaknesses and systemic failures which require bold policy initiatives and massive resource allocation. The sector is a blend of tradition and modern with an alarming level of informal sector enterprises at the bottom of 'MSME Pyramid'. The process of liberalization and global market integration has opened up wide opportunities for the sector, as also new challenges. Transparent and efficient policy- regulatory frame work is the need of the hour. Government and other stakeholders should take concerted efforts to adopt bold strategies, best practices and progressive policy making to unleash MSME sector. The new ambitious National Manufacturing Policy, which aims to make India a manufacturing hub and increase the sectoral share of manufacturing in GDP to 25 per cent in the next decade from the present level of 15-16 per cent, requires substantial support from MSME sector and quantum jump in the growth rate of MSME sector from the existing level of 12-13 % per annum. This necessitates convergence of efforts and resources.

##### **4.1.1 Need for Convergence**

The key issue is also that of capacity building of Small Business Service providers to become efficient and pro-active agents of change. This requires convergence of:

- Sound Macro-economic policies
- Seamless Institutional Structures
- Outcome based performance indicators
- Performance based funding
- Good Governance
  - Transparency & Accountability Systems

- Independent Monitoring and Evaluation
- Effective participation by target beneficiaries

#### **4.1.2 How do we unshackle MSMEs?**

The Working Group has endeavoured to answer this question

##### **What Shackles MSMEs?**

- Regulation
- Technology
- Credit & Finance
- Orthodox Marketing
- Skills
- Dated Institutional Framework
- Advocacy & Empowerment
- Transparency

These constraining factors are further elaborated as follows:

##### **Regulations-**

- Restrictive Labour Laws
- Definitional Issues
- Inadequate MSME Act
- Limited Exit Options
- Routine Approach to Fiscal Incentives
- Limited Access
- Lack of Focus
- Knowledge & Information Gap
- Limited Impact of Government Schemes

### **Credit & Finance**

- Total Dependence on Debt Financing
- Negligible Private Equity/Angel Funding
- No access to Equity Market
- Insignificant Micro Finance

### **Orthodox Marketing**

- Knowledge Gap
- Low Penetration of IT.
- Inadequate Exposure to Global Markets

### **Skills**

- Lack of Information on Skill Gap and Emerging Skill Demand
- Inadequate Skill Infrastructure

### **Dated Institutional Framework**

- Outdated D.I.C. Structure
- DC's Office not Keeping Pace With Changing Reality
- MSME-DIs Uncertain About Their Role
- Therefore, Re-Engineer Support Structure

### **Advocacy & Empowerment**

- Absence of Collective Thinking and Collective Voice
- Fragmented Associations

## **Transparency**

- Archaic Processes
- Reluctance to use I.C.T.
- Tendency to Keep Information Under Wraps

### **4.1.3 Support Package for Start-Up Businesses in Innovative and Emerging Sector**

- i. Start-ups can be identified as Enterprises with innovative ideas, often in the areas of emerging technologies, launched by technically qualified entrepreneurs. The start-up entrepreneurs are qualified in their respective areas of specialisation and most of them have the background of working in institutions or organisations considered to be global leaders in their respective areas of specialisation. The enterprises are launched to develop business models based on the innovative ideas of the entrepreneurs. While the growth rate of the successful start-ups are very high, many of which reach the corporate status within a couple of years, the failure rate of the starters have also been observed very high, even at the global level.
- ii. Majority of such enterprises start at the 'micro' level with the objective of developing successful business models from innovative ideas of the entrepreneurs. Most of the start-ups are either in the area of Information and Communication Technologies or predominantly based on IT based tools in their business. Again, the global experience is that the start-ups are located in or around premier technical institutions to avail the expertise of the mother institution while developing the business model. The "Silicon Valley" experience is the global benchmark for promoting and supporting the start-ups.

- iii. The basic infrastructure requirement of any start-up is a minimum working facility, mostly ICT based, for experimenting with the idea. The global model is 'Plug and Play' modules for immediate starting of activities. These should be preferably located near a premier institution in the respective subject where required testing and handholding facilities will be available.

4.1.4 So far, financing the projects are concerned, generally the bank loans are not readily available for such start-ups due to the unverified business model and high risk of failure. World over, angel funds and subsequently, venture capital provide the capital support to the start - ups. When the business model reach the stage of commercial success, the growth rate of the start-ups become phenomenal and naturally they shift to full-fledged offices/industrial premises for scaling up of the activities with the conventional sources of finance like bank credit etc.

4.1.5 Accordingly, following interventions are proposed to provide support to the start-ups –

- a) Modular industrial estates/laboratories near premier technical institutions with the required plug & play facilities.
- b) Linkage to angel/venture capital for sourcing the initial capital requirement.

4.1.6 The Group recommends that during the 12<sup>th</sup> Plan period, modular industrial estates with plug and play facilities in the respective areas may be launched as pilot projects.

4.1.7 Towards providing starting capital, globally angel/venture fund are the prime source of funds to the Start Ups. While these funds finance a project on the basis of their own risk analysis and valuation, the Groups opines that Government can provide some comfort to these fund towards reducing the risk. This could be in the form of a guarantee or by co- investment through a Government promoted venture fund. The venture capital fund launched by SIDBI can play major role in this regard.

4.1.8 Towards protecting the Intellectual Properties generated by the Start Ups, Government may assist in filing of patents or alternative IP protection mechanisms. The IP Facilitation Centres set up under the IPR component of NMCP may be the nodal points in guiding, handholding and subsidising the Start Up entrepreneurs in protecting their IPRs.

4.1.9 In the opinion of the Group, instead of launching a separate scheme for the start-ups, it may be appropriate to address the above issues under the respective verticals. Accordingly, setting up of the modular estates has been taken up under the Infrastructure vertical and financing mechanism under the Credit & Finance vertical. As mentioned above, IPR related issues are to taken up by the IP facilitation centres which may be appropriately funded under NMCP component of Technology vertical. However, a Cell in the o/o DC (MSME) may be formed to function as a single window for the start ups.

## 4.2 Conclusion

The Working Group recommends following broad allocations during 12<sup>th</sup> Plan Period for all proposed interventions under major verticals as well as in KVI and Coir Sector.

Sl No.	Vertical	Projected BE for 12 <sup>th</sup> Plan (Rs in cr.)
1	Credit & Finance	19450
2	Technology Upgradation	9500
3	Infrastructure Development	11360
4	Marketing & Procurement	2110
5	Skill Development & Training	3600
6	Institutional Structure	3100
7	Khadi & Village Industries Sector	14800
8	Coir Sector	870
Total		64790

### **4.2.1 Game Changers**

While all the recommendations of the Working Group are considered to be important to facilitate growth of the MSME sector during the 12<sup>th</sup> Five Year Plan period, the Group would like to mention the following Game Changers in the recommendations, implementation of which will be crucial for the ski-jumping of MSME Sector in the global market place.

#### **Finance**

- Operationalization of SME exchanges for enabling access to Equity Finance

#### **Technology**

- Scheme for acquisition and up-gradation of technology

#### **Infrastructure**

- Developing clusters of excellence
- Setting up of 100 Tool Rooms and PPDCs

#### **Marketing**

- Procurement policy for Goods/services from MSEs by the Government Deptts and Central PSUs.
- B2B International portal.
- Enabling global footprints of MSMEs
- Leveraging Defence Offset Policies in favour of MSMEs

#### **Skill Development**

- Revamped Skill Development & Capacity Building Programme.
- Encouraging young/ first generation entrepreneurs by upscaling PMEGP and other programmes.

## **Institutional Structure**

- Strengthening of Institutions – MSME-DIs, EDIs and KVI Institutions
- Application of E-tools in promotional and regulatory matters for facilitating easy entry.
- Real time Statistical & Policy Analysis through strengthening of Database.

The Working Group recommends focused efforts for time-bound implementation of the Game Changers.

### **4.2.2 Umbrella Schemes**

The Working Group recommends 6 umbrella schemes relating to 6 verticals, i.e (i) Credit and Finance, (ii) Technology and Innovation, (iii) Infrastructure, (iv) Marketing, (v) Skill Development & Training and (vi) Institutional Structure. The schemes/proposals mentioned under each vertical would be treated as components of the Umbrella Scheme relating to the vertical. The advantages of such an approach are manifold. There would be flexibility of utilization of funds under each Umbrella Scheme. Funds can be transferred to components which are doing well from those experiencing tardy implementation. The implementation of different components would be cost-effective and time saving since the inter-linkages between different components can be addressed simultaneously. For example, the land procurement and construction of building relating to setting up of CFCs, Testing Labs, Flatted Factory Complexes, Modular Industrial Estates, Tool Rooms/TDCs etc. can be addressed simultaneously under the Umbrella Scheme on Infrastructure whenever the land and building under different components are planned in the same place. The greatest advantage of implementation of Umbrella Scheme under each vertical is the visibility of impact of implementation of such Schemes.

4.2.3 To conclude, the Group like to record that the MSME sector of India is today at the gateway of global growth on the strength of competitive and

quality product range. However, facilitation from the Government is required to minimise the transaction costs of technology upgradation, market penetration, modernisation of infrastructure etc. History shows that only with persistent and effective Government support in these areas, the SMEs of countries like Japan, Korea etc. emerged as global players. PM's Task Force has already taken significant initiatives in this regard. The above recommendations of this Working Group for the 12<sup>th</sup> Plan period will be vital enabler towards achieving quantum jump in the growth of MSME sector through participative, transparent and scalable policies and schemes of Government of India.

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No. VSE-21(2)/2011  
Planning Commission  
(Ind. & VSE Division)

Yojana Bhavan, Sansad Marg,  
New Delhi, the 6th May, 2011

OFFICE MEMORANDUM

**Subject: Constitution of Working Group on "Micro, Small & Medium Enterprises (MSMEs) Growth" for the Twelfth Five Year Plan (2012-2017)**

In the context of preparation of Twelfth Five Year Plan (2012-2017), it has been decided to set up a Working Group on "MSMEs Growth."

The Composition and Terms of Reference of the Working Group would be as follows:

**Composition**

Sl. No.	Name, Designation & Organization	Status
1.	Shri Uday Kumar Varma, Secretary, M/o MSME	Chairman
2.	Member-Secretary/Representative of National Manufacturing Competitiveness Commission (NMCC) Vigyan Bhavan Annexe, New Delhi.	Member
3.	Secretary/Representative Deptt. of Commerce, Ministry of Commerce and Industry	Member
4.	Secretary/Representative Deptt. of Industrial Policy & Promotion Ministry of Commerce and Industry	Member
5	Secretary/Representative Deptt. of Financial Services, Mini. of Finance	Member
6.	Secretary/Representative Ministry of HRD, Deptt. of Higher Education	Member

7.	Secretary/Representative Deptt. of Science & Technology , Technology Bhavan,	Member
8	Secretary/Representative Ministry of Rural Development	Member
9.	Secretary/Representative Ministry of Textiles	Member
10.	Secretary/Representative Ministry of Food Processing,	Member
11.	Secretary/Representative, Deptt. of Pharmaceuticals	Member
12.	Secretary/Representative Dept. of North East Region, Ministry of Do NER	Member
13.	Director General/Representative, Council of Scientific & Industrial Research (CSIR)	Member
14..	Adviser (I&VSE)/, Planning Commission	Member
15.	Shri Amarendra Sinha, Joint Secretary, M/o MSME,	Member
16.	Shri Sesh Kumar Pulipaka Joint Secretary, M/o MSME.	Member
17.	CMD, National Small Industries Corporation Limited(NSIC), NSIC Bhawan, New Delhi	Member
18	CMD, Small Industries Development Bank of India, Lucknow	Member
19.	Principal Secretary / Secretary, Dept. of Industries, Govt. of Gujarat, Gandhinagar.	Member

20.	Principal Secretary / Secretary, Dept. of Industries, Govt. of Karnataka, Bangaluru	Member
21.	Principal Secretary / Secretary, Dept. of Industries, Govt. of Assam, Guwahati.	Member
22.	Principal Secretary / Secretary, Dept. of Industries, Govt. of Odisha, Bhubaneswar.	Member
23.	Principal Secretary / Secretary, Dept. of Industries, Govt. of Himachal Pradesh Shimla.	Member
24.	Chairman, All India SSI Committee, Federation of Indian Chambers of Commerce & Industry(FICCI), New Delhi	Member
25.	Chairman, All India SSI Committee, Confederation of Indian Industry (CII), New Delhi	Member
26.	Chairman, All India SSI Committee, The Associated Chambers of Commerce and Industry (ASSOCHAM), New Delhi.	Member
27.	President, Federation of Indian Micro, Small and Medium Enterprises (FISME), New Delhi.	Member
28.	President, Tamilnadu Small and Tiny Industries Association (TANSTIA), Chennai.	Member
29.	President, Gujarat State Small Industries Federation, Ahmedabad.	Member
30.	President, Federation of Industries & Commerce of North Eastern Region (FINER), Guwahati.	Member

31	President/General Secretary, Council for Leather Exports, Chennai.	Member
32.	President / General Secretary, Engineering Export Promotion Council, Kolkata	Member
33.	President Indian Industries Association (IIA), Lucknow	Member
34	President, Federation of Small & Medium Industries (FOSMI), Kolkata	Member
35	President Association for Small & Medium Knowledge Industries (ASMKI), New Delhi	Member
36	Chairman, Pharmaceuticals Export Promotion Council, Hyderabad.	Member
37.	President, India Semiconductor Association, Bangalore	Member
38.	President, Garment Export Promotion Council, New Delhi.	Member
39.	Executive Director Automotive Component Manufactures Association of India (ACMA), New Delhi.	Member
40.	President, Self-Employed Women's Association (SEWA), Ahmedabad.	Member
41.	Managing Director, Nexgen Financial Solutions Pvt. Ltd. New Delhi.	Member

42.	Executive Director, Sa-Dhan The Association of Community Development Finance Institutions, New Delhi.	Member
43.	Director Institute of Economic Growth, Delhi	Member
44.	Director General, Institute of Development Studies, Jaipur.	Member
45.	Director General, National Institute for Micro, Small & Medium Enterprises, Yousfguda, Hyderabad.	Member
46.	Dr. Shyam Agarwal, AS&DC (MSME), Office of the Development Commissioner (MSME),	Member-Secretary

(Representative of the Ministry/ Department nominated should not be below the rank of Joint Secretary or equivalent)

## II. Terms of Reference

The Terms of Reference of the Working Group would be as under:-

1. Taking the report of PM's Task Force on MSME sector, as the basis, to evaluate the progress of the sector in terms of overall growth, potential for job creation and as a vehicle for innovation.
2. To review the implementation of measures recommended by the PM's Task Force and other schemes of the sector and suggest corrective measures, if any
3. To articulate the problems of small & micro enterprises in the unorganized sector and suggest measures for improving their productivity, quality of products, easy access to credit, technology up-gradation/adoption etc.
4. To specify the milestone to be achieved within the 12<sup>th</sup> Plan period.
5. To suggest/ recommend programmes/schemes those are to be terminated in the 11<sup>th</sup> Plan or initiated or continued in the 12<sup>th</sup> Plan period, together with the broad budgetary implications, if any

6. To make any other recommendations as may be appropriate for sustained growth and competitiveness of the sector.

III. The Chairman may constitute Sub-Groups/Task Forces as considered necessary and co-opt other members to the Working Group for specific inputs.

IV. The Working Group would submit the report to the Chairman of the Steering Committee on Industry by 30<sup>th</sup> August, 2011. The Working Group will be serviced by Ministry of MSME.

V. The expenditure towards Travelling Allowance (TA)/DA in connection with the meetings of the Working Group/Steering Committee in respect of the official members will be borne by their respective Ministry/Department. In case of non-official Members of the Working Group, expenditure towards their TA/DA would be reimbursed by the Planning Commission as admissible to the class I officers of the Government of India. As per extant Guidelines, air travel required for attending the meeting may be undertaken on Air India.

VI. Shri Chandan Saha Joint Adviser (CI), Planning Commission, New Delhi (Room No 309, Yojana Bhavan – Tel: 011- 23096726 email: [chandan.saha@nic.in](mailto:chandan.saha@nic.in)) will act as Nodal Officer for this Working Group and any further query/ communication in this regard may be made with the Nodal Officer.



(Dr. Renu S. Parmar)  
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To  
**The Chairman and All Members of the Working Group**

Copy forwarded to:

PSs to Deputy Chairman/MOS(Planning)/Members/Member-Secretary, Planning Commission  
Prime Minister's Office, South Block, New Delhi  
Cabinet Secretariat, Rashtrapati Bhavan, New Delhi  
All Ministries/Departments of the Government of India  
All Principal Advisers/Advisers (including JS(SP & Admn.), Planning Commission  
Director (PC), Planning Commission  
Administration I/General-I and Gen-II, Planning Commission  
Accounts-I, Planning Commission  
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**Minutes of Meeting of Working Group on “Micro, Small & Medium Enterprises (MSMEs) Growth” for 12th 5-Year Plan (2012-17) held at 3.30 pm on 25.5.11**

1. First meeting of Working Group (WG) on MSMEs Growth for 12th 5-Year Plan (2012-17) was held at 3.30 PM on 25.5.11 in Committee Room No.47, Udyog Bhavan, New Delhi. Shri Uday Kumar Varma, Secretary, MSME chaired.
2. Secretary, MSME in his opening remarks mentioned of significant contribution of MSMEs in overall growth of Indian economy. He also mentioned that cost of employment in MSMEs is 1/5<sup>th</sup> of the same in large sector. He was of the view that this decade would legitimately belong to MSMEs. MSMEs would not only dominate manufacturing sector but they would also play a leading role in emerging areas of biotechnology, nano-technology and so on. He emphasized that recommendations of WG will be crucial to enable MSME Sector to gear it up to face challenges ahead of it. There should be changes in existing schemes and introduction of new schemes in 12th 5-Year Plan in light of experience of implementation of schemes during 11<sup>th</sup> 5-Year Plan. He mentioned about various recommendations of PM’s Task Force and suggested that these recommendations should form starting point for discussions in WG and for constitution of different Sub-Groups (SGs).
3. Additional Development Commissioner and Economic Adviser, MSME made a presentation on recommendations of PM’s Task Force. This was followed by a presentation by Additional Development Commissioner, MSME on proposed composition and Terms of Reference (ToR) of various SGs.
4. Thereafter, members of WG presented their views on approach to 12<sup>th</sup> 5-Year Plan and on constitution of proposed SGs. Summary of views and suggestions of members of WG is given below:

<b><u>Member</u></b>	<b><u>Observations</u></b>	<b><u>Suggestions for inclusion in Sub-Groups</u></b>
Dept. of Financial Services (5)*	<ul style="list-style-type: none"> <li>• Need to look at adequacy of institutional credit</li> </ul>	
Dept. of Pharmaceuticals (11)	<ul style="list-style-type: none"> <li>• Regulatory, legal &amp; environmental issues of pharma sector</li> </ul>	<ul style="list-style-type: none"> <li>-Technology &amp; Innovation</li> <li>-Marketing &amp; Procurement (incl. Foreign Trade)</li> <li>-Infrastructure</li> </ul>
CSIR (13)	<ul style="list-style-type: none"> <li>• CSIR can address problems (through CSIR 800 Technology Bank and Incubator Scheme) relating to technology in MSME clusters. They may be provided with necessary data base relating to 131 MSME clusters, they are presently dealing with.</li> <li>• CSIR has developed a technology for bio-processing of leather. Challenge is to implement it across the country. CSIR and CLE can jointly work on this.</li> </ul>	
Planning Commission(14)	<ul style="list-style-type: none"> <li>• Focus on informal sector</li> <li>• Need for moving away from large number of small schemes to a few big schemes with visible impact</li> <li>• Need for a Sub-Group for environmental sustainability</li> </ul>	
SIDBI (18)	<ul style="list-style-type: none"> <li>• IBA should be part of Credit &amp; Institutional Finance SG</li> </ul>	

	<ul style="list-style-type: none"> <li>• Suggestions by all WG Members for Credit related issues should be put on Website</li> </ul>	
Govt. of Gujarat (19)	<ul style="list-style-type: none"> <li>• Viable project proposals should be prepared with help of MSME DIs and DICs so that credit would be easily accessible</li> </ul>	
	<ul style="list-style-type: none"> <li>• Credit Guarantee Scheme should be strengthened</li> </ul>	
Govt. of Odisha (22)	<ul style="list-style-type: none"> <li>• CSIR Institutions should be linked for technology upgradation</li> <li>• Representation of States &amp; Small Industry Association in the Credit &amp; Institutional Finance SG</li> <li>• Procurement from MSMEs in Govt. Institutions should be strengthened</li> <li>• Special package for Eastern regions of the country</li> </ul>	Credit & Institutional Finance
Govt. of Himachal Pradesh (23)	<ul style="list-style-type: none"> <li>• Withdrawal of certain incentives cause problem to States</li> <li>• In centrally sponsored schemes, States should be given more freedom in devising guidelines</li> <li>• DICs should be strengthened</li> </ul>	
FICCI, New Delhi (24)	<ul style="list-style-type: none"> <li>• Facilitation Centres to increase preparedness for compliance of environment related regulations</li> </ul>	Credit & Institutional Finance
CII, New Delhi (25)	<ul style="list-style-type: none"> <li>• Timely payment by large industries to MSMEs should be ensured.</li> <li>• CII will associate with IP Facilitation Centres for better results.</li> </ul>	<ul style="list-style-type: none"> <li>-Skill Development &amp; Training.</li> <li>-Infrastructure</li> <li>-Technology &amp;</li> </ul>

		Innovation -Emerging Technologies
ASSOCHAM New Delhi (26)	<ul style="list-style-type: none"> <li>• SME Exchange must be streamlined.</li> <li>• Exit Policy should be made.</li> <li>• MSME definition should be on employment criteria.</li> </ul>	
FISME, New Delhi (27)	<ul style="list-style-type: none"> <li>• Increase in resource allocation to MSME Sector</li> </ul>	-Technology & Innovation -Credit & Institutional Finance -Marketing & Procurement
TANSTIA, Chennai (28)	<ul style="list-style-type: none"> <li>• Small Industry Association should be included in the Credit &amp; Institutional Finance SGs.</li> <li>• Setting up of more ESI Hospitals.</li> <li>• WG / SG ToR and composition to be put on Website.</li> </ul>	-Credit & Institutional Finance -Infrastructure
FINER, Guwahati (30)	<ul style="list-style-type: none"> <li>• North East Equity Fund.</li> <li>• MSMEs offices need to be activated in NER.</li> <li>• Interest Subsidy to NER.</li> </ul>	-Credit & Institutional Finance -Infrastructure
CLE, Chennai (31)	<ul style="list-style-type: none"> <li>• CFTIs &amp; Design Institutes in all Clusters.</li> <li>• Awareness Seminars on GST.</li> <li>• DICs should be IT enabled.</li> <li>• Incentives for clean technology use</li> </ul>	All SGs
EEPC, Kolkata (32)	<ul style="list-style-type: none"> <li>• Thrust on technology promotion and skill development.</li> </ul>	-Skill Dev. & Trg. -Technology & Innovation

IIA, Lucknow (33)	<ul style="list-style-type: none"> <li>• SG dealing with Labour issues.</li> <li>• Information flow on action taken in respect of PM's Task Force.</li> <li>• Dissemination of information would help confidence building among MSMEs &amp; Stakeholders</li> </ul>	Technology & Innovation
FOSMI, Kolkata (34)	<ul style="list-style-type: none"> <li>• If profitable MSMEs are given subsidy, problem of credit can be mitigated to a great extent.</li> </ul>	Marketing & Procurement
ASMKI, New Delhi (35)	<ul style="list-style-type: none"> <li>• Lack of adequate fiscal policies to support MSME growth should be deliberated by SG on Credit &amp; Institutional Finance.</li> <li>• Mo L&amp;E having a major role in Skill Development, should be in SG.</li> </ul>	
ISA, Bangalore (37)	<ul style="list-style-type: none"> <li>• Problems of access to capital and design - development</li> <li>• Need to have more linkage with Angel funds and Risk capital</li> </ul>	
ACMA, New Delhi (39)	<ul style="list-style-type: none"> <li>• Money is proving to be major hurdle for growth of MSME</li> </ul>	Credit & Institutional Finance
SEWA, Ahmedabad (40)	<ul style="list-style-type: none"> <li>• Separate sub-group for informal sector</li> <li>• Willing to share their experience on cross cutting issues of credit, skill development etc.</li> </ul>	
NEXGEN, New Delhi (41)	<ul style="list-style-type: none"> <li>• Resource mobilization is biggest constraint</li> <li>• No existence of Angel, Risk and</li> </ul>	Infrastructure

	<p>Venture Capital in India</p> <ul style="list-style-type: none"> <li>• Need of Clear road map for infrastructure</li> <li>• SEWA and NSIC may be included in Credit &amp; Institutional Finance SG.</li> </ul>	
Sa-Dhan, New Delhi (42)	<ul style="list-style-type: none"> <li>• Public investments must increase.</li> <li>• Whether Industry can be converted into equity?, may be examined.</li> <li>• DICs should be revived. Data base available with DICs would help Banks for quick disbursement of credit.</li> <li>• Commissioning of a study on legal and environmental issues</li> </ul>	
Instt. of Development Studies, Jaipur (44)	<ul style="list-style-type: none"> <li>• Regional aspects need to be focused.</li> <li>• Importance of infrastructure (especially land) and R&amp;D for MSMEs.</li> <li>• Export interface must be addressed</li> </ul>	
CEO, KVIC	<ul style="list-style-type: none"> <li>• Guidelines for targets and budget implications for areas under each SGs.</li> </ul>	<p>-Credit &amp; Institutional Finance</p> <p>-Infrastructure</p>

**\*Numbers in the bracket indicate serial number of composition of WG on MSMEs Growth**

5. On the basis of the discussions during the meeting, it was decided to form 11

Sub-Groups as given below:

- Credit and Institutional Finance (Sub-Group I)
- Skill Development & Training (Sub-Group II)
- Technology & Innovation (Sub-Group III)
- Marketing & Procurement (incl. IC) (Sub-Group IV)
- Infrastructure (Sub-Group V)
- Khadi & Village Industries Sector (Sub-Group VI)
- Coir Sector (Sub-Group VII )
- Programmes for Special Areas & Groups (Sub-Group VIII)

- Emerging Technologies (Sub-Group IX)
- Institutional Structure (Sub-Group X)
- Unorganized Sector (Sub-Group XI)

Details of the terms of reference (ToR) and composition of the Sub-Groups is given at Annexure I.

