

**FINANCIAL SPIN OUT TO MICRO, SMALL AND  
MEDIUM ENTERPRISES (MSME) IN INDIA  
A STUDY OF KARNATAKA STATE MSME'S**

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**Abstract**

*Micro, Small & Medium Enterprises constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. In India too, the MSMEs play a pivotal role in the overall industrial economy of the country.*

*In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession*

*Keywords: MSME's, SSI's, SME, Problems and challenges of MSME's.*

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## Introduction

**Micro, Small & Medium Enterprises Development (MSMED) Act, 2006** the **Micro, Small and Medium Enterprises (MSME)** are classified in two Classes:

(a) **Manufacturing Enterprises**- The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951). The Manufacturing Enterprise are **defined in terms of investment in Plant & Machinery**.

(b) **Service Enterprises**: The enterprises engaged in providing or rendering of services and are **defined in terms of investment in equipment**.

The limit for investment in plant and machinery / equipment for manufacturing / service enterprises, are as under:

| <b>Manufacturing Sector</b> |   |
|-----------------------------|---|
| <b>Enterprises</b>          | <b>Investment in plant &amp; machinery</b>                              |
| Micro Enterprises           | Does not exceed twenty five lakh rupees                                 |
| Small Enterprises           | More than twenty five lakh rupees but does not exceed five crore rupees |
| Medium Enterprises          | More than five crore rupees but does not exceed ten crore rupees        |
| <b>Service Sector</b>       |   |
| <b>Enterprises</b>          | <b>Investment in equipments</b>   |
| Micro Enterprises           | Does not exceed ten lakh rupees:  |
| Small Enterprises           | More than ten lakh rupees but does not exceed two crore rupees          |
| Medium Enterprises          | More than two crore rupees but does not exceed five core rupees         |

## Literature Review

**Upadhyaya** gives the financial spectrum for the industrial sector as a whole. This study gives information on the source of finance for both large and medium sectors as well as the SSIs.

**Pareek** illustrate the need for finance for SSIs, problem of finance and the present institutional net-work to provide finance. The study is devoted more towards the operations of commercial banks and their schemes to provide finance to SSIs.

**Trivedi** , stresses on the Industrial Policy Resolution and the priority accorded to SSIs in the various policy resolutions. The differentiating between Large Scale Industries and SSIs like employment, investment or power required. Further, by analysing the formal structure of Indian Planning Process, his study emphasises the need for greater importance for SSIs in the Five Year Plans.

### **Need of the Study**

Micro, Small and Medium Enterprises are playing the Fundamental responsibility for the economical progress of the Country, it creates generation employment opportunity and also stops the employees migrating from one nation to another for jobs.

### **Statement of Problem**

The Authors are Examining how best these MSME's are supported by funding through Government of India , to find out the agencies and regulatory bodies involved for the development of the MSME's in India.

### **Objective of the Study**

1. Financial Assistance to Micro, Small and Medium Enterprises in Karnataka

### **Research Methodology**

#### **Primary Data**

The data is collected from the owner, officials and other responsible heads of various departments of MSME's through an organized discussion with them.

#### **Secondary Data**

The data was collected through a variety of resources like Annual publication of govt. of India and Karnataka MSME's , Ministry of Commerce, Industry websites, Experts books in the field of industry and commerce., Inputs of experts in the relevant field.

### **Limitation of the study**

The study is restricted to the country India, the empirical evidences considered are restricted to a particular area Karnataka. The data collected is from 2006 onwards as there was a constrain of time . The authors could not go beyond karnataka state as there was restriction of Cost involved for further expansion of the study.

### **Scope for further study**

As the cost and time confined the study is restricted to only Karnataka State which can be further expanded to the Indian Continent. Lot of support is been extended by the state and Central Government for research and development of MSME's which is unexplored.

### **MSME Overall Scenario**

In the increasingly knowledge-driven economy, emerging trends are key consideration in day-to-day business decisions. New products, technologies and creative designs appear almost daily in the market and are the result of continuous human innovation and creativity. Micro, small and medium-sized enterprises are often the driving force behind such innovations.

