

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. 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.

3. 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.

4. Planning Commission constituted the present Working Group on Micro, Small & Medium Enterprises (MSMEs) Growth for the 12th 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 (Annexure 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.

5. In its first meeting, the Group constituted following 11 Sub-Groups (Annexure – 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.

6. 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

7. 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.

8 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 network 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.

9. 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 12th 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.

10. 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.

11. 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..

Technology Up- gradation & Support for Emerging Sectors

12. 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.

13. 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.

14. 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 from 50% to 100% of the approved budget, depending upon the level of the technology & the transaction cost involved viz., for the projects taken up for technology development for nano-technology, aerospace or the defence sector may be allowed 100% government assistance. 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.

15. The Group recommends for setting up of a Technology Acquisition and Support Fund with adequate allocation to assist both development of indigenous technology and acquisition of global technology by the Indian MSMEs. Setting up of such a fund has already been 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.

16. 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 one scheme. The subsidy provided by the government may vary on a sliding scale depending upon the status of the technology starting at 15% for procurement of plant & machinery of conventional technology and going up to 100% for adoption of frontier technologies in the area of nano-technologies, technologies for defence equipments etc. 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 be immediately raised to at least Rs. 3 crore with a built in mechanism in the scheme for indexing of the limit on project cost with the rate of inflation.

17. 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.

18. 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.

19. The Group recommends that during the 12th 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.

20. 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 be taken up by the IP facilitation centres which may be appropriately funded under NMCP.

Infrastructure Development

21. 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.

22. To strengthen and expand existing IID 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 cr 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 development, with Government of India assistance under MSE-CDP. Assistance for upgradation of existing industrial estate may be made more attractive in order to get proposals from State Government for upgradation of existing and demand based additional IID projects may be permitted in district, subject to 90% allotment and 50% setting up of units in approved IID

projects in one district. The Group recommends continuation of the infrastructure development scheme with increased allocation.

23. Land and infrastructure constraints are a major problem, particularly in bigger and metro cities. As production processes of majority of MSEs can be accomplished in Flatted Factories, Flatted Factory 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. The Group recommends establishing flatted factory complexes during the 12th Plan period.

24. 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.

25. 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 during 12th Plan, modular Estates be launched for start ups in emerging sector.

26. 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. The Group recommends that the programme be continued for the 12th Plan period with scaled up interventions, both hard and soft, in MSME clusters.

27. 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 12th Plan Period. The projects/infrastructure to be funded under the proposed scheme would inter-alia include (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.

28. 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.

29. 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 12th Plan period.

Marketing and Procurement

30. 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.

31. 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.

32. 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 12th Five Year Plan.

33. 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 12th Five Year Plan to cater to the vast requirement of the MSME sector.

34. The Working Group recommends new schemes in 12th 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.

35. 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. National Small Industries Corporation (NSIC), the autonomous outfit of Ministry of MSME may be the Apex Organisation to co-ordinate market development activities under different schemes.

36. Further, the Working Group recommends setting aside a corpus for country specific and product specific market studies, research, market forecasting , business practices & regulations in potential international markets and also for aggressive market promotion activities, especially through permanent marketing windows in Indian Diplomatic Missions abroad.

37. 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.

Skill Development & Capacity Building

38. 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 12th 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 train atleast 9 lakh persons per year by the year 2017.
- 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 conducting of the programmes, registration of participants etc. and putting it in the public domain.
- viii. Addressing the special needs of the weaker sections, people in the backward and insurgent infected areas and of the differently abled persons.

39. The Working Group recommends up-scaling of the training capacity of the Ministry through the public private partnership mode. Group also recommends that besides the existing programmes for the 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.

40. 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 the other Ministries and function as a virtual Employment Exchange.

41. 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.

42. 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. The deserving trainees may be released government assistance through credit vouchers.

43. 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.

Institutional Structure

44. 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 the 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.

45. 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

46. 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 and acts 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.