6. In his concluding remarks, Secretary, MSME mentioned that ToR of Sub-Groups are only indicative and respective Sub Groups would be at liberty to expand and modify their ToRs and composition. Ministry of MSME is currently having a large number of schemes and programmes each with relatively small allocation and hence low visibility. Sub Groups should deliberate on this issue in detail and come up with a limited number of schemes and programmes with substantial budgetary allocations to make their impact more visible. He suggested that attempts should be made to formulate these schemes and programmes under six distinct heads i.e. Credit, Infrastructure, Technology, Marketing, Skill Development and Innovation.

7. Working Group has a deadline of submitting report to Steering Committee by 30.8.11. Chairpersons should take specific care to prepare reports of respective Sub Groups by 15.7.11.

Secretary, MSME thanked the members for their active participation and meaningful suggestions.

Meeting ended with a Vote of thanks to the Chair.

<b><u>NAME OF THE SUB-GROUP</u></b>	<b><u>COMPOSITION</u></b>	<b><u>ToR</u></b>
<b>I. Credit and Institutional</b>	1. CMD, SIDBI - Chairman 2. ADC(IF), DC MSME - Convenor	1. To take stock of recommendations of PM's Task Force on Credit and

<p><b>Finance</b> <b>(Sub-Group I)</b></p>	<p><b>Members :</b></p> <p>3. JS, Do Financial Services, Mo Finance</p> <p>4. Prl Secy / Secy / Commr, Do Industries, Go Odisha</p> <p>5. MD, Nexgen Financial Solutions Pvt Ltd</p> <p>6. ED, Sa-Dhan, New Delhi</p> <p>7. Chairman, All India SSI Committee, CII</p> <p>8. President, TANSTIA</p> <p>9. ED, ACMA</p> <p>10. President, FISME</p> <p>11. President , FINER</p> <p>12. Chairman, Indian Bankers Association (IBA)(to be co-opted)</p> <p>13 Chairman, All India SSI Committee , FICCI</p>	<p>Institutional Finance.</p> <p>2. To assess adequate and timely availability of credit at an affordable cost.</p> <p>3. To assess ability of MSMEs to access equity capital and alternative sources of capital like Angel funds/Risk capital.</p> <p>4. To specify the milestone to be achieved within 12th Plan period.</p> <p>5. To suggest / recommend programmes / schemes those are to be terminated in 11<sup>th</sup> Plan or initiated or continued in 12<sup>th</sup> Plan period, together with broad budgetary implications, if any.</p>
<p><b>II.Skill Development &amp; Training</b></p>	<p>1. JS (AS), Mo MSME – Chairman</p> <p>2. ADC (SS), DC MSME - Convenor</p> <p><b>Members</b></p> <p>3. Joint Secretary, Mo HRD</p> <p>4. Adviser (I&amp;VSE), Planning</p>	<p>1. To take stock of recommendations of PM's Task Force on Skill Development and Training.</p> <p>2. Suggesting ways to fine-tune existing Skill Development / Entrepreneurship Development programmes.</p>

	<p>Commission</p> <p>5. Prl.Secy/Secy/Commr, Do Industries ,Go Karnataka</p> <p>6. Director, Institute of Development Studies, Jaipur</p> <p>7. Chairman, All India SSI Committee, FICCI</p> <p>8. President, Council for Leather Exports, Chennai</p> <p>9. President General Secretary, Engineering Export Promotion Council</p> <p>10. Chairman, All India SSI Committee, CII</p> <p>11. CMD, NSIC</p> <p>12. President, FINER</p>	<p>3. Giving focus on Training of Trainers and Assistance to Training Institutes to ensure a cascading effect.</p> <p>4. Thrust on Public Private Partnership and Industry Linkages.</p> <p>5. To specify the milestone to be achieved within 12th Plan period.</p> <p>6. To suggest / recommend programmes / schemes those are to be terminated in 11th</p> <p>Plan or initiated or continued in 12<sup>th</sup> Plan period, together with broad budgetary implications, if any</p>
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NAME OF THE	COMPOSITION	ToR
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SUB-GROUP		
<b>III. Technology &amp; Innovation</b>	1. Director General, CSIR – Chairman 2. AEA ,Innovation, DC MSME – Convenor Members 3. JS (AS), Mo MSME 4. JS, Do Science & Technology 5. Prl. Secy / Secy / Commr, Do Industries, Go HP 6. ED, Automotive Components Mfrs. Assn. of India 7. President, Assn. for Small & Med. Knowledge Industries 8. President, India Semiconductor Assn., Bangalore 9. JS, Do Pharmaceuticals 10. President General Secretary, Engineering Export Promotion Council 11. President, FOSMI, Kolkata 12. Chairman, All India SSI Committee, CII	1. To take stock of recommendations of PM’s Task Force on Technology & Innovation. 2. Promoting symbiotic relationship between MSME Clusters and Technical Institutions. 3. Focus on Research & Development and enhanced funds for Innovation. 4. Assessment of various components of NMCP. 5. To specify the milestone to be achieved within 12th Plan period. 6. To suggest / recommend programmes / schemes those are to be terminated in 11th Plan or initiated or continued in 12th Plan period, together with

		broad budgetary implications, if any.
<b>IV. Marketing &amp; Procurement</b>	<ol style="list-style-type: none"> <li>1. CMD, NSIC – Chairman</li> <li>2. EA ,Marketing &amp; Procurement, Oo DC, MSME- Convenor</li> </ol> <p>Members:</p> <ol style="list-style-type: none"> <li>3. JS, DIPP</li> <li>4. JS, Dept. of Pharmaceuticals</li> <li>5. Prl. Secy / Secy / Commr, Do Industries, Go HP</li> <li>6. Chairman, All India SSI Committee, ASSOCHAM</li> <li>7. President, Gujarat State Small Industries Federation</li> <li>8. President, Garment Export Promotion Council</li> <li>9. Chairman, Pharmaceutical Export Promotion Council</li> <li>10. President, Assn. for Small &amp; Med. Knowledge Industries (ASMKI)</li> <li>11. President, FISME</li> <li>12. President /General Secretary, CLE</li> <li>13. Prl. Secy / Secy / Commr, Do Industries, Go</li> </ol>	<ol style="list-style-type: none"> <li>1. To take stock of recommendations of PM's Task Force on Marketing &amp; Procurement.</li> <li>2. Measures to strengthen NSIC for Brand building and better Marketing Intelligence.</li> <li>3. Developing a workable system for distribution of raw material to MSMEs.</li> <li>4. Assessment of problems relating to Government procurement.</li> <li>5. Ways to promote E-Marketing.</li> <li>6. Access to international market</li> <li>7. To specify the milestone to be achieved within 12th Plan period.</li> <li>8. To suggest / recommend programmes / schemes those are to be terminated in 11<sup>th</sup> Plan or initiated or continued in 12<sup>th</sup> Plan period, together</li> </ol>

	Odisha 14. President, Indian Industries Association (IIA)	with broad budgetary implications, if any.
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<b><u>NAME OF THE SUB-GROUP</u></b>	<b><u>COMPOSITION</u></b>	<b><u>ToR</u></b>
<b>V. Infrastructure</b>	1. AS & DC, MSME - Chairman 2. Director (Tool Room) – Convenor Members: 3. JS, DoC 4. JS, Mo Food Processing 5. JS, Mo Textiles 6. Director , Institute of Economic Growth 7. President, FISME 8. Prl.Secy/Secy/Commr, Do Industries, Go Gujarat 9. President, TANSTIA, Chennai 10. President, FINER 11. MD, Nexgen, New Delhi	1. To take stock of recommendations of PM's Task Force on Infrastructure. 2. Measures to strengthen and expand existing IID Scheme of M/o MSME. 3. Promoting PPP for Infrastructure Development. 4. Proactive role of State Governments in Infrastructure Development. 5. To specify the milestone

	<p>12.JS, Do Pharmaceuticals</p> <p>13. Chairman, All India SSI Committee, CII</p> <p>14. President /General Secretary, CLE, Chennai</p> <p>15. President, FOSMI, Kolkata</p>	<p>to be achieved within 12th Plan period.</p> <p>6. To suggest / recommend programmes / schemes those are to be terminated in 11th Plan or initiated or continued in 12th Plan period, together with broad budgetary implications, if any.</p>
<b>VI. Khadi &amp; Village Industries Sector</b>	<p>1. CEO, KVIC – Chairman</p> <p>2.JS (SKP), Mo MSME- Convenor</p> <p>Members:</p> <p>3.JS, Mo Rural Development</p> <p>4.Adviser (VSE), Planning</p> <p>5.JS, Mo Textiles</p>	<p>1. To deliberate on the basic aspects of the approach to XII Plan (2012-2017) relating to development and growth of khadi and village industries as well as conceptual issues, keeping in view the ongoing process of economic liberalization and incorporate all elements and components of financial assistance that are expected to be met from Plan funds under various heads of khadi and village industry (VI) grants into</p>

		<p>a single comprehensive scheme or absolutely essential bare minimum number of schemes in each Grant.</p> <p>2. In line with (i) above, suggest a policy framework and corresponding measures (schemes/ programmes) for the khadi and village industries, consistent with social and economic objectives of XII Plan for the sector with particular reference to employment generation, technology upgradation (for modernization, productivity improvement, increased competitiveness and efficiencies), ongoing reform initiatives and innovations like solar garments, exports, supportive credit policies and practices, marketing support and strategies, training need of entrepreneurs etc.</p> <p>Monitorable annual targets</p>
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		for each area may be suggested.
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<u>NAME OF THE SUB-GROUP</u>	<u>COMPOSITION</u>	<u>ToR</u>
<b>VII.Coir Sector</b>	<p>Composition</p> <p>1.Chairman, Coir Board - Chairman</p> <p>2.JS, MSME - Convenor</p> <p>Members:</p> <p>3.Adviser, Planning Commission</p> <p>4.President, TANSTIA</p> <p>5.President, FINER</p> <p>6.Prl.Secy/Secy/Commr, Do Industries, Go Odisha.</p>	<p>1. To deliberate on the basic aspects of the approach to XII Plan (2012-2017) relating to development and growth of coir industries as well as conceptual issues, keeping in view the ongoing process of economic liberalization and incorporate all elements and components of financial assistance that are expected to be met from Plan funds under</p>

		<p>various heads of Plan (General) and Plan (S&amp;T) grants into a single comprehensive scheme or absolutely essential bare minimum number of schemes in each Grant.</p> <p>2. In line with (i) above, suggest a policy framework and corresponding measures (schemes/ programmes) for the coir industries, consistent with social and economic objectives of XII Plan for the sector with particular reference to employment generation, technology upgradation (for modernization, productivity improvement, increased competitiveness and efficiencies), ongoing reform initiatives and innovations, exports, supportive credit policies and practices, marketing support and strategies, training need of entrepreneurs etc.</p>
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		Monitorable annual targets for each area may be suggested.
<b>VIII. Programmes for Special Areas &amp; Groups</b>	<p>1. JS, DONER – Chairman 2. Director (Budget), DC(MSME) – Convenor</p> <p>Members:</p> <p>3. Prl.Secy/Secy/Commr, Do Industries, Go Assam 4. President, FINER, Guwahati 5. President, SEWA 6. President, FOSMI, Kolkata</p>	<p>1. To take stock of recommendations of PM's Task Force on Special Areas &amp; Groups. 2. Focus on Backward Regions including North East Region. 3. Thrust on special categories like Women, SC, ST &amp; Minorities 4. To specify the milestone to be achieved within 12th Plan period. 5. To suggest / recommend programmes / schemes those are to be terminated in 11<sup>th</sup> Plan or initiated or continued in 12th Plan period, together with broad budgetary implications, if any.</p>
<b>IX. Emerging Technologies</b>	<p>1. President, Association for Small &amp; Medium Knowledge Industries (ASMKI)- Chairman 2. JDC (AB), Oo DC, MSME - Convenor</p>	<p>1. Adoption of ICT Tools in MSME Clusters 2. Application of ICT Tools in production and business processes 3. Promotion of e-business</p>

	<p>Members:</p> <ol style="list-style-type: none"> <li>3. Joint Secretary, Do S&amp;T</li> <li>4. Joint Secretary, Do IT</li> <li>5. Executive Director, ACMA</li> <li>6. President, FISME</li> <li>7. Prl.Secy./Secy./Commr, Do Industries, Go Karnataka</li> <li>8. President, All India SSI Committee CII</li> <li>9. CMD, NSIC</li> </ol>	<ol style="list-style-type: none"> <li>4. Enhancement of competitiveness of MSMEs</li> <li>5. Focus on emerging areas like bio-technology, nano-technology etc.</li> <li>6. To specify the milestone to be achieved within 12th Plan period.</li> <li>7. To suggest / recommend programmes / schemes those are to be terminated in 11th Plan or initiated or continued in 12<sup>th</sup> Plan period, together with broad budgetary implications, if any.</li> </ol>
<p><b>X. Institutional Structure</b></p>	<ol style="list-style-type: none"> <li>1. AS &amp; DC, MSME – Chairman</li> <li>2. ADC(SS), DC MSME- Convenor</li> </ol> <p>Members:</p> <ol style="list-style-type: none"> <li>3. JS, Mo Environment &amp; Forests – (to be co-opted)</li> <li>4. Adviser, Planning Commission</li> <li>5. President, CLE, Chennai</li> <li>6. Chairman, All India SSI</li> </ol>	<ol style="list-style-type: none"> <li>1. To take stock of recommendations of PM's Task Force on Institutional Structure.</li> <li>2. Legal Framework, keeping in view : <ol style="list-style-type: none"> <li>(a) Environmental Issues</li> <li>(b) MSMED Act</li> <li>(c) Exit Policy</li> <li>(d) Labour Issues</li> </ol> </li> <li>3. Organizational aspects : <ol style="list-style-type: none"> <li>(a) MSME Field Institutes</li> </ol> </li> </ol>

	<p>Committee, FICCI</p> <p>7. President, FISME</p> <p>8. President, All India SSI Committee CII</p> <p>9. President, FOSMI, Kolkata</p>	<p>(b) State Government Set Up, including DICs.</p> <p>4. To specify the milestone to be achieved within 12th Plan period.</p> <p>5. To suggest / recommend programmes / schemes those are to be terminated in 11th Plan or initiated or continued in 12th Plan period, together with broad budgetary implications, if any.</p>
<b>XI. Unorganized Sector</b>	<p>1. President, SEWA – Chairman</p> <p>2. DDG(GS), DC MSME – Convenor</p> <p>Members:</p> <p>3. Adviser, Planning Commission</p> <p>4. JS, Mo L&amp;E (to be co-opted)</p> <p>5. DG, Institute of Development Studies, Jaip</p> <p>6. ED, Sa-Dhan, New Delhi</p> <p>7. Representative of SIDBI</p> <p>8. Representative of IBA (to</p>	<p>1. To take stock of recommendations of PM’s Task Force on Unorganized Sector.</p> <p>2. To take stock of recommendations of National Commission for Enterprises in Unorganised Sector (NCEUS) and the way ahead.</p> <p>3. To specify the milestone</p>

	be co-opted)	to be achieved within 12 <sup>th</sup> Plan period. 4. To suggest / recommend programmes / schemes those are to be terminated in 11 <sup>th</sup> Plan or initiated or continued in 12 <sup>th</sup> Plan period, together with broad budgetary implications, if any.
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**MATRIX OF 12TH PLAN OUTLAY PROPOSED BY SUB GROUPS**

	DC(MSME )	Estimates (Rs. Crore)	KVIC	Estimates (Rs. Crore)	COIR	Estimates (Rs. Crore)	Plan Estimates (Rs. Crore)
Credit and Finance			Interest Subsidy for Khadi institutions	225			
	Enhancing CGTMSE Corpus	10,750	PMEGP	9,700			
	Venture Capital Fund	2,500					
			Write off old loans	300			
	Equity financing	5,000					
	Support for factoring services	500					
	Performance & Credit Rating Scheme for MSEs	600					
	Promoting SME Exchange	100					
	<b>Total</b>	<b>19,450</b>			<b>10,225</b>		<b>-</b>
Technology Support	Scheme for Technology Acquisition & Development	1,500	Khadi & VI Science & Technology	20	Science and Technology- Existing	108	
	Support for Procurement of advanced machines(modified CLCSS)	2,500			REMOT	192	
	Application of ICT	500			IPR & Natural Dyes	16	
	Modified NMCP	5,000					
	<b>Total</b>	<b>9,500</b>			<b>20</b>		<b>316</b>

**MATRIX OF 12TH PLAN OUTLAY PROPOSED BY SUB GROUPS**

	DC(MSME )	Estimates (Rs. Crore)	KVIC	Estimates (Rs. Crore)	COIR	Estimates (Rs. Crore)	Plan Estimates (Rs. Crore)
Infrastructure Development	Industrial Infrastructure Development project	1,560	SFURTI	1,000	SFURTI	20	
	100 Testing Centres in important clusters	1,000			Development of Production Infrastructure	75	
	MSE-CDP	800					
	Setting up of 100 Tool rooms/TDCs/CFTIs	7,500					
	.Marketing Infrastructure for MSMEs under PPP	500					
	<b>Total</b>	<b>11,360</b>		<b>1,000</b>		<b>95</b>	<b>12,455</b>
	Skill Development and Capacity Building	Skill Development Programme	2,500	Dev. of Infra and skill set for 7.71 lakh persons	356	Skill Development & Quality Improvement	100
SME University		100					
Tread Scheme		100					
Setting up / Strengthening of EDIs		900					
<b>Total</b>		<b>3,600</b>		<b>356</b>		<b>100</b>	<b>4,056</b>
Marketing			MDA(Khadi&P	1,034	Domestic Market	133	
	MDA Scheme	550			Export Market	65	
	Bar Code & Packaging	200	C. Mkting promotion, publicity &Marketing complex/Plaza	470	Husk Collection Banks	25	

**MATRIX OF 12TH PLAN OUTLAY PROPOSED BY SUB GROUPS**

	DC(MSME )	Estimates (Rs. Crore)	KVIC	Estimates (Rs. Crore)	COIR	Estimates (Rs. Crore)	Plan Estimates (Rs. Crore)
	Marketing SPVs in cluster for brand building and advertising	360					
	Enabling Global Footprint	1,000					
	<b>Total</b>	<b>2,110</b>		<b>1,504</b>		<b>223</b>	<b>3,837</b>
Institutional structure	Creation and maintenance of Database	2,000	A.Khadi Reform Development Programme (KRDP)	1,290	Trade&Industry Related Functional Support Services(TIS)	65	
	Online filing of EM&capacity building of MSMEFC	100	PROVIDE	230			
	Upscaling and re-engineering of DC MSME&its field offices	1,000					
	<b>Total</b>	<b>3,100</b>		<b>1,520</b>		<b>65</b>	<b>4,685</b>
Miscellaneous			Janashree Bima Yojana	30	Insurance and scheme for large Industries	71	
			MGIRI	100			
			SPOKE- Khadi as Heritage & Green Product	45			
	<b>Total</b>	<b>-</b>		<b>175</b>		<b>71</b>	<b>246</b>
<b>Grand Total</b>		<b>49,120</b>		<b>14,800</b>		<b>870</b>	<b>64,790</b>

## SUMMARY OF REPORTS OF SUB GROUPS OF WORKING GROUP ON MSME GROWTH DURING 12<sup>TH</sup> PLAN

### IV.1 Report of the sub group on Credit and Institutional Finance

#### IV.1.1 Issues

- Availability of adequate and timely credit;
  - Especially to 'Missing middle' segment
- High cost of credit;
- Collateral requirements;
- Access to equity capital;
- NPA Management and Rehabilitation of sick enterprises;
- Women entrepreneurship, credit to minorities etc.

#### IV.1.2 Recommendations

In the recent past, Reserve Bank of India has announced some important credit related policy measures for MSME sector as given below:

- All scheduled commercial banks should achieve a 20 per cent year-on-year growth in credit to micro and small enterprises to ensure enhanced credit flow;
- The allocation of 60 per cent of the micro and small enterprises (MSEs) advances to the micro enterprises to be achieved in stages, viz., 50 per cent in the year 2010-11, 55 per cent in the year 2011-12 and 60 per cent in the year 2012-13.
- All scheduled commercial banks should achieve a 10 per cent annual growth in the number of micro enterprise accounts.
- Enhancement of the collateral-free loan limit for MSEs from ` 5 lakh to ` 10 lakh. Based on this recommendation, RBI has mandated banks not to accept collateral security in the case of loans upto ` 10 lakh extended to units in the MSE sector. Banks, in turn, can take cover for the collateral free credit facilities under CGS.

The Sub-Group discussed various credit related issues for the MSME sector, the recommendation of the PM's Task Force on MSMEs, action taken so far, the other ToRs, credit gap, etc. and made a number of recommendations based on the ToRs.

#### **A - Terms of Reference I - To take stock of recommendations of PM's Task Force on Credit and Institutional Finance.**

It is observed that the progress of the implementation of most of the recommendations has been satisfactory. The other recommendations are being implemented by various Ministries of Government of India in a time bound manner.

## **B - Terms of Reference II - To assess adequate and timely availability of credit at an affordable cost.**

### **I Adequate Credit**

- i. The Sub-Group noted the estimation done by the Working Group under the chairmanship of Dr. Subir Gokarn, Deputy Governor, RBI regarding the outstanding credit gap between the demand for and supply of MSME credit at 63% at the beginning of the 12<sup>th</sup> Five Year Plan. The Sub-Group I recommended that in order to further reduce the credit gap for the MSME sector, SCBs may be directed to maintain minimum 22% in their outstanding credit growth to MSE sector during the first two years of the 12<sup>th</sup> Five Year Plan (i.e. FY 2012-13 and FY 2013-14) and further minimum 25% during the remaining three years of the 12<sup>th</sup> Five Year Plan (i.e. FY 2014-15, FY 2015-16 and FY 2016-17). This would help reduce the MSME credit gap to 32% by the terminal year of 12<sup>th</sup> Five Year Plan.
- ii. The Sub-Group noted the RBI guidelines to scheduled commercial banks to increase the MSE loan by 20% annually, achieve credit outstanding to micro enterprises by 55% and 60% of MSE share by March 2012 and 2013, and increase the micro enterprises loan accounts by 10% annually. The Sub-Group noted with satisfaction the review mechanism of these targets by the Reserve Bank of India and the Ministry of Finance, Government of India. However, what is more important is that the number of micro enterprises loan accounts should not merely be addition of accounts of the existing borrowers, but addition of new micro enterprises borrowers. Accordingly, the Sub-Group recommended that the 10% additions should be only for the new micro entrepreneurs and that the same review mechanisms be utilized to monitor the same.
- iii. The Sub-Group observed that as per extant guidelines, banks may make concerted efforts to provide credit cover on an average to at least 5 new small / medium enterprises at each of their semi-urban / urban branches per year. The Sub-Group recommended that the number of minimum new MSME enterprises be increased to 12 i.e. atleast one per month. For this, core banking solution platform may be utilized by the banks. The Sub-Group also recommended that adherence to the above by banks may be monitored by RBI.
- iv. In order to widen the access of adequate credit to MSMEs, the Sub-Group recommended that the banks may open more MSME branches and / or MSME dedicated cell in their branches, preferably located in MSME clusters.
- v. In the credit spectrum of MSE sector, there exists a 'Missing Middle' segment which was also noted by the Prime Minister's Task Force. This segment starts from the upper limit of Micro Finance i.e. ` 50,000 to ` 10 lakh. It is called

'Missing Middle' (MM) because as compared to the number of micro enterprises, the percentage of micro enterprises loan accounts covered under this category is lower. Secondly, most of the loans are being increasingly backed by credit guarantee. Thirdly, there is no advanced risk measurement tool available for this MM segment. In this context, the Sub-Group noted the role being played by SIDBI to address the credit issues of the MM segment by way of developing various credit / risk measurement tools like Downscaling (i.e. developing new risk assessment tool for the MM segment), Upscaling (i.e. developing the credit appraisal and risk assessment capacity of Micro Finance Institutions to give loans beyond micro finance and Non-Banking Financial Companies to give loans to higher segment of MSEs) and effectively channelising a special line of credit from Asian Development Bank for capacity development of the MM segment and provide credit to them. The Sub-Group recommended that once the pilot experiments of these tools by SIDBI are successful, the same can be shared with Micro Finance Institutions (MFIs), Non-Banking Financial Companies (NBFCs) and banks.