The MSME segment in India has been receiving focused attention. With the introduction of Micro Small & Medium Enterprises Development (MSMED) Act 2006, (complete notification can be accessed on [www.dcmsme.gov.in](http://www.dcmsme.gov.in)) this sector is being increasingly viewed as an agent of economic growth by Government institutions, corporate bodies and banks. The policy focus and the Government's thrust towards promoting the MSME segment, along with globalization and India's robust economic growth, have paved the way to several latent business opportunities for

this segment.

Envisaging the critical role which the MSMEs play in Indian Economy, following recommendations having been made in 11th Financial Plan (2007-2012)

- A total of 170 Technology Business Incubators and 50 Technology Innovation Centers should be set up with a total outlay of Rs. 1100 Crore
- Enhancement in budget in all schemes promoting innovation and entrepreneurship.
- Polytechnics and Industrial Training Institutes should be encouraged to organize short-term programs for vocational training of school dropouts in a variety of multi-skilled job positions that would be available in SMEs
- Making available to MSMEs Special Purpose Machines (SPM), to meet our customers' specialized and highly complex requirements
- Promoting Patenting and Quality Assurance
- Comprehensive retraining programs for the workers & employees in MSMEs be introduced with incentives/ financial support for them
- Taxation & Duty structures for MSMEs be kept such that they encourage innovation
- Better amenities need to be provided around MSMEs or their clusters located in rural/ small town areas to check the concentration of population in urban areas

### Indian MSME Sector

The Indian MSME Sector has contributed to the overall growth of the gross domestic product and has contributed significantly towards employment generation and export. The performance of small scale sector in terms of critical parameters such as number of units, production, employment and export is indicated below :-

| Year    | No. of units (lakh nos.) | Production   |                     |
|---------|--------------------------|--------------|---------------------|
|         |                          | (Rs. Crores) | (at current prices) |
| 1994-95 | 25.71                    | 2,98,886     |                     |
| 1995-96 | 26.58                    | 3,62,656     |                     |
| 1996-97 | 28.03                    | 4,11,858     |                     |
| 1997-98 | 29.44                    | 4,62,641     |                     |

|                 |       |          |
|-----------------|-------|----------|
| 1998-99         | 30.80 | 5,20,650 |
| 1999-00         | 32.12 | 5,72,887 |
| 2000-01         | 33.11 | 6,39,024 |
| 2001-02         | 34.39 | 6,90,316 |
| 2002-03 (E)     | 35.31 | 7,63,013 |
| (E) - Estimated |       |          |

### Karnataka State MSME's

The Department of Industries and Commerce acts as a catalyst for the overall development of the industrial sector through effective discharge of developmental and facilitation roles. With a view to promote investment and trade, the Department formulates and implements the Policies of the State, Identification of Sectoral Advantages of the State and Human resource development for sustainable and growth-oriented industrialization has been a crucial role of the Department. Facilitating the take off of infrastructure projects that boost the industrial growth has also been the Department's forte. The Department helps enhance the competitiveness of domestic industry through modernization, technology upgradation and adoption of best practices. It also provides a forum for entrepreneurs and industrialists through their associations to represent their needs to the Government, which translates into Policies of the State.

Some of the crucial infrastructure projects facilitated by the Department include Growth Centers across the State, Export Promotion Industrial Parks, International Technology Park Ltd., Electronic city, Food and Agro-technology parks, Agro Export zones, Special Economic Zones, Bengaluru International Airport, etc

The Department is able to reach out to the small businesses as well as Industrial Houses by a great degree of decentralization within the organizational structure. The Department functions through the Districts Industries Centers, various Boards Corporations and Special purpose vehicles. The implementation of Policies of the Government is done through various schemes and the implementation of these schemes is decentralized for faster delivery of services.