47. 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. However, both the above agencies are now in a near defunct stage. To provide support at the grass route 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 12th Plan Period. The Group recommends an elaborate programme during the 12th Plan Period for re-engineering of the office of DC, MSME as well as the network of field offices and retraining of the officers. Similarly, creation and maintenance of a comprehensive database of MSME sector, including unorganized sector, is a pre requisite for sound policy formulation. The group recommends immediate attention to these requirements.

48. 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.

49. 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.

Khadi & Village Industries

Recommendations of the Working Group on Khadi & Village Industries is at Chapter – II, para-2.7

Coir Sector

Recommendations of the Working Group on Coir Sector is at Chapter – II, para-2.8

Support Package for Start-Ups in Emerging Areas

50. 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.

51. 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.

52. The Group recommends that during the 12th 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. For reducing initial interest burden on the start ups, the Group suggested a scheme of 5% interest subvention for new enterprises in focal areas which include start ups in emerging sectors. Towards protecting the Intellectual Properties generated by the start ups, Government may assist in filing of patents or alternative IP protection mechanisms.

53. 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.

Enabling Global Footprints of MSMEs

54. Today, India is the 4th largest economy in the World and vying to take the 3rd position. 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.

55. Besides focusing on global markets for product exports, time is also ripe for Indian MSMEs to shift their manufacturing bases. With the overall development and recent inflationary pressure, very soon the MSMEs, particularly in the high growth sectors are going to lose their low cost advantage. To remain competitive in the global as well as domestic market, at least the leading MSMEs should plan for shifting their manufacturing bases abroad. 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.

56. The Group recommends that a dedicated scheme may be launched to support the MSMEs in enhancing their global footprints. Under the scheme, Clusters/Consortia of MSMEs could be provided assistance in promoting their products in the target markets, setting up off-shore storage facilities, developing B2B marketing portals etc. Study visits by Clusters/Consortia members to potential markets and holding of buyer seller meets in international markets may also be supported under the scheme.

57. Towards promoting off-shore manufacturing in the Indian MSMEs, the scheme can subsidise the transaction costs for acquisitions and take -overs. This may involve, inter alia, assistance for conducting due diligence, developing a data base on potential buyouts and assistance for meeting the legal expenses.

Un-organised sector

58. 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 12th 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, especially since the Ministry does not have currently any mechanism for addressing the issues relating to the sector, which are gigantic in nature. The Ministry 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.

Special Areas and Groups

59. 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

60. While all the above recommendations of the Working Group are considered to be important to facilitate growth of the MSME sector during the 12th 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

- Operationalisation 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.
- Upscaling PMEGP and implementation of Electronic Tracking System

Institutional Structure

- e-governance in promotional and regulatory matters

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

61. 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 12th Five Year Plan is as follows:

SI No.	Vertical	Projected BE for 12 th Plan (Rs in cr.)
1	Credit & Finance	16950
2	Technology Upgradation	5500
3	Infrastructure Development	11160
4	Marketing & Procurement	2110
5	Skill Development & Training	3600
6	Institutional Structure	3100
7	Khadi & Village Industries Sector	14600
8	Coir Sector	870
Total		57890

62. 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 (Annexure 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.

63. 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 12th Plan period will be vital enabler towards implementation of the initiatives of the Task Force through participative, transparent and scalable policies and schemes of Government of India.

Overview of MSME Sector

1.1 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. 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 .

1.2 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.

1.3 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.

1.4 The 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, provided due importance to the contribution of the MSME sector in the industrial production of India and has suggested a number of initiatives for the technological development, skill development etc. of the MSME Sector. This necessitates convergence of efforts and resources of the various Ministries with the core initiatives taken by the Ministry of MSME.

1.5 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

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

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

1.6 Policy planners, however, do not fully recognize this contribution while allocating resources to MSME sector. 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.

1.7 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 MSME 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.

1.8 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 phenomena for the MSME Sector. Developing an exit policy for the sector is a challenging task and needs coordinated initiatives by multiple Ministries.

