

## **Unit III - Entrepreneurship in Small Scale industry (SSI)**

### **Contents**

Present status of Entrepreneurship in Small Scale Industries in India, Various problems faced by Entrepreneurs, Role of agencies like District Industries Centre (DIC), Small Industries Service Institute (SISI).

### **Meaning of Small Scale Industries:**

SSI are those industries that manufacture, produce and provide services on a small level. These are also known as Micro/Ancillary/Cottage/Khadi or Village Industries. These are called as the "Lifelines of a Developing Economies like India". These industries employ small/few number of employees/manpower with a maximum limit of 50, capital up to Rs. 10 crore and annual turnover does not exceed Rs. 50 crore. These industries must fall within the guidelines set by Government of India.

As per the Micro, Small and Medium Enterprises Act of 2006, the eligibility criteria to identify small industries are:

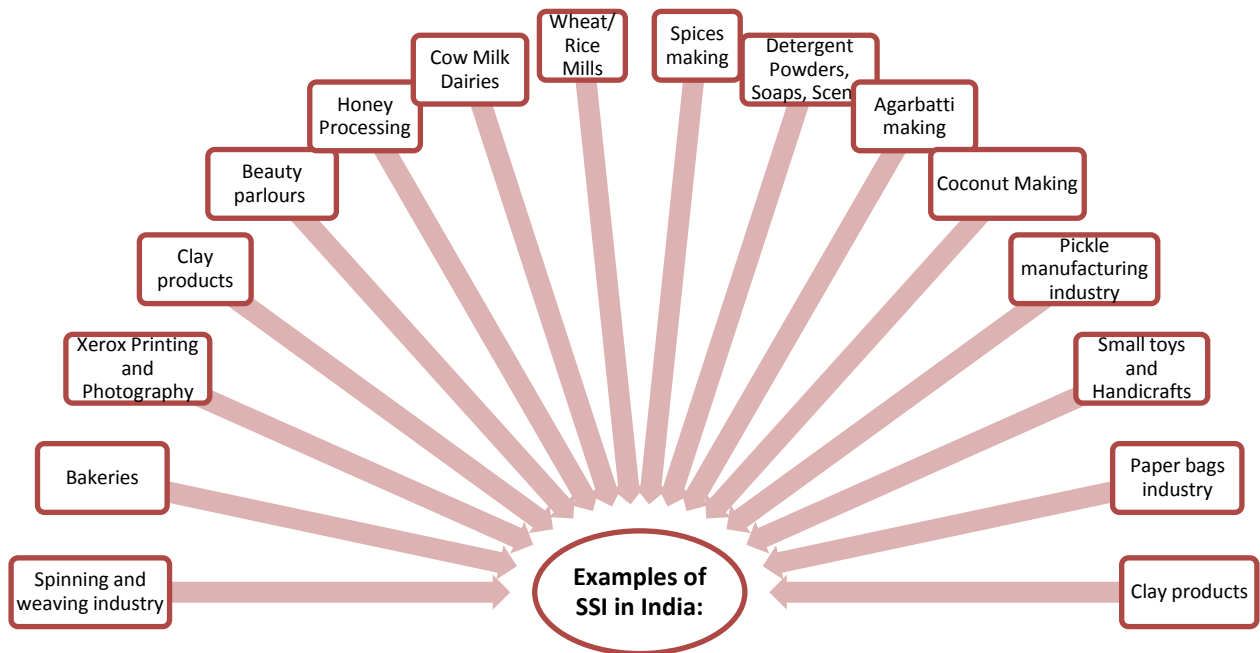
- a) The investment in the plant, machinery and equipment should not exceed INR 10 crore; and
- b) The annual turnover should not be above INR 50 crore.

### **Features/Characteristics of SSI's:**

- a) Can be either sole proprietorship or a partnership firm
- b) Labour-intensive- Major source of employment
- c) Seedbed for large scale industries
- d) Technology is limited and simple
- e) More adaptable to changing business environment
- f) Restricted/Small zone of operations
- g) Cater to local and regional demand
- h) Utilize local and readily available resources with minimum wastages

