



# **Small Scale, Village & Cottage Industries**

**In**

**Meghalaya**

A GUIDE TO THE ENTREPRENEURS

Published by :

District Industries Centre,  
East Khasi Hills District  
**Shillong, Meghalaya**

## **F O R E W O R D**

An attempt has been made in this book- “Small Scale, Village & Cottage Industries in Meghalaya- A guide to entrepreneurs” to give a consolidated picture of the activities of the various agencies involved in the Industrial Development in Meghalaya. With its publication the entrepreneurs will now have a ready reference of to whom to approach for setting up an Industrial Unit.

This book would not have come out but for the sincere efforts of Shri. S.B.Gurung, General Manager, District Industries Centre, Shillong and I must congratulate him for taking this initiative and for spending his time on this book.

Dated Shillong,  
The 6<sup>th</sup> August,1993.

(K. F. RANGAD),  
Director of Industries,  
Meghalaya, Shillong

## P R E F A C E

One of the prime objectives in bringing out this book is to elucidate, in brief, the very significant role that the small scale, Village and Cottage Sector of industries could play in solving some of the vital issues, like the unemployment and under –employment problem, a balance economic, vis-à-vis, the regional development of the State, etc.

While going to set up an industry, an entrepreneur shall have to abide by a number of rules, regulations and policy decisions, both of the Central, as well as, the State Governments; and, therefore, needs some of the basic guidance. This, I have tried to present them in a systematic manner, in this book, which has also been supplemented by giving profiles of the support programmes of the state Government, In this field of de-centralised sector of industries.

To give a broader outlook to the publication, the Industrial Policy (1988), of the State Government (of Meghalaya) and also of the Government of India have been incorporated in their original forms.

A number of Government and Semi-government Departments, Organisations and Agencies have also been working in the field, for the promotion and development of industries and industrial activities in the State which are extending various facilities and assistances to this sector. But these very information most often, do not seem to filter down to them, for obvious reasons.

I thought it most essential that this information would certainly serve as one of the motivational factors and, therefore, must reach to the common masses.

Chapter-V, reflects the various programmes and Activities of almost all of these promotion Agencies.

Finally, when the entrepreneurs are motivated to some extent, the question of finalising a viable projects would come up and in answer to this, I have presented the list of viable items that have been identified by some of the Promotional Agencies as having potential for development in the State and in the Small Scale Sector, under the reserved-Lists (Chapter-VI).

It is hope that this ‘Book’ would serve as a ‘Guide’ to the local ‘Entrepreneurs’ with basic information almost in every respects and, they, the entrepreneurs, in their own interest, are advised to contact the respective Departments, Organisation or, Agencies for further details.

I do convey my sincere thanks to Shri. K. F. Rangad, Director of Industries, Meghalaya, Shillong, for having written a few but valuable words in the form of a ‘Foreword’ to this book, which speaks for itself.

I acknowledge my sense appreciation to all those Promotional/Developmental Departments, Organisations and Agencies which have readily contributed their write-ups, highlighting their various programmes and activities in the field.

In this respect, I may also mention it here that to accommodate them all, I have classified their functions and activities, in brief, under specific groups, with summary notes on their roles.

I am sure this book will certainly serve the initial needs of the local entrepreneurs for whom it is meant.

As the publication of this book was unduly delayed, for some unavoidable reasons, the printing work had to be undertaken hurriedly. As such, some errors might have crept in which is regretted and will be taken care of in its subsequent edition.

Dated, Shillong,  
August, 16<sup>th</sup> 1993.

(S. B. Gurung)  
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## CHAPTER – 1

### **Small Scale, Village and Cottage Sector of Industries and their Importance in the Economic Development of the Region.**

**1.00 Introduction:** The role and importance of Small Scale, Village and Cottage Industries has equally been felt even in countries which are classic lands of big business and industrial set-ups. Such industries are very common in Japan, U.S.A., Switzerland, Sweden and several other countries.

