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No. 3(3)/2010-NBMSME
Government of India
Ministry of Micro, Small and Medium Enterprises (MSME)
Office of the Development Commissioner (MSME)
(NBMSME Division)

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7th Floor, 'A' Wing, Maulana Azad Road,
Nirman Bhawan, New Delhi-110108
Dated the 10th December, 2010

Subject: Agenda for the Eighth Meeting of the National Board for Micro, Small and Medium Enterprises (NBMSME) scheduled to be held on 22nd December, 2010 (Wednesday), 11.00 A.M. at New Delhi.

This has reference to letter No. 2(12)/2010-NBMSME dated 19th November, 2010. The Agenda Notes of the Eighth Meeting of the National Board for Micro, Small and Medium Enterprises (NBMSME) is **enclosed**. The 'Agenda Papers' may also be accessed at our website www.dcmsme.gov.in .

2. The meeting will be held on 22nd December, 2010 (Wednesday) at 11.00 A.M. at Tagore Hall, CORE – 8, SCOPE COMPLEX, Lodi Road, New Delhi - 110003

3. Kindly make it convenient to attend the meeting and reach the meeting venue by 10.30 A.M. A line in confirmation is requested.

Encl.: As above

(Madhav Lal)
Additional Secretary & Development Commissioner (MSME)
& Member Secretary (NBMSME)
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To

1. PS to Hon'ble Minister of State (MSME) / Vice-Chairman and all the Members, NBMSME / PSO to Secretary (MSME) / Special Invitees for NBMSME
2. AS&FA(MSME) / JS (MSME) (AS) / JS (MSME) (SKP), EA (RKM), Udyog Bhawan, New Delhi
3. ADC&EA (SS) / DDG (GS)/ EA (MPS) / IA / JDC (HSM) / JDC (AB) / JDC (DP) / Director (Admn.) (SSG) / AEA O/o the DC (MSME), New Delhi.

Copy to:
SENET Division, O/o the DC (MSME),

प्रवयमेव जयते

MICRO, SMALL & MEDIUM ENTERPRISES

EIGHTH MEETING OF THE NATIONAL BOARD FOR MICRO, SMALL AND MEDIUM ENTERPRISES

22 DECEMBER, 2010

AT

TAGORE HALL, SCOPE COMPLEX
7, LODI ROAD,
NEW DELHI-110003

AGENDA NOTES

MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES
OFFICE OF THE DEVELOPMENT COMMISSIONER
(MICRO, SMALL AND MEDIUM ENTERPRISES)

<u>CONTENTS</u>

AGENDA ITEM No. I

Action Taken Note on the issues/points raised in the Seventh Meeting of the National Board for Micro, Small and Medium Enterprises (NBMSME) held at Vigyan Bhawan, New Delhi on 7th April, 2010.

<table>
<tr><th>Issues/points raised in the meeting</th><th>Action taken/Comments</th></tr>
<tr><td colspan="2" align="center">Credit related issues</td></tr>
<tr><td>1. The need for collateral free loan up to Rs. 5 lakh and also the MSE sector needs to be looked after properly, especially regarding credit related issues.
(Para no. 6)</td><td>Given the importance of the sector, RBI has advised banks not to insist on collateral for loans upto Rs. 5 lakh vide circular dated January 23, 2002 and clarified vide circular RPCD.SME & NFS.BC.No.16/06.02.31(P)/2009-10 dated August 24, 2009 that these guidelines are mandatory.

Subsequently, in terms of the recommendations of the Working Group to review the Credit Guarantee Scheme (Chairman: Shri V K Sharma, Executive Director) the limit of collateral free lending has been enhanced from Rs. 5 lakh to Rs. 10 lakh and banks have been advised vide circular RPCD.SME&NFS.BC.No.79/06.02.31/2009-10 dated May 6, 2010 in this regard.

Further, any collateral / third party guarantee free credit facility (both fund as well as non- fund based) extended by eligible Member Lending Institutions (MLIs) of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to new as well as existing Micro and Small Enterprise, including Service Enterprises, with a maximum credit cap of Rs.100 lakh (Rupees Hundred lakh only) are eligible to be covered under the Credit Guarantee Scheme.

The Guidelines on Prime Minister's Employment Generation Programme (PMEGP) issued by Ministry of MSME on 25/09/08 reiterates the RBI circular that no collateral security will be insisted upon by Banks for projects involving loan up to Rs. 5 lakh also applicable in respect of the projects cleared by the Task Force. As mentioned above, the limit of collateral free lending has been enhanced to Rs. 10 Lakh.</td></tr>
<tr><td>2. The need for a proper definition of Pre-sickness weak stage of enterprises from where these enterprises may be revived (Para no.7).</td><td>Guidelines have been issued vide RBI's circular RPCD. PLNFS. BC.57/ 06.04.01/ 2001-02 dated January 16, 2002 with regard to rehabilitation of sick units in the MSE sector with specific reference to definition of sick MSE units, its monitoring,</td></tr>
</table>

	viability norms, incipient sickness etc. The emphasis of the rehabilitation efforts in the case of MSE units is, on early detection of signs of incipient sickness, adequate and intensive relief measures and their speedy application rather than giving a long span of time to the units for rehabilitation. Banks/Financial Institutions have been advised to identify the units showing symptoms of sickness by effective monitoring and provide additional finance, if warranted, so as to bring back the units to a healthy track. An illustrative list of warning signals of incipient sickness that are thrown up during the scrutiny of borrowal accounts and other related records e.g. periodical financial data, stock statements, reports on inspection of factory premises and godowns, etc. is given in **Appendix-I** of the aforesaid circular, to serve as a guide for the operational personnel of the banks. Also, as informed by the Executive Director, RBI, empowered committees on MSMEs have been constituted under the chairmanship of Regional Directors of RBI with a view to reviewing the progress in rehabilitation of sick MSMEs. The Executive Director has addressed DO letters to all the Regional Directors to closely monitor the timely rehabilitation of potentially viable sick units in the sector so as to reduce the incidence of sickness. He also assured that the matter would be closely monitored at the central office level.
3, Uniform norms for Credit rating by different banks throughout the country **(Para No.10)**	The banks have been advised vide RBI circular dated May 4, 2009 that lending in case of all advances upto Rs 2 crore may be done on the basis of scoring model and the information required for scoring should be incorporated in the application form itself.
4. Pivotal role of Institutions especially in ensuring adequate flow of credit to the sector. Also, the need to address the problems of delayed payment. **(Para No. 15)**	The RBI has informed that credit flow to MSE sector is being monitored by RBI. Banks have been advised to lend 60% (in stages) of their MSE loans to micro enterprises. As the target was not being strictly adhered to by the banks, DO letters have been written by the Executive Director to CEOs of all Scheduled Commercial banks to strictly adhere to the targets for lending to micro enterprises and the same is being monitored by RBI. Further, based on the recommendations of the Working Group on Rehabilitation of Sick MSEs (Chairman: Dr. K.C. Chakrabarty) banks have been advised vide circular RPCD. SME&NFS.BC.No.

102/06.04.01/ 2008-09 dated May 4, 2009 to put in place (i) a Loan Policy governing extension of credit facilities, (ii) Restructuring/ Rehabilitation policy for revival of potentially viable sick units/ enterprises and (iii) a Non-discretionary One Time Settlement scheme for recovery of non-performing loans. As on date, the compliance to the above three guidelines have been reported by 42 banks, 41 banks and 44 banks respectively.
In this regard, Small Industries Development Bank of India (SIDBI) has informed as under:
SIDBI has been increasing its lending to MSME sector with an CAGR of 16% in the last twenty years of operations.

The outstanding portfolio has increased from Rs. 20,226 crore as on March 31, 2008 to Rs. 30,886 crore as on March 31, 2009 and further to Rs. 37,969 crore as on March 31, 2010.

To address the problem of delayed payment, SIDBI is operating Receivable Finance Scheme (RFS) under which SIDBI fixes limits to well-performing purchaser companies and discounts usance bills to enable MSMEs to promptly realize their sale proceeds.