**MSME Clusters in Karnataka**

| Sl.No | District            | Cluster Place          | Cluster Activity                           |
|-------|---------------------|------------------------|--|
| 1     | Bengaluru           | Bengaluru              | Machine Tools                              |
| 2     | Bengaluru           | Bengaluru              | Power loom                                 |
| 3     | Bengaluru           | Bengaluru              | Electronic Goods                           |
| 4     | Bengaluru           | Bengaluru              | Readymade Garments                         |
| 5     | Bengaluru           | Bengaluru              | Light Engineering                          |
| 6     | Bengaluru           | Bengaluru              | Leather Products                           |
| 7     | Belgaum             | Belgaum                | Foundry                                    |
| 8     | Belgaum             | Belgaum                | Power loom                                 |
| 9     | Bellary             | Bellary                | Jeans Garments                             |
| 10    | Bijapur             | Bijapur                | Oil Mills                                  |
| 11    | Bijapur             | Bijapur                | Grape Processing                           |
| 12    | Dakshina<br>Kannada | Mangalore              | Food Products                              |
| 13    | Davangere           | Davangere              | Puffed Rice                                |
| 14    | Darwad              | Hubli, Dharwad         | Agriculture Implements and Tractor Trailer |
| 15    | Darwad              | Darwad                 | Industrial Valves                          |
| 16    | Gadag               | Gadag Betgeri          | Power loom                                 |
| 17    | Gulbarga            | Gulbarga Gadag<br>belt | Dal Mills                                  |
| 18    | Hassan              | Arasikere              | Coir & Coir Products                       |
| 19    | Koppal              | Gangavathi             | Rice Mills                                 |
| 20    | Mandya              | Mandya                 | Jaggery                                    |
| 21    | Mysore              | Mysore                 | Food Products                              |
| 22    | Mysore              | Mysore                 | Silk                                       |
| 23    | Raichur             | Raichur                | Leather Products                           |
| 24    | Shimoga             | Shimoga                | Foundry                                    |
| 25    | Shimoga             | Shikaripura            | Rice Mills                                 |

|    |         |         |            |
|----|---------|---------|------------|
| 26 | Shimoga | Shimoga | Rice Mills |
|----|---------|---------|------------|

**Artisan Clusters in Karnataka**

| SI No | District        | Cluster Place   | Cluster Activity            |
|-------|-----------------|-----------------|-----------------------------|
| 1     | Bagalkote       | Ilkal           | Textiles Handlooms          |
| 2     | Bengaluru       | Bengaluru       | Metal Images Classical      |
| 3     | Bengaluru Rural | Magadi          | Textiles Handlooms          |
| 4     | Bengaluru Rural | Doddaballapura  | Textiles Handlooms          |
| 5     | Bengaluru Urban | Bengaluru Urban | Agarabathi                  |
| 6     | Bengaluru Urban | Bengaluru Urban | Grass, Leaf, Reed & Fibre   |
| 7     | Bengaluru Urban | Bengaluru Urban | Jewellery                   |
| 8     | Bengaluru Urban | Bengaluru Urban | Metalware                   |
| 9     | Bengaluru Urban | Bengaluru Urban | Rugs & Duries               |
| 10    | Bengaluru Urban | Bengaluru Urban | Wood Carving                |
| 11    | Bengaluru Urban | Bengaluru Urban | Shopping bag/ fancy Items   |
| 12    | Bengaluru Urban | Bengaluru Urban | Toyes and decoration pieces |
| 13    | Bengaluru Urban | Bengaluru Urban | Brass and Copper Art ware   |
| 14    | Bengaluru Urban | Bengaluru Urban | Dolls from pulp             |
| 15    | Bengaluru Urban | Bengaluru Urban | Earthier ware/pottery       |
| 16    | Bengaluru Urban | Bengaluru Urban | Embroidery by hand          |
| 17    | Bengaluru Urban | Bengaluru Urban | Printing of cloth by hand   |
| 18    | Bengaluru Urban | Bengaluru Urban | Printing of cloth by hand   |
| 19    | Bengaluru Urban | Bengaluru Urban | Toyes and decoration pieces |
| 20    | Bengaluru Urban | Bengaluru Urban | Wood Furniture & Fixtures   |
| 21    | Bengaluru Urban | Anekal          | Textiles Handlooms          |
| 22    | Belgaum         | Belgaum         | Dolls & Toys                |
| 23    | Belgaum         | Belgaum         | Horn & Bone                 |
| 24    | Belgaum         | Belgaum         | Metalware                   |
| 25    | Belgaum         | Belgaum         | Artistic Chap pals by hand  |
| 26    | Belgaum         | Gokak           | Dolls & Toys                |

