

**GOVERNMENT OF INDIA
MINISTRY OF SMALL SCALE INDUSTRIES
OFFICE OF THE DEVELOPMENT COMMISSIONER
SMALL SCALE INDUSTRIES
(STATISTICS & DATABANK DIVISION)**

Subject: Scheme for capacity building, strengthening of database and advocacy by industry/ enterprise associations, as envisaged in the promotional package for micro and small enterprises (MSEs).

I. Background:

A reliable database is the key input in any policy decision-making process. This is more so for the micro and small enterprise (MSE) in view of its large size and wide disparity among the enterprises within the sector. The Office of the DC (SSI) conducts periodic Census for strengthening/updating the database on MSE sector. So far, this office has conducted three Census in the year 1971-72, 1992-93 and 2002-03. However, the limiting factor is the long gap between two Census and the high cost involved in conducting Census. In the intermittent period, two sources are used by this office for obtaining information/data on the status of the MSE sector. First is the District Industries Centres (DICs) of the State Governments, which furnish the updated information on the number of registered enterprises. But registered enterprises constitute only small percentage of the total number of enterprises, thereby leaving a huge data gap. The second important source is the MSE Associations, which are spread across the country. The present database with this office suggests the number of such Associations in the vicinity of 350, including both National and State level, and are mainly sector/product specific. This office has been using the services of these Associations from time to time, especially with regard to data on number of unregistered enterprises, production, exports, etc. relating to specific product groups like pump industry, drugs and pharmaceuticals, etc. However, limited availability of funds is the main constraint faced by these Associations in building a reliable database.

To strengthen the database for the MSE sector, the promotional package includes, inter alia, a new scheme for capacity building, strengthening of database and advocacy by

Industry/Enterprise Associations. The other proposal in this context is collection of statistics and information through annual sample surveys and quinquennial census.

II. Justification:

The Associations of Micro and Small Enterprises (MSEs) do not have adequate capacity to collect and interpret data relating to changes in the market scenario, owing to the limited availability of funds and the absence of expertise in the matter. As a result, their articulation of views on specific issues concerning to their product groups leaves much to be desired. In spite of the fact that the Associations of the MSEs have been made members of the SSI board and the members of the steering committees of certain national programmes for development of some products, their existing weakness prevent them from playing the expected role effectively. Even in their role as facilitators for their members in government assisted schemes like setting up of sub contracting exchanges, testing laboratories, etc., the capacity of these Associations has been found to be deficient. Associations play an important role in the Public Private Partnerships (PPP). Nevertheless it is felt that many product groups go unheard because of their associations being weak. As a result they are not able to get a favour in programmes and policies of the Government.

Therefore, this Scheme will be of great help to the associations in playing positive role in the development of SMEs in the country and articulating their views on different aspects related to SMEs. To strengthen their role and increase their efficiency, it is proposed that financial assistance for the secretarial and advisory/extension services to selected national Associations may be provided annually up to a maximum of Rs.5 lakh depending upon the size and reach of the Association. The beneficiary Associations will be required to provide the regular manpower at their own cost and office space and also make an equivalent/ matching contribution towards cost of modernisation of their facilities and equipment and training of their personnel.

The Expenditure Finance Committee (EFC) approval of the present Scheme included in the “Package for Promotion of Micro and Small Enterprises (SME)” has already been obtained together with other Schemes of the promotional package.

III. Proposal:

To strengthen the role and increase the efficiency of the associations of Micro and Small Enterprises, it is proposed that financial assistance for the Secretarial and Advisory/extension services to selected associations may be provided up to a maximum of Rs.5 lakh, depending upon the size and reach of the Association. The beneficiary Associations will be required to provide the regular manpower and office space at their own cost and also bear equivalent/ matching contribution towards cost of modernisation of their facilities and equipment and training of their personnel. Efforts will be made to cover a large number of Associations within the ambit of the Scheme and an Association receiving financial assistance under the Scheme will not be eligible to receive financial assistance again under the Scheme for the next three years.

IV. Financial Details:

A. Under the Scheme, the following machinery and equipment needed by the Associations for upgrading their capacity (both qualitatively and quantitatively) to collect and interpret data relating to changes in the market scenario, Sub-Contracting Exchanges, Testing Laboratories, etc. shall be eligible to receive financial assistance.

Phase I

(a)	Computer and its peripherals including software	-	Rs. 4,00,000/-
(b)	Furniture and Office Equipments, e.g. fax etc.	-	Rs. 1,50,000/-
(c)	Photocopier Machine and its Accessories	-	Rs. 2,00,000/-

Phase II

(d)	Consumables per annum	-	Rs. 1,00,000/-
(e)	Training of the staff	-	Rs. 50,000/-
(f)	Expenses on Travel etc.	-	Rs. 50,000/-
(g)	Contingent & other office expenses	-	<u>Rs. 50,000/-</u>

Total: **Rs.10,00,000/-**

B. As per the terms and conditions mentioned in the Promotional Package for Micro and Small Enterprises, 50 % of the cost of modernisation of their facilities and equipment and training of their personnel, etc. is to be borne by the Associations.

V. Scheme Outlay:

An outlay of Rs. 5 crore for the Scheme during the 11th plan period has been proposed. For the current year (2006-07), it is proposed that the expenditure under the Scheme shall be met out of the approved budget of the plan scheme “Collection of Statistics for the SSI sector” under which funds are available.

VI. Mechanism for operating the Scheme:

Upon approval of the Scheme, proposals will be invited from eligible SME Associations through SISI Offices located in various States/UTs. Along with the proposals, the Associations may clearly enlist deliverables expected as a result of the Scheme. On receipt of the proposals, the same will be placed before a Committee, inter-alia, to decide the criterion for selection of the Associations, for short-listing the Associations and the amount payable to each short listed Association. Thereafter, the recommendations of the Committee shall be submitted to the Competent Authority for release of funds. While submitting the proposal, the Associations will be required to undertake to meet 50% of the total sanctioned amount from out of their resources. The amount of the release of funds will be in two installments subject to the following:

Phase I

- (i) First installment of 50% of the sanctioned amount - upon approval of the proposal and subject to signing of the agreement.
- (ii) Balance 50% of the sanctioned amount - on furnishing of the utilization certificate as may be prescribed. The utilisation certificate should be for the entire amount sanctioned in Phase I.

Phase II

A similar procedure for Phase II shall be followed for release of funds.

To short list the Associations and to recommend the amount to be given to each Association, a Committee may be set up under the Chairmanship of the AS & DC (SSI) with the following composition:

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| 1. ADC (Planning) | Member |
| 2. Economic Adviser, M/o SSI | Member |
| 3. Industrial Adviser, O/o the DC (SSI | Member |
| 4. JDC (MSME Policy), O/o the DC (SSI) | Member |
| 5. Director/Commissioner of Industries, Govt. of Gujarat | Member* |
| 6. Director/Commissioner of Industries, Govt. of U P | Member* |
| 7. ADC/EA, O/o the DC (SSI) | Member Secretary |

* Two members shall represent the States on a rotational basis. The selection of the States will be made by the Ministry of SSI.

The Committee shall submit its recommendations to the Competent Authority for approval.