1.9 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 12th Five Year Plan period (2012-17) through enhancing allocation to existing schemes as well as by adequately funding new game changing policy initiatives.

1.10 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.

1.11 Planning Commission constituted the present Working Group on Micro, Small & Medium Enterprises (MSMEs) Growth for the 12th 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 (Annexure – 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 12th 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.

1.12 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 Annexure 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.

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

1.13 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 (Annexure 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

1.14 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 12th 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, especially since the Ministry does not have currently any mechanism for addressing the issues relating to the sector, which are gigantic in nature. The Ministry 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.

Special Areas and Groups

1.15 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.

1.16 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.

Recommendations of the Working Group are briefly described in Chapter II.

Chapter – II

Recommendations of the Working Group

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) 4th 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) 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.

A study by IFC-Intellectap (2011) presented at the MSME Finance Leaders Workshop held on November 25, 2011, the MSME financing gap (both credit and equity) for the FY 2010 was estimated at Rs. 7.24 lakh crore (52%), comprising credit gap of Rs. 4.77 lakh crore (42%) and equity gap of Rs. 2.47 lakh crore (99.9%).

A study conducted by SIDBI for 12th Plan Sub-Group on flow of private sector investment for SME and agriculture sector of the Working Group on saving under the Chairmanship of Dr. Subir Gokarn, Deputy Governor, RBI revealed the following:

- At the beginning of 12th Plan period ie. as at end of FY 2011-12, the total credit supply is meeting only 38% of the total credit demand, thereby leaving a 62% credit gap for MSME sector.
- Assuming a minimum 20% credit growth to MSEs by SCBs as per the present directive of RBI, it is observed that though in absolute number, the outstanding credit gap increases from Rs. 14,33,902 crore as at end of March, 2012 to Rs. 16,33,111 crore as at end of March, 2017, the percentage credit gap reduces sizably from 62% to 43%.

Even though these estimates vary, they are however 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 sectors which are often at higher cost than the institutional finance.

(iv) 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 12th Five Year Plan (i.e. FY 2012-13 and FY 2013-14) and further minimum 25% during the remaining three years of the 12th Five Year Plan (i.e. FY 2014-15, FY 2015-16 and FY 2016-17).

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

(vi) Guarantee coverage under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) may be increased to at least 10 times the corpus during 12th Five Year Plan. The corpus of the scheme may be enhanced by an additional Rs 10750 crore during 12th Plan period. This is expected to make available Rs 180,000 crore of credit guarantee to MSEs by the end of 12th Plan.

(vii) 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

(viii) As per the RBI instructions, Banks may adopt clusters in collaboration with Industry Associations.

(ix) 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.

(x) RBI may announce a revised OTS scheme for SMEs under which MSMEs classified in NPA category as on 31st March 2008 would also be eligible for obtaining finance after settlement of dues under OTS.

(xi) 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.

(xii) 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.

(xiii) 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. 500 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 11th Plan to Rs. 600 Cr. during 12th Plan period.

2.1.6 Equity Financing

Lack of growth capital for the MSME sector is 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.

Credit and Finance: Schemes/Proposals for 12th Five Year Plan (Rs. Crore)

Scheme/Proposal	New /Existing	Projected BE for XII Plan	Projected Outcome/ Deliverables
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	500	To encourage start ups
SME Exchange	New	100	Facilitate equity access and spread awareness
Total		16950	

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.
- 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 idegenisation 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 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 enrgy 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.

Technology Up- gradation & Support for Emerging Sectors: Schemes/Proposals for 12th Five Year Plan (Rs. Crore)

Scheme/proposal	New /existing	Projected BE for the XII Plan	Projected outcome/deliverables
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	1,000	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,
Total		5,500	

2.3 Recommendations on Infrastructure for MSMEs

2.3.1 Industrial Infrastructure Development

- i. Setting up of CFC and Infrastructure development.
- ii. To complement efforts of State and Central Government, private sector (companies and SPVs) should also be allowed for development of infrastructure.
- iii. 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.
- iv. 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.
- v. Land use classification may be updated, based on demand. Clear Policy should be evolved on “Change of Classification for Industrial purpose”.