Moreover, in an over populated and developing country, like ours, the Small Scale and Cottage Industries have a vital role to play; and, therefore, occupies a definite and important place in the upliftment of the rural economy of the region. The Government, at the Centre, has made a clear announcement on the importance attached to this sector of Industries in its programmes and Plan-Outlays, from time to time, for utilisation of the massive man-power in both the rural and the urban areas.

It has, therefore, been specifically emphasised in the Industrial Policy that-“whatever can be produced by these sectors of industries must only be so produced and in the Union Budget, also, several new fiscal concessions and incentives have since been considered to this sector.

In brief, this policy, as spelt out on various occasions and in many of the government documents, is to give all possible encouragement and assistances to the Small Scale, Village and Cottage Industries in preference to large ones for the following reasons : -

It is/has/does –

**1.01 Employment Potential:** A Small Scale or, a Cottage Industry is labour oriented and labour intensive with relatively high labour-investment ratio.

A given amount of capital invested in this sector of industries is likely to provide more employment, at least in short run, than the same amount invested in a large industry. It is estimated that an investment of Rs.1.00 lakhs, in fixed assets, in a large industry may create, on an average, employment to 24 persons whereas the same amount of investment made in a small-scale industry, for the same purpose, might do so for 10-12 persons. This is one of the main considerations for an over-populated and developing country, where millions of people are either unemployed or, under-employed, to utilise the possible potentiality of this sector for providing employment opportunity not only to the educated and technical man-power but also to the unlimited labour force which have been increasing, day by day, at a relatively low capital cost and very short period of gestation

Further, the encouragement to small scale and cottage sector would, no doubt, serve to counter the seasonal employment of the agricultural labour force and thus utilise it which otherwise would go to waste.

**1.02 Skill. Light:** Unlike a large industry, which calls for a great deal of technical skill and man-power, -viz. engineers, foremen, accountants and so on, a small scale industry is relatively skill light and provides the entrepreneurs every opportunity to broaden his technical and managerial capability.

**1.03 Import and Capital Light But Quick Yielding:** Unlike large industries, which could require imported machineries, materials and technical know-how, small scale industries, generally, are less dependent on foreign machineries, raw-materials and they, being skill light, are “quick yielding types”, i.e. the time lag between execution of the project investment and commencement production is relatively short.

Thus, a low import intensity in the capital structure of the Small Scale Sector reduces the need of foreign capital or, foreign exchange earnings and obviates the difficulty in balance of payment, on one hand and also compromises between the highly inflationary potential, on the other.

That is, this sector tries to arrest inflation simultaneously gearing up the rapid rise in the standard of living of the people because of their high fruition co-efficient (i.e. a high ratio between a planned outlay and its investment) and short fruition lag.

**1.04 Capital Formation and Even Distribution of Income and Wealth:** Small scale industries can call into being capitals that would not, otherwise, come up by spreading industries over the country –side. Small Scale Entrepreneurs are encouraged to form habits of thrift and investment as productive capital, had it not been for the small enterprises.

It also has the additional advantage of securing more evenly distributed income and wealth because of the few centralised industries which have tendencies to concentrate large sums of income and wealth in few hands, which is detrimental to the society, as this would, no doubt, encourage exploitation of men by men and, therefore, create vested interest to put up obstacles on economy towards its goal to a socialistic pattern of society.

**1.05 Decentralisation:** The development of Small Scale Industries will bring dispersal or, decentralisation of industrial growth and promote the objective of ironing over the much needed economic betterment in a phased and uniform manner.

**1.06 Support to Large Scale Industries:** Some of the small scale industries are such as could be encouraged as subsidiaries or, complementaries to the large industries. These ancillary and auxillary units would not only cater to the need of the mother units but also bring about substantial mutual promotion amongst themselves.

**1.07. Territorial Immobility:** One of the vital factors in favour of the small scale sector is its capability to offer jobs to the unemployed rural masses at their very door-steps who, otherwise, would not move away from their homes in the countryside and thus waste away the massive man-power.

Moreover, unlike large industries, small industries do not create problems of slum-housing, health and sanitation hazards, etc. and the attendant diseases, etc.