- vi. Keeping in view the huge potential for stepping up the coverage under Credit Guarantee Scheme (CGS) of Credit Guarantee fund Trust for Micro and Small Enterprises (CGTMSE) vis-à-vis credit facilities sanctioned by Banks to MSE Sector, the Sub-group recommended that the Corpus of CGTMSE be enhanced by ` 10,750 crore over the period of the 12<sup>th</sup> Five Year Plan to reach to the level of ` 14,950 crore as at end FY 2017. This would enable CGTMSE to increase its guarantee coverage of MSE loans by almost 8 times to ` 1,80,000 crore by the end of 12<sup>th</sup> Plan.
- vii. In order to minimize the risk element in CGTMSE portfolio, it is recommended to examine introduction of Risk-based Guarantee Fee and a portfolio-based lending approach. This would bring in an equitable fee structure, based on asset quality of respective MLIs.
- viii. The banks should make efforts to further enhance the awareness of CGS amongst its branch level functionaries in different parts of the country for the greater coverage of MSE loans under CGS.
- ix. The role of NBFCs in Retail Financing to MSMEs is now widely acknowledged. The credit delivery channel through NBFCs will further boost the MSMEs in getting credit. Accordingly, the Sub-Group recommended that the RBI-registered 'AAA' and 'AA+' rated NBFCs be made eligible for becoming Member Lending Institution of CGTMSE to get credit guarantee coverage, which would be available as long as they maintain the stipulated rating, subject to availability of additional corpus of CGTMSE.

**Some of the Global Best Practices on Credit Guarantee are given at Box 1.**

- x. The Sub-Group recommended that the RBI should have special credit policy for the MSMEs in the North Eastern Region (NER) which would include, among others, lower interest rate, nominal charges for funds transfer, processing fee, upfront fee from the Region, etc. For the NER, the private sector banks should also be encouraged to play important role. All the banks should have core banking / national connectivity throughout the Region.
- xi. **Cluster Development:** MSMEs in India operate mostly from clusters. Due to common risks and opportunities, cluster centric interventions produce maximum benefits to MSMEs. The Prime Minister's Task Force recommended that "*Each lead bank of a district may adopt at least one MSE cluster and banks should open more MSE focused branch offices at different MSE clusters which can also act as Counseling Centres for MSEs*". In this context, the Sub-group recommended the following:
- Ministry of MSME may identify key clusters of value chains, based on involvement of MSMEs and potential for tie-ups with buyers from organized private sector / government and take suitable measures for cluster development in this direction.
  - Lead banks in the cluster/district should play important role in advancing loans to value-chain participants on a pilot-basis with CGTMSE coverage, based on underlying agreement between cluster participants.

**Support Services**

- Ministry of MSME may coordinate with industry associations in providing technical assistance to sellers to ensure timely delivery of goods / services as per the requisite quality norms.
  - Banks may adopt clusters in collaboration with Industry Associations, which have the better field experience on the intricate characteristics of clusters. Ministry of MSME may coordinate for the same.
- xii. **Capacity Building of Industry Association** - Industry Associations can become an effective institutional mechanism for facilitating credit flow to MSME sector. The Sub-Group noted the initiative of SIDBI in capacity building of select industry associations in different clusters. The Sub-Group recommended that the model adopted by SIDBI may be replicated by other banks/FIs including NABARD for capacity building of Industry Association during the 12<sup>th</sup> Five Year Plan. Going forward, a suitable mechanism may be required for rating of such industry association.

- xiii. RBI had come out with guidelines on OTS scheme for SME accounts which had become 'Doubtful' or 'Loss' as on March 31, 2004. The Sub-Group recommended that RBI may come out with a revised guidelines for OTS of MSME accounts with the following features:
- All micro, small and medium enterprise accounts, classified in NPA category as on 31<sup>st</sup> March 2008 could be eligible for settlement under the scheme.
  - The promoters of these units could be made eligible for obtaining finance after settlement of the dues under OTS, subject to project viability after a reasonable gap of one to two years.

## **II Timely Credit**

- i. The Sub-Group discussed the issues pertaining to faster sanction and disbursement of credit, especially to the MSE sector. In this context, the Sub-Group noted that bankers still insist on projected Profit and Loss Account, Balance Sheet, Fund Flow/ Cash Flow on the pattern of CAS/ CMA data for sanctioning of working capital. This requires engaging the services of professionals whose cost the small enterprises are finding difficult to afford. In this connection, the Sub-Group noted the IBA circular regarding standardized loan application form to all member banks in 2008 for use by all borrowers in MSE sector irrespective of loan amount. The standardized loan application requires only projected net sales and profit figure for the next year only. However, for loan beyond ` 25 lakh, it was suggested that banks might obtain additional information from the borrower. The Sub-Group also noted that in case of all micro enterprises, RBI, based on Dr. K.C.Chakrabarty Committee recommendations, had issued instructions that simplified application cum sanction form (which should also be printed in regional language) may be made available for loans upto ` 1 crore and working capital under Nayak Committee norms. The Sub-Group recommended that the same may be adhered to by all the banks / FIs and strictly monitored by RBI.
- ii. The Sub-Group also recommended that, as suggested by the IBA Working Group on MSME, a common scoring model could be adopted for lending in case of all advances upto Rs. 25 lakh and it can be an appraisal-cum-sanction-model form. Beyond ` 25 lakh, activity wise model could be adopted.
- iii. RBI has issued instructions to the banks regarding "Wider dissemination and easy accessibility of the policy guidelines formulated by Boards of banks as well as instructions/guidelines issued by Reserve Bank by displaying them on the respective banks' websites as well as web site of SIDBI and also displaying them at the bank branches". The Sub-Group recommended that such specific information regarding time limit for loan sanction should be displayed at the appropriate place of the bank branch and website. The Sub-Group further recommended that the internal audit of each bank should capture this aspect.

- iv. Delayed realization of receivables has been adversely affecting the liquidity of small units. The Sub-Group recommended scaling up of factoring services by all banks, particularly for MSMEs and introduction of Factoring Law.

### **III Affordable credit to MSME**

- i. The competitiveness of the MSE sector is affected due to high cost of credit, particularly, for the export oriented MSEs. The PM's Task Force on MSME has recommended that the extent of replicability of the existing interest subvention schemes for the agriculture and housing sectors to the MSEs be examined. Accordingly, on the issue of interest subvention the Sub-Group recommended the following :
  - a. The Sub-Group examined the feasibility of interest rate subvention on fresh term loans only to micro enterprises during the 12<sup>th</sup> Five Year Plan. The Sub-Group noted that the outstanding credit to micro enterprises by SCBs stood at `1,89,990 crore as on March 31, 2011. Assuming an annual growth of minimum 22% in MSE credit outstanding growth for the first two years of the 12<sup>th</sup> Five Year Plan and thereafter, 25% for the remaining three years of the 12<sup>th</sup> Five Year Plan as recommended earlier by the Sub-Group and also assuming that banks complying with RBI guideline of maintaining minimum 60% of their MSE credit outstanding for micro enterprises, the incremental credit flow to micro enterprises, during 12th Plan period is estimated at ` 6,67,229 crore, out of which 30% (i.e. ` 2,00,169 crore) is estimated for the term loan. Accordingly, if an interest subvention of 5% is considered on the fresh loans to the micro enterprises, the fund requirement will be approx. ` 10,000 crore ( 7) during the 12<sup>th</sup> Five Year Plan. The Sub-Group recommended that a budgetary allocation of ` 10,000 crore may be made for interest rate subvention of 5% for fresh loans to micro enterprises during the 12th Five Year Plan.
  - b. As per RBI guidelines, interest subvention of 2% on pre-shipment rupee export credit upto 270 days and post shipment rupee export credit upto 180 days for the specified export sectors / sub-sectors was available till March 31, 2011. In order to increase the competitiveness and considering the potential foreign currency earnings, the Sub-Group recommended that the above Scheme may be extended further upto end of the 12th Five Year Plan.
- ii. The Sub-Group observed that SIDBI, being apex financial institution for the MSME sector, needs to be provided adequate financial and non-financial support by the Government of India to enable it to play a meaningful leadership role for the MSME sector. Accordingly, the Sub-Group recommended that SIDBI and NSIC may be permitted to raise SLR bonds / Tax free bonds /Capital Gains bonds from the market

as per the eligibility limit fixed by Government of India. This will help in providing cost effective credit to the MSME sector.

iii. **Building Eco-system –**

- a. The Sub-Group recommended that there should be transparency in the MSME credit information, including flow of credit to different sectors and segments of the MSME spectrum. Further, banks should display on their website the number and amount of loan accounts upto ` 10 lakh given without collateral security.
- b. **Advisory:** A large section of Micro and Small Enterprises still need handholding, credit advisory and other mentoring services in accessing venture capital, adopting good corporate governance practices, proper understanding and utilization of various Government schemes, registration process, etc. Towards this endeavor, the Sub-Group appreciated the initiative of SIDBI alongwith National Stock Exchange of India Ltd., in setting up of an e-platform called [www.msmentor.in](http://www.msmentor.in) ( 8), which endeavors to match-make the expert services by Business Development Service provides, on the one hand and requirement of various services of MSMEs on the other. The Sub-Group also appreciated another proposed initiative of SIDBI in setting up of a knowledge-based e-platform to provide information to MSMEs on how to set up new units, improve the operational efficiency of MSMEs and market competitiveness by providing handholding information. The proposed website shall have the features of interactive mode to attend to various queries of MSMEs.

Keeping in view of the above, the Sub-Group recommended that the banks/FIs should actively participate in these efforts of SIDBI and develop the capacity of their MSE loan officers to provide various advisory services to the MSEs. Such advisory services may also be given on-line. Beyond a certain loan limit, say ` 5 crore, a nominal fee may be charged. Such advisory services may include technology upgradation, consortium-led marketing, etc. The banks may initiate efforts in popularizing the website [www.msmentor.in](http://www.msmentor.in) among their MSME clients in order to enable them to get the best of services at competitive process. The Cluster centric approach by banks as recommended by the Sub-Group will also help solve the informational inefficiency in the MSME sector.

**C – Terms of Reference III - To assess ability to MSMEs to access equity capital and alternative sources of capital like Angel Funds / Risk Capital**

i. **Venture Capital:**

The Sub-Group noted that presently Venture Capital availability to SMEs is not widespread due to various reasons like limited opportunities of third party or IPO exits, absence of corporatisation, high handling and monitoring cost, etc. This is

considered very critical especially for the knowledge-based MSMEs, since India has large pool of budding entrepreneurs with rich professional and technical experience and innovative business ideas. In order to harness the potential of MSMEs and channelise Venture Capital to the sector, the Sub-Group made the following recommendations:

- Exposure by banks to MSME dedicated VC funds / equity investment in MSME may be taken out of capital market exposure and instead be taken as part of exposure to MSME and part of priority sector lending.
- Alternatively, the existing cap of the banks' exposure to Capital Market at 40% of its Networth may be increased by another 20 percent to 48% to accommodate and provide for exposure by banks towards MSME dedicated VC funds, as also MSMEs which may list on the proposed SME stock exchange.
- Insurance companies may be permitted by IRDA to invest in MSME VCFs to the extent of 25% of the corpus ( currently they are only allowed to invest in infrastructure VCFs to the extent of 10%)
- Statutory guidelines should be framed to permit investments upto a limit of say 10% of Corpus by the Pension/Provident Funds in MSME dedicated VC Funds.
- Introduce personal income tax rebate for investment in equity of MSMEs to be listed on the proposed SME Exchange either directly or indirectly through mutual funds.
- RBI is contemplating introducing 100 percent provisioning in respect of investment in units of VCFs by banks. It is felt that RBI may exempt investments in units of VCFs dedicated exclusively for financing and graduating MSMEs from such provisioning.
- The income of Venture Capital Funds set up for providing finance exclusively for the MSMEs, should be fully exempt from tax apart from awarding pass-through status.
- Tax incentives including allowing setting up of domestic angel/venture capital funds in a Limited Liability Partnership (LLP) structure with a tax-pass through status.
- Need for banks to obtain prior approval of RBI for making investments equivalent to more than 10% of the equity/unit capital (corpus) of a VCF may be increased to say 25% of equity/unit capital of a VCF when such funds are MSME focused / MSME dedicated fund.

**D – Terms of Reference IV - To specify the milestone to be achieved within 12<sup>th</sup> Plan period.**

- i. In order to reduce the MSME credit gap to 32% by the terminal year of 12<sup>th</sup> Five Year Plan, the Sub-Group I recommended that SCBs may be directed to maintain

minimum 22% in their outstanding credit growth to MSME sector during the first two years of the 12<sup>th</sup> Five Year Plan (i.e. FY 2012-13 and FY 2013-14) and further minimum 25% during the remaining three years of the 12<sup>th</sup> Five Year Plan (i.e. FY 2014-15, FY 2015-16 and FY 2016-17).

- ii. Towards financial inclusion, the number of minimum new MSME enterprises be increased to 12 i.e atleast one per month at each of their semi urban / urban branches per year from the present 5.
- iii. SIDBI, along with NSE has got the approval of SEBI for setting up of an SME Exchange for the first time in India. The SME Exchange may be operationalised soon and upscaled during the 12th Five Year Plan. The first time investment in the shares of MSMEs in the proposed SME Exchange should be eligible for personal income tax rebate. Further, a budgetary support of ` 250 crore be made and placed with SIDBI for promoting / developing companies engaged in market making of the proposed SME Exchange.
- iv. **Operationalise a Technology Innovation Fund**- The Sub-group highlighted the pioneering role of many SMEs who brought out a number of innovations in the field of science and technology. What is more important is that such technological innovation and modernization should spread to all the SMEs across the country. Despite a vast science and technology infrastructure built over the years. Moreover, many of these potential innovations do not see the light of the day due to lack of financial assistance and handholding institutional support through transfer of technology, incubation, effective co-ordination between R&D institutions and SMEs, lack of proper information, etc. In order to enable the SMEs to adopt and adapt modern innovative technologies, as also to fully harness their innovative potential, the Sub-group recommended setting up of an MSME Technology Development Fund of Rs. 3,000 crore during the 12<sup>th</sup> Five Year Plan. ( 9) The fund would initially accord special thrust on high growth potential MSME industry group including large MSME dominated export oriented industries. The major activities of the Fund would be to (a) developing a database of technology available domestically and internationally and validate the same through experts (b) transfer of technologies from foreign countries to Indian MSMEs and reverse transfer of technologies of technologies developed by Indian MSMEs to foreign countries (c) support R&D institutions and technology incubation centers for development and commercialization of innovative technologies for the Indian MSMEs, with special thrust on climate, green, clean, energy efficient and environment friendly technologies (d) promote industry - academia partnership through research and incubation centers with thrust on innovators from rural/ micro enterprise/ unserved/ underserved regions/ communities (e) innovative finance /seed capital/venture capital/ risk capital (f) restructure India SME Technology Services Ltd.(ISTSL) to be rechristened as “MSME Technology Bank” in India which would undertake activities

as mentioned above. ***The Fund would be utilized in phased manner i.e. ` 600 crore in each year of the 12<sup>th</sup> Five Year Plan. The further bifurcation on the utilization as per objective of the Fund would be done by ISTSL year wise.***

- v. In order to make Indian MSMEs presence felt in the international market, Ministry of MSME may set up ten international MSME Forums, which would help in transfer of technology, investment and international trade for Indian MSMEs. A budgetary provision of ` 50 crore be made for this purpose.
- vi. The corpus of CGTMSE may be enhanced by ` 10,750 crore over the 12<sup>th</sup> Five Year Plan as per the table placed below:-

Items	FY2013	FY2014	FY2015	FY2016	FY2017
Amount of guarantees ( ` )	18750	23450	29300	36625	45800
Outstanding guarantees ( ` )	54970	76500	103500	137200	179300
Corpus outstanding	3400	3600	3800	4000	4200
Leverage	16.17	21.26	27.23	34.29	42.69
Assuming max. leverage of 12 times, total corpus required	4580	6380	8625	11450	14950
Additional corpus requirement	1180	2780	4825	7450	10750

- *Assuming 25% year on year growth rate on total guarantees issued for ` 23,846 crore as on March 31, 2011 & for ` 38,846 crore as at March 31, 2012*
- *% age of NPA out of guarantees issued during 2001-2009 is at around 15%*
- *Present Corpus Fund available is approx. ` Rs. 3000 crore*

**E – Terms of Reference V - To suggest / recommend programmes / schemes those are to be terminated in 11<sup>th</sup> Plan or initiated or continued in 12<sup>th</sup> Plan period, together with broad budgetary implications, if any.**

- i. The Credit Linked Capital Subsidy Scheme for Technology Upgradation by Ministry of MSME may be extended till the 12<sup>th</sup> Five Year Plan. The CLCSS can be given in a modified form as equity/quasi-equity through banks/FIs to enable recycling of

money from well performing MSEs. Towards this, the Sub-Group recommended that a budgetary support of ` 1,000 crore may be set up with Ministry of MSME.

- ii. The Sub-Group recommended a budgetary allocation of ` 10,000 crore for interest rate subvention of 5% for fresh loans to micro enterprises during the 12th Five Year Plan. The Sub-Group has observed that credit could be made cost-effective for micro enterprises by either capital subsidy or interest rate subvention. The Sub-Group also recommended that the micro enterprises should have the option to choose one of the two schemes.
- ii. **Marketing Strategy Brand Building:** The Sub-Group recognised the growing importance of brand building of Indian MSME. In this regard, the Sub-Group noted that the Micro and Small Enterprises in India do not have enough resources to create awareness about their products through participation in overseas trade shows. In this context, the Sub-Group made the following recommendations :
  - Efforts should be made to promote industry specific brand building of Indian products. Industry Associations may be roped in to ensure the quality standards of the Indian MSME products.
  - The growing capabilities of the industry need to be promoted through active participation in specialized trade fairs both in OE and after market. Specialised events like Buyer Seller Meet/ overseas delegations could be organized in specific countries too.
  - The marketing strategy of some of the companies which have started small but have grown stronger to become big business in their respective field, like Nalli Silk, Fabindia, be studied and replicated for the development of MSME sector. Also, the large industries may act as the marketing platform for the MSMEs for the overall growth of the economy.
  - Inviting sponsored buying delegation from overseas for specific trade shows in India need to be organized on a regular basis.
  - A corpus of ` 100 crore out of the budgetary support should be earmarked for encouraging brand building and other intangibles like advertising, etc.
  - The Sub-Group noted the potential of Indian MSMEs in making their presence felt in the international market, provided various supportive services in the areas of technology upgradation, information sharing of international best practices, trade facilitation support, etc. In this context, the Sub-Group recommended to set up ten international MSME Forums which would help in transfer of technology, investment and international trade for Indian MSMEs. The Sub-Group also recommended that a budgetary provision of ` 50 crore be made for this purpose.
  - The Sub-Group felt that credit support for marketing needs be given focused attention during the 12<sup>th</sup> Five Year Plan, than at present. It was noted that the Government of India (Ministry of MSME) provides subsidy to MSMEs to participate in the international expos. Under the extant schemes, the

entrepreneur has to bear the expenses in the first instance and will get reimbursement after their visit participation period is over. It is observed that it takes about 4 to 6 months for getting the reimbursement. Also, the pre-visit expenses deter many micro entrepreneurs to proactively participate in the international trade fairs. Accordingly, the Sub-Group recommended that a suitable fund of, say, ₹ 100 crore may be created out of budgetary support during the 12<sup>th</sup> Five Year Plan to address this issue. The Sub-Group also recommended that the banks should come out with a short term loan scheme to provide bridge finance for such international business related visits.

- Country specific in-depth studies and reports at regular interval on established and upcoming markets could be carried out so that the industry could understand the business practices and opportunities that exist. It is also imperative to understand the regulations of the countries as there are many legislations and regulations which are applicable in specific countries. These new types of legislations and policies act as entry barriers and are quite complicated, technically challenging and time consuming. Moreover, governance and many legislative requirements are also being formulated and implemented in EU which will also have a direct impact on exports in coming years like Registration, Evaluation, Authorisation and Restriction of Chemical substances. (REACH) - European Community Regulation on chemicals and their safe use; International Standards For Phytosanitary Measures No. 15 (ISPM 15) - affects all wood packaging material (pallets, crates, dunnages, etc.) requiring that they be debarked and then heat treated or fumigated with methyl bromide and stamped or branded, with a mark of compliance; Block Exemption – European Commission regulation, etc. The Sub-Group recommended that the Ministry of MSME may initiate necessary steps to provide information to MSMEs on external markets, rules, regulations, etc.

## IV.2. Report of the sub group on Skill Development & Training

The National Skill Development Policy envisages training 500 million of work force by 2022.

### IV.2.1. Issues

- i. To gear up for meeting acute shortage in availability of skilled manpower.
- ii. To convert a demographic liability into demographic dividend.
- iii. To enhance efficiency and effectiveness of our skill development institutions by creating a skill eco-system.