In order to provide quicker and timely financial assistance to MSMEs, SIDBI, along with National Stock Exchange (NSE) has set up an electronic platform named as NTREES (NSE Trade Receivables Engine for E-discounting in co-ordination with SIDBI) for discounting of MSME trade receivables on RTGS basis, under SIDBI's MSME Receivable Finance Scheme.

On the issue of delayed payments, the RBI has informed that banks have been advised to sanction separate sub-limits within the overall limits sanctioned to the corporate borrowers for meeting payment obligations in respect of purchases from MSME sector. Necessary instructions have been issued by banks to their branches to monitor the position of payment by corporates to MSME and wherever found necessary, persuade the corporate to release the same on priority basis.

The matter was also discussed in the 11th Meeting of the *Standing Advisory Committee (SAC)* held on May 5, 2010 and it was decided that to ensure the efficacy of provisions of the MSMED Act on delayed payments to MSEs from their corporate

	buyers, DFS, GOI may be requested to examine if the Income Tax laws could be modified to make taxable the unpaid dues by large corporates to their MSE suppliers. The matter has been taken up with the Department of Revenue, Ministry of Finance.
5. The call for a dedicated development bank for the MSME sector. There should be a fixed target for MSME sector out of the priority sector lending and 60% of this credit should be apportioned to Micro sector. **(Para No. 16)**	Small Industries Development Bank of India (SIDBI), set up on April 2, 1990 under an Act of Parliament, is the Principal Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector and for Co-ordination of the functions of the institutions engaged in similar activities. SIDBI is primarily a Refinancing Institution. It provides refinance to augment the resource position of Primary Lending Institutions (PLIs), like banks, SFCs, SIDCs/SSIDCs, MFIs etc. so as to enable them to provide greater flow of credit to MSME sector. SIDBI is also providing direct credit, micro-finance, risk capital as well as offering a bouquet of services, such as credit guarantee, venture capital, credit rating, technology matching and facilitates reconstruction of NPAs in the MSME sector through its subsidiaries/associates. SIDBI is also undertaking various Promotional & Developmental (P&D) activities to achieve the twin objectives of national importance, viz. (a) enterprise promotion resulting in self-employment and creation of additional employment through its select programmes such as, Rural Industries Programme (RIP), Entrepreneurship Development Programme (EDP) and Vocational Training Programme etc. and (b) enterprise strengthening to enable MSMEs to face the emerging challenges of globalisation and growing competition through select interventions such as Skill-cum-Technology Upgradation Programme (STUP), Small Industries Management Programme (SIMAP), Cluster Development Programme (CDP) and Marketing Assistance. In terms of the recommendations of the Prime Minister's Task Force on MSMEs, the RBI has advised the banks to achieve a 20 per cent year-on-year growth in credit to micro and small enterprises and a 10 per cent annual growth in the

	number of micro enterprise accounts. In order to ensure that sufficient credit is available to micro enterprises within the MSE sector, as per the RBI's extant guidelines to banks, 60 per cent of MSE advances should go to the micro enterprises. While banks have been advised to achieve the 60 per cent target as above, in terms of the recommendations of the Prime Minister's Task Force, the allocation of 60 per cent of the MSE advances to the micro enterprises is to be achieved in stages viz., 50 per cent in the year 2010-11, 55 per cent in the year 2011-12 and 60 per cent in the year 2012-13.
6. The repayment period for term loan from SIDBI should be increased to 10 years. **(Para no.17)**	The repayment period of project term loans extended directly by SIDBI to MSMEs is generally fixed in a range of 7-10 years (including moratorium period upto 18 months) based on the cash flow analysis of individual loan proposals.
7. No bank is executing mandatory credit provision for Tiny Enterprises. There should be a Statutory Body to supervise mandatory credit provision up to Rs.5 lakh for Tiny Enterprises without any collateral guarantee and security. **(Para no. 25)**	As mentioned in the comments on the issue at Para no. 6, the RBI has mandated the banks not to accept collateral security in the case of loans up to Rs.10 lakh extended to units in the MSE sector. The RBI has informed that specific complaints against any bank may be bought to their notice to enable them to examine and appropriately take up the matter with the concerned bank.
8. The need for a change in attitude of Branch Managers and Field Officers of Banks towards rural and Tiny Sector. There should not be unnecessary vigilance cases against Branch Managers of Banks, who are flexible towards beneficiaries from MSE sector **(Para no. 26)**	The RBI has informed that the Working Group to review the working of the Credit Guarantee Scheme (CGS) of CGTMSE has recommended enjoining upon the Chief Executive Officers of banks to strongly encourage the branch level functionaries to avail of the CGS cover and making performance in this regard a criterion in the evaluation of their field staff. Accordingly, banks have been suitably advised in the matter.
9. A common format for credit rating through a consultative mechanism between RBI and Indian Bank's Association (IBA) **(Para no. 27).**	As informed by the RBI, IBA has been advised to examine the issue in consultation with banks. The National Small Industries Corporation (NSIC) has been implementing "Performance & Credit Rating Scheme" for micro and small enterprises (MSEs). The scheme is being operated through six accredited rating agencies viz., CRISIL, SMERA, ONICRA, CARE, FITCH and ICRA. All rating agencies have been following a uniform rating scale based on the rating methodology which covers a combination of credit and performance factors measuring operation,

	financial, business and management risks. The rating under the scheme serves as a trusted third party opinion on the capabilities and creditworthiness of the MSEs.
10. Bringing down the rate of interest of term loan and working capital loan from the present rate to provide the support to MSME sector/Small Exporters. **(Para no. 28).**	The RBI has informed that with a view to enhancing transparency in lending rates of banks and enabling better assessment of transmission of monetary policy, all scheduled commercial banks have been advised vide circular DBOD. No. Dir. BC 88 /13.03.00/2009-10 dated April 9, 2010 to introduce the Base Rate system w.e.f. July 1, 2010. Accordingly, the Base Rate System has replaced the BPLR system with effect from July 1, 2010. All categories of loans would henceforth be priced only with reference to the Base Rate. Since the Base Rate will be the minimum rate for all loans, banks are not permitted to resort to any lending below the Base Rate It is expected that the above deregulation of lending rate will increase the credit flow to small borrowers at reasonable rate. Further, SIDBI has informed as under: ● In order to make the lending rates more affordable to the Micro, Small and Medium Enterprises (MSMEs), SIDBI has reduced its PLR to 11% p.a., which is one of the lowest in the banking industry. ● SIDBI extends Refinance support to SFCs below its PLR of 11% p.a., the present rates being 9% p.a. for loans upto 5 years and 9.25% p.a. for loans above 5 years. ● The interest rate structure under Refinance Schemes to banks/ RRBs/ Cooperative banks under MSE Refinance Scheme are negotiated in terms of market rate, tenure etc. ● The Bank has introduced a Scheme for “Promoting Investment in Energy Efficiency projects in MSME sector” to provide loan assistance at concessional terms at the interest rate of 9.5-10% to MSMEs to invest in energy saving technologies. ● To reduce the cost of funds for MSEs, SIDBI has not been levying upfront fee/processing charges and pre-payment interest for loans upto Rs.5 lakh (loan limit increased from Rs.2 lakh to Rs.5 lakh).