**1.08. Pressure Pduction on Land and Relieving Urban Congestion:** The development of small scale and cottage industries helps in diversion of surplus labours from the overcrowded agricultural sector, in the rural areas, towards the evenly distributed industries sector, thereby relieving urban congestion.

**1.09. Sustain Green Revolution:** Establishment of small scale, village and cottage industries also encourages in sustaining green revolution in the country-side with the promotion of agro-based industries and service establishments, such as production of farm machineries and implements and allied repair and servicing centres.

Moreover, with the increase in the economy of the rural masses, demand for some of the consumers' items like radios, transistors, televisions, cycles, sewing machines, etc. would also boost. Consequently, there would stand scope for establishment of their repair and servicing workshop.

## CHAPTER – II

### **A Practical Approach To Setting Up A Small Scale Village Or A Cottage Industry.**

**2.00. Introduction:** The Government, is, perhaps, nowhere as liberal as in helping to launch projects in the Small Scale Sector, and hence, one can start a small scale industry with certain amount of his initiative, courage and self-determination.

#### **2.01. Different Classes of Industries:**

**I. Small Scale Industry:** An industrial undertaking having the investment in fixed assets in plant and machinery, whether held on ownership terms or, by lease or, by hire-purchase, up to a limit of Rs.60 lakhs is called a Small Scale Industrial Undertaking.

Small scale units which would undertake to export at least 30 percent of their production by the third year would be permitted to step-up their investment in plant and machinery to Rs.75 lakhs.

**II. Village Industry:** A Village Industry is defined as an industry located in rural areas, with or, without power, and produces goods or, renders services, and in which the fixed capital investment per head of an artisan or, a worker does not exceed Rs.15,000/- or, such other sum as may, be notification in the official gazettee, be specified from time to time by the Central Government.

**III. Cottage Industry:** A Cottage Industry is one which is carried on wholly or, primarily with the help of the members of a family, either as a whole or a part time occupation. A new concept of 'Tiny-Sector', within the Small Scale sector was introduced in 1977, and is defined as

**IV. Tiny-Sector:** An industrial undertaking having an investment, in plant and machinery, not exceeding Rs.5 lakhs and located in rural or, backward areas with population not exceeding 50,000, falls under the Tiny Sector Industry.

**V. Ancillary Industrial Undertaking:** An Ancillary industry is defined as a small scale industrial undertaking with an investment in fixed assets in plant and machinery, whether held on ownership terms, or by lease or by hire-purchase, not exceeding 75 lakhs, and engaged or proposing to engage in the manufacture or production of parts, components, sub-assemblies, tooling or intermediates, or the rendering of services, and supply or render at least 30 percent of its production or services as the case maybe, to one or more other industrial undertakings.

**VI. Small Scale Service Establishment:** Establishments and Enterprises engaged in personal or, household services in rural areas and towns with a population of 5 lakhs or, less and having an investment in plant and machinery not exceeding Rs.2 lakhs, are known as Small Scale Service Establishment.

All facilities and assistances, generally available to the small-scale sector of industries are also eligible to the small-scale service establishments.

**2.02. A Practical Approach to Implement of an Industrial Project:** Competition in every field of activities has been rising day by day, there can be no project, which is free from any problems, has good-profitability and no competitions. There are certain items of products, which are economically feasible in the Small Scale only because of either the marketing difficulties of large volume of products or some other reasons.

Therefore in the following pages are discussed the practical and systematic approach for setting up a small scale, village or a cottage industry: -

- I. Selection of Products.
- II. Forms of Ownerships.
- III. Location of the Industry.
- IV. Government Procedures-Registration, Licencing,etc.
- V. Project Financing.
  - (A) Land-site selection and preparation, land area requirement.
    - Building- Building design and floor area requirements.
    - Utilities-Water, Power, Telephones etc.
  - (B) Machinery and equipments-Selection and ordering of machinery and equipments.
  - (C) Man power Planning and Training of personnel
  - (D) Raw material and Spares.
- VI. Erection and commencement of production.
- VII. Products marketing and export opportunities; and
- VIII. Feasibility report.