### IV.2.2. Recommendations:

- Development of Entrepreneurial Skill -
  - i. **The Skill and Entrepreneurial Development Programmes of the Ministry of MSME are the flagship programmes of the Government, since 1960s**, for providing unemployed youth necessary skill for wage employment and particularly for starting of micro enterprises. Keeping in view the increasing number of youth joining the job market in the next five years, the scope and quality of this programme need to be further up-scaled.
  - ii. Under the Skill Development Vision of the Prime Minister's National Skill Development Council, this Ministry has been set a target of training 1.5 crore persons within 2022 and more than 40 lacs persons during the 12<sup>th</sup> Five Year Plan period (2012-17). To attain the above targets qualitatively and quantitatively, the Ministry need to develop a mission for skill development linked with the entrepreneurial promotion with adequate budgetary support.
  - iii. The Skill and Entrepreneurial Development Programmes of various offices/agencies under the Ministry are required to be coordinated for harmonious implementation of the programme. For this purpose, **allocation of targets and budget, implementation of the programmes and monitoring of the same are required to be coordinated from a single point**. This will also help in providing a holistic picture of the achievements of the Ministry, in this regard, to the other Ministries and particularly to the Prime Minister's Skill Development Council.
  - iv. The MSME Development Institutes under the office of the DC-MSME are conducting skill development programmes since 1960s. With the increasing number and range of the programmes, **these MSME-DIs needs to be strengthen with equipments and facilities for providing quality training. For this purpose training labs and workshops on technologies like**

- automobile repair, mobile repair etc. should be provided to these institutes.** As majority of the training programmes are conducted outside, providing mobile training vans may also be considered.
- v. The MSME Testing Centres/Testing Stations are providing training in laboratory technologies / calibrations, along with testing services. Keeping in view the large demand for the skill, the training capacity of these TC/TS should be enhanced with adequate training facilities.
  - vi. The 10 tool rooms and 8 Technology Development Centres under the Ministry are providing High level skill development programmes. **Keeping in view the huge demand for such skill more tool rooms may be opened for all over India.** The product Specific Technology Development Centres are providing focused training in the respective areas of specialisation viz electronics, glass technology, footwear etc. There is also a demand for opening more of such specialised centres to cover skill gap at places of clusters.
  - vii. The Group proposes that 100 Tool Rooms/TDCs/CFTIs be opened at the all-India level so that there is at least one of such Technology/Skill Development Centres in every innovative MSME cluster.
  - viii. The 3 National level Entrepreneurship Development Institutes under the Ministry are conducting trainers training programmes for domestic and international participants. **The training facilities of EDIs should be further up skilled with International linkage for developing curricula, pedagogy etc. to make them centres of excellence for skill and entrepreneurial development.** The jurisdiction for each EDI may also be defined to make them knowledge base for skill availability and skill requirement in the respective areas. These EDIs should function as regional centres for the proposed SME University.
  - ix. Similarly the training facilities of NSIC, KVIC and COIR Board should also be upgraded to cater to their focal constituencies. Being **legal bodies, they can easily launch separate training bodies/subsidiaries with NSDC** support towards wider reach and richness of the programmes.
  - x. Towards wide and transparent dissemination of the training programmes of the Ministry, **a single web-based portal should be launched which will provide complete and detailed information about the training programmes being organised/planned by the various offices/agencies under the Ministry** all over the country. In fact, the same portal should have a provision for submitting online application by the prospective candidates.
  - xi. At present, the Ministry do not have a system for rating the training programmes organised by the various offices/agencies under the Ministry and particularly those conducted by the private partner institutions. It is necessary **to implement a rating system immediately for the training institutions and place the same in the public domain.**

- xii. It is also necessary to **develop a hierarchy of the levels of the various training programmes organised by the various agencies** viz., the programmes conducted by the KVIC for the village/rural artisans at level one and hi-tech programmes conducted by the Tool Rooms at the highest level with the level of other programmes in between. This may help the prospective participants to join a programme according to their skill requirements.
- xiii. The Government has constituted NSDC to facilitate participation of private sector and civil society in Skill Development Programmes. The programme modules conducted by **NSDC supported institutions need also to be harmonised with the programme modules of the Ministry**. Ideally, there should be an independent national level institution/body to harmonise the conducting of the programmes, the quality of the programmes and the level of the programmes at the all-India level.
- xiv. The task mentioned above may be best done by a **virtual SME University with the necessary intellectual and financial resources**, which can provide the necessary accreditation service to the training institutes/organisations, decide the level of the programmes and also certify individual trainers as per their proficiency level.
- xv. The proposed University should also maintain online data base of the accredited institutions as well as trainers whose services can be availed by the skill development institutions as per their requirements. Towards further synergy of the skill development programmes at the all-India level the **University should provide certification of the participants, after completion of the programme, with appropriated grading/rating**. Logically, the data base of the certified trainees, available online, will function as a virtual employment exchange.
- xvi. The Ministry is already operating a scheme “Assistance to Training Institutions” under which State level entrepreneurship Institutes are provided financial support to upgrade and upscale. The Scheme may be extended to private/NGO promoted training institutions operating at the rural areas, who may not reach the critical mass to apply for NSDC finance. However, towards **up-scaling of the range/quality, all institutions supported by the Ministry, including the state level EDIs, should be encouraged to qualify for NSDC loan** in a time bound manner and run their programmes on self sustaining basis. This will help in routing the limited budget available with the Ministry to new training institutions. The Government may also need to close down the unviable training institutes.
- xvii. As enhancing the skill of the unorganised sector will be a focal area of the Ministry during the 12<sup>th</sup> Five Year Plan, it would be essential to enhance the **budget allocation under the ‘assistance to training institution’ scheme to at least 1000 crores** so that at least one institution at each district level could be

- provided a minimal grant of Rs.2 Crore to develop basic facilities for the training of the workers of the unorganised sector.
- xviii. The Ministry is also required to make special allocations to set up EDIs in special areas viz., NE region, Jammu & Kashmir, Naxalites affected areas etc. and the special categories of persons like differently-abled, destitute etc. **For these categories of candidates special residential programmes may also be considered.**
- xix. At present, the programmes of the Ministry are provided almost free, with the exception of the high level programmes conducted by the Tool Rooms and the National level EDIs. However, an individual is allowed to join only one programme, in the entire career, under the above scheme. To allow the trainees to develop their competency by joining higher levels of programmes, subsequently, some fee may be charged for the second time participants. **Ideally, all training programmes conducted by the Ministry should be fee-based to enhance their sustainability and the support from the Ministry to desiring participants may be released through credit vouchers.**
- xx. Enormous developments are happening in the global skill development market and it **is essential to link the skill development activities of the Ministry, rather of all Ministries and all agencies operating in India, with the international benchmark institutions** and service providers. While sporadic initiatives are being taken by the Ministry with the Government agencies of Germany, Denmark etc. it is essential to develop a systematic initiative in this regard.
- xxi. **There is also a need for specialisation of agency/offices under the Ministry in the various segments of skill development.** For example, while the institutions of KVIC and Coir may focus on the unorganised sector, the MSME-DIs may cater to the requirements of micro/small entrepreneurs especially in service sector. NSIC and Tool Rooms with their in-house workshops and laboratories may focus on manufacturing/technology based activities. The national level EDIs under the Ministry should ideally conduct programmes for training of trainers, capacity building of training institutions and globalisation of the training initiatives of the Ministry. Logically, the partner institutions in private sector supported by the respective office of the Ministry should also focus to the areas where the mother institutions have competency.
- xxii. The Ministry is already implementing an online registration, monitoring and handholding (through call centres) system for the participants trained by the offices/institutions under the Ministry. It may be institutionalised with compulsory participation of all training agencies under the system.
- xxiii. Ministry has also constituted a committee with Departmental Officers to standardised the course curricula. The Committee has so far standardised 160

- curricula for mainly programmes conducted by the MSME-DIs, NSIC and National level EDIs. The scope of the Committee is required to be widened to cover all types of training programmes conducted under the Ministry. **Constitution of the Committee may also be expanded to include representatives from National Industry Bodies, expert trainers etc.** The committee may merge with the proposed virtual SME University, as and when constituted.
- xxiv. While standardising the skill development programmes, care should be taken to provide adequate flexibility for taking care of regional requirements and requirements of the special categories of the participants. Ideally, **the standardising body should specify only the frame work of the programmes with the essential and desirable course contents, separately, so that the programme conducting institutions may plan their curricula accordingly.** The frame work of all courses standardise should be available in public domain for information suggestions and should be periodically revised on the basis of the suggestions received.
- xxv. The process of facilitating skill development starts with identification of the prospective entrepreneurs and completes only with handholding of the trained entrepreneur to start an enterprise with required finance etc. The availability of bank credit to the micro entrepreneurs is a challenge and as per the survey conducted by the Ministry itself the success rate is 30%. To enhance the success rate, availability of adequate credit to all eligible trainees is essential. The Ministry already operates a flagships scheme, PMEGP for subsidising bank credit to new entrepreneurs. **PMEGP need to be enlarged to take care of credit need of at least 50% of the trainees of the programmes conducted by the Ministry.**
- xxvi. Handholding of the new entrepreneurs for setting up the enterprise, operations and marketing is also essential for success. Towards this end, the existing scheme of the Ministry of Rajiv Gandhi Udyami Mitra Yojna is need to be further upscaled. Along with the individuals and other institutions, industry associations should also be encouraged to provide handholding services to the new entrepreneurs. For this purpose, adequate support package may be developed. Ideally, **hand holding should be a integral part of the skill development programme** with the training agencies providing required hand holding services to the trainees for employment/self employment.

### **IV.3. Report of Sub Group on Marketing & Procurement**

#### **IV.3.1. Issues**

- 1) To take stock of recommendations of Prime Minister's Task Force on Marketing & Procurement.
- 2) Measures to strengthen NSIC for Brand building and better Marketing Intelligence.
- 3) Developing a workable system for distribution of raw material to MSMEs.
- 4) Assessment of problems relating to Government procurement.
- 5) Ways to promote E-Marketing.
- 6) Access to international market.
- 7) To specify the milestone to be achieved within the 12th Plan Period.
- 8) To suggest/recommend programmes/schemes those are to be terminated in the 11th Plan or initiated or continued in the 12th Plan period, together with the broad budgetary implications, if any.

#### **IV.3.2. Recommendations**

The Sub Group has made its recommendations which have been grouped in two parts:

- Existing schemes
- New schemes

##### **I. Improvement and Changes required in the existing schemes**

#### **A. Public Procurement Policy for goods produced and services rendered by Micro and Small Enterprises (MSEs)**

Sub-Group recommends that Public Procurement Policy for MSEs should be implemented expeditiously. The scope of the proposed public procurement policy should be expanded by including purchases made by private sector companies under the offset policy by including important sectors like Civil Aviation, Science & Technology, Defence, Nuclear Technology, Railways and all other bulk imports of the Government and PSUs. Competition Policy principles should be followed in public procurement and violation should be dealt with under the jurisdiction of Competition Commission. A strong effective mechanism is to be put in place to ensure implementation of public procurement policy and a grievance re-dressal mechanism should also be evolved. The need of a dedicated organization is also felt for implementation and monitoring of the

Public Procurement Policy (PPP). The role of the agency should include compilation of data, monitoring, imposing penalties/fines to the defaulters.

## **B. Market Development Assistance Scheme (MDA)**

It is an ongoing scheme. To expose MSMEs in the national and international markets in larger proportions, the following modifications are recommended:

### **a. Convergence of Existing MDA Scheme**

The convergence of 'Marketing Development Assistance (MDA) scheme run by Ministry of MSME, NSIC, KVIC and Ministry of Commerce needs to be made. Uniformity in the concessional rates for space rental, air fare etc. by various organizations will make the scheme more clear and commonly acceptable by its end-users. A uniform selection criteria should also be laid down for all implementing agencies.

### **b. Increased budgetary allocation for organization/participation of exhibitions.**

Presently, the budgetary limit for participation in a domestic exhibition/trade fair is restricted to Rs. 10 lakh. Similarly, for organizing the domestic exhibition / trade fair the maximum budgetary support is Rs. 30 lakh. Keeping in view, the expenditure involved in participation/organizing the event, Sub-Group recommends to enhance the ceiling from Rs. 10 lakh to Rs. 30 lakh and Rs. 30 lakh to Rs. 60 lakh respectively.

### **c. Organization of specific fairs**

In addition to participation in International fairs/exhibitions, Industry associations should be encouraged to organize MSME specific fairs after identifying the markets/products for aggressive marketing. Chambers of Commerce (Indian & foreign) and Indian embassies should be actively involved in this exercise.

### **d. Advance intimation for participation in exhibitions**

Participation in exhibitions/fairs should be decided in advance (preferably yearly schedule at the beginning of the year) and publicized through Industry Associations/other means to achieve better participation from MSMEs.

**e. Dissemination of the scheme**

Awareness of the scheme should be enhanced by dissemination of information w.r.t. participation by MSMEs in national/international exhibitions.

**f. Wider participation in exhibitions**

MSMEs operating in small towns, remote/tribal areas and women entrepreneurs should be encouraged to participate in fairs/ exhibitions. Help of Industries Associations could be taken to identify MSMEs who can participate in such fairs after taking into account their product range and quality of products.

**g. Specific Budget Provision for manufacturing MSMEs**

Certain percentage of total budget provision needs to be earmarked for manufacturing MSMEs availing assistance under the scheme. Also, Government support should be extended to sector specific fairs of the choice of MSMEs

**h. Continuance of scheme during 12th Plan Period**

The Sub-Group recommends continuance of the Marketing Development Assistance Scheme, Marketing Assistance Scheme and International Co-operation Scheme during the 12<sup>th</sup> Plan Period. The Sub Group recommended that at least 50,000 micro & small enterprises should be provided the exposure/opportunity to avail these schemes during the 12<sup>th</sup> Plan Period. By taking average financial assistance of Rs. 1.00 lakh to be provided to Micro & Small Enterprises under the scheme, an outlay of Rs. 500 crore for 12<sup>th</sup> Five Year Plan is recommended. The Sub-group anticipated that the year wise expenditure under this activity during 12<sup>th</sup> Plan period can be proposed as under:

Year	Outlay (Rs. crore)
<b>2012-13</b>	<b>60.00</b>
<b>2013-14</b>	<b>80.00</b>
<b>2014-15</b>	<b>100.00</b>
<b>2015-16</b>	<b>120.00</b>
<b>2016-17</b>	<b>140.00</b>
Total	500.00

**Accordingly an outlay of Rs.500 crore is suggested for the 12<sup>th</sup> Plan Period.**

**1. Financial Assistance for using Global Standards (GS 1) Bar Coding:**

**To make the scheme more effective, Sub-Group recommends the following:**

- a. Wider publicity be given for creating awareness of the scheme.
- b. Presently, reimbursement of one time registration fee is covered in MDA scheme and the reimbursement of recurring annual charges are covered under NMCP scheme. It is recommended that both components of the scheme should be merged into one scheme.
- c. In addition to micro and small enterprises, the scheme should also be extended to medium enterprises. The ceiling of reimbursement should be 90% of one- time registration fee and annual charges in case of MSEs and 50% in case of medium enterprises.
- d. Reimbursement of annual charges should be extended from present first three years to first five years.
- e. The existing disbursement procedure be amended wherein Government should provide funds to GS1 India directly and GS1 India will utilize these funds by releasing to MSEs on reimbursement basis and will report periodically to the Ministry of MSME about the status of utilization of budget.
- f. The budgetary allocation for the scheme can be enhanced to Rs.20 crore during XII Five Year Plan period.

Year	Outlay (Rs. crore)
<b>2012-13</b>	<b>2.00</b>
<b>2013-14</b>	<b>3.00</b>
<b>2014-15</b>	<b>4.00</b>
<b>2015-16</b>	<b>5.00</b>
<b>2016-17</b>	<b>6.00</b>
Total	20.00

**2. Marketing Assistance & Technology Upgradation (MATU) scheme for MSMEs:**

Various activities of this scheme are already covered under existing ongoing schemes of Ministry of MSME. For ensuring implementation convenience, the scheme needs to be reoriented as under:

- Activity No.1: Technology Up-gradation in Packaging be clubbed within existing Export Market Promotion Scheme.
- Activity No.2: Skill up-gradation/ Development of Modern Marketing Technology should be covered under existing Entrepreneurship Skill Development Programmes (ESDPs).
- Activity No.3: Competition Studies be clubbed within existing WTO cell setup under scheme of 'Training Programme on Packaging for Exports'.
- Activity No.5: For domestic exhibition, reimbursement ceiling should be enhanced. This should include transportation charges and for participation in other States also. (as in Activity No.4 – Special Component for NER).
- Activity No.6: Component for reimbursement upto Rs.45,000/- for Corporate Governance Practices is not practical in case of MSMEs and hence can be dropped.
- Activity No.7: Marketing Hub wherein assistance is provided for renovations / modifications of existing structure in MSME-DIs be brought under the ambit of existing physical infrastructure development of MSME-DIs.
- Activity No.8: Reimbursement to ISO 18000 / 22000 / 27000 Certification needs to be clubbed with existing incentive scheme for acquiring ISO-9001/ISO 14001/HACCP Certification.

**3. Raw Material Distribution to MSMEs - Set Aside/Allocation of certain percentage by bulk producers of material:**

The Sub Group recommends enlargement of the scope of the activity by including more critical items of raw material like Plastic Granules (LDPE & HDPE Granules), Bitumen, Cotton, Urea, Paper, Petroleum Products etc., for effective intervention in the market. Bulk producers of these items in Public Sector should reserve some quantity of their production for allocation to MSEs, with similar offers of prizes and discounts being offered to bulk buyers and traders. The bulk producers should open more godowns at district level for easy availability of materials to MSMEs.

**4. Performance and Credit Rating Scheme for Micro & Small Enterprises:**

The Sub Group recommends continuance of this scheme during 12<sup>th</sup> Plan Period with enhanced outlay. The Sub Group also recommends that Ministry should strongly take up the issue with Reserve Bank of India and banks to provide easy access to credit with liberal terms to MSMEs which

obtain good ratings. An outlay of Rs 270.00 Crore is recommended by the Sub Group to cover 75000 MSEs in the 12<sup>th</sup> Plan period under the scheme, based on the average subsidy of Rs.36,000/- per unit in the rating fee. The year wise break up of the proposed outlay under the scheme during 12<sup>th</sup> Plan Period is tabulated below:

Year	No. of units to be rated	Outlay (Rs. in crore)
<b>2012-13</b>	<b>14000</b>	<b>50</b>
<b>2013-14</b>	<b>14500</b>	<b>52</b>
<b>2014-15</b>	<b>15000</b>	<b>54</b>
<b>2015-16</b>	<b>15500</b>	<b>56</b>
<b>2016-17</b>	<b>16000</b>	<b>58</b>
Total	75000	270

5. The Sub Group also discussed in brief the schemes of KVIC & Coir Sector. Since the Sub Group - VI on 'Khadi & Village Industries Sector' has been looking into the aspects of this sector exclusively, and will make its recommendations accordingly as such there is no need to examine such schemes and making recommendations by this Sub Group.

## **II. New Schemes**

**Sub Group recommends the following new schemes to be introduced during 12<sup>th</sup> Plan period:**

### **1. Establishment of Marketing Organizations (SPVs) in Clusters**

Individual entrepreneurs find it difficult to procure raw material and market their products in the highly competitive markets. In order to overcome this constraint, Marketing Organizations in Clusters can be established through formation of Special Purpose Vehicles (SPVs) in the form of Co-operative Societies to support MSMEs in the procurement of raw materials and marketing of their products. The Co-operative Society can have participation from State Small Industries Development Corporations (SSIDCs)/State Industrial Development Corporations (SIDCs) and Local Industries Associations. These societies should involve in designing of products, branding of products, advertisement of products and e-marketing through B2B portals.

## Functions of Special Purpose Vehicles for Marketing

The initiative of formation of Special Purpose Vehicles (SPVs) by way of forming cooperative(s)/ company(s) / of the Micro and Small enterprises is envisaged to help such enterprises by :-

- (i) Helping the enterprises in marketing of their products by acting as a marketing consortium, marketing agents, selling agents, service agents etc.
- (ii) Providing services for:
  - a) Efficient methods of effecting sales and marketing of related products manufactured by Micro and Small enterprises concentrated in a cluster.
  - b) Economy in effecting sales and marketing of goods in terms of storage, display and transportation of the products manufactured by MSMEs.
  - c) Help MSMEs to participate in exhibitions/trade fairs at subsidized rates to exhibit and market their products.
  - d) To promote product designs, standards and ensure quality of products.
  - e) Facilitating necessary infrastructure in the form of establishment of godowns / depots by bulk producers of critical raw material at strategic locations.
  - f) Facilitate import and export with respect to the goods manufactured by micro and small enterprises concentrated in a cluster.
  - g) Provide services for marketing in respect of working capital arrangement by way of bill discounting, factoring etc. through banks and financial institutions for enhancing the marketing capabilities of MSEs.
- (iii) Set up common facility centres and quality testing laboratories in a cluster / industry concentration for MSEs for helping them in quality production.
- (iv) Establishment of sales depots for distribution of final products of MSEs for the buyers / users of their products.
- (v) Assist Micro and Small enterprises in obtaining share of the total purchases made by the Government and its departments including Public Sector Undertakings and State Governments through formation of consortia for participation in large tenders floated by various agencies.
- (vi) Organize soft activities such as:-

- a) skill upgradation
- b) technology awareness, understanding and absorption
- c) business management workshop
- d) export import management workshop
- e) entrepreneurship development workshop
- f) tailor made training programmes on need basis
- g) other soft skill development etc.

Ministry of MSME, under its Micro and Small Enterprises Cluster Development Programme (MSE-CDP) should provide Rs.10 lakhs to identified SPVs for meeting preliminary expenditure. As regards working capital margin of such SPVs, financial assistance to the cooperative society / company should be granted by way of equity participation with maximum contribution of the Government up-to Rs. 50 lakhs for each such SPV. A separate scheme for this purpose should be formulated.

Sub Group recommends to set up 36 societies/companies in the form of SPV during the 12<sup>th</sup> Plan Period. Total expenditure for establishment of such marketing organizations would be Rs. 40 crore (Rs. 10 lakhs for preliminary expenditure and Rs. 100 lakhs for working capital margin), out of which Government will contribute Rs. 22 crore (Rs. 10 lakhs for preliminary expenditure and Rs. 50 lakhs for working capital margin) and remaining cost of Rs. 18 crore shall be contributed by SPV.

The year wise break up of the proposed outlay under the scheme during 12<sup>th</sup> Plan Period is tabulated below:

Year	No. of SPVs	Outlay (Rs. in crore)
<b>2012-13</b>	<b>5</b>	<b>5.50</b>
<b>2013-14</b>	<b>6</b>	<b>6.60</b>
<b>2014-15</b>	<b>7</b>	<b>7.70</b>
<b>2015-16</b>	<b>8</b>	<b>8.80</b>
<b>2016-17</b>	<b>10</b>	<b>11.40</b>
Total	36	40.00

## **2. Scheme for development of Marketing Infrastructure for MSMEs under Public Private Partnership (PPP)**

In order to provide integrated marketing support to MSMEs, the Sub Group recommends for introduction of a new 'Scheme for development of Marketing Infrastructure for MSMEs' during 12<sup>th</sup> Plan Period. The projects/infrastructure to be funded under the proposed scheme would inter-alia be (1) Strengthening of existing testing laboratories and setting up of new quality testing laboratories (2) Establishment of Display-cum-sale/Exhibition Centres (3) Establishment of Information Dissemination Centres. Under the scheme, a budgetary provision of Rs. 500 crore for 12<sup>th</sup> Plan Period should be made in the Ministry of MSME with annual provision of Rs. 100 crore. This budget can be utilized by the implementing agencies on demand basis under Public Private Partnership (PPP) mode whereby Government could provide seed money to implementing organizations and remaining funds should be brought in by them by way of their contribution or by raising loans. Each such project should have to be commercially viable and to be self-sustaining. The Government can provide 35% of the cost of each project and remaining 65% to be arranged by the private partners through their capital (25%) and loans (40%).

**Details of each of the above schemes are discussed below:-**

**(a) Strengthening of existing testing laboratories and setting up of new quality testing laboratories**

Presently, there are many testing laboratories in the country which are providing testing facilities to the industrial sector including micro units.

Specialized testing facilities for certain high end products specially leather items are not available in the country. The exporting MSME units are availing these facilities from the overseas testing labs. As such, there is need for creation of additional testing facilities in the country. Besides, the existing testing laboratories are not fully equipped or inadequate in many products manufactured by MSME sector, the facilities of these labs need to be strengthened/upgraded by providing specific budgetary support by the government. The strengthening of these laboratories would help in enhancing marketing capabilities of MSMEs.

Sub Group also recommends that there is a need to set up 50 nos. quality testing laboratories for MSMEs almost in every cluster/industry concentration, district/major industrial area. This activity can be undertaken under Public Private Partnership mode. The cost of setting up of a Quality Testing Laboratory is estimated to be Rs. 5.00 crore. Land and building for establishment of testing laboratories should be arranged by the private partners. Financial assistance can be provided by the Government to the extent of 35% of the total capital cost of setting up of such new testing laboratories. Remaining 65% of the cost should be brought in by the private partners.

The year wise break up of the proposed outlay under the scheme during 12<sup>th</sup> Plan Period is tabulated below:

Year	No. of Testing Laboratories	Outlay (Rs. in crore)
<b>2012-13</b>	<b>8</b>	<b>40.00</b>
<b>2013-14</b>	<b>9</b>	<b>45.00</b>
<b>2014-15</b>	<b>10</b>	<b>50.00</b>
<b>2015-16</b>	<b>11</b>	<b>55.00</b>
<b>2016-17</b>	<b>12</b>	<b>60.00</b>
Total	50	250.00

**(b) Establishment of Display-cum-Sale/Exhibition Centres**

Changing consumer behavior affects the marketing of the products. MSMEs cannot match the publicity blitz of the large-scale sector due to financial constraints. There is a need to provide assistance to MSMEs to enable them to show case their products and capabilities to produce high quality products and also to sell them at spot. Necessary infrastructure in the form of exhibition centres/display halls need to be created as facilities available at present in the country are far from adequate to cater to the needs of the MSMEs. Further, the cost of hiring space at the facilities already available is prohibitive and beyond the reach of MSMEs. To bridge the wide gap, setting up of display halls and exhibition centres, in each state capital or major industrial centres having concentration of MSMEs is recommended. This scheme can be

implemented by the Central or State Organizations, Industry Associations, Export Promotion Councils in the Public Private Partnership mode. District Industries Centres (DICs) having adequate vacant land can also support this activity by creating such infrastructure. MSMEs should be provided space at nominal rates at such exhibition halls and display centers.