	● Where MSME financing is supported by some of the Government Schemes (like CLCSS, TUFS, etc), the effective rate(s) of interest works out lower. ● Interest incentive upto 1% is granted to the borrowers in the MSMEs (with loans upto Rs. 10 crore) who have good rating from SMERA.
11. Agencies like Credit Information Bureau of India Ltd. (CIBIL) may maintain proper records of those who have repaid the loan on time so that their credit worthiness may be reflected accordingly. **(Para no. 31)**	It has been informed by RBI that they had issued a circular DBOD No. DL.BC.111/20.16.001/2001-02 dated June 4, 2002 regarding "Submission of Credit Information to Credit Information Bureau". Further, the RBI vide their circular dated October 1, 2002 has advised banks/financial institutions to furnish the details of credit information of non-suit filed accounts also to CIBIL. Moreover, the RBI circular DOBD No. DL.BC.138/20.16.042/2008-09 dated June 24, 2009 regarding "Access to own credit report" would enable accessing credit reports. In this regard, CIBIL has informed as under: CIBIL obtains credit information from Credit Institutions. This information is collated into credit reports and provided to CIBIL's members and consumers at their request. In accordance with Section 9.3.3 of Credit Information Companies (Regulation) Act, 2005, CIBIL cannot modify any information in the database without confirmation from the relevant Credit Institution. Any deletions or updates in the credit information will be done once the members inform CIBIL about the change.
12. The lending rate of interest to SME sector to be not more than 7% **(Para no. 31).**	As mentioned in the comments on the issue at para no. 28, in order to make credit pricing more transparent, RBI has issued guidelines on the Base Rate on 9^{th} April, 2010. The Base Rate system has replaced the BPLR system with effect from July 1, 2010. The Base Rate system is aimed at enhancing transparency in lending rates of banks and enabling better assessment of transmission of monetary policy.
13. The importance of setting up of SME exchanges was stressed **(Para no. 6 and 31).**	Regarding the setting up of SME exchange, SEBI has issued a detailed circular on 'Setting up of a stock exchange/a trading platform by a recognized stock exchange having nationwide trading terminals for small and medium enterprises (SME). The details are on the website of SEBI at **www.sebi.gov.in**

14. Credit at affordable rate **(Para No.13)**	Same as indicated in the comments on the issue at Para No. 28.
15. Importance of Micro credit. **(Para No.18)**	The Government has launched a Scheme of Micro Finance Programme in 2003-04. The scheme has been tied up with the existing programme of SIDBI by way of contributing towards security deposits required from the MFIs/NGOs to get loan from SIDBI. The scheme is being operated in underserved States and underserved pockets/districts of other States. The Government of India provides funds for Micro-Finance Programme to SIDBI, which is called Portfolio Risk Fund' (PRF). At present SIDBI takes fixed deposit equal to 10% of the loan amount. The share of MFIs/NGOs is 2.5% of the loan amount (i.e. 25% of security deposit) and balance 7.5% (i.e. 75% of security deposit) is adjusted from the funds provided by the Government of India. So far, the Government has released an amount of Rs.100.00 crore towards 'Portfolio Risk Fund' (PRF). As on 31st October 2010, cumulative loan amount of Rs.1461.44 crore has been provided to MFIs/NGOs under the Scheme benefiting approximately 21.85 lakh persons.

Delayed payment	
1. Problem of delayed payment. **(Para No.15)**	The member of NBMSME has been intimated vide letter No.1(6)/2010-MSME Policy dated 05.8.2010 about the various action taken by this office on implementation of the provisions related to Delayed Payment in MSMED Act 2006.
2. The issue of non-inclusion of delayed payment problem in the PM Task Force Report. A small amendment in Income Tax Act can take care of delayed payment issue. **(Para No.21)**	The member of NBMSME has been informed vide letter No.1(6)/2010-MSME Policy dated 05.8.2010 regarding the amendment which has already been done in the Income Tax Rules 1962 to give effect to the provisions of section 23 of the MSMED Act 2006 and requested for suggestion for further amendment, if any required, on the same. However, this office has not received any further reference from member of NBMSME**.**

Tax related issues	
1. Central Excise Duty Exemption for MSME Clusters. **(Para No.12)**	The office of the DC (MSME) has taken up the matter with Deptt. Of Revenue, Ministry of Finance.

2. Tax & Excise Duty exemption for Generator sets. **(Para No.19)**	The office of the DC (MSME) has taken up the matter with Deptt. Of Revenue, Ministry of Finance.
3. Mechanism for the implementation of Goods and Services Tax (GST). **(Para No.20)**	-do-
4. Tax break for large industries outsourcing its raw materials and intermediate products from MSE Sector. **(Para No.27)**	-do-
5. Avoiding of unnecessary taxes levied by the local bodies on enterprises located in the industrial estates. **(Para No.30)**	-do-

Credit Linked Capital Subsidy Scheme (CLCSS)	
1. Procurement of Generator set should be under the coverage of CLCSS. **(Para No.19)**	As per guidelines of CLCSS, the cost of Generator Sets and extra Transformer installed by the unit as per the regulations of the State Electricity Board is not allowed for subsidy benefit under CLCSS except otherwise specified in the guidelines.
2. The maximum limit of CLCSS should be enhanced, keeping in mind the increase in SSI Investment limit under MSMED Act. **(Para No.21)**	This matter was also discussed in the 6th Meeting of Governing and Technology Approval Board of Ministry of MSME held on 16.12.2009. It was discussed that raising the ceiling on loans eligible for subsidy from Rs. 1crore to Rs. 5 crore will bring larger size firms under the ambit of the scheme which may deprive the small units of the benefits under the scheme. Since there were limited funds available under the scheme, it was to keep the focus on the smaller units which were more in need of assistance. The Committee, therefore, rejected the proposals of enhancing the existing ceiling on loans eligible of subsidy of Rs. 1 crore under the scheme. Therefore, the Ministry does not support it.

Cluster Related Aspects	
1. The need for promoting clusters based on agro products, bamboo and hard board. Also, the importance of co-operation of large industries for the growth of the ancillary clusters. **(Para no.11)**	Under MSE-CDP, O/o DC(MSME) has taken a number of clusters for development on agro / food products and cane and bamboo products. So far 74 clusters have been taken for agro / food products and 15 clusters for cane and bamboo, Jute products. Further, MSE-CDP is open for all product group clusters.

	For promoting ancillary clusters, under modified MSE-CDP guidelines, provision had been made for large mother manufacturing firms (Public or private sector), other major buyers of cluster, MSE-products, commercial machinery suppliers, raw material suppliers, and BDS providers to contribute upto 49% for SPV, provided, management of SPV remains clearly with the intended beneficiary SPV.
2. The demand for establishment of Mini Clusters, multi product clusters at every district and Parliamentary constituency throughout the country. (**Para no. 25**)	The present cluster development programme does not envisage setting up of new clusters; rather MSE-CDP scheme is for supporting existing clusters producing same / similar products / services.

Infrastructure	
1. The need for setting up Micro Industrial estates at district level in every State so that this could be graduated into small & medium industrial estates. **(Para No.17)** 2. Inadequate power and water supply. **(Para No.19)**	O/o DC (MSME) has been operating a scheme named Micro & Small Enterprises – Cluster Development Programme (MSE-CDP) which has also infrastructure development component to strengthen/create Internal Road, Power supply, Water supply, Drainage, Road side greenery etc. Under the provision of the scheme, initially, one Infrastructure Development (ID) centre can be created/ upgraded in one district, Second/ subsequent project in a district will be considered only if the sites developed in the earlier project (s) have been allotted. The scheme is demand driven and proposals for setting up of ID centre in a district is only considered after such request is received from State Govt./UTs So far 124 IID centres have been sanctioned in country including 20 IID centres in Tamilnadu. The project cost eligible for grant is limited to Rs. 10.00 crore, which is shared by Central Govt. and concerned State Govt. in ratio of 60:40 (except 80:20 in case of NE & Hill States, industrial areas/ estates with more than 50% (a) micro (b) women owned (c) SC/ST units).

Other issues	
1. Marketing and low cost production: Better marketing initiatives, low cost production and improved product quality would equip MSME Sector to face global competition. **(Para No.9)**	The National Manufacturing Competitiveness Council (NMCC) had conceptualized and finalized 10 components for enhancing the competitiveness and productivity in MSME sector. Ministry of Micro, Small and Medium (MSME) is pursuing these suggestions as part of its National Manufacturing Competitiveness Programme(NMCP). Out of 10 components, one of them is Marketing Assistance & Technology Upgradation Scheme for MSMEs.

