

INSTITUTIONAL SUPPORT FUNCTIONS TO SMALL ENTREPRENEURS IN INDIA

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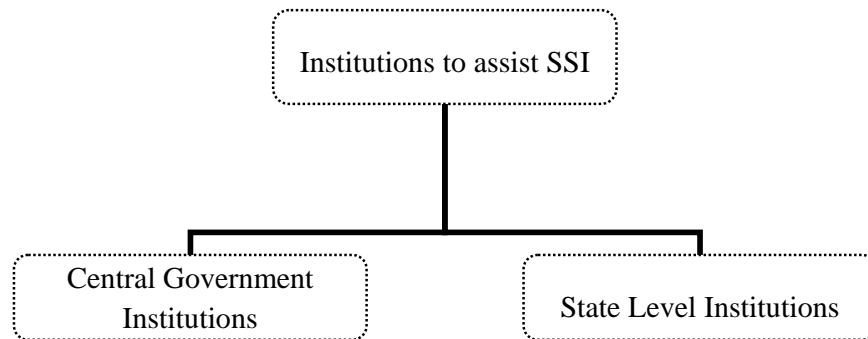
NEED AND IMPORTANCE OF INSTITUTIONAL SUPPORT FUNCTIONS

Many entrepreneurs and especially those in small-scale sectors have technology related knowledge to take care of production and quality aspects. They require lot of guidance and support in the beginning stage and production stage of the industry in various project and business related activities. The important areas they need guidance are project report preparation, location and layout of plant, selection of men and machinery, competition level, various marketing aspects, various types of finance facilities and Government assistance and subsidies. The support functions will extend necessary guidance and provide inputs and help industries in moulding during initial stages of an enterprise. Any industry will have teething problems and uncertain situations in the initial phases of the organisation. With the backing of the support function organisation can decide to get over difficult situations. The most important aspects for a new businessman are finance and marketing related subjects.

An entrepreneur should be able to consider the advantages of various Government subsidies and assistance given for backward areas and the disadvantages of marketing activities and transport cost and problems of raw-materials and other facilities availability. Many industries started in backward areas are suffering for various reasons and therefore it is essential to give a serious thinking about location of an industry. It is always advisable to start an industry in a location where adequate infrastructure facilities, availability of raw-material, market and skilled labour are available. In such semi-developed or developed industrial areas other supports of banks and civic amenities will be available. In this chapter various organisations which are started specifically to play a supportive role to small industries are covered in brief.

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An elaborate frame work exists in India to provide necessary assistance to SSI units. Figure 1.1 below gives details of institution frame work for SSI units on All India basis by Central Sector and Stat Level Institution.



- Department of Small Scale Industries (Ministry of Industry)
- Small Scale Industries Board
- Small Industries development Organisation
- National Small Industries Corporation
- Specialised Institutions
- State Directorate of Industries
- State Small Scale Industries Development Corporation
- Industrial Estates
- District Industries Centers
- Technical Consultancy Organisation

Figure 1.1: Institution to Assist SSI

The support function required for small industries is in finance areas. For this SIDBI which was started mainly for financial assistance to SSI is very important. Other organisations like SIDO, SSIB, SISI and SSIDC involve themselves in other types of assistance required for SSI units. There are specialised institutions like Tool Room Training Centers, Entrepreneurship Development Centers and Technical Consultancy Organisations which help SSI in various activities related to their development.

1. NSIC (NATIONAL SMALL INDUSTRIES CORPORATION LTD.)

NSIC was started by the Central Government in 1955 with the objective of promoting and developing SSI units throughout the country. It started with multiple objectives of helping SSI units for: (a) providing machinery on hire purchase, (b) assisting, marketing and exports, (c) enlisting SSI units for tender participation in Government purchases, (d) organising supply of raw-materials, (e) training of personnel and (f) assistance in modernisation of the units.

The important functions of NSIC can be summed as under:

- Financial assistance by way of hire purchase scheme for purchase of local and imported machinery.
- Provision of various equipments on lease basis.
- Assistance for marketing the produce in the country and also to help in exporting the products of SSI units.
- Enlisting quality conscious good SSI units for sending enquiries of Govt. Stores and purchase department.
- Training of workers in various trades required for SSI units.
- Assistance in up-gradation of technology, processes and modernisation of plant and machinery.
- To make bulk purchases of important raw-materials and distribute to SSI units at reasonable rates. This avoids speculation and exploitation by the traders.
- To develop industrial estates and testing facilities in the industrial areas.

NSIC has got offices in various industrial cities and towns and is having socio-economic approach in industrialisation of non-industry areas. It aims to create an industrial atmosphere with facilities and management support so that small entrepreneurs take up new projects. As nodal agencies in playing supportive role to small industries it has helped to reduce the control of private traders who were exploiting the small industries in many ways. Its other objective of developing backward areas is still to prove successful in view of the various problems of business activities and demoralisation set in due to failures of industries started in backward areas.