- vi. 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
- vii. 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'.
- viii. Smaller estates, where the Deemed Local Body Status / Industrial Township act could not be invoked, local body can share the revenue with the SPV.
- ix. 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.
- x. 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).
- xi. SPVs should be authorized to buy power from anywhere and distribute it to its member units.
- xii. 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.
- xiii. 50% Subsidy should be given to Micro Units for buying Gensets.
- xiv. 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.
- xv. 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.

- xvi. Assistance for upgradation of existing industrial estate may be made more attractive in order to get proposals from state govt. for upgrading of existing.
- xvii. 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.
- xviii. 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.
- xix. 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.

2.3.1 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 12th Plan Period.

2.3.2 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 12th Plan period for dissemination of information with one main centre for coordinating the activities of all the centers.

2.3.3 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.

Infrastructure Development: Schemes/Proposals for 12th Five Year Plan

(Rs. Crore)

Scheme/proposal	New/ existing	Projecte d BE for the XII Plan	Projected outcomes/deliverables
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	600	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 Stations	New	1,000	Doorstep testing facilities to MSMEs in important export-oriented clusters.
Marketing Infrastructure for MSMEs under PPP	New	500	Providing infrastructure for display and sale of products and display of information in 10 growth oriented

mode			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 th Plan period
Total		11,160	

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.

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.

iii. 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.

iv. 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.

v. 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.

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 12th 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 12th 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 12th 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 12th 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.

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

Scheme/Proposal	New /existing	Projected BE for the XII Plan)	Projected outcome/deliverables
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.
TOTAL		2110	

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 1st 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 12th 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 12th 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 In view of the above recommendations, following allocations through new and existing schemes are recommended for the 12th Plan period

Skill Development: Schemes/Proposals for 12th Five Year Plan (Rs. Crore)

Scheme/proposal	New/existing	Projected BE for the XII Plan	Projected outcome/deliverables
Skill Development Programme	Existing, modified	2500	Providing employable skill to 9 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
Total		3600	

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 Institutional Restructuring

- i. MSME Development Institutes of the Ministry of MSME provide facilitation to the new and existing entrepreneurs in developing their 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 12th Plan Period. The Group recommends allocation of Rs. 900 Crore during the 12th 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 12th 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. For this purpose, an allocation of Rs. 2000 crore may be kept.

Institutional Structure: Schemes/Proposals for 12th Five Year Plan

(Rs. Crore)

Scheme/proposal	New/ existing	Projected BE for the XII Plan	Projected outcome/deliverables
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	Real time data on MSME sector for facilitating sound policy formulation
Total		3100	

2.7 Recommendations On Khadi & Village Industries Sector

Khadi and Village Industries

1. **Relevance of khadi and village industries:** 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 low¹ 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.

2. **Mandate of KVIC:** 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,

¹ 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

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.

3. **Sectoral data availability:** As per figures reported by KVIC, khadi and village industries' production has been growing at a compound annual growth rate of 11.2 %² 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	10458.89	10920.43
2005-06	468.30	11915.54	12383.84
2006-07	491.52	13537.19	14028.71
2007-08	543.39	16134.32	16677.71
2008-09	585.25	16753.62	17338.87
2009-10	628.98	17508.00	18136.98
2010-11	673.01	19198.85	19871.86

KVIC has reported³ 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 25,567.06 crore (khadi Rs 917.26 crore and village industries Rs 24,649.80 crore) and KVI employment 113.17 lakh persons (khadi 10.15 lakh and village industries 103.02 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

² Calculated on the basis of annual production figures reported in KVIC Annual Reports

³ KVIC Annual Report 2010-11

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.