|    |                  |                  |                              |
|----|------------------|------------------|------------------------------|
| 27 | Belgaum          | Khanapur         | Pottery & Clay               |
| 28 | Belgaum          | Khanapur         | Terracotta                   |
| 29 | Belgaum          | Khanapur         | Textiles Hand Embroidered    |
| 30 | Bidar            | Bidar            | Cane and Bamboo              |
| 31 | Bidar            | Bidar            | Bidiwork                     |
| 32 | Bijapur          | Bijapur          | Gold/Silver gift Items       |
| 33 | Bijapur          | Bijapur          | Textiles Handlooms           |
| 34 | Chamarajnaragar  | Kollegal         | Textiles Handlooms           |
| 35 | Chitradurga      | Chitradurga      | Textiles Handlooms           |
| 36 | Chitradurga      | Malladihalli     | Textiles Hand Printed        |
| 37 | Chitradurga      | Molakalmur       | Textiles Hand Printed        |
| 38 | Dakshina Kannada | Bantvala         | Metalware                    |
| 39 | Dakshina Kannada | Mangalore        | Jewellery                    |
| 40 | Dakshina Kannada | Mangalore        | Metalware                    |
| 41 | Dharwad          | Dharwad          | Textiles Hand Embroidered    |
| 42 | Dharwad          | Dharwad          | Textiles Handlooms           |
| 43 | Dharwad          | Navalgund        | Rugs & Duries                |
| 44 | Gadag            | Gadag            | Metalware                    |
| 45 | Gulburga         | Shahpur          | Textiles Handlooms           |
| 46 | Hassan           | Sharvanabelagola | Metalware                    |
| 47 | Hassan           | Sharvanabelagola | Toys and Decorative pieces   |
| 48 | Kodagu           | Mercara          | Textiles Hand Embroidered    |
| 49 | Kodagu           | Mercara          | Cane & Bamboo                |
| 50 | Kolar            | Kolar            | Bleach/Dye/Print Silk Jen    |
| 51 | Kolar            | Shivarpatna      | Stone Carving                |
| 52 | Mandya           | Melkote          | Handlooms                    |
| 53 | Mandya           | Nagamangala      | Metal Images Classical       |
| 54 | Mandya           | Nagamangala      | Metalware                    |
| 55 | Mysore           | Mysore           | Agarabatti                   |
| 56 | Mysore           | Mysore           | Earthier Ware/Pottery        |
| 57 | Mysore           | Mysore           | Grass/Soraw Floor concerning |