### I. SELECTION OF PRODUCTS :

A small-scale unit has limited risk bearing capacity, where it does not have products diversification. It cannot withstand credit sales for a very long time because of the small amount of financial capability of the small entrepreneur. As such speedy and economic disposal of the finished products plays a decisive role in the success of a project.

Therefore, it is very essential that a considerable study should be made for the selection of product as it has a decisive role in the success if the unit. A very detailed study of new units that are already in the market and of such other units that are likely to come up in the same field in the future, the end use of the products and the present use of the products and the present and likely future demand should also be made.

In so far as good quality product can be manufactured in the small scale, consumer goods for local need stands a better weightage as the money turn over is rapid and does not block the working capital for a long period compared to Government supplies. But Government supply items does have price preference and purchase protection and there is very less chance of bad-debt.

The availability of the basic raw materials requirement, their regular supply, etc. should also be considered. As far as practicable a unit should not depend on imported or indigenous scarce raw materials, which ultimately will put a constrain on the functioning of the unit. Therefore a unit may select items of manufacture which can be manufactured from the locally available raw materials, have consumers demand and very few competitions.

Government have initiated several measure for providing institutional support and services at the central and state levels for accelerating development of small industries all over the country particularly in the backward areas.

One of the measure of policy support for promoting small scalem Industries in the policy if reservation of economically viable and technically feasible items for exclusive manufacture in small scale sector.

Under this policy, once an item is reserved for manufacture in the small scale sector no unit in the large or medium scale sector is licensed to undertake manufacture of that item such cases where the large units undertake to export at least 75 percent of their total production. The capacity of the existing large and medium scale units is pegged on the basis of their best annual production in any of the three years ending with the specified date as notified by the Government from time to time.

By preventing fresh entry of large and medium units and also be prohibiting further expansion of existing units in the large and medium scale, all expansions of capacity is reserved for small scale

sector. This is how reservation affords protection to the small scale against competition from the large and medium units.

The rationale of the Government Stores Purchase Programmes. Lies in the fact that: -

- i) The Government are the largest single purchasers of variety of products.
- ii) The direction of its purchases in favour of small industries will give a tremendous boost to the marketing of their products, and
- iii) They will in the process, be oriented to produce goods in conformity with the standards laid down by the purchasing.

The important features of this programmes are :

### RESERVATION OF ITEMS :

All items of Government purchases have been divided in six groups.

Group I. Items, which can be produced only in large, scale sector.

Group II. Items, which can be produced in large sector, but where it is possible for large-scale unit to sub-contract ancillaries and components to small-scale units.

Group III. Items, which can be, arranged both through the large and small-scale units. In this group, Small Scale units are entitled to get price preference upto 15 % over the offer of large units, on merits.

Group IV. Items under this Group are reserved for inclusive procurement from Small Scale units.

Group V. Items for which purchase upto 75 % are to be made exclusive from Small Scale units.

Group VI. Items for which purchase upto 50% are to be made exclusive from small-scale units.

N.B: - For details, please see are Annexure –II-V.

## II. FORMS OF OWNERSHIP:

Individual proprietorship is one of the most convenient and effective forms of managements in favour of Small Scale Industrial Unit.

But when the single owner is not able to cope up with management of the unit-either due to his pre-occupations or when he needs certain guidance and consultation in confidence or where the needs more resources for expansion or diversification of the unit arises, the form of ownership of the unit may be nay one following forms :-

- A. Partnership;
- B. Company or
- C. Industrial Co-operatives.

**(A) Partnership:** A Partnership Firm may comprise of two to twenty persons whose liability will be unlimited. A partnership Firm is governed by provision of the Partnership Act. It is not obligator to get a firm registered under the Act; but an unregistered firm has certain disadvantages, which compel it to go in for registration.

Registration is beneficial for income-tax-purpose as it reduces tax abilities. An unregistered firm intact tax its income, as if it is one individual. But for a registered firm the profit is divided among the partner in their profit sharing ratio. Thus income tax is charged individually on the basis of each partner's income.