2. SIDO (SMALL INDUSTRIES DEVELOPMENT ORGANISATION)

This organisation as the name suggest is mainly crated for development of various small-scale units in different areas. SIDO is a nodal agency for identifying the needs of SSI units, coordinating and monitoring the policies and programmes for promotion of the small industries. It undertakes various programmes of training, consultancy, evaluation for needs of SSI and development of industrial estates. All these functions are taken care with the Organisation Structure of 27 offices, 31 SISI (Small Industries Service Institutes). 31 Extension Centers of SISI and 7 Centers related to Production and Process Development. Its various activities can be explained under different headings as follows:

(a) Co-ordination activities of SIDO

- To co-ordinate various programmes and policies of various State Governments pertaining to small industries.

- To maintain relation with the Central Industries Ministry, Planning Commission, State Level Industries Ministry and Financial Institutions.
- Implement and co-ordinate in the development of industrial estates.

(b) Industrial development activities of SIDO

- Develop import substitutions for components and products based on the data available for various volumewise and valuemwise imports.
- To give essential support and guidance for the development of ancillary units.
- To provide guidance to SSI units in terms of costing market competition and to encourage them to participate in the Government Stores and Purchase Tenders.
- To recommend the Central Government for reserving certain items to produce at SSI level only.

(c) Management activities of SIDO

- To provide training, development and consultancy services to SSI to develop their competitive strength.
- To provide marketing assistance to various SSI units.
- To assist SSI units in selection of plant and machinery, location, layout design and appropriate process.
- To help them get update in various informations related to the small-scale industries activities.

3. SSIB (SMALL SCALE INDUSTRIES BOARD)

SSIB was started in 1954 by the Central Government with the objective of developing small-scale industries throughout the country. The development work of small-scale industries involves various Ministers and Departments and other factors like land owners, financial institutions etc. In order to facilitate the ordination activities more effectively the SSIB has been created. The Director of the SSIB advices the Government about various development activities of small industries and the related matters. Since this has more involvement of Ministers, Secretaries and Government Departments, the committee governing SSIB consist of Industries Minister (as chairman) and various Secretaries, Member of Parliament and State Government Industry Ministers and the Committee. The apex body of these members takes policy decisions on all matters related to small industries.

4. SSIDC (STATE SMALL INDUSTRIES DEVELOPMENT CORPORATIONS)

Under the Companies Act, SSIDC were started in 1956 in all the states under the Companies Act. These State Government undertakings take care of the growth and development needs of village industries, tiny industries and small industries. Different states give focus and importance to different industries based on the raw-material and skill availability in their states. The main functions of SSIDC are as under:

- Assist for procurement of machineries on hire purchase scheme.
- Assist in marketing of the products.
- Keep stock of vital and scarce raw-materials and distribute to small industries.
- Develop industries sheds estates and godowns for use of small industries.

5. SISI (SMALL INDUSTRIES SERVICE INSTITUTES)

The main objective of starting SISI is to provide training to various prospective entrepreneurs and also give consultancy services to existing and new entrepreneurs. All state capitals and industrial towns have SISI offices to assist small industries and to organise training and seminars. The functions of SISI can be written as under:

- Provide technical and entrepreneurial support services.
- Guide entrepreneurs in setting up their industries.
- Assist in project reports and market informations.
- Work as a link between State and Central Government industrial departments.
- Undertake study of requirements on facilities, training needs and modernisation.

6. DIC (DISTRICT INDUSTRIES CENTRES)

After establishing various state level industrial support organisations, a need for district level centers was felt necessary. In view of this DICs were started in 1978 to focus on district level and rural level promotion of small-scale industries. All the procedures and formalities for starting a small industry were provided through a single window in DICs. Thus it was felt the implementation of Central and State Government policies will be easier and smoother through DICs. This is State Government body and managerial level personnel are employed to take care the responsibilities in all the DICs.

The main functions of DICs are as follows:

- To conduct service about industrial growth possibilities with reference to skilled work force market infrastructure etc.
- Organise techno commercial reports on the identified lines and then give advice to new entrepreneurs on these aspects.

- Provide technical guidance to entrepreneurs regarding selection of machinery, imports, imports substitution and raw-materials.
- Advice entrepreneurs about favorable and unfavorable factors pertaining to various schemes and projects put up to them,
- To help small industries in marketing their products.

7. SIDBI (Small Industries Development Bank of India)

SIDBI was set up in 1989 as a wholly owned subsidiary of the IDBI. The idea of starting SIDBI was in response to the demand from small-scale sector for an apex level institution for promotion, financing and development of small-scale industries. This should take care of both financial and non-financial assistance to the small-scale sectors. It does both direct and indirect financial to the small-scale sector. SIDBI does collaborative efforts to facilitate timely flow of credit for both term loans and working capital to small-scale industries in collaboration with commercial banks.

Earlier SIDBI was doing refinancing and discounting of bills. Now in addition to this it directly participates in the equity type of loan on soft terms, term loan, working capital both in rupee and foreign currencies, bill discounting, venture capital support and different forms of resource support to banks and other institutions.