|    |                |             |                             |
|----|----------------|-------------|-----------------------------|
| 58 | Mysore         | Mysore      | Jewellery                   |
| 59 | Mysore         | Mysore      | Metal Ware                  |
| 60 | Mysore         | Mysore      | Shopping bag/fancy Items    |
| 61 | Mysore         | Mysore      | Toyes and decoration pieces |
| 62 | Mysore         | Mysore      | Wood Carving                |
| 63 | Mysore         | Mysore      | Wood Inlay                  |
| 64 | Ramanagara     | Ramanagara  | Stone Carving               |
| 65 | Ramanagara     | Ramanagara  | Terracotta                  |
| 66 | Ramanagara     | Ramanagara  | Pottery & Clay              |
| 67 | Ramanagara     | Channapatna | Wood Carving                |
| 68 | Ramanagara     | Channapatna | Lackerwere                  |
| 69 | Ramanagara     | Channapatna | Toys                        |
| 70 | Shimoga        | Agumbe      | Cane & Bamboo               |
| 71 | Shimoga        | Bhadravati  | Wood Turning & Laquerware   |
| 72 | Shimoga        | Sagar       | Wood Carving                |
| 73 | Shimoga        | Shimoga     | Wood Carving                |
| 74 | Shimoga        | Shimoga     | Shopping bag/ fancy Items   |
| 75 | Shimoga        | Shimoga     | Toys and decoration pieces  |
| 76 | Shimoga        | Sorab       | Wood Carving                |
| 77 | Udupi          | Karkala     | Metal Images Classical      |
| 78 | Udupi          | Udupi       | Metalware                   |
| 79 | Uttara Kannada | Honnawar    | Wood Carving                |
| 80 | Uttara Kannada | Siddapur    | Wood Carving                |
| 81 | Uttara Kannada | Sirsi       | Wood Carving                |
| 82 | Uttara Kannada | Kumta       | Wood Carving                |
| 83 | Uttara Kannada | Karwara     | Jewellery                   |

### Access to Credit

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DC(MSME) facilitates credit support to MSEs through various schemes, operated through various financial institutes like SIDBI, NSIC and others. The details about credit scenario including main facilities / schemes operational under DC(MSME) are as below:-

Collateral free, Credit facility

Credit to Low income category

Assistance to Women Entrepreneurs

### **Credit Guarantee Fund Scheme for MICRO AND SMALL ENTERPRISES**

#### **Introduction**

There are an estimated 26 million micro and small enterprises (MSEs) in the country providing employment to an estimated 60 million persons. The MSE sector contributes about 45% of the manufacturing sector output and 40 % of the nation's exports. Of all the problems faced by the MSEs, non-availability of timely and adequate credit at reasonable interest rate is one of the most important. One of the major causes for low availability of bank finance to this sector is the high risk perception of the banks in lending to MSEs and consequent insistence on collaterals which are not easily available with these enterprises. The problem is more serious for micro enterprises requiring small loans and the first generation entrepreneurs.

2. The Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGMSE) was launched by the Government of India to make available collateral-free credit to the micro and small enterprise sector. Both the existing and the new enterprises are eligible to be covered under the scheme. The Ministry of Micro, Small and Medium Enterprises and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Fund Scheme for Micro and Small Enterprises. The scheme was formally launched on August 30, 2000 and is operational with effect from 1st January 2000. The corpus of CGTMSE is being contributed by the Government and SIDBI in the ratio of 4:1 respectively and has contributed Rs.1906.55 crore to the corpus of the Trust up to March 31,2010. As announced in the Package for MSEs, the corpus is to be raised to Rs.2500 crore by the end of 11th Plan.

#### **2. Salient features of Micro- Finance Programme**

Under the Scheme of Micro-Finance Programme, the following activities would be undertaken.

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a. **Arranging Fixed Deposits for MFIs/NGOs:**

The SIDBI is already running a Micro-Credit Programme with a network of capacity assessed rated MFIs/NGOs. The scheme of Micro-Finance Programme has been tied-up with SIDBI by way of contributing towards security deposits required from the MFIs/NGOs to get loans from SIDBI as per details given under:

- i. The Government of India will provide funds for Micro-Finance Programme to SIDBI, which shall be called 'Portfolio Risk Fund' (PRF). This fund would be used for security deposit requirement of the loan amount from the MFIs/NGOs and to meet the cost of interest loss. At present, SIDBI takes fixed deposit equal to 10% of the loan amount. The share of MFIs/NGOs would be 2.5% of the loan amount (i.e. 25% of security deposit) and balance 7.5% (i.e. 75% of security deposit) would be adjusted from the funds provided by the Government of India. The MFIs/NGOs may avail the loan from the SIDBI for further on lending on the support of the security deposit.
- ii. The Government would provide the needed fund in four years of the Xth Plan and release the fund on half-yearly basis based on demands for security deposit. By contributing an amount of Rs.6 crore during the Xth Plan under Micro-Finance Programme, SIDBI can provide loan of Rs.80.00 crore to MFIs/NGOs. This would benefit approximately 1.60 lakhs beneficiaries, assuming an average loan of Rs. 5,000/- per beneficiary.
- iii. The SIDBI will pay interest to the Govt. on the fixed deposit made available by the Government at the same rate as allowed to NGOs. Other terms and conditions will be fixed mutually by SIDBI and GOI.
- iv. The recovery of loan/interests will be the sole responsibility of the SIDBI. In case of non recovery of loan, SIDBI would first adjust fixed deposit and interest accrued thereon for 2.5% security deposit of the loan pledged by the MFIs / NGOs and thereafter adjust