### **Make in India Initiative:**

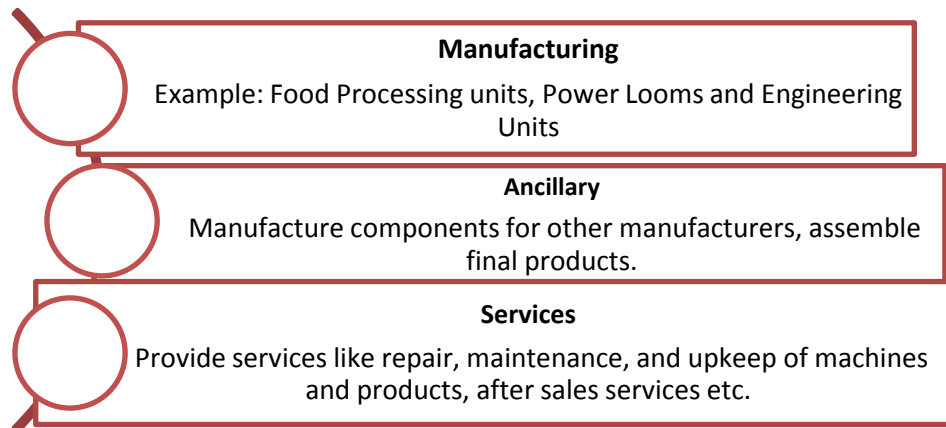
SSI is the best examples of Make in India Initiative as launched by the Govt. of India. They are focused on producing within India and sell worldwide. These industries also contribute towards export industry. Nearly half of the goods that are exported from India are manufactured and produced by SSI.



### Objectives of SSI:

- a) Create large scale employment opportunities
- b) Help develop rural regions of the economy
- c) Reduce regional imbalances
- d) Ensure optimum utilization of available resources
- e) Helps improve standard of living of poor
- f) Ensure equal distribution of income and wealth
- g) Help to attain self -reliance
- h) Produce environment friendly products

### Types of SSI:



Small Scale Industries hold an important position in India, in terms of contributing to the country's economy. As per the Ministry of Statistics and Programme Implementation, Government of India,

The small-scale industry sector constitutes ~95% of the country's industrial units

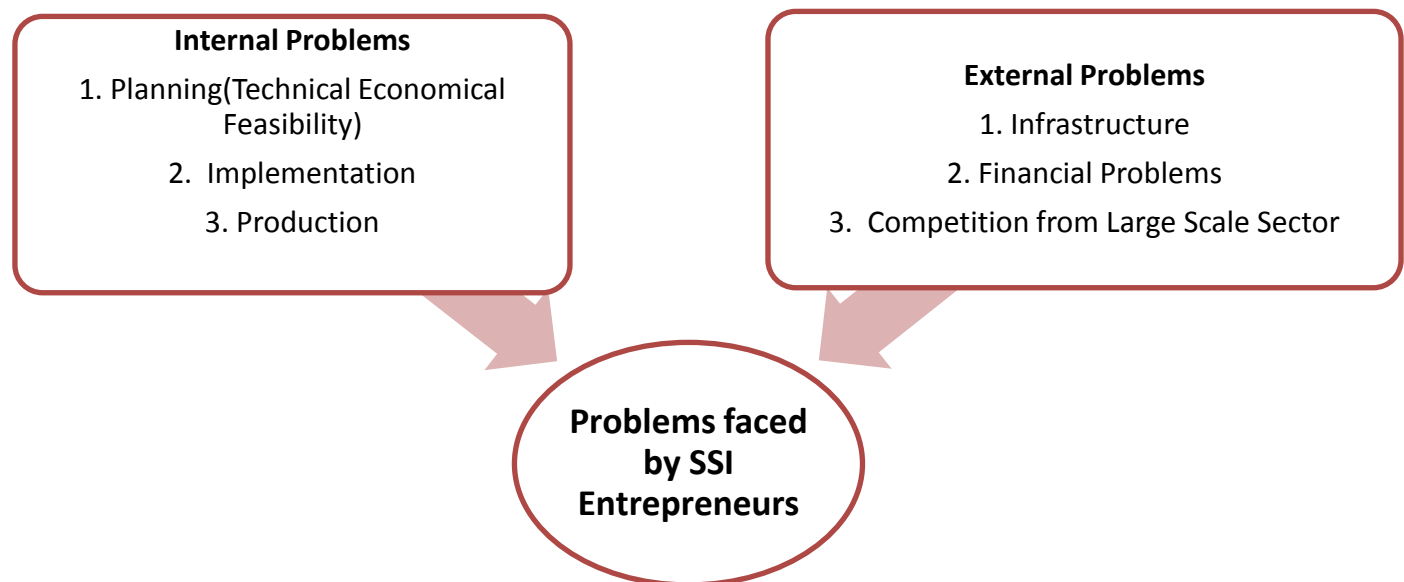
It provides employment to more than 175 lakh individuals.