A Partnership Deed, under the name of firm, has to be prepared by a competent lawyer, typed on stamped paper and submitted to the Registrar of Firms. The Deed should contain the approval and signature of each partner.

The Partnership Deed should contain the Terms and Conditions of the Partnership.

Under a partnership Firm, all the partners can pool their resources together and allocate among themselves the work of management and supervision.

One of the disadvantages of a Partnership unit is that there is likelihood of difference of opinion arising out of different partners.

**(B) Company:**

A. Company may be -

- (a) Public or,
- (b) Private.

(a) **A Public Company** : - A Public Company can be formed by 7 or more persons and it can offer its shares to the public. The two important document-Viz the memorandum of Association and the Articles of Association-should be signed by at least 7 members of the company.

(b) **A Private Company** : - A Private Company can be formed by 2 to 20 persons (but not exceeding 50). Its shares are not offered to the public for subscriptions. The documents of Memorandum and Articles of Association should be signed by at least 2 members of the firms.

The word “Limited” after a Company, Public or Private, indicates that the liabilities of its members is limited to the amount of shares they have taken.

The following steps and procedures are required for forming Company, Public or Private : -

1. First, select a few names for the proposed Company and putting them in order of preference, apply to the Registrar of Companies whether any of the names is available for Registration.
2. On receipt of confirmation from thje Registrar, the two most essential documents, viz.,
  - (a) The Memorandum of Association and
  - (b) The Articles of Association,

Have to be prepared by a competent lawyer and present them to the said Registrar for their registration.

The Company comes into existence from the date of its registration.

(a) Memorandum of Association it contains the :

- i) Name of the Company
- ii) Name of the State (where the Company’s registered office is situated).
- iii) Name of the Registered Office;
- iv) Nature of liability; and
- v) Authorised Capital (to be divided into shares of fixed amount).

A Company cannot do nay business that is not provided in its Memorandum. The Articles of Association provides for management of the affairs of the Company and conduct of its business. It deals with allotment of shares, Borrowing Power, General meetings, Directors and their Powers, Accounts and Audit, etc.

Formation of a Company is very hopeful for further expansion of the business or industry, by raising capital through public participation, more funds can be placed for advantage of the company.

Other, advantages of a company are: managerial and Operational Efficiency, Limited Liability and Comparatively Low Income Tax.

Entrepreneurs in Small Scale Sector, generally, prefer Private Company to Public Company as the former has fewer procedural formalities and Government controls. A Private Company enjoys all the advantages of a partnership as also of a Limited Liability.

**(C) Industrial Co-operatives** : Co-operatives engaged in industrial activities are registered by both the Registrar of Co-operatives Societies and the State Department of Industries and can avail facilities offered by the Departments.

But, such Co-operatives are often beset with internal quarrels.

### III. LOCATION OF INDUSTRY:

Selection of the place of factory-location is one of the most vital factors for successful implementation of the Project.

In so far as starting an industry, in Meghalaya, is concerned, the State as whole has been declared as Industrially Backward: and as such, every industrial unit will be eligible for grant of the Central (Government) Subsidy.

Therefore, selection of place need not be considered from the angle of special facilities available from the Central as well as the State Government.

Therefore, while selecting the location of an industry, the following considerations need be taken into account, viz :

1. Transport of raw materials and finished goods is a very important factor and these should be taken into account. But more availability of transport facilities is not enough, the freight charges, conditions of roads and easy availability of service facilities are also important.

Hence, to save in the cost of transport and quickness in delivery, a factory should be at such places where raw-materials are available and also that its nearness from the nearest sales-centres is the least.

2. In addition, to locate a factory where other forms of communications are also available will give an added advantage, viz. railway postal and telegraphic services, etc.
3. Man power availability is another important factor for consideration. In so far as recruitment of skilled personnel is concerned, it may not concern very much as an small scale industry, usually, does not require many skilled personnel, like Managers, Engineer Foremen and Supervisors, who can be provided with ample accommodations.