7.5% security deposit of the loan amount provided by the Government of India and the interest accrued thereon with the approval of Committee of Govt. of India.

v. After full recovery of loan from the MFIs/NGOs, the 7.5% security deposit of the loan amount provided by Govt. of India and interest accrued thereon would be rotated further as a security deposit for MFIs/NGOs with the approval of Committee of the Govt. of India or the same will be returned to the Govt. of India.

vi. As SIDBI is already running the Micro-Credit Programme, they will monitor the scheme. They would also provide the monthly/ quarterly progress report along with details of beneficiaries, utilization of funds provided by Government of India and loan sanctioned/ utilized by the beneficiaries.

vii. The activities covered under the scheme are manufacturing, service sector and non-farming activities.

b. **Training and Studies on Micro-Finance Programme:** The Government of India would help SIDBI in meeting the training needs of NGOs, SHGs, intermediaries and entrepreneurs and also in enhancing awareness about the programme. This task would be performed through National Level Entrepreneurship Development Institutes (EDIs) and Small Industries Service Institutes (SISIs). The Research Studies would also be arranged through reputed agencies.

c. **Institution Building for 'Intermediaries' for identification of viable projects** : The Government of India would help in institution building through identification and development of 'intermediary organization', which would help the NGOs/SHGs in identification of product, preparation of project report, working out forward and backward linkages and in fixing marketing/ technology tie-ups. The SISIs would help in the identification of such intermediaries in different areas.

### 3. Budgetary Provision for the Scheme during 10<sup>th</sup> Plan

The Budgetary provision for the scheme in the Tenth Five Year Plan is Rs. 7 crore and the provision in the current financial year 2003-04 is Rs. 0.25 crore. The entire amount of Rs. 0.25 crore is to be provided to SIDBI as 'Portfolio Risk Fund' (PRF) during the year 2003-04. Under the scheme, allocation of an amount of Rs. 1 crore is for studies, training, awareness, etc. and amount of Rs. 6 crore is for contribution to SIDBI as 'Portfolio Risk Fund' (PRF). Savings if any, under any activity would be utilized on other activity of the scheme so that the budget allocated may be fully utilized.

### 4. Administrative Arrangement

A Committee under the Chairmanship of Additional Secretary & Development Commissioner (MSME) is to be constituted. Other members of the Committee would be Additional Development Commissioner & EA, Director (IFW), Chairman-cum- Managing Director (SIDBI) and Director (EA). Any other member can be co-opted by the Committee, if required. The Committee would review the progress made under the scheme, approve the adjustment of security provided by the Government of India and interest accrued thereon in case of non-recovery of loan by SIDBI, approve further rotation of funds provided by the Government of India and other related matters.

### Various Schemes which are provided to MSME in India are:

#### 1. NSIC SCHEMES

##### BILL FINANCING

Bills drawn by small scale units for the supplies made to the reputed and well established enterprises and duly accepted by them will be financed / discounted by NSIC for a maximum period of 90 days.

#### WORKING CAPITAL FINANCE

Finance for augmenting working capital of viable and well managed units, on selective basis in case of emergent requirements, to enable them to payoff their purchases of consumable stores and spares and production related overheads particularly electricity bills, statutory dues, etc.