Amongst support functions SIDBI finances for technology, transfer and upgradation, quality improvement, exports, environmental care and rural industrialisation. For these activities SIDBI involves consultants and NGOs at National and International level for improvements.

8. SPECIALISED INSTITUTIONS

Central Government and various State Governments have set up various types of institutions which will work as support functions to promote and develop various industries throughout the country. The main focus areas are updating and improving human skills, provide testing facilities and develop latest technology. Some of the institutes are as under:

(a) CMTI (Central Manufacturing Technology Institute), Bangalore

This was started in Bangalore with the main objective of training and developing personnel at workers and supervisory level in machine tools design and development. Along with HMT, Bangalore, CMTI was started to develop the skills, work culture and technology requires for producing various types of machineries by HMT and similar industries in private sector. Therefore this institute was set up as the Indian engineers and technicians did not have training facilities and institutes for the technology needed in machine building CMTI was originally known as Central Machine Tool Institute and now changed to manufacturing

technology as it now covers various other activities in addition to machine tools. It imparts training in various CNC machines and its related activities.

(b) GT & TC (Government Tool Room Training Centre), Bangalore

Various tools, tackles, jigs and fixtures are essential facilities required in taking care of machining, assembly and welding activities. By itself design and manufacturing of different types of tools for different products is a specialized activity. Hence for growth of industries it is essential to train and develop skilled workmen and supervisors in tool room related functions. Therefore the Government has set up such a training center where a training course of 6 months, 1 year and 2 years programmes are conducted. Such institutes are set up in all leading industrial cities in India.

(c) BIS (Bureau of Indian Standards)

BIS were formerly known as ISI (Indian Standard Institution) and even now ISI mark is provided for approved quality of products. This institute is an apex body at all-India level for testing and approval of quality of all the materials and is organised on the pattern of British Standards. Any industry which wants to get ISI approval has to go through the various tests as per BIS specifications. These specifications are compiled with the assistance of various experts in different fields. Every material and their products like steel structural, copper alloys, food items, cloth, paper, ink etc., have been given ISI grades and specifications. The testing procedures and upper and lower levels of acceptance have been provided as guidelines. For exports ISI approval is considered either essential or added advantage for various products.

BIS have got international recognition and there will be a equivalence chart to compare with the standards of other countries. This will be very helpful for foreign trade. BIS has got Head Office at Delhi, Branches in all State Capitals and various industrial cities and towns. They undertake testing and certification for various materials, components and products at reasonable rates.

List of other specialized institutes assisting industries:

- 1) Central Institute of Tool Design, Hyderabad.
- 2) Central Institute of Hand Tool, Jalandhar.
- 3) Institute for Design of Electrical Measuring Instruments (IDEM), Mumbai.
- 4) National Institute of Entrepreneurship and Small Business Development (NIESBUD), New Delhi.
- 5) National Institute of small Industries Extension Training (NISJET), Hyderabad.
- 6) Electronic Training and Service Institute, Nainital.

- 7) Central Machine Tools Limited, Bangalore.
- 8) Sports Goods and Leisure Time Equipment, Meerut.
- 9) Central Institute of Plastics Engineering and Tools, Madras.
- 10) National Institute of Foundry and Forging Technology, Ranchi.

9. TCOS (TECHNICAL CONSULTANCY ORGANISATIONS)

- In various states TCOs were established to provide total consultancy services as a package under single roof. Overall 17 organisations were started in various states by the group of financial organisations like IDBI, IFCI and ICICI. The activities of TCOs are as follows:
 - Identify potential industrial projects and prepare feasibility survey reports.
 - Evaluation of various project proposals put up by the entrepreneurs.
 - Provide turn key services in project reports preparation and project implementation.
 - Undertake market surveys for various existing and new products.
 - Carryout study on sick industries and advice for rehabilitation schemes.
 - Undertake entrepreneurial development training programmes.
 - Undertake consultancy for export oriented projects.

It has been observed that small and medium industries are not taking full advantages of TCOs due to disinterest or inability to pay the consultancy fees. Hence the consultancy and development programmes sponsored by the World Bank, Central Government or the State Government are mainly implemented for the benefit of various small and medium industries. Large industries however take the services of private consultants as per their needs.

CONCLUSION:

Central and State Governments have reviewed the support system to small enterprises from time to time and provided infrastructure to this sector. The commercial banks have extended good help in developing SSI sector in the country. The Banking Commission in its report considered existences of institutions who offered services like promotion of industrial and service projects, investment management and financial advisory services within the country and for exports. The commission pointed out that there is necessity of institutions that offer services to small entrepreneurs in project formulation, preparation of project reports, techno-economic studies and giving advice on technology, management, quality and finance issues. In last two decades the commercial banks on their own or with the help of other agencies have taken up the job of advising small, prospective entrepreneurs about project report preparation, evaluation, planning and executing of projects. Most of public sector and private

sector banks have opened merchant banking divisions for this purpose. Few of the banks term the department as entrepreneurial clinic cum guidance centers. Central and State Government institutions help in development and initial hand holding functions for the SSI entrepreneurs. Up-gradation and use of these specialised institutions to changing needs is equally important.

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