SSIs contribute around 33.4% of manufacturing output in India and contribute over 30% of the GDP. They have become the backbone of the Indian economy.

For developing countries like India, such industries play an important role due to their trade contributions and look after public welfare. Several initiatives such as Make in India have been launched by the Central Government to support the industrial sector in managing the demands and exploring growth opportunities. The main characteristics of small scale industries include sole ownership or a small partnership, concentrated management with control resting in the hands of the owner, more flexible towards changing demands of businesses, labour intensive industry and limited operation reach, thereby fulfilling the local demands.

#### **Various problems faced by Entrepreneurs:**

Entrepreneurs face a number of problems in the promotion of units and during production, marketing, distribution, procurement of raw material and availing incentives offered by State Govt.



The problems of entrepreneurs may be divided into two categories:

- Internal Problems are those which are within the control of the entrepreneurs
- External problems are those which result from factors beyond the control of entrepreneurs

The problems of industries whether in the small sector or in organized sector are almost identical. However given that the organized industry is financially very strong and its resources are large, it can therefore, face its problems more effectively. Owing to its weak financial structure, the resources of the small scale sector are limited. While the large scale can employ trained and experienced managers, in the small industry, its proprietor or partners, directors themselves have to take care of all the problems. The large scale can influence its raw material suppliers, its customers and at times even the Govt. in framing its policies, but the small scale cannot do the same.

Internal Problems:

1. Planning

a) Technical Feasibility

- Inadequate technical know how
- Locational disadvantage
- Outdated production process

b) Economic Viability

- High cost of input
- Break-even point too
- Uneconomic size of project
- Choice of idea
- Feeble structure
- Faulty planning
- Poor project implementation
- Lack of strategies
- Lack of vision
- Inadequate connections
- Lack of motivation
- Underestimation of financial requirements
- Unduly large investment in fixed assets
- Overestimation of demand

2. Implementation- Cost over runs resulting from delays in getting licenses, sanctions, and mobilization of finance
3. Production
  - a) Production Management
    - Inappropriate product mix
    - Poor quality control
    - Poor capacity utilization
    - High cost of production
    - Poor inventory maintenance and replacement
    - Lack of timely and adequate modernization and so on
    - High wastage
    - Poor production
  - b). Labor Management
    - Excising high wastage structure
    - Inefficient handling of labor problems
    - Excessive manpower
    - Poor labor productivity
    - Poor labor relations
    - Lack of trained skilled labor or technically competent persons
  - c) Marketing Management
    - Dependence on a single customer or a limited number of customers, number of products
    - Poor sales realization
    - Defective pricing policy
    - Booking of large orders at fixed prices in an inflationary market
    - Weak market organizations
    - Lack of market feedback and market research
    - Unscrupulous sale purchase practices
  - d). Financial Management
    - Poor resource management and financial planning
    - Faulty costing
    - Dividend policy
    - General financial discipline and application of funds for unauthorized
    - Deficiency of funds
    - Over trading
    - Unfavorable gearing or keeping adverse debt equity ratio
    - Inadequate working capital
    - Absence of cost consciousness
    - Lack of effective collection machinery

e). Administrative Management

- Over centralization
- Lack of professionalism
- Lack of feedback to management
- Lack of timely diversification
- Excessive expenditure on R&D

II. External Problems of Entrepreneurs

a). Infrastructure

- Location
- Power
- Water
- Post Office
- Communication
- Non-availability or irregular supply of critical raw materials
- Transport bottlenecks

b). Financial

- Capital
- Working Capital
- Long term funds
- Recovery
- Marketing Taxation
- Raw material
- Industrial and financial regulations
- Inspections
- Technology
- Government policy administrative hurdles
- Rampant corruption
- Lack of Direction
- Competitive and volatile environment

**Role of agencies like District Industries Centre (DIC)**

**District Industries Centre (DIC)** is a central sector scheme with the objective of promoting small village and cottage industries in a particular area. The DICs have been established in various districts of India at varying times since 1978 when it was launched. Being established at the district level, the District Industries Centers provide all the necessary services and support to facilitate entrepreneurs in setting up MSMEs (Micro, Small and Medium enterprises).

The reason why the Centre came up with the idea of establishing District industries Centers is that the need for developing industries at a faster rate was felt. The economy was plateauing and the need to revive it and to shift the focus from agriculture to industries was felt. With this, the Centre established District Industries Centers in various districts of the country to expedite the establishment as well as developing industries in the districts. Being a central sector scheme, it is 100% funded by the center with the states not required to make any contributions towards establishing the same.