Sub Group recommends to setup 20 nos. exhibition centres/display halls during 12<sup>th</sup> Plan Period. The average cost for development of exhibition centre / display hall is estimated at Rs. 10 crore. State Governments should also notify this activity as industry supporting activity and allotment of land should be at concessional rates. Association of women entrepreneurs should also be encouraged to establish exhibition centres for display and sale of products of women-owned micro and small enterprises. Under this activity, a private player should contribute 65% of the total cost and remaining 35% can be assisted by the Government by way of budgetary support.

The year wise break up of the proposed outlay under the scheme during 12<sup>th</sup> Plan Period is tabulated below:

Year	No. of exhibition centres/display halls	Outlay (Rs. in crore)
<b>2012-13</b>	<b>2</b>	<b>20.00</b>
<b>2013-14</b>	<b>3</b>	<b>30.00</b>
<b>2014-15</b>	<b>4</b>	<b>40.00</b>
<b>2015-16</b>	<b>5</b>	<b>50.00</b>
<b>2016-17</b>	<b>6</b>	<b>60.00</b>
Total	20	200.00

**(c) Establishment of Information Dissemination Centres**

MSMEs are handicapped because of non-availability of information pertaining to Central Government/State Governments' policies and programmes, the support schemes and services of Central/State PSUs. Information on new technologies, international and national tenders, opportunities available in various countries for product and project exports, information available with associations and on

internet with regard to potential countries, is scarcely available. There is need to integrate the information at one source to enable the MSMEs to avail and strengthen their efforts in a focused manner.

The Sub Group recommends that the networking of the above information should be extended to Industries Associations and field offices of Central/State Government organisations. This needs capacity building of existing organizations involved in promotion and development of MSMEs by providing necessary financial assistance to achieve the networking. Keeping in view the suggestions of the members with regard to establishment of Information Dissemination Centres, the Sub-Group recommends that 100 nos. Information Dissemination Centres should be established during the 12<sup>th</sup> Plan period for dissemination of information with one main centre for coordinating the activities of all the centers. Establishment of the Information Dissemination Centres should be under Public Private Partnership (PPP) mode where the Government can contribute 35% of the total cost as financial support and remaining 65% should be contributed by Industries Associations or other agencies willing to set up such centres. The cost of setting up of Information Dissemination Centre is estimated to be Rs. 50 lakh each.

The year wise break up of the proposed outlay under the scheme during 12<sup>th</sup> Plan Period is tabulated below:

Year	No. of Information Dissemination Centre	Outlay (Rs. in crore)
<b>2012-13</b>	<b>10</b>	<b>5.00</b>
<b>2013-14</b>	<b>15</b>	<b>7.50</b>
<b>2014-15</b>	<b>20</b>	<b>10.00</b>
<b>2015-16</b>	<b>25</b>	<b>12.50</b>
<b>2016-17</b>	<b>30</b>	<b>15.00</b>
Total	100	50.00

### **3. Implementation of Schemes through ‘Voucher Delivery System’**

‘Voucher Delivery System’ (VDS) can be introduced for implementing the various government schemes in an effective and efficient manner. The detailed methodology for implementing VDS mechanism has already been

explained under Chapter V of this report. The system will ensure faster disposal of the proposals leading to timely achievement of targets under the schemes.

#### **4. Greater Use of Information Technology (IT)**

IT enabled services are services which use Information Technology as a resource to help improve and implement various business processes. The latest generation of software and web based applications promises to fully digitize and integrate all the functional areas – in the process bringing unparalleled flexibility and efficiency in operations.

Micro, Small and Medium Enterprises (MSMEs) with a relatively small investments, profits can generate good business opportunities by automating their processes using electronic means. E-Commerce platforms like B2B Portal and B2C Portals are playing very good role in enhancing the reach of MSMEs globally.

Once isolated and heavily reliant on buyer visits, export-oriented MSMEs are now using the Internet to reach out to new overseas buyers, maintain contact with existing buyers, and learn about market trends and opportunities.

MSMEs carry out electronic commerce in three different ways. Internet start-ups invent new ways of creating value-added, new services and new business models, while established small firms use the Internet to develop e-commerce strategies geared to expanding their business, often internationally, and increasing their effectiveness. In addition, group of small firms are entering into electronic partnerships with large firms which are their customers or suppliers or with industry-wide associations. This works best when e-commerce is used proactively as part of a set of strategies to increase SMEs' competitiveness in global markets.

E-marketing would be very helpful in resolving MSMEs marketing related problems and can be promoted through launching of specialized MSME portals. The portal should contain the information of prospective buyers, sellers, products etc.

The main features of an ideal B2B portal should be:-

- Product specific database searches
- Sector specific domestic Tender notices with alert factors.

- Country specific global tender notices from World Bank, United Nation Organization, ILO etc.
- Business Trade Leads (buy/sell) from various countries.
- My work place (Self Web development tools)
- News and Views
- Expert chart
- Global Trade Shows Information
- Trusted Seals for NSIC members (Gold, Trust member Certification)
- Electronic News Letters
- Centralized Mail System for each member (every member to get individual mail boxes)
- Customer Support through call centre
- Mirroring facility
- Payment Gateway for membership subscription.

To make greater use of IT in the MSME sector, Sub Group recommends for developing and implementing an international user friendly B2B portal to make it accessible to larger section of MSMEs of India and abroad during the 12<sup>th</sup> Plan Period.

## Proposed Outlay during 12<sup>th</sup> Plan Period

The following outlay is required for implementation of the schemes / programmes recommended by Sub Group during the 12<sup>th</sup> Plan period to substantially enhance the marketing potential of MSMEs:

(Rs. crore)

	Sl. No.	Name of the Scheme	Total Cost of the Scheme	Contribution of implementing agency under PPP	Budgetary Support
I.	Existing Schemes				
	1.	<b>Marketing Development Assistance (MDA) Scheme, Marketing Assistance Scheme &amp; International Co-operation Scheme</b>	500.00	-	500.00
	2.	<b>Financial Assistance for using Global Standards (GSI) Bar Coding</b>	20.00	-	20.00
	3.	<b>Performance and Credit Rating Scheme for Micro &amp; Small Enterprises</b>	270.00	-	270.00
		Total (Existing Schemes)	790.00	-	790.00
II	New Schemes				
	1.	<b>Establishment of Marketing Organizations (SPVs) in clusters</b>	40.00	18.00	22.00
	2.	<b>Scheme for development of Marketing Infrastructure for MSMEs under Public Private Partnership.</b>	500.00	325.00	175.00
		Total (New Schemes)	540.00	343.00	197.00
		Total Outlay (Existing & New Schemes)	1330.00	343.00	987.00

## IV. 4. Report of the Sub-Group on Infrastructure

### IV.4.1. ISSUES:

Implementation of development initiatives is collective effort of cluster actors, state governments, stakeholders, donors, policy makers, etc. Issues to be addressed include:

- **Poor Rate of conversion of soft Intervention (SI) into Hard Intervention (HI).**
- **Inordinate delay in Implementation of projects:** Most of the cluster development initiatives are implemented by Special Purpose Vehicles (SPVs). An SPV could be a company under Section 25 of Company Act 1956, a Trust or a Society (registered under Indian Societies Act 1860). It has been observed that groups of SMEs take a very long time in forming SPVs. In case of infrastructure development projects, some projects sanctioned even in 1996 are still incomplete.
- **Delay in Allocation of Land and Building:** Land and building are not supported by the Government of India funds, under this scheme. Land and building have to be provided / arranged by the SPV or concerned State Government. There is a lot of delay in setting up of common facility centres or infrastructure projects because of delay in availability of land and building.
- **Poor Quality of DPRs/ DSRs:-** Diagnostic study report is most important document which lays the foundation of future cluster development action. Similarly, Detailed Project Report (DPR) is important for hard interventions / infrastructure development projects. However, it has been observed that some of the DSRs / DPRs are incomplete / without validated action plan / without complete technical information / market strategy.
- **Non-Availability of BDS Providers:** There is an acute shortage of domain experts (Business Development Service Providers) particularly in the field of consortium formation, brand building, marketing, low cost automation, etc. The shortage in context of SME sector is also because of the lack of capability to pay the high fees / charges for the appropriate experts.
- **Associations:** Micro unit or artisanal unit clusters generally do not have formal collective bodies for furtherance of their concerns. Artisans are generally busy in their day to day work as all the processes are to be accomplished by them and thus they cannot spare time for collective activities.
- **Lack of Coordinated Approach:** Cluster development initiatives give

the desired results only when pursued and implemented in a missionary mode. The casual approach by some of the associations, lack of coordinated approach, multiplicity of programmes and agencies, wrong selection of cluster development executives are some of the factors which inhibit the performance of the cluster development programme.

#### **IV.4.2 Recommendations**

##### **A. For Ministry of MSME**

- i. The eligible project cost for infrastructure development (excluding cost of land) for Government of India assistance should be enhanced from present limit of Rs 10 cr to Rs 15 crore. This will make both the components of the scheme (setting up of CFC and infrastructure development) equal. Enhancement of limit will attract more proposals.
- ii. To complement the efforts of State and Central Government, private sector (companies and SPVs) should also be eligible for development of infrastructure development, with government of India assistance under MSE-CDP. Lot of incorporated companies already have exposure to infrastructure development.
- iii. Land and infrastructure constraints are a major problem, particularly in bigger and metro cities. Rates of land are so high that MSEs cannot afford to have plots in such cities. On the other side, there are some production processes, which can be accomplished in Flatted Factories. Flatted Factories Complexes may be encouraged by providing financial support under MSE-CDP. Likewise, accommodation problem of industrial workers may be addressed to a great extent by supporting dormitories (in or around industrial estates/ areas). SPVs may run the dormitories on sustainable basis.
- iv. Maintenance of Industrial Estates (mainly maintenance of roads, drainage, sewage, power distribution and captive power generation, water supply, dormitories for workers, common effluent treatment plants, common facilities, security, etc.) is critical component for successful functioning of the industrial enterprises in any industrial estate/ industrial area. Industrial estates are generally developed by state industrial development bodies (e.g. HSIIDC in Haryana, RIICO in Rajasthan). Maintenance of these industrial estates is undertaken by the concerned developing agency by levying service charges and / or through the capitalized one time charges taken at the time of allotment. Notwithstanding such modalities, infrastructure in some of the industrial areas/estates is in dilapidated state, which hinders smooth transportation of materials, availability of civic amenities, common facilities, movement of personnel, etc. Industrial estates / areas need better maintenance. Maintenance of Industrial Estates may, therefore, be done by industries associations, local

bodies, state government agencies, SPVs on self sustaining basis, by levying maintenance charges, or one time collection, etc.

- v. Only 130 proposals for infrastructure development could be approved in a span of 17 years. This is very less as compared the requirement of MSEs in the country. More awareness is need regarding Infrastructure development through MSE-CDP. Scheme should be made more liberal by allowing expenditure variations for various components within the overall funding support of the government.
- vi. State Government / UTs must be advised to provide, on priority, electricity connection, water supply connection, road and transport connectivity, pollution clearance, NOC for change in land use for industrial purposes, etc.
- vii. Provision under MSE-CDP scheme may be made for Product Specific Modular Industrial Estate having Raw material Bank, Technology Resource Centre, Design Centre, Business Centre, Tool Room, Testing Centre, Incubation Centre, Training Centre, Mini Trade Fair Centre etc.
- viii. Assistance for upgradation of existing industrial estate may be made more attractive in order to get proposals from state government for upgradation of existing industrial estates.

#### **B. For State Governments**

- i. Availability of Land for MSEs has to be ensured. State governments may earmark at least one industrial estate in each block. Government may identify Barren Lands and allot it to MSEs at affordable price or set up industrial estates.
- ii. Land use classification may be updated based on demand. Clear Policy should be evolved on “Change of Classification for Industrial purpose”.
- iii. Deemed Local Body Status should be given to manage Industrial estates by bringing necessary changes in rules / procedures. SPVs should be formed in each estate with representation from the Government and the Developing agency. It should be empowered to collect charges and maintain the estate
- iv. Industrial Township Act, like one in Tamilnadu, may be invoked for estates having more than 50 Acres of Land. This should be made mandatory under the ‘Panchayat Raj Act’.
- v. Smaller estates, where the Deemed Local Body Status / Industrial Township act could not be invoked, local body can share the revenue with the SPV.
- vi. Availability of Power is one of the major constraints in Industrial estate. Many states, particularly Tamilnadu is facing acute power shortages. Creative solutions for power generation have to be encouraged, preferably clean and green energy.

- vii. Electricity Act has to be amended to wheel power by Estates / Clusters and distribute among themselves. (At present the Act permits only an individual captive power user to transport power).
- viii. SPVs should be authorized to buy power from anywhere and distribute it to its member units.
- ix. Many states are providing uninterrupted powers to MNCs and depriving even the normal power to SMEs. Priority in providing Power connection and as well as uninterrupted power should be ensured for MSEs. Electricity Act may be amended to stop any unfavourable practice.
- x. 50% Subsidy should be given to Micro Units for investing in clean power.
- xi. Providing Good, Motorable Roads is one of the foremost duty of a Government. Roads are very essential for an Estate. Many of our estates lack in this. There is an Urgent need to up-grade the existing estates.

## **IV.5. Report of the Sub-Group on technology and innovation**

### **IV.5.1 Issues**

On the issue of Technology, the Sub Group set up by the Prime Minister's Task Force on Technology highlighted the constraints with regard to technology inhibiting the growth of the sector:

- MSE sector in India, with some exceptions, is characterized by low technology levels, which acts as a handicap in the emerging global market.
- As a result of the above, sustainability of a large number of MSEs will be in question in the face of competition from imported goods. Also MSE alliances with domestic large companies are fragile, since the large companies can themselves build alliances with overseas suppliers.
- Despite efforts institutional linkages of research & development institutions and industry (including MSEs) have not developed.
- Past policies on FDI have not resulted in substantial technology gains percolating in the country.
- 

### **IV.5.2. Recommendations**

#### **A. Recommendations of the PM Task Force:**

##### **(i) Defence Offset Policy**

Set up a mechanism in the M/o Defence to ensure that the offsets under defence purchases are suitably focused to support SMEs in upgrading their capacities, capabilities and technology.

##### **(ii) Initiatives to be taken under NMCP Scheme.**

The initiatives taken under NMCP to be further strengthened and the required flexibility in operationalising such initiatives be encouraged. The adoption of ICT (information and Communication Technology) for MSMEs be encouraged on highest priority to enable SMEs to compete in global market.

##### **(iii) Coordination Body for Technology.**

A coordinating body (to function as a Technology Bank) be established for continuous interaction with various agencies engaged in development of new technologies for the MSMEs for dissemination of information on appropriate technologies among the MSMEs. This body may also have representatives of MSME Associations.

##### **(iv) Technical & Design related Initiatives**

A symbiotic relationship between the MSME clusters and the Technical Institutions be developed by linking each cluster with a Technical Institution to solve the technical and design related problems of the MSMEs.

**(v) Financial support for Engineering and Technical Institutions.**

All stakeholders should extend financial support to engineering/technical institutes for undertaking research for technological upgradation in MSMEs. To encourage such research, 150% deduction be allowed for contribution made towards funding of R&D work in engineering technical institutes under section 10 (21) of Income Tax Act.

**(vii) Funding for setting up a Business Incubators**

Funding to about 1,000 engineering/technical institutes located across the country be provided for setting up of Business incubators. Schemes of Department of Science and Technology/MSME may be upgraded and enhanced for this purpose with an additional investment of Rs.1000 crore.

**(viii) CAPART to play a more proactive role**

For supporting innovations and technology advancement in rural areas, the Council for Advancement of People's Action and Rural Technology (CAPART) under the Ministry of Rural Development should play a more active role and should come out with specific schemes in this regard.

**(ix) Technology Acquisition/Development Fund.**

A Technology Acquisition / Development Fund or an appropriate scheme be formulated to undertake technology acquisition, adaptation and innovation. Rs.1500 crore, may be made available through budgetary sources for the purpose. Substantial part of the fund should be for clean technologies among MSMEs.

**(x) Technology Development Centres (TDCs)**

A scheme to strengthen the infrastructure of existing product-specific technology development centres and to set up new centres in different parts of the country in collaboration with MSME Associations/ Industry, in consultation with the Planning Commission.

The recommendations of the PM's Task Force address the technological constraints in detail and the Ministry of MSME the DC (MSME) may take immediate action to complete the actions of the recommendations. Action on the recommendations on which action has been completed also need to be monitored periodically. Particularly, those relating to technical and design related initiatives, setting up of business incubators, technology acquisition development fund and the NMCP schemes.

## B. Recommendations of the Sub-Group Technology and Innovation

- i) **Existing Schemes under the NMCP:** The NMCP Schemes were launched in the XIth Five Year Plan. During the XIth Five Year Plan the total allocation for the NMCP Schemes was at Rs 1555.00 crores. However the framing of the guidelines and the approval of the Schemes took some time and the operationalisation of most of the schemes could begin only in 2008-09. Most of the schemes are in the 2<sup>nd</sup> year of implementation. The implementation of the schemes requires considerable awareness creation at the grassroots level. The Ministry has taken considerable efforts towards creation of the awareness and the schemes have just begun to take off. Its therefore recommended that all the schemes under the NMCP components may be continued in the 12<sup>th</sup> Pan Period with enhanced budgetary support as given below.

Sl. No.	Scheme Title	Proposed Allocation for the 12 <sup>th</sup> Plan ( Rs Crores)
1.	Lean Manufacturing competitiveness scheme	50.00
2.	Design clinic scheme for design expertise to MSME sector	100.00
3.	Enabling Manufacturing Sector to be competitive through quality Management Standard	80.00
4.	Technology and quality Up gradation support to MSMEs	130.00
5.	Scheme for support of Entrepreneurial and Managerial Development of SMEs through Incubators	130.00
6.	Building Awareness on Intellectual Property Rights (IPR)	100.00
7.	Promotion of Information & Communication Technology (ICT)	50.00
8.	Marketing Support Assistance to MSME (Bar Code)	5.00
9.	Setting up of Mini Tool Room under PPP	305.00
10	Marketing Assistance and Technological Up gradation	50.00
	<b>Total Cost</b>	<b>1000.00</b>

**ii) Proposed New Schemes for 12<sup>th</sup> Five Year Plan:**

In order to further strengthen the technological support to MSME Sector the Group recommends major new initiatives. The new schemes proposed are summarized below:

**a) Create a fund of funds**

There is a need for creation of a fund of funds, where the government would provide leveraged returns to private investors by increasing potential returns or reducing potential risks. The fund could cover innovations in areas overlooked by the market, including agro-industry, rural industry, pro-poor grassroots industries, and start-ups where companies need to advance an innovation. The fund should have two distinct windows : one focused on pro-growth innovations, the other on inclusive innovation. The examples of technology innovation to be taken up are leather, CSIR- 800 (Technology for bottom of pyramid) and other societal and environmental technologies. A provision of Rs 450 crores is been proposed for this fund. Fund would be created as a corpus fund and managed through SIDBI Venture Fund in priority technology areas. The Funds will be utilized towards those technologies which are useful for the growth of MSME, but MSME are having constraints in adopting them due to inherent bottlenecks / absorption capability.

**b) Supporting technology transfer offices and a patent management corporation**

MSME may address for creating a dedicated technology transfer offices towards creating patent awareness and their management. This will enable SMEs to become more aware about IPR and help in becoming competitive.

**c) Generics from Off-Patented Drugs (GOPD) Scheme**

The Indian pharmaceutical industry is the world's second-largest by volume and is likely to lead the manufacturing sector of India. India's bio-tech industry clocked a 17 percent growth with revenues of Rs.137 billion (\$3 billion) in the 2009-10 financial year over the previous fiscal. Bio-pharma was the biggest contributor generating 60 percent of the industry's growth at Rs.8,829 crore, followed by bio-services at Rs.2,639 crore and bio-agri at Rs.1,936 crore. The first pharmaceutical company is Bengal Chemicals and Pharmaceutical Works, which still exists today as one of 5 government-owned drug manufacturers, appeared in Calcutta in 1930. For the next 60 years, most of the drugs in India were imported by multinationals either in fully-formulated or bulk form. The government started to encourage the growth of drug manufacturing by Indian companies in the early 1960s, and with the Patents Act in 1970, enabled the industry to become what it is today. This patent act removed composition patents from food and drugs, and though it kept process patents, these were shortened

to a period of five to seven years. The lack of patent protection made the Indian market undesirable to the multinational companies that had dominated the market, and while they streamed out, Indian companies started to take their places. They carved a niche in both the Indian and world markets with their expertise in reverse-engineering new processes for manufacturing drugs at low costs. Although some of the larger companies have taken baby steps towards drug innovation, the industry as a whole has been following this business model until the present.

The major Indian companies providing affordable medicine to Indian people as well as world over are: Ranbaxy Laboratories Dr. Reddy's Laboratories, Cipla Sun Pharmaceuticals, Lupin Labs, Aurobindo Pharma, GlaxoSmithKlineg, Cadila Healthcare, Aventis Pharma, and Ipca Laboratories. However, there is rising trend that these companies are being acquired by multinationals. Several transactions such as Japan's Daiichi acquiring control of Ranbaxy, the stake sale by the Piramals to Abbot, acquisition of Shanta Biotech by Sanofi Aventis, Orchid Chemicals by US-based Hospira and Matrix Labs by Mylan Inc. have happened. The trend indicates that many more companies will be acquired by MNCs in future. If all these companies are acquired by MNCs, the medicine will no longer be affordable to the masses in the country. Therefore, India should concentrate on MSMEs for providing affordable medicine in the country.

Generics production from off-patented drugs by MSMEs is an attractive proposition. Over the next one and half year, the patents on brand-name medications like the cholesterol-lowering drug Lipitor and the blood thinner Plavix will expire, opening the door for generic versions that could cost much less. The other blockbuster drugs going to be off-patent are Seroquel (for schizophrenia and bipolar disorder), Actos to treat type 2 diabetes, Enbrel (treat the autoimmune diseases rheumatoid arthritis and psoriasis), Singulair (for treating asthma and allergy), Levaquin (used to treat pneumonia as well as infections of sinus, urinary tract, kidney and skin), Zyprexa (for schizophrenia and bipolar disorder), Concerta (to control symptoms of attention deficit hyperactivity disorder (ADHD)), and Protonics ( used to treat gastroesophageal reflux disease). India should leverage this opportunity and develop generic version of these drugs.

Therefore, it is proposed to launch a scheme titled "Generics from Off-Patented Drugs (GOPD) Scheme". In the scheme, MSMEs will identify off-patent drugs of choice whose process will be developed in public institutions such as CSIR, ICMR, Universities, and IITs etc. MSME will provide grant-in-aid to these institutions for developing economical processes and to the MSMEs for technology absorption and assimilation. The scheme apart from ensuring continued availability of affordable medicine in the country will also provide much

needed linkages between public institutions and MSMEs. The scheme will also maintain India's leading position in the area of drugs and pharmaceuticals.

<b>Sl. No.</b>	<b>Scheme Title</b>	<b>Proposed Allocation for the 12<sup>th</sup> Plan ( Rs Crores)</b>
1.	Scheme for Strengthening Finance for Technology Absorption by MSMEs (SHIFTa)	500.00
2.	MSME - SPREAD	1500.00
3.	Capacity Building of MSME	50.00
4.	Create a Fund of Funds (Bottom of Pyramid)	450.00
5.	Generics from off Patented Drugs (GOPD)	800.00
	<b>Total Cost</b>	<b>3300.00</b>

**Total Outlay proposed for Technology and Innovation:**

Rs 4300 Crores. ( Rs1000 crores for the existing schemes and Rs 3300 Crores for the new schemes)

## **IV. 6. Khadi & Village Industries**

### **IV.6.1. Issues**

- Creative OUT-OF-BOX thinking to leverage USP of Khadi and Village Industries.
- R&D to create niche blended khadi products.
- Intensive use of ICT for monitoring and verification.
- Convergence across credit, technology, marketing, skill development and infrastructure for village industries.
- Linking skill development in MSME with PMEGP and Credit Guarantee Scheme.
- Unfreezing the hidden value of fixed assets such as land building and other infrastructure.

### **IV.6.2. Recommendations:**

#### **A. PMEGP**

- PMEGP has proved to be ideally suited to Non-farm sector and should be strengthened with enhanced allocation and a few modifications.
- Margin Money subsidy Rs. 9200.00 cr.; B/F Linkage Rs. 500.00 cr.
- PMEGP ceiling to be raised from Rs. 25.00 lakhs to Rs. 50.00 lakhs.
- Reduced subsidy for bigger projects.
- KVIC & KVIBs to implement in rural areas; DIC in urban.
- Trading activities to be allowed in a limited way.