	The major activities proposed in the scheme are Technology Upgradation in Packaging, Skill Upgradation/Development of Modern Market Techniques, Study of Threatened products, special components for North Eastern region (Participation of MSMEs of NER in domestic exhibitions organized in other parts of the country), New market through State/District level local exhibitions/trade fairs, Corporate Governance practices, Reimbursement to ISO-18000/22000/27000 Certification and Setting up of Marketing Hubs in the premises of selected MSME-DIs. The details of some of the other components of NMCP which are aimed at improving competitiveness and enhancing market access are as following. (1) Lean Manufacturing Competitiveness Scheme with the purpose of reducing manufacturing waste thereby increasing competitiveness and productivity of the MSMEs. (2) Design Clinics Scheme (3) Promotion of ICT in Indian Manufacturing Sector (4) Mini Tool Rooms (5) QMS/QTT (6) Technology & Quality Upgradation Support for MSMEs.
2. Ancillary enterprises: Cooperation of large industries is essential for the growth of ancillary clusters. Monitoring of plant level committee meetings for the sake of development of ancillary enterprises. **(Para No.11)**	Office of DC (MSME) is operating the Plan Scheme "Vendor Development Programme for Ancillarisation" and it is being implemented by MSME-Development Institute in every State of the country by organizing National and State Level Vendor Development Programmes for the growth of ancillary Enterprises. In Vendor Development Programmes, large scale organization/public sector and MSME exhibit their products for establishing a long term business relationship between them. In every Vendor Development Programme, there is a Seminar/Workshop/ Buyer Seller Meet wherein buyers i.e. large scale organization/public sector and MSME play active role in the interactive session of the programme. There is a business enquiry ranging from Rs.10 crore to Rs.20 crore being generated during the interactive session of the Vendor Development Programmes. Therefore, the Vendor Development Programme creates marketing linkages for the development of Ancillary Enterprises. Prior to deletion of Bureau of Public Enterprises Guidelines in 1997, Plant Level Committee for the development of Ancillary Enterprises headed by Director of Industries of the State Govt. and Director, MSME-Development Institute as a Member Secretary of the Committee along with Members from Industry Associations and Mother Plant were conducted for the growth of Ancillary Enterprises. Since then the Plant Level Committee ceases to exist in almost all States and there was no monitoring of Plant Level Meetings for the development of Ancillary Enterprises.

3. Provident fund: The provisions and rules of Provident Fund in Jammu & Kashmir need to be amended to make it at par with other States. **(Para No.13)** 4. Wages & social security: Minimum wages and social security should be ensured in the MSME Sector. **(Para No.14)**	The issues raised by the members of NBMSME have been taken up with the Ministry of Labour and Employment, Government of India vide letter No.1(6)/2010-MSME Policy dated 05.8.2010 with a request to provide views/comments on the same. However, the response from the Ministry of Labour and Employment, Government of India is still awaited. The matter has again been reminded vide letter of even no. dated 9.11.2010
5. Skill development: There should be special programmes for skill development with industry linkages. Necessity of Skill Development Centres and labour market information system at District level. **(Para No.14, 16 & 22)**	Involving MSME Enterprises/Entrepreneurs in experience- sharing with the participants is a regular feature of the skill development programmes (EDP/ESDP/MDP/IMC) conducted by MSME-DIs. Visits to the enterprises in the target sector are also part of the curricula. The MSME-DIs and their branches function as skill development centres and organize various skill development programmes at district level. Also, under the Assistance to Training Institutions Scheme of the Ministry, skill development centres are being promoted on PPP mode. Regarding the labour marketing information system, the Ministry of Labour & Employment is developing a scheme. Under the EDP (ESDP/EDP/MDP/IMC) Scheme of DC (MSME), skill development programmes are organized at the all-India level and budget of Rs.23.75 Crore has been made available for the current year 2010-11.
6. There should be suitable amendment in the current Apprentice Act so as to make it more comprehensive and remunerative. All Industry related service business enterprises should be classified under head of industries so as to make it more comprehensive. (**Para No. 22**)	The suggestion for amendment in the Apprentices Act, 1961 to make it more comprehensive is under the consideration of the Government. The concept of Industry related Service and Business enterprises have now been done away with. Now, under MSMED Act, 2006, enterprises have been classified into Service and Manufacturing enterprises. Earlier Small Scale Industries contained all the manufacturing activities and hence, on the same analogy the word 'Manufacturing' is considered as industrial activity. Service sector is altogether different from manufacturing sector (Industry).
7. Promotion of green products and green energy initiatives. **(Para No. 23)**	A scheme in the name of "Technology and Quality Upgradation Support to MSME" is available for the MSME sector. The objective of the scheme is to enhance the competitiveness of the MSME sector through energy efficiency and product quality certification. The scheme will also deal with the issue relating to reduction in emission of Green House Gases by the MSME sector through energy efficiency. The major activities under the scheme are :

	(i) Capacity Building of MSME clusters for Energy Efficiency/Clean Development Interventions and other technologies mandated as per the global standards. (ii) Implementation of Energy Efficient Technologies (EET) in MSME units. (iii) Setting up of Carbon Credit Aggregation Centres (CCA) for introducing and popularizing clean development mechanism (CDM) un MSME clusters. (iv) Encouraging MSMEs to acquire product certification/licenses from National / International bodies and adopt other technologies mandated as per the global standards.
8. North-eastern States: The need for attention to the issues concerning SMEs in North-eastern region. Establishment of better trade relations between South East Asian Countries and MSMEs from North-eastern region. (**Para no. 29**)	There is special dispensation for NE region in many schemes of Ministry of MSME. The Micro and Small Enterprises-Cluster Development Programme (MSE-CDP) offers 90% of sanctioned project cost as grant component to NE Region under soft and hard interventions whereas it is 75% and 70% respectively for other States. Also, there is 80% grant component for infrastructure development as compared to 60% grant component for other States. The Credit Guarantee Fund Scheme (CGFS) provides guarantee cover upto 80% of the credit facility availed in the NE region as compared to 75% cover for other States. Under Market Development Assistance scheme of O/o DC (MSME), entrepreneurs from North Eastern Region would get 100% subsidy on air fare and space rental charges restricted to Rs. 1.25 lakhs per unit for participation in trade fairs. The selection of clusters under SFURTI scheme intends to locate at least 10% of clusters in the region. In addition, Prime Minister's Employment Generation Programme (PMEGP) stipulates only 5% contribution from entrepreneurs from NE region whereas it is 10% for general category States. Look-East policy was launched in 1992 by Govt. of India .This policy, which was primarily directed towards improving relations with ASEAN countries, will now be enlarged to cover other nations of the region such as China, Japan and Korea to facilitate more political and economic integration. In order to tap the substantial potential of Asian Economic Integration, the Government has initiated various Comprehensive Economic Partnership Agreement (CEPA)/Free trade Agreements (FTA).
9. Dissemination of information: the websites of Ministry of MSME & Office of the DC(MSME) needs to be updated regularly. **(Para No.30)**	Websites of the Ministry of MSME and O/o the DC (MSME) are updated in respect of programmes / schemes on regular basis in coordination with NIC. Also, with a view to disseminate information in an effective manner, a call centre for Micro, Small and Medium Enterprises (MSMEs) i.e. the Udyami Helpline was set up in August 2010.