#### EXPORT DEVELOPMENT FINANCE

Finance for export development to export oriented units for meeting their emergent requirements. Pre and post shipment finance shall also be provided to such units at usual terms & conditions.

#### THE EQUIPMENT LEASING SCHEME

The object of the Leasing Scheme is to assist SSI Units to procure industrial equipment for modernisation, expansion and diversification of their industries.

### 2. New Schemes

- (i) To enhance the export capabilities of SSI units.
- (ii) Scheme for Marketing Assistance.
- (iii) Infrastructure Development Scheme.
- (iv) Scheme for acquisition of ISO 9000 certification.
- (v) Factoring Services and
- (vi) Bills Re-discounting Scheme against inland supply bills of SSIs.

### 3. Major schemes

#### 1. Technology Development & Modernisation Fund

SIDBI has set up Technology Development & Modernisation Fund (TDMF) scheme for direct assistance of small sale industries to encourage existing industrial units in the sector, to modernise their production facilities and adopt improved and updated technology so as to strengthen their export capabilities. Assistance under the scheme is available for meeting the expenditure on purchase of capital equipment acquisition of technical know-how, upgradation of

process technology and products with thrust on quality improvement, improvement in packaging and cost of TQM and acquisition of ISO-9000 series certification.

SIDBI in July 1996 had permitted SFCs and promotional banks to grant loans for modernisation projects costing upto Rs. 50 lakhs. The Coverage of the TDMF scheme has been enlarged w.e.f. 1.9.1997. Non-exporting units and units which are graduating out of SSI sector are now eligible to avail assistance under this scheme.

### **National Equity Fund (NEF)**

National Equity Fund (NEF) under Small Industries Development Bank of India (SIDBI) provides equity type assistance to SSI units, tiny units at five per cent service charges. The scope of this scheme was widened in 2000-01 raising the limit of loan from Rs. 6.25 lakhs to Rs. 10 lakhs and project cost limit from Rs. 25 lakhs to Rs. 50 lakhs.

(a) The following are eligible for assistance under the scheme:-

- i. New projects in tiny and small scale sectors for manufacture, preservation or processing of goods irrespective of the location (except for the units in Metropolitan areas).
- ii. Existing tiny and small scale industrial units and service enterprises as mentioned above (including those which have availed of NEF assistance earlier), undertaking expansion, modernisation, technology upgradation and diversification irrespective of location (except in Metropolitan areas).
- iii. Sick units in the tiny and small scale sectors including service enterprises as mentioned above, which are considered potentially viable, irrespective of the location of the units (except for the units in Metropolitan areas).
- iv. All industrial activities and service activities (except Road Transport Operators).

(b) Project cost (including margin money for working capital) should not exceed Rs. 50 lakhs in the case of new projects in the case of existing units and service enterprises, the outlay on

expansion/modernisation/technology upgradation or diversification or rehabilitation should not exceed Rs. 50 lakhs per project.

(c) There is no change in the existing level of promoters' contribution at 10% of the project cost. However, the ceiling on soft loan assistance under the Scheme has been enhanced from the present level of 15% lakh per project to 25% of the project cost subject to a maximum of Rs. 10 lakhs per project.

(d) 30% of the investment is earmarked for tiny units.

### Conclusion

The MSME segment in India has been receiving focused attention. With the introduction of Micro Small & Medium Enterprises Development (MSMED) Act 2006. The policy focus and the Government's thrust towards promoting the MSME segment, along with globalization and India's robust economic growth. The State Government is also developing of the industrial sector through effective discharge of developmental and facilitation roles. With a view to promote investment and trade, the Department formulates and implements the Policies of the State, Identification of Sectoral Advantages to the State. Government of India is providing credit facility to these MSME like Collateral free, Credit facility, Credit to Low income category, Assistance to Women Entrepreneurs. Micro finance is playing a crucial role in the rapid growth of MSME. Various Schemes are introduced by Indian government like NSIC SCHEMES, New Schemes, Major Schemes, Nation Equity funds to support MSME's in India.

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