#### **B. SFURTI**

- SFURTI should be strengthened with enhanced allocation and expansion of its scope.
- All Khadi activities to be henceforth in clusters only, to enhance viability.
- 550 clusters (50 KVIHC, 250 Khadi, & 250 V.I) to be developed with an outlay of Rs. 1000.00 cr.
- 10 Khadi and 20 Village industries products to be developed as premier and super KVI products to be marketed internationally by infusion of innovation,

design development, packaging, technology up-gradation etc. with the support of NID.

- 50 heritage villages to be identified and developed under KVI sector.
- Khadi to be positioned as an International brand.
- Clusters to be of five types:
- “Khadi/V.I. Heritage Cluster type. Project ceiling of Rs.10.00 Cr. / cluster. Project based approach.
- “Large” type above 500 artisans : Rs.3.00 cr. / cluster
- “Medium” type with 200-500 artisans: Rs.2.00 cr. / cluster
- “Small” type with 50-200 artisans : Rs.1.00 cr. / cluster
- “Micro” type up to 50 artisans : Rs. 0.50 cr./ cluster
- All interventions are to be given in clusters only in a concentrated manner so that competitiveness and networking increases and cluster governance becomes stronger.

### **C. Other Recommendations**

- A revival package for 1000 weak V.I institutions with an outlay of Rs.200.00 cr. Package to include provision of Working Capital at concessional rates & social security including insurance for artisans, replacement of equipments and tools, training etc. Rs.30.00 Cr. for promotional measures including technical workshops, innovations, awareness camps etc. for 6 Village Industries. (PCBI, MBI, HMPFI, ABFPI, REI, FBI)
- Promotion of village industries in the segments of chemical, mineral, handmade paper, food processing, rural engineering & biotechnology and forest-based industries.
- Rs. 356.00 cr. for development of infrastructure and skill set in KVI sector including strengthening MDTCs and national level institutes. Rs.256.00 cr. towards skill development and HR related activities, Rs.70.00 cr. towards Capital expenditure for repair, renovations, construction under Estate and Services, and Rs.30.00 Cr. towards Information Technology.
- Completion of ongoing KRDP (Rs. 430.00 cr.) in 250 KIs and its continuation for another 300 KIs (Rs. 860.00 cr.).
- Rs.150.00 Cr towards Market Promotion (including Export Promotion exhibitions and other activities and Rs.70.00 Cr. towards publicity activities totaling to Rs.220.00 cr.

- Rs.100.00 Cr. allocation for MGIRI for carrying out innovations, product development, process development, technology upgradation, R & D etc. through technical interface with premier institutions in the country.
- Provision of `225.00 Cr. towards interest subsidy for Khadi Institutions not eligible under modified SFURTI and Miscellaneous heads under Khadi grant.

### C.1. Proposed XII FYP Outlay

S. No.	Intervention	Physical	Financial (Rs. in crores)
1.	PMEGP (MM of Rs. 9200 cr @ Rs. 2.3 lakhs)	32 lakh empl. @ 8 nos.	9700.00
2.	SFURTI	550 clusters	1000.00
	Khadi /V.I. Heritage Clusters	50 clusters	250.00
	Khadi	250 clusters	500.00
	V.I	250 clusters	250.00
3.	Promotion of V.I and Revival Package for Weak V.I institutions	1000 V.I Institutions	230.00
4.	Development of Infrastructure and Skill set in KVI Sector (DISK)		356.00
5.	KRDP (Phase I + II) Rs. 430 cr. + Rs. 860 cr.	250 KI + 300 KI	1290.00
6.	Modified MDA		1034.00
7.	Market Promotion (including Export Promotion) & Publicity		220.00
8.	MGIRI		100.00
9.	Interest Subsidy for Khadi institutions not covered under modified SFURTI and Misc.		225.00
10.	Write off of old loans by a onetime waiver		300.00
	<b>Total</b>		<b>14,455.00</b>

Note: The proposed allocation is 192% over and above the XI Plan allocation.

Artisan welfare fund to be made compulsory in SFURTI eligibility condition.  
Promotion of green technology and inclusive growth to be adopted in clusters.

#### **D. Rationalization of schemes**

<b>S. No.</b>	<b>Existing scheme</b>	<b>Merged with / Continued</b>
1.	PMEGP	PMEGP (slightly modified)
2.	KRDP (300 KI)	KRDP (+ extended to another 300 KI)
3.	SFURTI	SFURTI (modified)
4.	Workshed scheme	SFURTI
5.	Productivity & Competitiveness	SFURTI
6.	ISEC for concessional Working Capital	SFURTI
7.	Product Development, Design & Packaging	SFURTI
8.	Rural Industries Service Centre	SFURTI
9.	Strengthening weak KI, outlets renovation	SFURTI
10.	Ready to Use Mission under Khadi Grant	SFURTI
11.	Janshri Bima Yojana	SFURTI (health insurance to be added)
12.	HRD under V.I Grant	Development of Infrastructure & Skills in KVI (DISK)
13-14	IT, Estate & Services under V.I Grant	Development of Infrastructure & Skills in KVI (DISK)
15.	Marketing under V.I Grant	Market Promotion & Publicity
16.	Publicity under V.I Grant	Market Promotion & Publicity
17-18	Khadi Loan/ V.I Loan	Discontinued. Statutory Head may remain.
19-20	Science & Technology (Khadi / V.I)	MGIRI
21.	MGIRI	MGIRI

## **E. Output & Outcome**

- PMEGP: 4 lakh new enterprises providing a strong entrepreneurial base creating an estimated 32.00 lakh employment.
- SFURTI: 1,025 clusters developed to enhance the competitiveness of traditional industries.
- 50 Khadi /V.I. Heritage Clusters to be developed.
- 1000 V.I institutions are proposed to be revived leading to enhanced quality V.I production.
- Continuation of Khadi reforms in 550 institutions leading to enhanced sustainability of Khadi and build up synergy with V.I.
- Effective utilization of surplus land available with KVIC and KVI institutions.
- Development of heritage villages showcasing traditional Khadi and village industries products for domestic as well as international market and providing sustainable employment.
- Develop 10 Khadi and 50 V.I. products under innovation intervention of design, product development, and packaging.
- Skill development and Capacity building to 7.79 lakh persons during the Plan period.
- Turn around loss making Departmental Sales Outlets to profit.
- Make CSPs vibrant and profitable.

## **F. Research & Development**

### **Thrust areas**

- Removing human drudgery
- Increasing productivity
- Building quality specification for Khadi and village Industries products
- Product Development eg. Herbal range, colour cotton, vegetable dyes, handmade paper etc.
- Develop new blends of cotton, poly, wool, silk, muslin etc. suiting market preferences

- Process development and technology up-gradation for Khadi and Village industries.
- More pro-active role of MGIRI in R & D of KVI sector.
- Forge links with CFTRI, IITs, NITs, NID etc. for technical support.

## **G. Khadi/ Village Industry Heritage Clusters (KVIHC)**

### **Concept**

India is a country having unity in diversity with varied cultures, ethnic groups, colorful folk dances, fairs and festivals, traditional crafts and rural industries.

There are exclusive and exquisite traditional industries like Khadi and Village industries which have been the back bone of rural economy. Hand woven, hand spun textiles had featured prominently in our freedom struggle and village crafts showcasing dreams and skills of our craftsmen have not only captured local but also international market. The Fine Khadi produced from naturally hewed cotton in Ponduru, Andhra Pradesh is a delight to wear. The carding process involves cleaning cotton with fish jaw bone, a rare traditional technology. The Bengal muslin, formerly called the Daka Muslin is well the known world over. Madhubani paintings, kalmkari prints of Andhra, Sanganeri prints of Rajasthan are only some of the rich rural crafts of our country.

It is therefore, proposed under 12<sup>th</sup> Five year Plan to introduce a package for “Khadi/ Village Industry Heritage Clusters” (KVIHC), which will support and promote Khadi and local rural crafts and provide economic viable model for sustainable employment to local artisans, spinners, weavers and unemployed youths. Integrated inputs in terms of innovations, product development, packaging, capacity building, credit flow, infrastructure support, artisan’s welfare measures etc. will be provided under cluster development programme to the Khadi /Village Industries Heritage Cluster (KVIHC).

### **Definition: KVIHC**

The KVIHC are defined as clusters of villages involving heritage products being produced by spinners, weavers and craftsman. The products would be unique, eco-friendly, natural and traditional in nature.

### **Objective of KVIHC:**

The objective of promoting Khadi/Village Industries Heritage Cluster (KVIHC) is to revive the heritage and traditional industries and provide supporting inputs in terms of technology, market interventions, export promotion, credit, capacity building,

innovations, and infrastructure to make the industries viable and provide sustainable employment.

### **Logo and Branding**

The KVIHC will have a unique logo and will be promoted as a brand in domestic and international market. The design and branding will be made by professional institutions like NID.

### **Specifications and Management Practice**

The KVIHC will be infused with best management practices in line with international norms required for exports and quality specifications of products suiting national and international quality standards.

### **Pattern of financial assistance for KVIHC**

The outlay for KVIHC will be covered under the modified SFURTI scheme for clusters for the 12<sup>th</sup> Five Year Plan as an addition to the new clusters proposed under the scheme.

- Number of KVIHC proposed during the Plan period – 50
- Maximum project cost per KVIHC – Rs 10.00 Cr.
- The proposals will be sanctioned on case to case basis on project basis to be screened by an Empowered Committee at Zonal level consisting of Zonal Dy. C.E.O., State /Divisional Director, Rep. of NID, Technical Agency, CEO, KVIB and sanctioned by KVIC.
- Total allocation for KVIHC for Plan period – Rs 250.00 Cr.
- Maximum duration of the project : 5 years
  
- **Eligible implementing agencies**
  - i) Khadi & Village Industries Institutions
  - ii) Reputed NGOs
  - iii) Consortium of Artisans / Federation
  - iv) Self Help Groups
  - v) State Governments
  - vi) Producer Companies /Marketing Companies

### **Eligible heads for support under the scheme:**

1. Common Facility Centre (processing equipments, quality control lab, tool room, common artisan's work-sheds with living facilities)

2. Credit flow (Interest Subsidy with differential rate of interest to be borne by KVIC restricted to maximum of 8% in the first year, 7% in the second year, 6% in the third year, 5% in the fourth year and 4% in the fifth year).
3. Capacity building (Skill development)
4. Market intervention (Branding, Sales outlets, Exhibitions, Buyers and sellers meet)
5. Innovation (Product Development, Packaging, process development, technology up-gradation)
6. Artisan Welfare measures (life and health insurance, children scholarships)
7. Product Development Executive (PDE), services of Experts/Consultants
8. Development of Website & e. Commerce
9. Surveys, market study, evaluation study etc.
10. Khadi Haat for showcasing and selling Khadi and Village Industries products.

### **Technical Agency**

The KVIHC will be provided professional expertise for design development, branding, skill development, innovations, technology up-gradation, market intervention and promotional measures for showcasing the products and tapping export market with involvement of technical institutions like NID, Ahmedabad, EDI, IITs, NITs, CSIR, CFTRI, IRMA, Textile Committee etc.

### **Pattern of Assistance for Clusters other than KVIHC**

- i) "Large" type above 500 artisans : Rs.3.00 cr. / cluster
- ii) "Medium" type with 200-500 artisans: Rs.2.00 cr. / cluster
- iii) "Small" type with 50-200 artisans : Rs.1.00 cr. / cluster
- iv) "Micro" type up to 50 artisans : Rs. 0.50 cr./ cluster

### 7.2.10 THE DETAILS OF REGION WISE TRADITIONAL TEXTILE DESIGNS IN KHADI SECTOR

	Zone		Traditional Design Varieties
A	North Zone		
	1.	Punjab	Phulkari
	2.	Jammu & Kashmir	Jamawar Shawl Kani – Shawl
	3.	Himachal Pradesh	Kullu Shawl
	4.	Rajasthan	Kota Doria.
			Bandhani
B.	Central Zone		
	1.	Uttar Pradesh	Chikan Embroidery
C	East Zone		
	1.	Bihar	Muslin - Madhubani
			Deshi Woolen Blanket – Gaya/Aurangabad
			Bhagalpur Silk
			Tassar Silk
	2.	Jharkhand	Tassar Silk
	3.	West Bengal	Muslin, Baluchari, Katha Stitch Sarees, Jamdani, Murshidabad Silk
	4.	Orissa	Silver Filigree of Cuttack
			Pattachitra of Raghurajpur, Puri
			Applique of Piple
D	N.E. Zone		

	1.	Assam	Muga Saree
			Endi Chadar
	2.	Nagaland	Naga Shawl
E	South Zone		
	1.	Andhra Pradesh	Kalamkari
			Ponduru - Kuppadam
			Pochampalli tie & dye
	2.	Tamilnadu	Kanchipuram, Arni, Tirubuvanam Silk Sarees
	3.	Kerala	Kora sarees, Manila Shirting, Kuppadam Dhoti
	4.	Karnataka	Dupion Silk
F.	West Zone		
		Gujarat	Block Printing – Natural Dyed

## **IV.7. Coir Sector**

### **IV.7.1. Issues**

- i) Scarcity of coir fibre and consequent price hike.
- ii) Scarcity of coir yarn and unprecedented increase in price.
- iii) Migration of labour to the other sectors deserting the coir industry.
- iv) Deterioration in quality of coir yarn and products.
- v) Decline in export of traditional products.

### **IV.7.2. Recommendations**

1. Coir Industry has been hitherto a traditional industry using age old looms, equipments and practices. However, in the recent past, the concerted efforts of the Government of India, coconut producing state governments and various other stake holders of the industry have started to yield results in the form of adoption of more and more modern methods of production and equipments by the entrepreneurs. The Sub-Groups recommends that the programmes to be implemented in the XIIth Five Year Plan period should commensurate with the basic intension of faster modernization of the coir industry.
2. Currently, the industry is more or less concerned with the problems of shortage of coir fibre, the basic raw material of the industry and shortage of artisans coupled with quality deterioration of products. Out of the above, the first two are perennial problems and any long term proposal to develop the coir industry should address these problems first and foremost. The Sub-Group noted with concern that while there is a shortage of raw material in the industry, there is also an under utilization of coconut husk, the source of the raw material. The present utilization of Coconut husks for Coir industry on an all India basis is estimated at 40% only which means that the remaining 60% of Coconut husks are either wasted or used as a cheaper fuel. The Sub-Group discussed at length on setting targets for the primary activities of production and observed that the utilization of coconut husks has to be enhanced from the existing level of 40% to 60%.
3. The Sub-group was of the firm view that the rapid growth in the export of coir fibre has led to scarcity of raw material in the export oriented production centre and there is an urgent need to increase the production of coir fibre within the country. Therefore, the Sub group proposes to achieve a production of 10,00,000 MT from the present level of 5,25,000 MTs by the end of the terminal year of the Plan period.

4. Coir is an environment friendly product. The Ministry of Environment and Forests, Govt. of India is actively considering a proposal for granting eco-mark for Coir and Coir products. This will enhance the potential for marketing Coir and Coir products within the country and abroad. Further, concerted efforts are being taken by the Coir Board through the Central Coir Research Institute and Central Institute of Coir Technology for product development and diversification. The Sub-Group recommends that the target of export of Coir and Coir products may be fixed at `4000 crores by the terminal year of XII plan period.
5. As far employment opportunities in coir sector is concerned, the Sub-group observed that the coir workers in the traditional sectors are hardly getting 120-150 days of work in an year and this is one of the major reasons for them to desert the coir industry for taking up work in the other sectors. Therefore, the Sub Group was of the opinion that before creating further employment in the traditional sector, it should be the duty of the Board to increase the no. of working days to 250 minimum so that the present workers could be sustained. Further, additional employment could be generated to 50,000 workers in the non-traditional sectors besides generating employment to a substantial no. of women workers in the husk collection activities.
6. At present, the training programmes being implemented by Coir Board do not entail any commitments on the part of trained hands to continue in the coir sector and therefore the percentage of utilization of trained hands in the coir industry and the trained hands taking up self employment programmes in the coir sector is around 40% only. Therefore, the Sub-Group felt that the present practice of training the entrepreneurs/ workers without commitment on their part may be discontinued. In its place, a new Entrepreneurship Development Programme may be introduced under which training should be provided to the women workers/ prospective entrepreneurs who have already made some commitments to start coir units under specially designed training programmes. The Sub-Group recommends for suitable changes may be made in the existing schemes to accommodate the above proposals.
7. The Sub-group noted that the achievement under the Mahila Coir Yojana during the past four years ranges from 10% - 48% as the women workers are not showing interest in the procurement of the motorized traditional ratts. Therefore, the Sub-Group recommends to formulate a modified scheme of Mahila Coir Yojana by including modern spinning devices and weaving equipments which can provide better income and reduce the level of drudgery. The modified Scheme should have an extended coverage to include Fully Automatic Spinning Machine, Anugraha Loom, etc. The present pattern of assistance has to be continued with an enhancement of the total ceiling on the assistance available.

The pattern of assistance under the Scheme may be maintained at 75% with enhancement in the ceiling of assistance from the present level of Rs.7,500/- to Rs.37,500/- to offset the increase in the cost of machinery etc.

8. The present scheme of Development of Production Infrastructure envisages extension of financial assistance to the tune of 25% subject to a maximum of up to Rs.6 lakh depending upon the type of the unit. Due to the difficulties faced by the entrepreneurs in getting adequate number of workers to operate the machines, efforts are made by them to minimize the workers engaged by mechanizing the feeding process and subsequent operations. The automation that has taken place in the sector has resulted in high escalation on the investments on fixed capital in the units. Therefore, the Sub-Group recommends that the Development of Production Infrastructure Scheme may be continued during the XII Plan period with enhanced ceilings of financial assistance maintaining the rate of assistance at the existing level of 25% subject to a maximum of Rs. 25 lakhs.
9. The present production of coconuts in the country is estimated at 16,461 million nuts per annum whereas only 40% of the husks produced is utilized by the coir sector. It is proposed to increase the utilization by 20% by the end of the XII Plan period for which the additional quantity of husks to be collected is 4547 million nuts per annum. In order to enhance the utilization of coconut husks, the Sub-group recommends to establish Husk Collection Banks as a backward integration to the fibre extraction units in the industry. The Women SHGs/Co-operative societies engaged for this activity may be provided infrastructure facilities like wheel barrows/trolleys under the Development of Production Infrastructure Scheme.
10. The Central Coir Research Institute, Kalavoor and the Central Institute of Coir Technology, Bangalore have developed a few technologies which are capable of revolutionising the coir industry. However, all these technologies have not reached the grass root level workers engaged in the industry or the actual manufacturers who will be benefited out of these inventions. The CCRI and CICT have only a limited contingent of scientists and technical staff and it may not be possible for them to demonstrate these technologies to the manufacturers/workers in the field level. Further burdening the scientists/technical staff with the job of transferring of the technologies already developed by suitable field level demonstrations will hamper their continued work on Research and Development activities. During the past, this has been identified as a weak link of R&D. Therefore, the Sub-group is at the opinion that the onus of transfer of technologies successfully developed by CCRI/CICT should be shared by other recognised agencies in different zones so that there

can be uniform spread of the activities throughout the coconut producing States. Therefore, the Sub Group recommends to create Centres of Excellence in different zones of the country so as to effectively transfer the technologies developed by the CCRI/CICT to the trade.

Recently, the NRRA has approved the application of coir geotextiles in the construction of rural road pavements for improving the longevity and serviceability. The coir industry will be facing problems in catering to the huge requirements of the coir geotextiles all over the States unless adequate measures are taken by the industry to have a decentralized production infrastructure to cater to the huge requirements. Under the Prime Minister's Gram Sadak Yojana (Bharat Nirman), it has already been decided to use Coir geotextiles for construction of rural roads in 9 States. In future, the project is likely to be extended to all the 28 States of the country.

The Anugraha loom developed by the CCRI will be handy for development of production infrastructure for the manufacture of Coir geotextiles in other States where the local women artisans can be trained in weaving coir geotextiles on this loom. The fibre required for the manufacture of coir geotextiles can be sourced either locally or from the nearest production centres. Coir yarn can be spun using fully automatic spinning machines established with the support of REMOT Scheme. The Sub Group recommends that an action plan for the production of coir geotextiles may be prepared and implemented during the 12th plan period through Centres of Excellence in different parts of the country.

These CoEs can be entrusted with the responsibility of transferring the technologies and creating additional infrastructural facilities in the areas assigned to them to meet the challenges of the industry. The Centres of Excellence in Coir can be established in reputed institutions already existing in these places under an agreement with the Coir Board. Necessary funding support may be provided to the institutions and the Scientists/technical staff in position at the CECs may be trained properly at CCRI/CICT to cope up with the work assigned to them.

- 11 The Government of India approved the Scheme of Rejuvenation, Modernisation and Technology Upgradation of Coir Industry for implementation during the XI Five Year Plan with a total outlay of Rs.243 crore comprising the Government of India grant of Rs.99 crore. The scheme envisaged rejuvenation, modernization and technology upgradation of 4000 spinning units and 3200 tiny household units during a period of five years. The main objective of the scheme among other things is to provide more employment opportunities for women in the rural sector and gender empowerment. The funding pattern of the assistance under the scheme is: 40% of the project cost as Government of India grant/subsidy, 55%

as term loan by bank and 5% as beneficiary contribution. The loan portion is covered under the Credit Guarantee Trust Fund Scheme of the Office of the Development Commissioner, Ministry of MSME. The scheme is being implemented in the States of Kerala, Tamil Nadu, Karnataka, Orissa, Andhra Pradesh and in North Eastern Region and is playing a vital role in enhancing the credit flow facilities for entrepreneurs in coir sector. The Sub-group observed that there are reports from many coir producing states that the scheme is making revolutionary changes in the production of coir and a large number of entrepreneurs are attracted to the sector. Considering the large impact of the scheme on the coir sector, the scheme may be continued in the XII Plan period with modifications and expansion of the scheme to cover manufacturing units for value added products and processing using high end machines and technologies. The maximum ceiling of financial assistance under the scheme may be enhanced to Rs. 25 lakh to cover small and medium scale units who will be able to afford higher investments besides continuing the benefits to the tiny worksheds and spinning units. The type of units eligible for assistance under the scheme will also have to be notified by the Coir Board.

12. As of now, no brand promotion efforts are undertaken by the coir industry either in the national and international market. The Board has been participating in the major fairs both within the country and all over the world for popularization of coir products and also showcasing the capabilities of the Indian Coir. The Sub-group recommends to continue the participation of Board in trade fairs with a brand name that may effectively convey the message of environment friendly properties of coir for which the Coir Board may utilize the services of some professional agencies in the field. The exporters who are desirous of participating along with Coir Board in the fairs abroad can promote the Indian Coir as a brand equity in these countries so that the 'Indian Coir' becomes a generic brand in the international markets.

Geographical Indication is an intellectual property right assigned to a particular product, the production of which is confined to a geographical area which cannot be replicated anywhere else. The production of 'Alleppey coir' is confined to Ambalapuzha and Cherthala taluks of Alleppey district and was awarded the prestigious G.I. tag by the G.I. Ministry under the Ministry of Commerce and Industry, Govt. of India. It can be promoted as a brand so as to take full advantage of the G.I. Registration.

13. Under-employment, drudgery, unhygienic working and living conditions are some of the features of the coir industry which make it less attractive to labourers. As a remedial measure to these features, Coir Board had implemented the Production Enhancement Linked Coir Workers Welfare Scheme on an experimental basis

during the year, 2005-06 with an outlay of Rs.1.30 crore. The scheme provides for development of infrastructure linked to production of coir which also enhances the welfare of workers.

The scheme was found to be immensely beneficial to coir workers and small scale manufacturers. The Sub group recommends that the scheme be continued during the XII Plan period.

A large number of coir workers, especially old aged ones are suffering from various diseases which require continuous medication. Expenditure for these medicines eats away a major portion of their limited income. Consequently, very often the workers discontinue medical treatment for various perennial diseases and it badly affects their productivity. The Sub Group recommends to introduce a scheme through the Insurance Companies for re-imbursing the expenditure on medical treatment with a recurring nature like, purchase of medicine, apparatus etc. in association with an insurance agency.

The educational facilities available to the children of coir workers are rather limited due to reasons like rural background of the industry and low income of their parents. Even though many children score high marks and prove their abilities, they are not able to pursue their education pursuit to higher levels due to a variety of reasons. Awarding the children of coir workers with financial rewards on the basis of merit would help to serve their educational pursuit a lot. It is recommended to introduce an educational award scheme for children of coir workers on two levels i.e. at Higher Secondary level and Plus Two level.

The major heads of expenditure under which Plan allocations were made during the XIth Plan may be continued as such during the XII Plan also.