10. Procurement: Suggestion for more procurement of products from Jammu & Kashmir by central agencies. The details of procurement of products from MSMEs by public agencies should be properly displayed on their websites. **(Para No.13 & 31)**	The suggestions have already been considered under proposed Public Procurement Policy for MSEs, which aims at enhancing the share of MSEs in Government Procurements. The policy also provides for preparation of Annual Procurement Plan by the Central Agencies and putting up the same on their website.
11. Importance of sharing of information on latest developments and technologies for the benefit of the MSMEs. **(Para no.15)**	A call centre for Micro, Small and Medium Enterprises (MSMEs) i.e. the Udyami Helpline was set up in August 2010, in collaboration with Telecommunications Consultants India Limited, a Government of India enterprise, for providing information on a wide range of subjects including guidance on how to set up an enterprise, access loans from banks, project profiles and the various schemes being implemented by the Government for the promotion of MSMEs. The Helpline also facilitates lodging of complaints with various agencies of Central and State Governments dealing with MSMEs, including banks. The helpline is operational between 6:00 AM to 10:00 PM and operates on all 365 days including Sundays and holidays. This facility has been set up in New Delhi and can be accessed from all over the country through a single toll free number (1800-180-6763). It may also be mentioned that office of DC (MSME) website has an important link on "HOME" page namely "USEFUL LINK", under which various technology related organizations (Govt. & Autonomous) can be accessed through the links for the benefits of MSMEs.
12. Application of information and communication technology for the growth of the sector. **(Para no.18)**	The scheme “Promotion of Information and Communication Technology (ICT)” in MSME sector under the NMCP has been approved on 06/08/2010 for the implementation in the identified potential MSME clusters. The scheme guideline is available on the website www.dcmsme.gov.in
13. Lack of synergy between centre and states in issue relating to MSME. **(Para no. 18)**	The network of 30 MSME – Development Institutes and 28 Branch MSME – Development Institutes and two MSME-TIs set up in the State Capitals and other industrial cities all over the country co-ordinate with District Industries Centers and act as linkages with State Govt. functionaries to implement MSME policies and programmes. MSME-DIs have State Level Advisory Board (SLAB) chaired by Secretary (Industries) of respective Sates and its meeting is being conducted once in a year deliberating MSME Policy & Programme for the Development and promotion of MSMEs in the State.
14. New opportunities are required to be created through innovation. **(Para no. 20)**	A scheme on Technology Acquisition / Development Fund is in the process of formulation in consultation with Planning Commission and Department of Expenditure to support MSMEs to undertake Technology acquisition, adaptation and innovation to enable them to move up the value chain and effectively meet the challenges of a

	competitive environment. The proposal has been forwarded to Planning Commission / Department of Expenditure for their in-principle approval. There is also a scheme namely “Support for Entrepreneurial and Managerial Development of SMEs through Incubators”. This component aims at nurturing innovative business ideas (new/ ingenious technology, process, products, procedures, etc) which could be commercialized in a year. Under this component various institutions like Engineering Colleges, Management Institutions, Research Laboratories, etc are provided funds up to Rs. 6.25 lakh for hand holding each new idea/entrepreneurs. The Incubators provide technology/guidance, workshop and laboratory support and linkage to other agencies for successful launching of the Business and guide the entrepreneur in establishing the enterprise.
15. Issues relating to distribution of raw materials by NSIC **(Para. 35)**	Raw material distribution/ assistance to MSMEs is one of the major activities of NSIC and it is distributing Iron and Steel, Aluminum, Copper, Zinc, Paraffin wax etc. to MSMEs all over the country. As regard to coal, allocation of coal by Coal India Ltd., for MSMEs is made to all the States and Uts. The State Govt. nominates the agency/ agencies for distribution of coal to MSMEs in the particular state. Up till now only the State Govt. of West Bengal and recently Govt. of Orissa have nominated NSIC for distribution of coal to MSMEs in these states. In 2009-10, 33016 MT coal was distributed by NSIC to MSMEs in the State of West Bengal. NSIC have approached all other State Governments and requested them to nominate NSIC as one of the agencies to distribute coal to MSMEs in their state. .

AGENDA ITEM No. II

Discussion on Micro and Small Enterprises – Cluster Development Programmes (MSE-CDP): Achievements and Prospects.

1. Background

1.1 **Definition of Cluster:** A cluster is a group of enterprises located within an identifiable and as far as practicable, contiguous area and producing same/similar products/services. The essential characteristics of enterprises in a cluster are (a) Similarity or complementarity in the methods of production, quality control and testing, energy consumption, pollution control, etc (b) Similar level of technology and marketing strategies/practices (c) Channels for communication among the members of the cluster (d) Common challenges and opportunities.

1.2 **Cluster Development Initiatives of the Ministry of MSME:** 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 Micro, Small and Medium Enterprises (MSME) has been laying special emphasis on development of clusters and launched a special scheme known as 'Integrated Technology Upgradation and Management Programme' (UPTECH) in 1998. Although cluster based, UPTECH was essentially technology focused and its main activities comprised of setting up demonstration plants and organizing workshops, seminars, etc. for quicker diffusion of technology across the cluster. 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.

1.3 **Subsuming of Integrated Infrastructural Development Scheme (IID) Scheme:** Since 1994, the Ministry had also been supporting creation and upgradation of industrial infrastructure in the States. In accordance with decisions of the Package for Promotion of MSEs announced in 2007, the erstwhile Integrated Infrastructural Development (IID) Scheme of the Ministry was subsumed under Micro & Small Enterprises – Cluster Development Programme (MSE-CDP) in October 2007, with the existing funding pattern. Modified guidelines of MSE-CDP with enhanced funding were issued on 10th February 2010.

2. Objectives of the Scheme:

The MSE-CDP Scheme aims at holistic and integrated development of micro and small enterprises through Soft Interventions (such as diagnostic study, capacity building, marketing development, export promotion, skill development, technology upgradation, organizing workshops, seminars, training, study visits, exposure visits, etc.), Hard Interventions (setting up of Common Facility Centers) and Infrastructure Upgradation (create/upgrade infrastructural facilities in the new/existing industrial areas/ clusters of MSEs).

2.1 To support the sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills and quality, market access, access to capital, etc.

2.2 To build capacity of MSEs for common supportive action through formation of self help groups, consortia, upgradation of associations, etc.

2.3 To create/upgrade infrastructural facilities in the new/existing industrial areas/ clusters of MSEs

2.4 To set up common facility centres (for testing, training centre, raw material depot, effluent treatment, complementing production processes, etc).

3. Scope of the Scheme :

3.1 Diagnostic Study Reports (DSR):

3.1.1 The objective of conducting diagnostic study in a cluster is to map all the business processes of the cluster units viz. manufacturing processes, technology, marketing, quality control, testing, purchase, outsourcing, etc to find out its strengths, weaknesses, threats and opportunities (SWOT), problems and impediments, suggestions and a well-drawn action plan for enhancing competitiveness of the units of the cluster and to position the cluster on a self sustaining trajectory of growth. The Study should focus on enhanced competitiveness, technology improvement, adoption of best manufacturing practices, marketing of products, employment generation, etc. There has to be direct linkages between the problems highlighted in the report and the measures suggested for improvement.

3.1.2 The DSR should preferably be prepared by the end users other agencies involved in preparation of DSRs should have relevant expertise in cluster development. Specific needs of the cluster should be examined and included in the DSR.

3.1.3 GoI grant of maximum Rs 2.50 lakh will be provided for preparation of DSR for one cluster. For the field organizations of the Ministry of MSME, this financial support will be Rs 1.00 lakh. 50% of the amount sanctioned will be released after the approval. Balance 50% will be released only after acceptance of report. DSR for one cluster should be prepared within a period of 3 months.

3.2 Soft Interventions

3.2.1 Soft activities consist of activities which lead to creation of general awareness, counseling, motivation and trust building, exposure visits, market development including exports, participation in seminars, workshops and training programmes on technology upgradation, etc. These interventions bring about general attitudinal changes necessary to initiate improvement in the existing style of working of the MSEs in the cluster.

3.2.2 The critical mass in a cluster for effectively realising the demonstrative impact of soft interventions should be maximum but not less than 25 units participating in the cluster development activities. However, for difficult and backward regions and for special entrepreneurs groups having a sizeable presence of Women/SC/ ST/Minorities, the critical mass could be 20.

3.2.3 Maximum limit for project cost would be Rs 25.00 lakh per cluster. GoI grant will be 75% of the sanctioned amount of the project cost. For NE & Hill States, Clusters with more than 50% (a) micro/ village (b) women owned (c) SC/ST units, the GoI grant will be 90%. The cost of project will be moderated as per size/ turnover of the cluster. The share of the cluster beneficiaries should be as high as possible but not less than 10 per cent of the total cost. The duration of soft interventions will be maximum 18 months.