Planning Commission in its approach paper for the XII Five Year Plan has indicated the following :

- The basic objective should be faster, more inclusive and sustainable growth
- Faster creation of jobs, especially in the manufacturing sector
- Manufacturing sector needs to grow at 11-12% per year to create 2 million additional jobs per year. Growth target in XII Plan is 8%
- 'Clusters' need to be supported to enhance productivity of MSMEs
- MSMEs should focus on innovation, employment and enterprise generation

Based on the direction given by the Planning Commission, the following assumptions have been incorporated in preparing the documents for KVI sector: A 12% growth in PMEGP, which is flagship scheme for employment generation under Ministry of MSME and KVIC with 11% growth in khadi and 13% growth in V.I. production.

4. **Sectoral strategy:** 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 developed as a Centre of Excellence and Innovation in KVI designs, processes and products.

5. **A niche for khadi:** 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.

Proposals:

6. **Growth Targets:** To realize the sectoral growth potential, it is necessary that production, value addition and sale grow sustainably. The XII plan approach paper⁴ 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%⁵ annually as is evident from the Table below. Considering this, the growth target of 13% for khadi 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%

⁴ XII Plan Approach Paper, Planning Commission

⁵ KVIC Annual Reports

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
Total	4,678.36	145,155.80	149,834.16
Compound Annual Growth Rate	11%	13%	13%

7. **Making the profession attractive:** 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.

8. 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).

9. 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.

Marketing

10. **Focus on high-end marketing:** 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 existing 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.

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.

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.

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.

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.

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.

11. **Export Promotion:** The KVIC has been conferred the status of deemed EPC by Ministry of Industry and Commerce in 2006. However, the KVI export has not picked up to the desired extent as 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	71.97

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.

12. 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 stake-holders. 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.

13. Assurance of purity: 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.

14. Incentives for IPR in KVI sector: There is a felt need for introducing a separate incentive scheme for the development and protection of new technology/ machinery/ processes/ products, etc. in the KVI 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 new technology/ machinery/ processes/ products, etc., the cost of filing applications for IPR, GI registration, community trade mark, etc. and for necessary legal support.

Mahatma Gandhi Institute for Rural Industrialization

15. 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.

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.

A tentative allocation of Rs 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.

16. Focused, integrated approach: 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.

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.

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.

The implementing agency will have the flexibility to choose its own basket of components 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.

17. **Rationalization of schemes:** In order to have a greater impact of interventions, thin spreading of resources has to be avoided. A number of schemes having 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.

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.

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.

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.

PMEGP

18. The 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.

19. 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.

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	2,55,060
2009-10	545.71	39,502	742.76	29.83	772.59	4,19,997
2010-11	896.31	48,023	903.38	19.86	923.24	4,23,233
2011-12 (till 30.11.11)	690.07	26,366	536.98	5.00	541.98	2,44,694
<u>E/Total</u>	<u>2,955.09</u>	<u>1,39,398</u>	<u>2,591.77</u>	<u>108.13</u>	<u>2,699.90</u>	<u>13,42,984</u>

Reforms

20. 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 2nd 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 1st phase and need Rs. 860 crore for the 2nd 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

Revival of weak Village Industries institutions

21. 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. 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 artisans, replacement of equipments and tools, training, etc. as a new component (under PROVIDE).

Loan waiver:

22. 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.

23. 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.

Skill Development including high-end training:

24. 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 7.71 lakh persons under XII five year plan in addition to 4.08 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.	12000	13400	15000	16400	18000	74800
3	EDP training for PMEGP beneficiaries	64186	71907	80558	90233	101070	407954
	Total	173186	202007	232758	266833	304370	117915
							4
	Target of the Ministry	158000	190000	228000	274000	329000	117900
							0

Schemes recommended at a glance

25. Schemes proposed are of four 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 (Rs 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.
- (iii) Supports like **MDA, ISEC and JBY** being the basic and critical component of any KVI institution will continue independently.
- (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.

(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 with a total outlay of Rs 230 crore.