**PROPOSED SCHEME-WISE ALLOCATION FOR XII PLAN (2012-13 to 2016-17)**

Sl. No.	Plan Head	Fund Allocation (Rs. crore)
I	Plan – Science and Technology	108.00
II	Plan – General (Skill Upgradation and Quality Improvement including Mahila Coir Yojna, Development of Production Infrastructure, Domestic Market Promotion, Export Market Promotion, Trade & Industry Related Functional Support Service, Welfare Measures)	650.00
III	Rejuvenation, Modernisation and Technology Upgradation of coir industry. (REMOT)	192.00
	<b>TOTAL</b>	<b>950.00</b>

**Proposed Annual financial outlays and physical targets during XII Plan**

**(Rs. in crore)**

Sl. No.	Plan Head	2012-13		2013-14		2014-15		2015-16		2016-17	
		Fin.	Phy.								
I	Plan – Science and Technology	15		18		22		25		28	
II	Plan – General (Skill Upgradation and Quality Improvement including	10	Husk utilization = 43%; Production = 5.80 lakh	12	Husk utilization = 47%; Production = 6.75 lakh	13	Husk utilization = 51%; Production = 8.10 lakh	15	Husk utilization = 56%; Production = 9.00 lakh	19	Husk utilization = 60%; Production = 10.00 lakh

			MT; Employment = 47500; Export = Rs. 1000 cr.;		MT; Employment = 48500; Export = Rs. 1500 cr.;		MT; Employment = 49000; Export = Rs. 2400 cr.;		MT; Employment = 50000; Export = Rs. 3200 cr.;		MT; Employment = 50000; Export = Rs. 4000 cr.;
	Skill Upgradation - EDPs	125	25 (500 persons)								
	- Mahila Coir Yojana	60	3000	60	3000	100	5000	100	5000	100	5000
	Value addition & modern technologies	100	5000	100	5000	150	7500	150	7500	200	10000
	Producti		5,95,00		6,82,35		7,77,50		8,96,50		10,00,0

	on (MT)		0		0		0		0		00
	Domestic Market Promotions – Exhibitions	250	150	250	150	330	200	330	200	400	250
III	Rejuvenation, Modernisation and Technology Upgradation of coir industry. (REMOT)	35	500 units	35	500 units	40	600 units	40	700 units	42	700 units

## IV.8. Report of the subgroup on Emerging Technologies

### IV.8.1. Issues:

- Low penetration of ICT
- Missing Ecosystem for incubating knowledge intensive start-ups and MSME's
  - Absence of dedicated VC Technology innovation funding
  - Absence of Plug and Play infrastructure

### IV.8.2. Recommendations:

- **Emerging Technology Intensive Sectors**

The Group also deliberated on the issues related to the “Emerging sectors“, of the Industry which are likely to show substantial growth during XII plan. These sectors are currently at R&D / initial stages, but may expect considerable investment in commercialization of the R&D outcome. The MSME sector could play a key role in their commercialization.

The key areas covered are:

- (a) ICT adoption in MSME business processes,
- (b) Bio Tech product groups,
- (c) Use of Nano tech in developing products / components,
- (d) Use of Clean tech / Renewable energy based products and processes

The current scenario in these sectors is as under:

Sectors	Global Market (USD)	Indian Market (USD)	Growth (India)	Share of MSMEs
ICT	1.6 trillion	98 billion	12%	15%
Biotech	180 billion	4 billion	33%	20%
Renewable Energy		0.6 billion	15%	10%
Nanotech	891 billion	0.1 billion	20%	negligible
Defence		100 billion	30%	1%

The policy initiatives which can be adopted during XII plan period are given below:

**a) ICT based initiatives**

- (i) To encourage intensive use of ICT in MSME businesses - It is targeted that 90% of the registered MSMEs would start using ICT on preliminary basis and out of them 50% may reach Level – 2, which means intensive use on business processes. An outlay of Rs. 800 cr is anticipated for converting about 500 manufacturing MSME clusters with level 2 ICT penetrations.
- (ii) IT / ITES related SEZs or STPs should have at least 30% space reservation for MSMEs (to be taken care by DIT),
- (iii) Tier – 2 & 3 Metro cities should be focused on expansions of IT based industries (to be taken care by DIT),
- (iv) E-governance and e-procurement should be encouraged (to be taken care by DIT).

**b) Bio - Technology**

- (i) Separate Bio-Tech parks with upto 20 MSMEs may be set up at potential cities, with about 40 to 70 cr. Investment for each. These parks should have following benefits:
  - (a) All concessions as available for SEZs,
  - (b) Special incubation centres,
  - (c) Special cell for IPR issues,
    - i. Tailor-made plug n play infrastructure,
    - ii. Require testing and trial facilities,
- (ii) DBT should reserve upto 30% of resources for MSMEs in their schemes.

**c) Nano-Technology :**

This sector is at present R&D stage, but it may require substantial resources from industry to commence commercialization, it is recommended that at least 5 Nano-tech industry parks may be set up with required facilities as explained in 9.2.2.

**d) Clean technology**

This area will see a leap forward and the MSME sector will have to come out with strongly to meet the country's demand. It is recommended that MNRE initiatives should have specific focuss on MSMEs. The setting up of National Clean Energy Fund should be systematically leveraged for the MSME sector by enabling transfer of technology. About Rs. 300 cr should be used for MSMEs in the form of technology collaboration / acquisition. MSMEs should get same benefits as available for large companies in the area of renewable energy (action by MNRE).

## **Report provides following Recommendations on Technology area for MSMEs**

- (i) There is a need to refine the current FDI policy in vogue to bring up capacity, capability and technology development of the SMEs. In respect of all large projects involving FDI, ancillary development should be made a condition.
- (ii) Government has announced the offset policy for the Defence procurement. It is essential to set up a mechanism in the Defence Ministry to ensure that the offsets under Defence purchases are suitably focused to support the small and medium enterprises in upgrading their capacities, capabilities and technology. Ministry of MSME should be associated in this exercise regularly.
- (iii) The Offset Policy for other departments under consideration, such as Railways, should also give priority for passing on the benefits under the off-set policies to the small and medium enterprises in the country. The mechanism for review should include a representative of the MSME.
- (iv) The Sub-Group agreed with the initiatives taken under National Manufacturing Competitiveness Programme (NMCP) by the Ministry of MSME for technology upgradation and competitiveness such as Application of Lean Manufacturing, Implementation of quality management system and quality technology tools, Design Interventions for MSME sector, Scheme for Marketing Assistance, etc. These programmes, which are at their initial stages, should be further strengthened and the required flexibility in operational sing such initiatives should be encouraged.
- (v) The adoption of ICT (Information and Communication Technology) for MSMEs should be encouraged on highest priority to enable SMEs to compete in global market.
- (vi) A coordinating body (to function as a Technology Bank) should be established for continuous interaction with various agencies engaged in development of new technologies for the MSMEs like Department of Science and Technology, Department of Scientific and Industrial Research, Department of Bio-Technology, Council of Scientific and Industrial Research, etc., for dissemination of information on appropriate technologies among the MSMEs;
- (vii) There is a need to develop a symbiotic relationship between the MSME clusters and the Technical Institutions by linking each cluster with a Technical Institution. Such an arrangement with the Technical Institution will help in solving the technical and design related problems of the MSMEs. All stakeholders should extend financial support to engineering/technical institutes for undertaking research for technological upgradation in MSMEs. To encourage such research

and development, there is a need to allow 150% deduction for contribution made towards funding of R&D work in the engineering/technical institutes under section 10 (21) of Income Tax Act, as also recommended by the Working Group on 'Rehabilitation of Sick SMEs'.

- (viii) The Department of Science and Technology provides funds to the Engineering/Technical institutes for setting up of Business Incubators (BIs), which assist entrepreneurs in further development of their new/innovative ideas. It is recommended that funding to about 1,000 engineering/technical institutes located across the country may be provided for setting up of Business Incubators.
- (ix) For supporting innovations and technology advancement in rural areas, the Council for Advancement of People's Action and Rural Technology (CAPART) under the Ministry of Rural Development should play a more active role, as this is one of the core activities of the organization. For funding innovations in rural areas, CAPART should come out with specific schemes.

A Technology Development Fund of Rs.1,000 crore be set up for supporting MSMEs to undertake technology upgradation, acquisition, adaptation and innovation to enable them to move up the value chain and effectively meet the challenges of a competitive environment. Towards this endeavor, there is a need to lift the ban on setting up of new institutions and more number of product-specific technology centers (e.g., toys) should be set up in different parts of the country for effectively facing the challenges posed by imported goods. Accordingly, it is proposed that this Fund may be used for the following purposes:

- Assisting the MSME's who are willing to enter into collaboration with companies/institutions having latest technology for transfer of design, technology, training, etc.;
- To strengthen the existing infrastructure of product-specific technology development centers;
- To set up new product-specific technology development centers in different parts of the country in collaboration with industry organizations. Besides disseminating information among the MSMEs, these centre may assist MSMEs in developing prototypes, training, etc, and
- To fund institutions/innovators to solve technology related problems of micro and small enterprises in rural areas.

- xi) It is proposed that the msme schemes in every project should support industry by way of contributing 90% and 10% by industry.
- xii) In order to step-up efforts in helping IT MSMEs create niches for their products and services in global markets, it is proposed to set up an Incubation Centers. Most start-up companies, especially SMEs, however, find it extremely difficult to establish themselves in the unfamiliar foreign markets. Such companies are in acute need of assistance in terms of market intelligence, access to markets overseas, trade policy imperatives, product promotion, etc. Many newly founded companies cannot afford professional, financial, marketing, legal, and other associated services that are needed in order to avoid business risks. Incubator services facilitate entrepreneurs to speed up the establishment and development of start-up companies active in the high-growth technology sectors. Business incubators offer such companies a professional and dedicated working environment, expert advice on various related matters, market intelligence, etc. to get off to a successful start. Internationally today, business incubators are helping high growth sectors to get off the ground and become leading players in selected markets.
- xiii) Preparation of professional status reports highlighting the potential, technological advancements, SWOT analysis and strategies to tap international markets, etc can play a major role in teaching SMEs to **adapt** and **adopt**.
- xiv) There is also a great need to widen our export basket. We have an international advantage in areas such as software services. We now have to further strengthen our advantages by moving towards a **diversified export basket**.
- xv) Export promotion, market diversification and removal of market access barriers overseas continue to be the thrust areas for accelerating the tempo of growth in India's exports. In order to give a new impetus to Indian exporters for overcoming the language barrier for diversification of their export into the potential global market, especially in view of reoccurring slowdown in US and other major economies being noticed in the world, it is proposed to encourage Indian exporters to train up their professionals / personnel in important languages like Japanese, German, Spanish, French, Portuguese.

This initiative could assist the SMEs to overcome the language barrier resulting to motivate and encourage exporters thus leading to enhanced exports

- ✓ Mapping the educational infrastructure in India and identify gaps between present state and future requirements in terms of human resources and skill requirements

- Map status and issues in the current educational system of India
  - Identify gaps in availability and skills to support growth plan of emerging technologies
  - Key performance gaps profiling for emerging technologies
  - ✓ Suggest measures to be undertaken by different stakeholders (Government, Industries and Educational Institutions) to address these skill gaps
    - Learning's from education policies of other Countries / States
    - New and innovative skills policy and practice
    - Document International best practices in skills promotion & training
  - ✓ Certain facts that emerge are:
    - Realization on the fact that cost of manpower is < 5% of the total turnover. But availability skilled workforce in the production to o maintenance chain, influences the decision making of global customers
    - Lack of maintenance people is the main criteria / bottle neck in the purchase process – whether it is a government purchase or corporate
    - Developing skilled manpower for Emerging Technologies will initially help to penetrate into the rural markets along with urban markets. In the process, both Indian and MNC companies also will be benefited .
    - Setting up of industry specific skill devpt., centres in sectors of national importance , supporting the common man i.e. sectors like Agriculture implements / farm equipment / Renewable Energy / Water / health care etc., covering end to end operations of the sector.
    - Making the employable youth aware about the importance & potential in these areas
    - Contents of such skill Development & Training., to cover various aspects of the sector, directing the trainees to improve their income levels through a process of - wage employment to self employment to enterprise development.
- xvi) There is an urgent requirement to setup skills development centres in the public, private and PPP domains. The skilling framework must also harness the

opportunities in climate change sectors and low carbon technologies as these will be future global focus areas

xvii) Formation of a dedicated cluster for ICT adoption in auto component industry

The duration of the program could be for a period of 12 months depending upon the scope of work.

xviii) Biotechnology:

a) Entrepreneurial Skill Development Programs and consultancy

Government should set up a cell which should not only vet the business prospects of the proposed enterprise but also provide the services of a dedicated cell to help the scientist in structural formation of companies and continued guidance for a period of at least one year from the date of formation of the company. Thereafter, if the technopreneur wishes to continue with the advisory assistance the same can be on a nominal payment basis.

i) Incentives to attract technopreneurship

A number of scientists fresh out of institutions not only carry with them valuable research experience but also ideas which if properly pursued can lead to meaningful business enterprise. Unfortunately, the ideas fail to get converted to business enterprise for lack of resources.

While there are some financial institutions and also division of the Ministry of Science & Technology which have schemes to encourage such technopreneurs, the schemes are far and between. The incentives that need to be given to technopreneurs would be:

- Seed capital

The seed capital could be in the form of a loan to be repaid after the enterprise becomes a success. The financing agency would monitor the working of the enterprise (without managerial interference). The scheme would work somewhat on the lines of a venture capitalist without aiming to seek a stake in the equity once the enterprise is successful.

- Financial assistance at subsidised rate of interest (interest subsidy)

For a start up enterprise by a technocrat, the biggest problem is the ever mounting burden of interest at market rates. More agencies like the Technology Development Board should be set up. In fact, banks and financial institutions could be roped in to provide financial assistance at subsidised rates and these institutions could in turn be subsidised by the government. The scheme could work on the lines of educational loans or

farmer's loans. In fact subsidised loans to technopreneurs would be less risky than to farmers and students.

- Tax holiday (excise and sales tax)  
For technopreneurs the tax holiday on excise duty and sales tax should not be limited to setting up industries in the backward areas or hilly areas. Business enterprises should be given a 10 year tax holiday from year of commencement of commercial production. This would help the technopreneur become competitive in selling his products which would also help in repayment of loans.
- Priority allotment of land in Biotech Parks or Special Economic Zones  
Land in Biotech parks and SEZs should be reserved for technopreneurs for R&D and manufacturing and for which the amount charged should be lesser than what is charged from existing and running commercial enterprises.
- Financial Grants for R&D work  
To encourage innovation and original research any R&D project taken up by a technopreneur should be aptly funded by the government through a mix of grants-in-aid and loan at subsidised rate of interest.

ii) Sharing of R&D facilities at Biotech Parks

Biotech Parks in various States of the country have been set up and funded by the respective state governments and the Ministry of Science & Technology. It would be in fitness of things if the Biotech Parks instead of trying to become commercial share the R&D facilities with the technopreneurs either free of cost or at nominal rates. This would save unnecessary expenditure on the part of technopreneur and avoid duplication of a substantial portion of the lab facility.

iii) Patent Filing and related cost Subsidy

Intellectual Property is an important investment for knowledge based and innovative industry. MSMEs require total financial support for PCT filings and subsequent costs till patent is granted. Concept to commercialization period is long and un-affordability of patents makes MSMEs vulnerable. Certain agencies fund Patenting of Academic institutions IP only for Indian Patent which amounts to immediately doling out IP to outside India rather than protecting it.

iv) Mandatory purchase preference for MSME products

All products manufactured at MSME of a technopreneur should subject to quality compliances have a mandatory purchase preference. To be fair, in Tenders MSME products should be given preference even if they are  $L_2$  provide the price difference between  $L_1$  and  $L_2$  does not exceed 5%.

v) Removal of Business Barriers

A number of agencies (including the Government sector) for procurement of goods impose a “minimum turnover” clause. This clause should be removed as it acts as a barrier to start-up companies. This is an impediment to the start-ups to increase their turnover and the government should come forward to help such MSMEs.

Similarly the restrictive clause put up by many government institutions pertaining to minimum period of existence by a company or a minimum period for which the product should have been in the market is a barrier to the MSME start-ups.

The above clauses/barriers should not apply to products of MSMEs if the same have been patented in India and carry the requisite ISI/ISO/GMP certification.

vi) Entrepreneurship Insurance

In view of the risks involved with a technologist setting up a business enterprise but at the same time to encourage technologists, government should introduce an insurance scheme somewhat on the lines of “crop insurance scheme” to safeguard the technopreneur from certain vagaries not within his control.

vii) Rent to Biotech Park

Biotech Parks though set up with government funds are gradually becoming commercial enterprises charging market rate of rent from entrepreneurs setting up R&D facility and/or manufacturing facility within the Park. Keeping in view the objective with which the Biotech Parks were set up, the latter should not only reserve a % of the plots within the Park for technopreneurs but also charge a nominal rent which should be 50% or less of what is charged from other commercial enterprises.

The above suggestions if incorporated in the 12<sup>th</sup> Plan and implemented would be a game changer in making a success of MSMEs.

Biotech business is mainly comprised of healthcare constituting nearly 75%, Food & Agriculture being another major segment aslong with minor sectors of

Industrial Bio-processing viz. Enzymes, Fermentation etc., Environment, Bio-Energy, Bio-Informatics, Biometrics in Security & Bio-cognitive electronics, Biological warfare etc. All these sectors are predominantly Techno-preneur led and R&D driven. Growth of this sector requires:

- confidence building incentives to attract Technologists to Entrepreneurship
- Consultation for Formation of Companies
- Availability of Land/space for R&D/Manufacturing. Establishment of Biotech R&D
- Grants for R&D and soft-loans for commercial operations
- Mandatory preference for the purchase of MSME products in procurement in both Government and Private Sector in view of growing Private Sector in Healthcare.
- Protection through “Minimum Purchase Price” clause
- Removal of Business Barriers such as -“Turnover requirement” and/or “Minimum period of existence of the company or a particular product”.
- All clauses and barriers to be waived for MSME if MSME product is “Patented in India” and mandatory to be preferred over Generics as Generics kill innovation.

viii)As evolved in the developed countries, sponsorship from Pharmaceutical companies to the Hospitals/Associations/Societies/Doctors and for the Conferences/Conditional or Unconditional Educational Grants/Travel funds/Gifts of any value except the technical literature be completely banned. Such sponsorships lead to prescriptions influenced by sponsorships in favour of large and MNCs and against MSMEs.

ix) One of the major innovations in materials and related Technologies, which is being applied in Countries like, US, Europe, Japan and China is the employment of METAL MATRIX COMPOSITES which are popularly known as MMCs.

A Metal matrix Composite (MMC) is a composite material with atleast two constituent parts, one is the metal matrix and the second one is the reinforcement . In all cases the matrix is defined as metal and is usually an alloy.

MMC is a new kind of material produced through special technology by allotting different kinds and shapes of non metallic reinforcement into metal matrix evenly.

Metal Matrix Composites offer the combination of good properties of both metal matrix and reinforce phase, such as high specific strength, and stiffness, good high temperature resistance and wear resistance, high thermal stability and renders itself amenable to the design changes.

MMCs combine the metallic properties of matrix alloy (ductility and toughness) with properties of the reinforcements (high strength and high modulus), leads to greater strength in shear and compression and higher Service-temperature capabilities.

The unique tailorability of the MMCs to meet the required properties has made them as Advanced Engineering Materials. Thus the MMCs have Scientific, Technological and Commercial significance.

Depending upon the nature of the reinforcing phase and the matrix, the composites are classified like Fibre reinforce Composite, Whisker reinforced Composite, Particle reinforced Composite and Laminated Composite. And the production of the components applying these techniques also varies. Since considerable development has occurred in the developed countries in the Aluminum based composites, this note confines itself to Aluminum Matrix Composites AMCc which is very relevant to the Automotive and component Industry.

The properties of the A M Cs offer the following major advantages:

- Increase in TENSILE STRENGTH 4 fold.
- Increase in Elastic Modulus is nearly 80%.
- Coefficient of linear expansion lower by 20-30%.
- Increase in Wear Resistance 30%
- Increase in Density Around 18 %.
- Friction Coefficient less by 25-30%.

## APPLICATIONS

The range of MMCs is very large. Applications of composites in the Automotive, Transportation and construction industries depend upon the choice of the Cost affordable factor

Promotion of the Technological developments of Composite materials to achieve good mechanical strength/density and stiffness/density ratio has found a wide variety of applications due to low cost of manufacture, and achievable Engineering properties and are shown in the accompanying table.

Examples of MMCs adopting the Aluminium Metal Matrix Composites ( A M C ) successfully applied in the Automotive & Auto component Industry are shown in the following Table :

The possibility of substituting the expensive High Nickel content Ni. Resist ring insert by Aluminium Metal matrix offers one of the first and foremost opportunity for the Piston Manufacturers to offer this Technology to enable Engine manufacturers to get the advantage of weight and cost reduction apart from permitting them to adopt advanced Engine design with Increased Cylinder Peak pressures and resultant higher performance in terms of output per liter

In view of the fact that India has been identified as the hub of manufacturing for the Automotive and automotive component manufacturing activities, it is imperative that the development of MMCs should be taken up on highest priority so that the expected impact of composites as an exciting Engineering material is realized fully by the Industry. It is now appropriate time for the Indian Auto and Auto Component manufacturing Industries to act fast to catch up with China who are already way ahead of India.

It is envisaged that the Investment required for this Project is around Rs 9 crores.

The time plan for the commercialization is approximately 3 years from start.

**The following schemes are recommended for the 12<sup>th</sup> plan.**

Scheme/proposal	New/existing	BE for XI Plan Projected	BE for the XII Plan Projected	Outcome/deliverables
ICT scheme	Existing	Rs. 16 cr.	Rs. 800 cr.	<ul style="list-style-type: none"> <li>About 500 MSME clusters will adopt ICT in their business.</li> <li>About 90% of registered MSMEs would start using ICT on preliminary basis. Out of these 50% may reach to level -2 (which means use of ICT in their businesses).</li> </ul>
Bio-tech parks	New	--	Rs. 400 cr.	<ul style="list-style-type: none"> <li>Eight Parks with special infrastructure may be set up ,</li> </ul>
Nano-tech parks	New	--	Rs. 300 cr.	<ul style="list-style-type: none"> <li>Five Parks with special infrastructure may be set up ,</li> </ul>
Clean technology	New	--	Rs. 300 cr.	<ul style="list-style-type: none"> <li>Use of NCEF for technology acquisition / transfer for MSMEs in the area of clean technology</li> </ul>
Technology Innovation Fund	New	--	Rs. 1000 cr.	<ul style="list-style-type: none"> <li>Funds to support new ideas, innovations through VC, PE etc,</li> <li>Special Incubation facilities etc.</li> </ul>

**Other Initiatives recommended:**

- (a) Govt procurement upto Rs. 5.0 cr / year should be allowed for innovations by suitably empowering competent authority.
- (b) Dedicated VC funds may be set up for MSMEs.

## IV.9. Report of the subgroup on Special Areas and Groups

### IV.9.1. Issue:

- Skewed Economic Development across Geographic areas and strata of society

### IV.9.2. Recommendations:

#### I. Recommendations of PM's Task Force:

Prime Minister's Task Force on MSMEs gave its recommendations on Special Measures for North-East Region and Jammu & Kashmir. The Task Force has made a total of 85 recommendations under various areas including 16 for North East Region and Jammu & Kashmir either separately for them or for both. Out of 16 recommendations for NER & J&K, action has been completed on 12 recommendations and remaining four recommendations are under various stages of implementations. Recommendations wise details are mentioned as under:

#### A. Recommendations on which action has been completed:

- i. The development focus to shift on thrust areas with promising prospects, such as handicrafts, horticulture (including bamboo and bamboo application), textiles, live stock development, leather and food processing by pursuing the cluster development approach more vigorously.

**Action Taken:** 23 Handicrafts clusters, 6 handloom clusters and 3 food processing clusters (including 1 CFC) have been undertaken under MSE-CDP North East Region.

- ii. NSIC may evolve a scheme in consultation with DONER and the State Governments to organize exhibitions of NER products in major State capitals. Suitable incentives may be worked out to neutralize the cost of transport and travel.

**Action Taken:** NSIC provides space for NER enterprises at concessional rates under its Marketing Assistance Scheme, Two exhibition planned at Guwahati & Shillong. Specific area was earmarked for exhibiting NER products in Exhibitions held at Kolkata & Techmart 2010.

- iii. The infrastructure of Indian Institute of Entrepreneurship, Guwahati be strengthened and its branches be opened in all the NE States with participation of the Central Government, State Governments and the industry.

**Action Taken:** Branch office of IIE set up in in Sikkim, Nagaland, Arunachal Pradesh and a Resource Center at Mizoram.