3.3 **Detailed Project Report** (DPR):

3.3.1 GoI grant of maximum Rs 5.00 lakh for preparation of a technical feasible and financially viable project report for setting up of a Common Facility Center for cluster of MSE units and/or infrastructure development project for new industrial estate/ area or for upgradation of existing infrastructure in existing industrial estate/ area/cluster. The DPR should include financial analysis like internal rate of return, break-even point, debt-service coverage ratio, sensitivity analysis, etc., using basic templates such as projected profit & loss account, projected balance sheet etc. DPR should be appraised by a bank (if bank financing is involved)/independent Technical Consultancy Organization/ SIDBI.

3.4 **Hard Interventions** (**Common Facility Centre**s)

3.4.1 Creation of tangible "assets" like Testing Facility, Design Centre, Production Centre, Effluent Treatment Plant, Training Centre, R&D Centre, Raw Material Bank/Sales Depot, Product Display Centre, Information Centre, any other need based facility.

3.4.2 GoI grant of 70% of the cost of project of maximum Rs 15.00 crore. GoI grant will be 90% for CFCs in NE & Hill States, Clusters with more than 50% (a) micro/ village (b) women owned (c) SC/ST units.

3.4.3 The entire cost of land and building for CFC shall be met by SPV/State Government concerned. CFC can be set up in leased premises.

3.4.4 It is necessary to form an SPV prior to setting up of and running the proposed CFC. An SPV is a clear legal entity (Cooperative Society, Registered Society, Trust or a Company) with evidence of prior experience of positive collaboration among its members. The SPV should have a character of inclusiveness wherein provision for enrolling new members to enable prospective entrepreneurs in the cluster to utilise the facility should be provided.

3.4.5 There should be a minimum of 20 MSE cluster units serving as members of the Special Purpose Vehicle (SPV). There is no ceiling on the maximum number of members. In special cases, where considerations of investments, technology or small size of the cluster warrant lesser number of units, a minimum of 10 MSE units may be considered for the SPV.

3.4.6 The share of the cluster beneficiaries should be as high as possible but not less than 10 per cent of the total cost of CFC.

3.4.7 Large mother manufacturing firms (whether in the public or private sector), other major buyers of the cluster MSE products, commercial machinery suppliers, raw material suppliers and business development service (BDS) providers will be eligible to contribute up to 49 per cent for

SPV, provided management of SPV remains clearly with the intended beneficiary SPV.

3.4.8 The CFC should be operationslised within two years from the date of final approval, unless extended with the approval of Steering Committee. A Tripartite Agreement among the GoI, the State Government concerned and the SPV shall be signed for CFC projects.

3.5 Infrastructure Development

3.5.1 Development of land, provision of water supply, drainage, Power distribution, non- conventional sources of Energy for common captive use, construction of roads, common facilities such as First Aid Centre, Canteen, other need based infrastructural facilities in new industrial (multi- product) areas/estates or existing industrial areas/estates/clusters.

3.5.2 The location of the Projects should have access to basic facilities like Proximity to railway stations / state highways, Availability of water supply, power, telecommunication facilities etc.

3.5.3 The GoI grant will be restricted to 60% of the cost of project of Rs 10.00 crore. GoI grant will be 80% for projects in NE & Hill States, industrial areas/ estates with more than 50% (a) micro (b) women owned (c) SC/ST units.

3.5.4 The State/UT Governments will provide suitable land for the Projects.

3.5.5 The project should be completed within two years from the date of final approval. Second/ subsequent project in a district will be considered only if the sites developed in the earlier project (s) have been allotted.

3.6 Exhibition Centres by Associations of Women Entrepreneurs: The GoI assistance shall also be available to Associations of Women Entrepreneurs for establishing exhibition centres at central places for display and sale of products of women owned micro and small enterprises @ 40% of the project cost. The GoI contribution will be towards furnishings, furniture, fittings, items of permanent display, miscellaneous assets like generators, etc.

4. Benefits of the Cluster Development Scheme:

Cluster Development approach is considered as an effective approach for inducing competitiveness in the industry by ensuring inter-firm cooperation based on networking and trust. Due to geographical proximity of units and homogeneity/similarity of products, development interventions can be made for a large number of units and simultaneously leading to higher gains at lower cost of implementation. The approach also aims for sustainability in long run.

- helps overcome disadvantages of lack of economies of scale and weak capital base
- increase competitiveness by leveraging the advantages of flexible structure and faster decision- making process
- better responsiveness to market challenges
- quicker dissemination of information
- sharing of best practices (organisational capabilities, skills, technological innovations)
- better cost effectiveness due to distribution of many common costs
- wider public appropriation of benefits

5. Implementation Agencies:

<table>
<tr><th>Activity</th><th>Implementing Agency</th></tr>
<tr><td>Diagnostic study</td><td rowspan="3">• Offices of the Ministry of MSME
• Offices of State Governments
• National and international institutions engaged in development of the MSE sector.
• Any other institution/agency approved by the Ministry of MSME</td></tr>
<tr><td>Soft Interventions</td></tr>
<tr><td>Setting up of CFC</td></tr>
<tr><td>Infrastructure Development projects</td><td>State/UT Governments through an appropriate state government agency with a good track record in implementing such projects.</td></tr>
</table>

6. **Project Approval**:

The proposals under the scheme will be considered for approval by the Steering Committee of the MSE-CDP under the Chairmanship of Secretary (MSME). Proposals for DSR, DPR and Soft Interventions will be approved in one stage only. Hard interventions (CFC) and infrastructure development projects will be approved in two stages: In-principle approval and final approval.

7. **Monitoring and Evaluation**:

7.1 The Development Commissioner (MSME) will be the apex body for coordinating and overseeing the progress of the projects.

7.2 In case of projects implemented by the State Governments, their autonomous bodies and SPVs, monitoring of the projects will be the responsibility of the State Governments concerned to ensure satisfactory and time-bound implementation of the activities. Each State Government will also be required to constitute a Project Steering Committee under the chairmanship of Secretary or Director of Industries and consisting of representatives of all stakeholders for this purpose.

8. **Progress**:

471 clusters have been undertaken for various cluster development interventions (i.e. diagnostic study, soft interventions, hard interventions) in the country. Moreover, 124 proposals (including 28 for upgradation of existing industrial estates) have been for infrastructure development under the scheme since its launch.

8.1	**Ongoing Cluster development projects**	
	Diagnostic Study	61
	Soft Interventions	110
	Hard Interventions	35
	Total	**206**
	Completed Projects	**265**
	Total	**471**
8.2	**Infrastructure Projects**	
	Ongoing Projects	36
	Completed Projects	88

STATE WISE DETAILS OF FINANCIAL ASSISTANCE

(Rs. In lakh)

S. No.	STATE/ UT	DETAILS OF FINANCIAL ASSISTANCE RELEASED					
		2007-08		2008-09		2009-10	
		SI, DSR, CFC	Infra	SI, DSR, CFC	Infra	SI, DSR, CFC	Infra
1	Andhra Pradesh	4.50	24.17	12.75	11.19	42.57	0
2	Arunachal Pradesh	5.00	0	9.00	0	0.00	60.00
3	Assam	10.70	84.70	29.10	319.89	93.19	432.56
4	Bihar	11.30	0	8.37	0	17.56	0
5	Chattisgarh	15.16	146.16	0.00	0	2.33	56.53
6	Delhi	1.30	0	0.50	0	16.01	0
8	Goa	1.00	0	0.00	0	0.00	0
7	Gujarat	0.45	25.25	2.25	0	2.00	0
9	Haryana	24.15	0	5.97	0	3.70	0
10	Himachal Pradesh	7.85	0	5.28	0	7.15	0
12	Jammu & Kashmir	0.00	0	0	0	0.50	65.09
11	Jharkhand	0.00	0	3.06	0	1.89	0
13	Karnataka	23.68	0	20.72	0	166.47	0
14	Kerala	196.80	79.90	312.53	0	157.60	37.20
16	Madhya Pradesh	18.99	38.12	7.19	12.86	10.05	29.87
15	Maharashtra	5.92	0	30.46	72.90	76.59	130.41
17	Manipur	5.00	0	17.10	0	3.00	0
19	Mizoram	5.00	115.30	20.50	0	9.00	0
18	Meghalaya	4.05	0	2.52	0	0.00	0
20	Nagaland	10.38	175.0	0.77	0	6.02	0
21	Orissa	67.57	0	16.97	33.73	131.85	0
22	Punjab	31.70	0	13.63	0	41.90	0
23	Rajasthan	41.83	0	62.23	147.18	63.66	112.84
24	Sikkim	0.00	0	0.00	0	1.50	0
25	Tamilnadu	73.85	29.47	261.00	50.65	273.67	49.68
26	Tripura	0.00	0	0.00	0	3.75	182.00
27	Uttar Pradesh	92.14	17.00	290.08	0	114.36	0
28	Uttrakhand	13.68	0	3.70	0	5.66	0
29	West Bengal	96.56	72.58	34.10	0	59.74	56.54