The District Industries Centers help in identifying suitable schemes for development of industrial clusters, help prepare feasibility reports and also arrange facilities for procuring machinery, equipment as well as credit. The District Industries Centres (DICs) are headed by a General Manager at the Joint Director Level. The General Manager is assisted by the Manager (Handloom), Manager (Economic Investigation), Manager (Credit), Manager (Development) and an Administrative Assistant. The General Manager provides reviews which helps in evaluating performance of different schemes and also helps in resolving the difficulties in implementing those schemes.

### **Role of District Industries Centers (DICs)**

The District Industries Centers (DICs) play a prominent role in developing and promoting industries in the respective states. They are established by the Department of Commerce & Industry of the respective state. In addition to DICs, Sub-District Industries Centres (SDICs) have also been created in various states such as Nagaland. This additional tier has helped industrial development to penetrate deeper into the rural areas of the country.

- Provide assistance for DIC programmes
- Single window clearance system
- Promote industries in rural areas
- Provide employment to people in both rural and urban areas
- Schemes under the District Industries Centres (DICs)

A number of schemes have been launched which fall under the ambit of District Industries Centres (DICs). These schemes help in fulfilling the goals of establishing the District Industries Centres (DICs). These schemes are centrally sponsored schemes as well as central sector schemes. The following schemes fall under the DIC:-

- **Prime Minister's Employment Guarantee Program (PMEGP):** This centrally sponsored scheme under the Ministry of Micro, Small and Medium Enterprises (MSME) was launched in 2008. The PMEGP aims to generate employment opportunities for educated unemployed citizens in rural and urban areas. The nodal agency for the implementation

of the scheme is Khadi & Village Industries Commission (KVIC). Under this scheme, 90-95% of the amount will be given by banks as loans with 5-10% of the project cost in the industry, service or business sector being the applicant's share.

- **District Industries Centre (DIC) Loan Scheme:** This scheme is for the self-employed as well as the small unit sector in towns and rural areas with population less than 1 lakh and with capital investment being less than Rs. 2 lakhs. These small units are identified by the Small Scale Industries Board and Village industries, handicrafts, handlooms, silk & coir industries.

For entrepreneurs in the general category, 20% of the total investment or Rs. 40,000 shall be the margin money (whichever is lesser). For entrepreneurs in the SC/ST category, 30% of the total investment or Rs. 60,000 shall be the margin money (whichever is lesser).

- **Seed Money Scheme:** This scheme is targeted towards the self-employed who engage in skilled wage employment or self-employment ventures. Institutional financial assistance in the form of soft loans. Project cost to avail loan facility under the seed money scheme has been increased to Rs. 25 lakhs. For projects up to Rs. 10 lakhs, seed money assistance of up to 15% of the project cost is offered. For SC/ST/OBC, the assistance provided will be 20% of the project cost; the limit of assistance provided is Rs. 3.75 lakhs with 75% of the project cost being in the form of a bank loan.
- **District Awards Scheme:** To boost entrepreneurs' spirits and celebrate their achievements and successes, the state governments have started honoring such entrepreneurs with awards at the district level. The District Advisory Committee formed at the district level shall select the entrepreneurs to be awarded. The District Awards Function is held on Vishwakarma Jayanti Day which falls on varying dates every year. The award function includes the display of the products by the entrepreneur for sale and exhibition along with workshops and discussion about the same.
- **Entrepreneurship Development Training Programme:** This scheme was launched to impart training to the educated unemployed people and encourage them to encourage self-employment ventures or engage in skilled wage employment. Training programmes under the Entrepreneurship Development Training Programme are:
  - Entrepreneurship Introductory Programme (Udyojakata Parichay Karyakram)
  - Entrepreneurship Development Training Programme (12 Day residential)
  - Technical Training Programme (12 Days to 2 Months non-residential)

### **Eligibility Criteria For Applying Under the District Industries Centres (DICs)**

Loan facility under the District Industries Centres (DICs) can be availed under the various schemes mentioned above. These schemes are promoted and implemented by the District Industries Centres (DICs) and loans can be availed under different schemes with varying eligibility criteria.