- iv. The recommendations of the Usha Thorat Committee Report on the Financial Sector Plan for NER, which are yet to be implemented or need further up scaling, action be undertaken expeditiously.

**Action Taken:** Recommendations are long term in nature, it is an on-going process. DFS taking action.

- v. The Department of Financial Services to encourage banks/FIs to promote micro finance culture and the capacity building in NER.

**Action Taken:** Necessary instructions have been issued by DFS to all the Public Sector Banks.

- vi. The Task Force noticed the disparity in the utilization of subsidy under the NEIIPP-2007 between the States. The respective State Governments may look into the reasons and work out remedial measures.

**Action Taken:** The recommendation of the Task Force has been circulated to the State Governments. No State Government has responded.

- vii. Under the NEIIPP-2007, incentives may be allowed for subsequent expansion also in the case of existing MSMEs. However, there will be a ceiling of investment in plant and machinery/equipment of Rs.10 crore and Rs.5 crore for manufacturing and services respectively.

**Action Taken:** Notification has been issued in this regard on 06.01.2011. It provides for Capital Investment Subsidy @ 30% of investment in plant and machinery in respect of new units or additional investment for first and every substantial expansion, subject to ceiling of Rs.3 crore and Rs.1.50 crore for manufacturing and services sector respectively. Benefit admissible till scheme is operational, i.e., 31<sup>st</sup> March, 2017.

- viii. Under the Growth Centre Scheme implemented by DIPP, release of funds amounting to Rs. 33.35 crore for 5 functional centres is pending. Since the scheme has been discontinued from 1.4.2009, the Ministry of MSME may honour these commitments by providing funds from the Micro and Small Enterprises-Cluster Development Programme (MSE-CDP).

**Action Taken:** Growth centre scheme of DIPP was discontinued in July 2007 after a study by NPC, as scheme had failed to achieve its objectives. The State Government agencies may consider sending proposals as per guidelines under MSE-CDP.

#### **ix. Jammu & Kashmir**

The special package for J&K is similar to the package for the NER under NEIIPP-2007 in respect of Interest Subsidy Scheme and Comprehensive Insurance Scheme. However, under Capital Investment Scheme, the subsidy provided under J&K package is 15% of the investment in Plant & Machinery subject to a maximum of Rs.30 lakh, whereas under NEIIPP-2007 it is provided @ 30% of the investment in Plant & Machinery and there is no upper limit for claiming subsidy. For the MSME sector in J&K, the Capital Investment Subsidy Scheme may be implemented on the same terms and conditions as applicable to the North East Region under NEIIP, 2007 after modification. Further, specifically for the MSME sector, subsidy may be allowed for first and subsequent expansion till the total investment in plant and machinery reaches the upper ceiling of Rs.10 crore (manufacturing/Rs.5 crore (services) as per MSME norms.

**Action Taken:** Notification has been issued in this regard on 06.01.2011. Provides for Capital Investment Subsidy @ 30% of their investment in plant and machinery for new units or additional investment in first and every substantial expansion, subject to ceiling of Rs.3.00 crore and Rs.1.50 crore for manufacturing and services sector respectively. Benefit admissible till scheme is operational in J&K i.e. 14<sup>th</sup> June, 2012.

- x. JKDFC may become more active in the State since JKSFCC is not providing loans. Further, JKDFC may be made member lending institution under CGTMSE.

**Action Taken:** JKDFC has been made a MLI of CGTMSE in May 2010.

- xi. Under the Growth Centre Scheme implemented by DIPP, release of funds amounting to Rs.5.75 crore for 1 functional centre is pending. Since the scheme has been discontinued from 1.4.2009, the Ministry of MSME may honour these commitments by providing funds from the Micro and Small Enterprises-Cluster Development Programme.

**Action Taken:** Growth centre scheme of DIPP was discontinued in July 2007 after a study by NPC, as scheme had failed to achieve its objectives. The State Government agencies may consider sending proposals as per guidelines under MSE-CDP.

#### **xii. Both NER & J&K**

To meet the genuine subsidy claims, the Department of Industrial Policy and Promotion may indicate the amount of pending claims and estimate the approximate provisions required for the current year. The Task Force makes a

special recommendation for providing adequate budgetary provisions in RE 2009-10 for meeting all claims pending as on 31.3.2009.

**Action Taken:** The pending demand as on 31.3.2009 has been provided

**II. Recommendations which are at various stages of implementation:**

- i) To develop synergies among the various schemes of different Ministries/Departments w.r.t. MSME, a Committee under the Chief Secretary and comprising of representatives of different Central Ministries/Departments may be constituted in consultation with M/o DONER.

**Stage of implementation:** Governments of Meghalaya, Mizoram and Tripura have constituted committees. In other states of NER, it is under process. DONER has been taking action.

- ii) Presently in J&K the definition of 'new unit' and 'existing unit' is based on 'date of taking effective steps for setting up of a unit.' On lines of NEIIPP-2007, units in the MSME sector commencing commercial production after 14.6.2002 may be treated as new units irrespective of whether effective steps to set up these units were taken prior to 14.6.2002.

**Stage of implementation:** DIPP has informed that reopening cases at this stage when the scheme has almost run its full course may not be administratively feasible and will also involve issues of reliability and integrity of documentation available/produced for preferring claim. Steering group has observed that PMO has to take up the issue with DIPP.

- iii) With regard to 410 sick units, which became sick due to disturbed conditions in the state, the financing pattern of the restructuring/rehabilitation packages may include 70% as loan component from banks, 20% would be the interest free margin money from the Government and the balance 10% would be promoter's own contribution. A Rs.100 crore fund may be set up for this purpose from the Plan resources of the DIPP. The Funds may be provided to Jammu & Kashmir Development Finance Corporation (JKDFC) for channelizing the same to the banks concerned.

**Stage of implementation:** DIPP has requested M/o MSME to formulate the scheme. The M/o MSME feels that as the Special Package is implemented by DIPP, thus rehabilitation of sick units in J & K may be dealt by DIPP. Steering group has observed that PMO has to take up the issue with DIPP.

- iv) Regarding revival of JK SFC, the State Government should come out with definite plan for this purpose which should be examined by DFS.

**Stage of implementation:** DFS has reviewed the matter in a meeting on 7.12.10 with Planning Commission, J & K, State Government, SIDBI and JK SFC. JK SFC

will make a proposal to settle SIDBI's over -dues and after final settlement, SIDBI would approach RBI for commencement of refinance support to JKSF. JKSF may also take up the matter with PC under relevant scheme for fund requirement.

### C. The need for a new model

There is the need for a new model which is operationally more meaningful. The basic assumptions should be as follows:

- i) Government should not have a direct role in these regions. It should work through other actors. The capacity of these actors needs to be enhanced. This requires a new model of PPP.
- ii) **Entrepreneurial Resource conservation**: The instrumentalities for this also need to be clear. A focus on **entrepreneurial resources** rather than enterprise themselves will be more illuminating. A new model of **entrepreneurial resources budgeting** would be more meaningful. Unlike the present gender budgeting and similar targeted programmes, entrepreneurial resource budgeting should be more meaningful. **This would also help to target sections such as women, youth and SC/ST communities more meaningfully and effectively.**

### I. Need for a Model Programme

- The Twelfth five Year Plan, therefore, should envisage a model programme, which is specifically targeted in eight districts of the country, two each from the categories identified in Table 4. It should be named as the **Backward Regions Entrepreneurship Resource Development Programme (BRERDP)**.
- The programme should have the following objectives:
  - i) The objectives of the programme should be to bring down the large income and social disparities in the region using entrepreneurship resources as a critical factor. It should essentially act as a morale booster in the villages.
  - ii) The programme should be based on the following premises:
    - a) ensure focal and basic infrastructure in the selected regions;
    - b) provide **sustainable income opportunities** to a much larger number of people, and to ensure that, existing opportunities are sustainable ;
    - c) enterprise to be defined as the focal point of various opportunities, declare it as a resource, document ,monitor and have an **entrepreneurship budgeting** for the district and for particular

sections of society. Cut down subsidies that are counterproductive. Instead, a **Backward Area Enterprise Fund** should be created.

- iii) The planning of district level priorities should be done through a professional exercise, which focus on 3 aspects:
  - a) Resource endowments;
  - b) Marketing opportunities ; and
  - c) Tracking of the present level of employment investment and peoples response to programmes.
- At the national level, there should be a coordination mechanism for the programme. Overseen by a consultative body of relevant stake holders. There should also have a state level consultative body. Ministry of MSME should have the responsibility of the national fund, and it should be released on the basis of a project proposal submitted by state government. The fund should be utilized on the basis of a district plan which spells out the priorities of the particular district. But the plan should be based on the findings of the Observatory. For example, district A, may have a large number of sick units, which would implicitly demand, Business development Services. In an other district, it is possible that, formation of a cluster and appropriate cluster model may help to improve the situation. In yet another district, where there is a large public sector enterprise, ancillarisation may be helpful.

## **II. Thrust on special categories like Women, SC, ST & Minorities**

The budget of Ministry is allocated into three wings – Agro & Rural Industries (ARI) Division, Small Scale Industries (SSI)/ Small & Medium Enterprises (SME) Division and Development Commissioner (Micro, Small and Medium Enterprises [DC (MSME)]). Allocation of budget is earmarked in various plan schemes under different components i.e. Scheduled Caste Sub-Plan (SCSP), Scheduled Tribe Sub-Plan (TSP), NER, and Other than NER. in order to maintain a prescribed percentage as per guidelines of GoI. At present Planning Commission has prescribed earmarking of 12% funds for SCSP and 8.2% for TSP for Mo MSME. There are certain schemes in which it becomes difficult to incur expenditure and considering this aspect budget allocation is earmarked to selected schemes.

As regard development of Women, although no funds are separately allocated for women in the budget of the Ministry, care is always taken by the implementing agencies to provide appropriate coverage to women entrepreneur as per the policy of the Government.

## Present Scenario in context of women

- 1 Of the 93 % of the total Workforce from Informal Economy, 97 % are the women workers. Women work on an average for 10 to 12 hours a day and are active in large numbers as workers, artisans, producers (agro processing, fisheries, dairying, salt farming, food processing weaving, handicraft, gem & jewelery etc.), labourers, traders, managers etc. and are also involved in working with nature e.g. on farms by harvesting rains, organic farming, forestry, raising nurseries, crop irrigation, water management, vermiculture, operation & maintenance of water resources, agriculture workers, rural infrastructure, eco-friendly clothes, dyes etc. Over a period of time it has been experienced that they not only earn green livelihood through this but also are actively involved and working towards mitigation of climate crisis leading towards green world.
  
- 2 Though highly productive, economically active and enterprising they are (a) poorest of the poor, (b) not recognized as workers, (c) putting long working hours with low returns, (d) getting low / limited access to equipments, markets etc. (f) restrictive to social protection, (g) very low inclusion in policy dialogue, labour or economic policies, etc. And as a result earn very low and insecure income, the root cause being lack of productive resources, opportunities, organization and representation. Also the rural poor women are incapacitated due to various reasons, such as; most of them are socially backward, illiterate, with low motivation and poor economic base. Individually, not only weak in socio-economic term but also lacks access to the knowledge and information, which are the most important components of today's development process. Thus it is very important that **in order to achieve inclusive growth there is need to integrate women into the mainstream of economy and trade.**
  
- 3 Also experiences show that these women organized in a group are empowered to overcome many of these weaknesses. Hence, many efforts are being taken by various ministries as well as NGOs and CBOs for this which includes formation of SHGs, Cluster Development Initiatives, Technology parks etc. Organised in collectives the poorest women would come together for savings, emergency, disaster, social reasons, economic support to each other have ease of conversation, social interaction and economic interactions. In view of the above it is very clear that though organized into their producer collectives as Self Help Group and various other initiatives, however to ensure work, income and livelihood security to these women producers there is need to -

- a) strengthen the SHGs / Producers Groups
- b) upgrade the skills of the women producers in different sectors and bring it to marketable level
- c) improve the quality of production and set quality standards
- d) impart design, product development and packaging inputs
- e) impart business planning, managerial inputs to the SHGs/ Producer Collectives
- f) Make the Producers Groups / collectives bankable and link them up with banks for accessing “Livelihood Finance” loans.
- g) Provide technical services to the SHGs/ Producer Collectives
- h) Give the SHGs/ Producer Collectives access to technology
- i) Provide backward-forward linkages and Exposures
- j) Provide capacity building trainings

- 4** Making the above services accessible to the SHGs/ Producer Collectives will make the SHGs market ready, their products marketable and competitive and turn the SHGs into enterprises owned, managed by the women workers themselves.

### **C. Recommendations for “Programmes for Special Areas & Groups-Women”**

- 1** Given the context in the present situation, SEWA recommends that an effort is needed towards accelerating the approach to Women’s Economic Empowerment by **setting up Women’s Enterprise and Business Resource Centres** with an objective to provide need based special impetus to SHGs/ Producer Collectives in order to enhance the entrepreneurial skills of the SHGs/ Producer Collectives, to integrate them into mainstream of market and trade. This would further strengthen the women, their SHGs/ Producer Collectives to avail opportunities for marketing regionally, nationally and internationally. Eventually equip the women as entrepreneurs to fight poverty. These Women’s Enterprise and Business Resource Centres, will lead to development of women owned and managed micro enterprises. It will enhance the linkages and partnerships between the existing technical institutes, agencies and facilitate the access and application of the existing knowledge, resource and application to strengthen the women’s enterprises. Further it will help scout out innovations and take it to scale.
- 2** In view of the above, it is suggested that from among the already existing / newly formed producers collectives / SHGs; the identification and recognition of the cluster of SHGs / producers collectives within the cluster or concentration of SHGs / producers collectives within a radius of geographical area would be done; and these SHGs/ Producer Collectives or geographical area need to be

recognized and notified as Women's Enterprise and Business Resource Centres. Once the Women's Enterprise and Business Resource Centres is notified, the existing as well as newly formed SHGs/ Producer Collectives need to be mapped, and graded as per their age, competency and assess the needs. Based on the need assessment, the different technical, commercial, academic institutions should be identified who will provide the needed inputs to the SHGs/ Producer Collectives. These institutions/ agencies/ universities will hold workshops, trainings, case studies, work on technology inputs and technical services needed. Further to this the produces of the SHGs/ Producer Collectives/ micro enterprises under Shramyogini Women's Enterprise and Business Resource Centres would be given stimulus by (a) providing tools and equipments, (b) infrastructure, (c) tax and duty exemptions (d) access to softer credit, (e) certification to the products etc. to integrate the micro enterprises into mainstream trade. Also the Women's Enterprise and Business Resource Centres will facilitate with access to and application of modern technology to the use of rural poor women – thus leading to development of IT centres, technology parks, livelihood finance etc. for women.

**3** In view of the above the **Setting up of Women's Enterprise and Business Resource Centres and Facilitation** should specifically include following:

- a) Identification of Clusters / SHGs and Need Assessment
- b) Convergence of services, knowhow and facilitating partnership with technical agencies
- c) Setting up Women's Enterprise and Business Resource Centres
- d) Setting up of raw material banks, seed banks, warehousing, cold storage facilities
- e) Bank Linkages
- f) Market access
- g) Scouting innovations and scaling up

## **IV.10. Report of the subgroup on Unorganized Sector**

### **IV.10.1 Issues identified**

- 1 With only less than 8 % of labour forces having educational qualification of graduation and above , in 2012 , which is projected to increase only by one percentage point to less than 9 %, in 2017, the main issue is skill development, requirement of which is spread across villages and towns across the country.
  
- 2 The sector consists of heterogeneous activities, as explained above, adding to challenges of management of the training requirements. Despite diverse and heterogeneous nature, unorganized sector faces some common problems, which are indicated below.
  - Lack of availability of adequate and timely credit;
  - High cost of credit;
  - Collateral requirements;
  - Limited access to equity capital;
  - Problems in supply to government departments and agencies;
  - Procurement of raw materials at a competitive cost;
  - Problems of storage, designing, packaging and product display;
  - Lack of access to global markets;
  - Inadequate infrastructure facilities, including power, water, roads, etc.;
  - Low technology levels and lack of access to modern technology;
  - Multiplicity of labour laws and complicated procedures associated with compliance of such laws;
  - Absence of a suitable mechanism which enables the quick revival of viable sick enterprises and allows unviable entities to close down speedily; and
  - Issues relating to taxation, both direct and indirect, and procedures thereof.
  - Lack of social security

#### **IV.10.1. Recommendations for 12<sup>th</sup> plan**

It is suggested that the scheme should be promoted to support the development and strengthening of the small, tiny and micro enterprises in following manner.

- From among the already existing / newly formed SHGs, Producers Collectives etc.; identification and recognition of the cluster of SHGs within the cluster or concentration of SHGs within a radius of geographical area should be done.
- These SHGs should be notified as Enterprise and Business Resource Centres or each member of SHG as an own account worker and therefore an enterprise.
- The Mapping and grading as per their age, competencies etc. should be done for the notified SHGs / Producer Collectives.
- Based on the above needs would be assessed and based on the need assessment, the different technical, commercial, academic institutions would be identified who will provide the needed inputs to the SHGs/ Producer Collectives. These institutions/ agencies/ universities will hold workshops, trainings, case studies, work on technology inputs and technical services as per the need.
- To integrate the micro enterprises into mainstream trade, these SHGs/ Producer Collectives/ micro enterprises under Enterprise and Business Resource Centres should be given stimulus by (a) providing tools and equipments, (b) infrastructure, (c) tax and duty exemptions (d) access to softer credit, (e) certification to the products, (f) brand building, (g) marketing and related inputs including organizing buyer seller meet etc., (g) designing and product development inputs (g) access to and application of modern technology to the use of unorganized sector workers.
- This could also be further supported and lead to development of IT centres, technology parks etc. for the workers from the unorganized sector.
- Micro Enterprises in the unorganized sector should be given need based loans at reasonable rate of interest along with provision for adequate period of moratorium to help the Micro-enterprises to face the initial period of teething trouble.

Enterprise and Business Resource Centres is an effort towards accelerated approach to Empowerment of informal economy workers. This will lead to development of owned and managed micro enterprises by the unorganized sector workers. Further it will enhance the linkages and partnerships between the existing technical institutes, agencies and facilitate the access and application of the existing knowledge, resource and application to strengthen the unorganized sector workers enterprises. Through the Enterprise and Business Resource Centres, Effort should be made to identify the potential of the individual or group keeping in view their hereditary skills capacity for innovating products skills capacity for innovating products for the contemporary market.

It should also ensure that self employed individual or artisan in the unorganized sector is empowered to grow in phase of competition from big units. Though the concept of reservation of product for MSME would not be conclusive to the liberal policies, it would be desirable to provide a comprehensive package of comprehensive protection against unjust competition and unfair practice. Such approach will lead to inclusive growth to increase participation of union level enterprise which has capacity to contribute significantly to the manufacturing as well as service sector of our economy.

## **Objectives**

Setting up of Enterprises and Business Resource Centres would work towards fulfilment of following **Objectives and Outputs**.

- Enhance business turnover of artisan, self employed individual (SEI) in the unorganized sector.
- Enhance entrepreneurial skills of the SEI / Artisans / SHGs / Producer Collectives and integrate into mainstream of market and trade and give special impetus to them
- Strengthen SEI, Artisans, their SHGs/ Producer Collectives to avail opportunities for marketing regionally, nationally and internationally. Eventually equip the entrepreneurs from informal economy to fight poverty.
- Provide backward and forward linkages to improve the market readiness of the SEI, artisans, SHGs / Producers Collectives and Micro Entrepreneurs.
- Provide SEI, artisans SHGs / Producers Collectives with Bank Linkages and avail them with needed credit facilities and other financial services such as insurance, pensions etc.
- Organize buyer seller meet and create informal economy workers marketing focus therefore develop rural, local, national and regional market
- Enhance environmental, water harvesting and recharging and organic farming practice as means of sustainable livelihood, thereby addressing the issue of climate crisis. Make informal economy workers central to mitigating climate crisis.

Sub-group identified three major areas to focus which are:

- Skill Development.
- Credit and handholding support
- Infrastructural support.
- District level Data-base on unregistered sector.

Details of cost component of the scheme are as under (for 5 years):

<b>Sl. No.</b>	<b>Scheme Component</b>	<b>No. of persons</b>	<b>Cost involved (in Rs. Crore)</b>
1	Skill development	1.5 crore	17550
2	Hand holding support	50 lakh	2500
3	Credit support	25 lakh	7500
4	Infrastructure Development	25 lakh	16000
5	Creation of database of Unorganised sector		2000
	Total cost	-	45550

## **IV.11. Report of the Sub group on Institutional Structure**

### **IV.11.1. Issues:**

- Outdated DIC Structure
- Inability of DC office to keep pace with changing reality
- Identity crisis in MSME – DIs

### **IV.11.2. Recommendations:**

- Strengthening of MSMEDIs
- Establishment of six zonal MSMEDIs.
- Facility of online filing of EM at DICs, MSMEDIs and Zonal MSMEDIs.

Ministry of Micro, Small and Medium Enterprises (MoMSME) is responsible for all policy matters relating to MSMEs and to provide focused attention to the promotion and development of the micro, small and medium enterprises sector. One of the main role of the Ministry of Micro, Small and Medium Enterprises (MoMSME) and its organizations is to assist the States in their efforts to encourage entrepreneurship, and enhance the competitiveness of MSMEs in the changed economic scenario. To achieve its objective it runs various schemes/programmes attempting to address all the key challenges related with credit, marketing, infrastructure, skill development & technology, etc., which are implemented through its organizational network. Office of Development Commissioner, MSME is the apex institution in formulation of policies and programmes for the development and promotion of MSMEs in the country. It operates through its field institutions, "Micro, Small & Medium Enterprises Development Institutes" located all over the country.

It is worthwhile to mention here that prior to implementation of MSMED Act, 2006 there was no medium sector in the country. With the implementation of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, two new sectors were classified in the country i.e. medium sector and service sector. However, no additional manpower or infrastructure was allocated to Office of DC, MSME or its field institutions. MSMEDIs need to be strengthened both in terms of facilities and manpower to take additional charge of medium enterprises, formulate and implement promotional measures for them to make India a land of sunrise and technologically advanced enterprises. To take care of this additional responsibility, the MSMEDIs should be restructured and headed by Industrial Advisers. Restructuring should include additions at the level of Deputy Director and Assistant Director. To encourage use of local resources, Agro and allied enterprises should be given more attention. Post harvest technology should be actively assimilated into industrial framework particularly in rural areas so that migration of the rural population may be checked. Technology should be the focus in MSMEDIs. It is also important that earlier non-SSIs and now medium enterprises were filing Industrial Entrepreneurs Memorandum (IEM) in Deptt. of IP&P,

Udyog Bhavan, New Delhi. The advantage was that monitoring was easy and readymade data was available with the Central Government. With the decentralization and filing of EM to DICs difficulty is being faced in having up to date record of details of medium enterprises with the Central Government. It is, therefore, proposed that the filing of EM for medium enterprises should be done at zonal MSMEDIs. Also, the scope of development and promotion of MSMEs depends a lot on the resources, infrastructure and overall environment of the regions concerned. Therefore, to plan and monitor the strategy of promotion and development of MSMEDIs in line with the regional resources available in a focused manner, it is proposed to have six zonal MSMEDIs. MSMED Act, 2006 recognizes six zones in the country for the purpose of promotion and development of MSMEs. (Appendix IX).

District Industries Centres in the States /UTs are district level institutions in States. The General Manager, DICs have been authorised to accept the filing of EMs. These EMs are source of vital data and information about the trends in the investment and distribution of enterprises in the country. It is, therefore, of utmost importance that DICs should be strengthened for online EM filing and linked with state and national headquarters for automatic consolidation of data.

Sl. No.	Name of the Scheme/Programme	Financial Estimate (Rs. In crore)
1	(i) Filing of EM by medium enterprises at the zonal MSMEDIs proposed to be established. (ii) Facility of on-line filing of EM at MSMEDIs (iii) Online filing of EM in each State	66.115
2.	Scheme for Capacity Building of Micro and Small Enterprises Facilitation Councils(MSEFCs) constituted under MSMED Act 2006 in the States/UTs	8.003
3.	Scheme for assistance to establish of Common Effluent Treatment Plant (CETP) facility by MSMEs/MSME Associations/State/UT Governments etc.	375.00
4.	Research and development for development of national technologies for MSMEs	5.0
5.	Scheme for strengthening of present establishment of MSME DIs/Br. MSME DIs	96.55
6.	Scheme for creating awareness on policy and procedures on environment related issues.	0.5
7.	Establishment of six zonal MSMEDIs	124.36
	<b>TOTAL</b>	<b>675.528</b>

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