STATE-WISE LIST OF CLUSTERS TAKEN UNDER MSE-CDP

S. No.	State/UTs	No. of clusters taken up for diagnostic study, soft and hard interventions			No of infrastructure development proposals		
		Ongoing	Complete	Total	Ongoing	Complete	Total
1	Andhra Pradesh	3	24	27	0	4	4
2	Arunachal Pradesh	1	1	2	1	0	1
3	Assam	9	3	12	7	4	11
4	Bihar	4	4	8	0	0	0
5	Chattisgarh	0	2	2	2	2	4
6	Delhi	2	3	5	0	0	0
7	Gujarat	1	6	7	2	0	2
8	Goa	1	2	3	0	0	0
9	Haryana	2	4	6	0	21	21
10	Himachal Pradesh	1	2	3	1	0	1
11	Jharkhand	3	3	6	0	0	0
12	Jammu & Kashmir	1	2	3	1	1	2
13	Karnataka	8	7	15	1	3	4
14	Kerala	14	26	41	0	8	8
15	Maharashtra	20	8	29	1	3	4
16	Madhya Pradesh	3	4	7	4	3	7
17	Manipur	1	2	3	0	0	0
18	Meghalaya	0	2	2	0	0	0
19	Mizoram	1	2	3	0	2	2
20	Nagaland	1	2	3	0	1	1
21	Orissa	9	18	27	2	1	3
22	Punjab	7	14	21	1	2	3
23	Rajasthan	19	10	29	1	9	10
24	Sikkim	1	0	1	0	0	0
25	Tamilnadu	22	14	36	7	13	20
26	Tripura	2	2	4	1	0	1
27	Uttar Pradesh	33	83	116	0	8	8
28	Uttranchal	0	4	4	0	3	3
29	West Bengal	37	10	47	4	0	4
	Total	**206**	**265**	**471**	**36**	**88**	**124**

8. EMERGING ISSUES:

The implementation of the cluster development initiatives is the collective effort of the cluster actors, state governments, stakeholders, donors, policy makers, etc. There always have been some issues which slow down the implementation of cluster development initiatives. Some of the emerging issues include:

I. **Inordinate delay in forming SPVs**:

Most of the cluster development initiatives are implemented by Special Purpose Vehicles (SPVs). An SPV could be a company under Section 25 of Company Act 1956, a Trust or a Society (registered under Indian Societies Act 1860). It has been observed that group(s) of SMEs take a very long time in forming SPVs.

II. **Delay in Allocation of Land and Building**:

Land and building are not supported by the Government of India funds, under this scheme. Land and building have to be provided / arranged by the SPV or concerned State Government. There is a lot of delay in setting up of common facility centres etc. because of delay in availability of land and building.

III. **Poor Quality of DPRs/ DSRs**:-

Diagnostic study report is the most important document which lays the foundation of future cluster development action. Similarly, Detailed Project Report (DPR) is important for hard interventions/ infrastructure development projects. However, it has been observed that some of the DSRs/ DPRs are incomplete/ without validated action plant/ without complete technical information/ market strategy.

IV. **Non-Availability of BDS Providers**:

There is an acute shortage of the domain experts (Business Development Service Providers) particularly in the field of consortium formation, brand building, marketing, low cost automation, etc. The shortage in context of SME sector is also because of the lack of capability to pay the high fees / charges for the appropriate experts.

V. **Inefficient Associations**:

Micro unit or artisanal unit clusters generally do not have formal collective bodies for furtherance of their concerns. Artisans are generally busy in their day to day work as all the processes are to be accomplished by them and thus cannot spare time for collective activities.

VI. **Lack of Coordinated Approach**:

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

VII. **Delay in submitting DSR/DPRs:**

In most of the sanctioned projects, there has been delay in submission of diagnostic study reports/ detailed project reports. The stipulated time for submission of these reports is 3 months as per guidelines.

10. Success Stories / Achievements:

Cluster Development initiatives in Six Handmade Safety Match Clusters in Tamilnadu under MSE-CDP

Safety match manufacturing cluster is an artisan type cluster with about **2000 plus** handmade safety match manufacturing units in each growth centre located at **Virudhunagar, Sattur, Kovilpatti Kalugumalai, Srivilliputtur and Gudiyatham.** The industry has generated employment to about **2.5 lakh people** - both direct and indirect. These artisan type clusters are unable to withstand the threshold of competition emerged from the mechanized players. Hence, it was decided to form small groups and establish CFCs in 6 growth centres. With the active cooperation and support from Government of India and Government of Tamil Nadu, 6 consortia have been constituted by groups of likeminded entrepreneurs; each group having 25 to 35 members. Setting up of CFCs is the tool to **enhance the capabilities of the Micro and Small players and this was possible only through cluster initiatives.** The cluster mechanism evolved has created a synergy among safety match clusters under community movement to scale up their operation.

Details of the six Safety match CFCs

(Rs. In lakh)

Location of the cluster	GoI Contribution	Govt. of TN contribution	SPV Contribution	Total project cost	Name of the Consortium (25 – 35 members) Special Purpose Vehicle (SPV)
Periavallikulam, (rural) Virudhunagar	85.54	10.73	59.73 (Members share 25.00 Bnak Loan 34.73)	156.00	M/s Virudhunagar Match Consortium (P)Ltd,
Thulukapatti (Rural) Sattur	85.54	10.73	59.73 (Members share 25.00 Bnak Loan 34.73)	156.00	M/s Sattur Match Consortium (P) Ltd,
Puliangulam (Rural) Kovilpatti	85.54	10.73	59.73 (Members share 25.00 Bnak Loan 34.73)	156.00	M/s Kovilpatti Match Consortium (P)Ltd,
Koolaiyathevanpatti (Rural) Kalugumalai	85.54	10.73	59.73 (Members share 25.00 Bnak Loan 34.73)	156.00	M/s Kalugumalai Match Consortium (P)Ltd,

Koolaiyathevanpatti (Rural) Kalugumalai	85.54	10.73	59.73 (Members share 25.00 Bnak Loan 34.73)	156.00	M/s Kalugumalai Match Consortium (P)Ltd,
Singamalpuram (Urban) Srivilliputtur	85.54	10.73	59.73 (Members share 25.00 Bnak Loan 34.73)	156.00	M/s Srivilliputtu Match Consortium (P) Ltd,
Melmuttukur (Rural) Gudiyathan	85.54	10.73	59.73 (Members share 25.00 Bnak Loan 34.73)	156.00	M/sGudiyatham Match Consortium (P) Ltd,

Inauguration of CFC of Vridhunagar by the Honble Minister of MSME, Govt of India was the real inspiration which has created greater impact among the micro players. The Hon'ble Minister had inaugurated the CFC in a **small hamlet namely Periavallikulam.** The successful commissioning of this CFC in such hamlet in Tamilnadu has started getting attraction. Sizable members obtained employment opportunity in the CFC besides few micro enterprises started appearing in the rural areas.