But, these sectors of industries are mostly labour oriented. Therefore, it is to be seen whether both skilled and unskilled workers are easily available at cheap rate. In hilly areas, which are unusually agricultural, it has also to be observed if the labours available are only part-time or seasonal; and if so, whether the unit can still run with such seasonal hands.

4. If the finished goods of the industry have local consumers' demand and whether it is likely to occupy the demand market in the near future, as well.
5. Where the industry is proposed to be located in own, leased or hired land, the State Government has put up certain restriction before it can be granted with Registration or industrial Licence.

These restrictions are mainly for the purpose of allowing a planned distribution and growth of industries, to avoid local traffic congestions in residential areas, and eliminate noise, water, air or sound populations.

Saw Mills have been banned from setting up in the Greater Shillong Agglomeration, within a radius of 8 Kms. and Byrnihat-Khanapara Areas.

Where the entrepreneur's need is for a better plot of land with most of the infrastructural facilities, he can apply to the Director of the Industries, Meghalaya, through the District Officer i.e. the General Manager, of the District Industries Centre, for allotment of either Factory-sheds in the Industrial Estate or for land in the Industrial Areas, at Shillong and Barapani or, Byrnihat, respectively.

#### IV. GOVERNMENT PROCEDURES:

Small Scale Industrial Registration is, so far, voluntary and not compulsory. But by registering a SSI unit, it can avail the various facilities offer by the Government, Financial Institution and Nationalised Banks.

**1. SSI Registration:** An Industrial Unit, can registered with the State Directorate of Industries, under the Revised procedure of Registration (which is on national level), as follows:

**(a) Provisional Registration:** Provisional Registration is granted to proposed units in order to enable it to apply for loans from the financial institutions or the banks, to apply for water, power and telephone connection, under special category reserved for the SSI Sector.

A Provisional Registration Certificate is given at the district level by the General mangers of the District concerned on the basis of the prescribed application forms, (one copy) which can be had from the D.I.C. for a period of two years in the first instances which can further be extended in two successive extension of one year each.

However, in cases where units require scars indigenou or, imported raw-materials or, the items of manufacture are banned either by State Department or the Central, prior approval of the State Director of Industries will have to be obtained before issue of the Provisional Registration by the District Industries Centre.

**(b) Permanent Final Registration:** A units provisionally registered when it is about to go into production, or, has already gone into production, must apply for PMT/Final Registration.

The unit has to submit three copies of the Prescribed Application Forms (to be had from the D.I.C) to the D.I.C. Officers from the D.I.C. will make on the spot inspections of such units about the machinery and equipment installed, installed capacity of the unit and assess the requirement of raw materials etc. and submit their Reports in these regards.

The General Manager, of the D.I.C., if he is satisfied with the unit's standing, will recommend the case to the Director of Industries for the grant of PMT/Final Registration Certificate. Already existing and functioning units need not necessarily go for provisional Registration but can apply directly for the PMT/Final Registration.

Before making such application, the Entrepreneur may check up is any of the following Permission/Clearances/No objections Certificate is necessary from the authorities concerned:

- i. Shillong Municipality- for the Shillong Town areas or from the Associate Town Planner for areas falling in District or subdivisional Headquarter, but outside the Municipality, or the Town Committee.
- ii. Urban Development Authority where investment on plant and machine is above Rs.25 lakhs.
- iii. State Drug Controller -for pharmaceutical products.
- iv. Marketing Development Officer (Fruit Products), Directorate of marketing and inspection, Ministry of food and Agriculture, Government of India, New Delhi-for canned and tinned foods.

- v. State Supply Department- for rice or flour mills.
- vi. Forest Department-for Forest based industries.
- vii. State Excise Departments-for industries using rectified or specially denatured spirits; and the Central Excise Department for production on which Central Excise Duty is leviable.
- viii. State Police Department – for industries using explosive materials.
- ix. For electronic items prior approval of the State Level Committee is required, application form for the S.L.C. is available with the D.I.C.