### **Functions of District Industries Centres (DICs)**

Various important functions are performed by the District Industries Centres (DICs) for the upliftment of a district and to put that district on the industrial map of India. Some of the functions performed by the District Industries Centres (DICs) are mentioned below:-

- **Preparation of industrial profile of the district** – This helps in identifying the pros and cons concerning setting up different industries in the district in consonance with the availability of infrastructure, raw materials, labor and land in the area.
- **Assist entrepreneurs in obtaining licenses** – To set up an industrial unit, various types of licenses are required- electricity board, no-objection certificate, water supply board, etc. These licenses are facilitated by the District Industries Centres (DICs), making it easier for entrepreneurs to set up industrial units in the respective district.
- **Acting as the focal point of industrialization of the district** – To make strides in the arena of industrialization, the District Industries Centres (DICs) act as the focal point. From providing various clearances and licenses to facilitating loans and granting awards, the District Industries Centres (DICs) do it all.
- **Opportunity guidance of entrepreneurs** – Lack of knowledge about an existing opportunity does more damage than the lack of opportunity. District Industries Centres (DICs) help in bringing to the fore various opportunities to help entrepreneurs. This helps in generating employment opportunities in addition to the industrialization of the district.
- **Manpower assessment concerning skilled, semi-skilled labour** – District Industries Centres (DICs) help in making optimum use of its platform to identify the labour that is best fit for the respective market. This helps avoid under-employment.
- **Identify infrastructure facilities** – For any area to develop, infrastructure facilities are a top priority for identifying the potential that can be tapped from a certain area. Facilities such as electricity, roads, warehouses, banking, quality testing facilities etc are identified by the District Industries Centres (DICs).
- **Prepare techno-economic feasibility report** – The District Industries Centres (DICs) prepare the techno-economic feasibility report that analyzes the performance of an industrial product, process, or service to improve areas in need of it.
- **Advise entrepreneurs on investments made** – The District Industries Centres (DICs) advise entrepreneurs on the various investments which they seek to make. In this

manner, they provide consultancy services that help entrepreneurs in making better decisions with respect to their investments.

### **Activities under District Industries Centers (DICs)**

As an initiative of the central government, the District Industries Centers (DICs) work towards performing various activities.

These include:-

- **Registration of Small Scale Industries (SSI) units** – It is for the registration of industries in the manufacturing as well as the services sector on a small scale. The registration done can be permanent or provisional.
- **Registration of handicraft or cottage industries** – This is typically the case with villages and clusters in rural areas.
- **Implementation of PM RozgarYojna** – Launched in 1993, this scheme is to provide employment opportunities in both rural and urban areas and is implemented under the District Industries Centre (DIC) scheme.
- **Granting subsidies to SSI units** – Subsidies to the Small Scale Industries are granted under the DIC scheme of the central government.
- **Training for Entrepreneur Development Programme** – To enhance skills, training is provided under the ambit of DICs through the Entrepreneur Development Programme.
- **Organization of Industrial Cooperative Society** – It is an association of craftsmen and workers who are engaged in cottage and village industries.
- **Raw material assistance through SIDCO** – This is to facilitate entrepreneur initiatives by facilitating them with the supply of raw materials.
- **Marketing assistance through SIDCO** – The Small Industries Development Corporation Limited (SIDCO) not only assists ventures with raw materials but also assists them with the marketing of their produce.
- **Conducting motivation campaigns** – In addition to hosting awards functions to boost the morale of entrepreneurs, motivation campaigns are also organized by DICs.
- **Single window clearances** – To make the registration process as well as clearance and granting of licenses a hassle-free process, DICs provide a single-window mechanism to achieve this goal.
- **Rehabilitation of sick SSI units** – To revive and to better the ailing Small Scale Industrial units, DIC plays an important role.
- **Recommendation of awards to the SSI units** – The awards granted to SSI units are done on the recommendation of DICs.

- **Recommendation of loan application to banks under the KVIC scheme** – DICs play an important role in making recommendations to banks for grants of loans under the KVIC scheme.

#### **Small Industries Service Institutes (SISIs):**

- 1) The Small Industries Services Institutes (SISIs) are set up to provide consultancy and training to small entrepreneurs-both existing and prospective.
- 2) The activities of SISIs are coordinated by the Industrial Management Training division of the DCSSI's office. There are 28 SISIs and 30 branches SISIs set up in the State capital and other places all over the country.

#### **The main functions of SISIs include:**

- 1) To serve as an interface between Central and State Governments.
- 2) To render technical support services.
- 3) To conduct Entrepreneurship Development Programmers.
- 4) To initiate promotional programs.

#### **The SISIs also render assistance in the following areas :**

- (1) Economic Consultancy/Information/EDP Consultancy.
- (2) Trade and market information.
- (3) District industrial potential surveys.
- (4) Modernization and implant studies.
- (5) Workshop facilities.
- (6) Training in various trade/activities.
- (7) Project profiles.
- (8) State industrial potential survey.

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