All India Federation of Cottage Matches Manufacturers' Association, Virudhunagar has played a proactive role for strengthening the Clusters by encouraging all the players in the cluster to catalyze their synergies in specific areas like **marketing, investment and technology transferring process, modernization, etc.**

The highlights of safety match clusters are below:

1. Started creating employment opportunities in the hinterland. A tool to archive inclusive growth. Created employment opportunities at rural level
2. 6 consortia have created a Common Brand in the name of United Match
3. In the process of creating Federation of Safety match clusters
4. Shortly launching a common web-site
5. Already created a Common Raw material Bank with the support of Tamilnadu Government. **Creation of Raw Material Bank - cost advantage: 25%**

6. Appointed Chief of engineering for the 6 CFCs

7. In the process of establishing backward integration

8. R & D is underway for manufacturing of sulfur free match

9. Having common processing method and having uniform quality

10. Having the vision of establishing integrated safety match plant with the budget earmarked under the scheme.

11. Started showing the success in the short span of 6 to 9 months

12. MD and other 6 consortia members used to hold meeting frequently and take common decision for the interest of the cluster.

Creation of Common Brand:

The 6 consortia have come already created a Common Brand. The very objective of creating a Common brand is to exploit the market more vigorously with brand identity. The brand image has created new vista of growth of the handmade sector. They introduced a brand name called **"United Match". Patterning of this brand is underway.**

Cluster vision proposed in the Project Report

1. Increase the productivity by 40% by injecting modern machineries under cluster mode;
2. Increase the production level by 50%
3. Improve the per unit income level
4. Increase contribution to the livelihoods of the employees of the handmade safety match industries.
5. Eliminate of middlemen within 2 years
6. Exporting 15% of the production within 3 years.
7. Creating common Raw Material Procurement for reducing the cost by 20% and Launching common marketing to facilitate direct market penetration.

Consolidation Safety match Clusters – Comparative Advantages under cluster Initiatives

Details	Status			Remarks
	Pre intervention Situation	Present	Post intervention	
Creation of Raw Material Bank - cost advantages Procurement of Price of Potassium chlorate	Price Rs 64 - 75 per KG	Rs 60 Benefit = 20% Crisis time the RM price touched the peak of 108% (Rs.100-125)	20 - 30% Composite benefit	Pre intervention stage the price of P.chlorate was around Rs.64 – 75 per KG During the crisis time the price was in the order of Rs.100 – 125 per KG After cluster initiative price stabilized at Rs.60 Efforts already taken to procure Type 2 and 3 wax from CPCL through NSIC
Productivity	(-) 20	10 -20%	40 %	The Productivity at unit level will touch 40% in the first year of operation and production level will increase by 80 % plus in the later stages
Export of Safety matches:	Negligible	-	15 %	Pre-intervention period - Attempted to Export to S. African countries. But failed due to inconsistency in production. The Export Market will be exploited after the successful completion of the CFC with Common Brand
Income Level	Less than bench mark level	15%	50%	Unit level Visible benefit will increase by manifold after the technology break through

Future Interventions

The committed groups are in the process of undertaking the following cluster driven initiatives to propel the growth impulses within the cluster.

- **Formation of Raw material bank for wax**
- **Mass plantation of white matti and other suitable species for manufacturing splints.**
- **Construction of cardboard inner and outer boxes manufacturing plant within the consortia**
- **Establishment of Split manufacturing unit**
- **Identification of Attractive packing**
- **Establishing splint manufacturing plant by consortia in Kerala**
- **Linkages with technical & educational Institutions for technology improvement**
- **creating a market information and resource centre**
- **Establishing strong links among all other dependent clusters/markets**
- **Establishment of carborisation plant**

BRASS AND GERMAN SILVER UTENSILS CLUSTER, PAREB, PATNA (SOFT INTERVENTIONS AND HARD INTERVENTIONS)

MSME-DI, Patna conducted a Diagnostic Study in the Brass and German Silver Utensils Cluster, Pareb, Patna in the year 2004. Based upon the Diagnostic Study soft interventions were undertaken and subsequently hard interventions i.e setting up of one Common Facility Centre was also undertaken. There are 500 micro units in the cluster engaged in the manufacturing of various brass and German Silver utensil items. The products of the cluster are traditional / artisanal like Thali, Karahi, Parat, Lota, Glass made from Brass, Bronze and German Silver etc. The cluster is naturally evolved and dates back to 150 – 200 years.

The soft interventions performed during 2004-2007 include:

(I) Trust Building: - Formation of SPV named as Pareb Burtan Kutir Udyog Samiti, Pareb

(II) Training in modern non-ferrous castings techniques :- This helped in reduction in rejection rate and waste minimization.

(III) Training in energy conservation in collaboration : This helped in modification of Coke fired furnaces by adding chimney to make fuel efficient.

(IV) Exposure visit to Brass cluster, Muradabad, Agra, Aligarh, Mathura, Jagadari, Ludhiana and Rajkot :- Cluster actors got ideas for adoption of new products and technology.

As per need identified in the Diagnostic Study Report, a Common Facility Centre was established with a total project cost of Rs.121.00 lakh with GoI assistance of Rs. 101.00 lakh. The land and building worth Rs. 20.00 lakh was provided by the Special Purpose Vehicle (SPV). The CFCs equipped with all modern machines and equipment namely oil fired furnace, hot rolling mill, cold rolling mill, deep drawing press, diesel generating set, annealing furnace etc.

The Cluster development Initiatives has resulted in useful gains for the cluster units. The tangible results inlcude :-

Parameter/ Indicator	**Status before soft interventions (2004-05)**	**After interventions (2008-09)**	**Remarks**
Turnover of the cluster	Rs 23.50 crore	Rs 69.00 crore	Increased because of product diversification, new technology, training
Production	1500 MT	1800MT	
Rejection rate	10-20%	5%	Because of standardization of processes
Employment (direct & indirect)	4000	5000	Because of enhanced competitiveness which resulted in increase in production and employment
Energy cost of scrap melting	Rs. 6.00 / kg	Rs. 0.60 / kg	Because of introduction of oil fired furnace
Skill building	NA	36 members	
No. of Units	500	510	
Cost per unit of production	Rs. 40-50 / kg	Rs.30-40/kg	

The common facility centre is being run by the SPV i.e Pareb Bartan Kutir Udyog Samiti (Pareb) on sustainable basis. The state govt of Bihar has also actively supported the Common Facility Centre. It has sanctioned 100 kVa Captive Power Transformer for the CFC. The State Govt also allowed the members of the cluster to participate in the state level trade fairs, free of cost. In addition to this the govt of Bihar also removed VAT on the handicrafts item manufactured in the cluster.

Infrastructure Development Centre at Rangia, District Kamrup, Assam – implemented by Assam Industrial Infrastructure Development Corporation (AIIDC)

Assam Industrial Infrastructure Development Corporation (AIIDC) acts as a facilitator for development of infrastructure facilities in the State of Assam. Government of India sanctioned financial assistance for the setting up of new industrial estate at Rangia, District Kamrup, Assam in October, 2003 with total project cost of Rs.493.61 lakh including Central grant of Rs.394.89 lakh.

With the assistance and guidance from Central and State Governments, AIIDC successfully created the requisite infrastructural facilities like construction of road, drainage, power/water distribution network, truck parking area, office building-cum-store shed, bank building, post office building, canteen facilities etc. In all, 230 plots developed were allotted to MSEs. 19 MSEs have been established and are in various stage of production. Out of that 7 MSEs have started their commercial production. The units are involved in manufacturing of products like alluminium utensils, Bitumen emulsion, Steel fabrication, Detergent & Soap, PVC water tank & Pipes, Menthol Crystal, Herbal soap & shampoo, Paper products etc.

The performance indicators of the industrial estate are highlighted below:

- Ø Turnover – Rs. 55.00 crore
- Ø Employment
    - (a) Direct - 789
    - (b) Indirect - 2300

AGENDA ITEM No. III

Any other point / issue with the permission of the Chair.