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

(i) Scheme for Promotion of Khadi as an Exclusive Heritage and Green Product (SPOKE): A new scheme, the details of which will be formulated by KVIC later, will provide for promotion of KVI items as heritage and green products to harness its USP. 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.

(ii) Scheme for incentive for IPR in KVI sector: This is a scheme for the development and protection of new technology/ machinery/ processes/

products, etc. in the KVI sector to motivate exporters/ producers with a proposed outlay of Rs 25 crore.

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

(iv) Scheme for Marketing Complexes/ Plazas: This scheme will be formulated to develop Marketing complexes and plazas by leveraging surplus land available with KVIC at identified locations.

Khadi and Village Industries: Schemes/Proposals for 12th 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.	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

3.	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
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	Khadi and polyvastra production worth Rs 5168 crore	1034.00
7	Janashree Bima Yojana for khadi artisans (inclusive of new component of health insurance)	2 lakh additional coverage of artisans	30.00
8.	Market Promotion (including Export Promotion) & Publicity		220.00
9.	MGIRI		100.00
10.	Interest Subsidy Eligibility Certificate (ISEC) for KVI institutions		225.00
11.	Scheme for Promotion of Khadi as an Exclusive Heritage and Green		25.00

	Product (SPOKE)		
12.	Scheme for Incentive for IPR in KVI sector		20.00
13	Scheme for Marketing Complexes/ Plazas		50.00
14	Khadi/ VI S&T		20.00
15	Scheme for waiver/ one-time settlement of loans		300.00
	Total		14,600.00

2.8 Recommendations on Coir Sector

PRELUDE

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.

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.

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

During the XII plan period, the Coir Sector has a vision of acquiring new dimensions by way of, inter alia, the following:

1. 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.

2. 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.
3. 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.
4. 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.
5. Technological interventions to be made through appropriate schemes for upgradation of quality of coir and coir products.
6. Eco-Mark certification to be obtained for coir and coir products and to be also promoted widely in the international market.
7. 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.
8. 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.
9. Technological interventions to be undertaken for higher value addition in coir and manufacture of high end products for catering to the niche market.
10. The intellectual property rights arising in the coir sector to be encouraged and legally protected at the national and international levels.

11. Modernisation of coir industry to be achieved by developing high end machines with increased productivity and elimination of drudgery.
12. 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.
13. 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.
14. 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.
15. Incentives for using natural dyes in dyeing coir to be introduced.

In a nut-shell, the efforts of the Board 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.

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 schemes are also proposed to be introduced.

CONTINUING SCHEMES

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 XIIth 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 schemes 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 form 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.

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

The expenditure incurred under Plan S&T during the XI Plan period was about Rs.34 crore. The fund requirements envisaged during the XII Plan period are Rs.108 crore.

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.

- i. **Skill Upgradation, Quality Improvement and Mahila Coir Yojana:** 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.

The expenditure under this head during the XI plan period was about Rs.21.72 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

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 8, 00,000 MT by the end of the terminal year of the Plan period from the present level of 5, 25,000 MT.

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.

The expenditure under the head during the XI plan period was about Rs. 5.41 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

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.

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.

During the XI plan period, a total amount of about Rs. 9.23 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

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.

As against an expenditure of Rs. 55.98 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)

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.

During the XI plan period, an amount of about Rs. 10.10 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

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.

During XI Plan period an amount of about Rs. 38.37 lakh was expended and it is proposed to make a provision of Rs. 1 crore during the XII Plan period.

7. REJUVENATION, MODERNISATION AND TECHNOLOGY UPGRADATION OF COIR INDUSTRY (REMOT)

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.

The expenditure under the Scheme during the XI plan period was about Rs.67.80 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.

8. SCHEME OF FUND FOR REGENERATION OF TRADITIONAL INDUSTRIES (SFURTI)

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.

As against about Rs. 19.82 crore spent during the XI plan period, it is proposed to provide for Rs. 20 crore under the Scheme during the XII plan period.

New Schemes

Husk Collection Banks

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.

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

Incentives for using natural dyes

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.

A total amount of Rs. 6 crore has been included for implementation of the Scheme during the XII plan period.

Incentives for IPR in coir sector

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., Community Trade Mark, etc. at domestic and international level and for necessary legal support.

A total amount of Rs.10 crore has been included for implementation of the scheme during the XII plan period.

Health Insurance to coir workers

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 scheme for health insurance to coir workers.

It is proposed to earmark Rs. 10 crore per year for implementation of the Scheme during the XII plan period. The anticipated expenditure during XII plan period for implementation of the Scheme would be Rs.50 crore for approximately 1 lakh families of coir workers.

Large Industry

It is felt that Coir Board should function for the coir industry as a whole; it is not required 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.

A total amount of Rs.20 crore has been included for implementation of the scheme during the XI plan period.

Coir Sector: Schemes/Proposals for XII Five Year Plan

(Rs. in crore)

Sl. No.	Plan Head	Budget	Projected outcomes/Deliverables
1	Science & Technology	108.00	
	i) Modernization of Production Processes ii) Development of Machinery & Development iii) Product Development and Diversification iv) Development of		(i)20,000 Nos. traditional looms to be modernized (ii)6,000 Kgs. of natural dyes to be produced and supplied to the industry (iii)100 units to be modernized by installing spinning machine. (iv)Technology to be transferred to 50

	Environment Friendly Technologies. v) Technology Transfer, Incubation, Testing & Service Facilities.		Entrepreneurs (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
2	Plan General		
	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 to cover accidental death/disabilities	1.00	
3.	Rejuvenation, Modernisation and Technology Upgradation of coir industry. (REMOT)	192.00	3000 new units to be set up
4	Scheme of Fund for	20.00	23 clusters to be assisted

	Regeneration of Traditional Industries		
	<u>New Schemes</u>		
	Husk Collection Banks	25.00	500 HCBs to be set up
	Incentives for using natural dyes	6.00	150 exporters to be assisted
	Incentives for IPR in coir sector	10.00	25 applicants to be assisted
	Health Insurance to coir workers	50.00	
	New scheme for large industries	20.00	
	Total	870.00	

Summary and Conclusion

3.1 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. This necessitates convergence of efforts and resources.

3.1.1 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

3.1.2 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
- Two pronged strategy and action plan has been evolved:
 - Programmatic interventions which are resource intensive requiring financial support
 - Game changer policy interventions which do not require much financial support

3.1.3 Support Package for Start-Up Businesses in Innovative and Emerging Sector

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.

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.

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.

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.

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.
- c) Interest subvention for minimising interest burden of the start ups.

The Group recommends that during the 12th 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. 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.

For reducing initial interest burden on the start ups, the Group suggested a scheme of 5% interest subvention for new enterprises in focal areas which include start ups in emerging sectors.

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.

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 be 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.

3.1.4 Unorganised sector

The Sub-Group on Un-organised sector has recommended outlay of 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 12th 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, especially since the Ministry does not have currently any mechanism for addressing the issues relating to the sector, which are gigantic in nature. The Ministry 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.

3.1.5 Special Areas and Groups

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.

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 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.

3.2 Conclusion

While all recommendations of the Working Group are considered to be important to facilitate growth of the MSME sector during the 12th 5-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.

3.2.1 Game Changers

While all the recommendations of the Working Group are considered to be important to facilitate growth of the MSME sector during the 12th 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

- Operatinalisation 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.
- Upscaling PMEGP and implementation of Electronic Tracking System

Institutional Structure

- e-governance in promotional and regulatory matters

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

3.2.2 Public Procurement Policy:

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.

3.2.3 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.

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 major vertical-wise 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 (Annexure 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.

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 the Working Group for 12th Plan period will be vital enabler towards implementation of the initiatives of the Task Force through participative, transparent and scalable policies and schemes of Government of India.