**2. Project Appraisal:** Generally, the financing agencies require the project/scheme appraisal from the D.I.C. or the S.I.S.I.

**3. M.P.S.R. Registration:** A PMT/Final Registered unit can apply under the Meghalaya Preferential Stores Purchase Rule, 1991, so as to avail the price preference and get protection outside competitions.

**4. N.S.I.C's Single Point Registration:** Similar to the State Purchase Registration, a PMT/Final Registered unit may apply for registration under the National Small Industries Corporation's Single Points, Registration Schemes, at the Central level.

## V. PROJECT FINANCING:

With the present day fluctuation in the price of materials, finance planning, of a project is most essential as most of the projects would ultimately cost more than the estimates, thereby resulting in a squeeze on the working capital as because the financial institution or the banks would also be reluctant to finance the additional cost of the project.

Almost every project faces trouble in the initial stages before their production capacity is achieved and stabilized. During this period, there is a constant drain of finance and this also puts many of the projects into deep trouble.

Delay in getting loans from the financial institutions and banks is one of the main hurdles in the production resulting the projects escalation.

The following precautionary measures, must, therefore, be taken into account for effective, planning of the project financing.

1. A 20 – 25 percent contingency may be added on the quotations for machinery and civil works.
2. Investment on fixed assets should not be more than 60-75 percent from the loan amount.
3. Allowance for pre-operational expenses, like salaries of staffs employed during and before the erection and installation of plant and machinery, transport, insurance, interest, expenses incurred on spoiled batches during trial operation, should be made.
4. The project implementation should be carefully planned and executed so that the project implementation works are synchronised and completed in the minimum possible time.

Having estimated that cost of the project, inclusive of the margin for working Capital, it will not be necessary to determine the sources of finance, which could be: -

- (a) Own Capital of the Proprietor of the partners, subscribed or paid up capital of the company:
- (b) Long Term Loan from friends and relatives:
- (c) Deferred payments arranged for acquisition of machinery and equipments; or other assets and term-loan from credit Institutions.

In case the funds available from various sources are adequate, it would become necessary to reduce the size of the plant and cost of the project, provided it still remain viable.

Credit institution invariably looks into the Debt-Equity Ratio to determine a relationship between borrowed and owned funds of an enterprise.

Generally, Term lending institution expect the entrepreneurs/promoters to contribute at least 20 percent of the total project cost (10-17 ½ percent) for units in backward areas and 15 percent for technician entrepreneurs.

It will be more advisable to draw up a schedule of project implementation and determine the need for funds at its different stages. This avoids levy of commitment charge, which is recoverable by the credit institution on the unavailed portions of the loan.

The finance requirement of a unit is, generally, of 2 types:-

- (a) Long Term or Medium Term Loan where the repayment period is spread over a period of 7 or more years ;
- (b) Short Term Loan where the repayment period is short.

Long or Medium Term Loan is available either from the State Financial Corporation or from any of the Commercial Banks.

Short Term Loan is available from the Commercial Banks only. In special cases, however, the State Financial Corporation also grant Working Capital Loan up to 25 percent of the total loan sanctioned.

There are other types of financial help: they are in the form of:

- (a) Assistance to technical persons;
- (b) State participation in equity capital;
- (c) Credit guarantee Schemes; and
- (d) Machinery and Equipment on hire purchase.

## **I. CREDIT FROM STATE FINANCIAL CORPORATIONS :**

In Meghalaya, the Meghalaya Industrial Development Corporation and the Assam Financial Corporation are the main Financial Institutions, which provide long and medium term loans to small-scale industries. Main features of these loans are: -

- 1. Loan can be had either for setting up a new small scale unit,(for acquiring Capital Assets in the form of land, building, plant and machinery) or for renovation, modernisation and expansion of the existing unit.
- 2. The loan will be considered on mortgage of assets with a margin of 25 to 50 percent in favour of the Corporation in the security offered against the loan.

## **II. CREDIT FROM THE NATIONALISED BANK:**

The Commercial Banks provide loans as under :-

### **1. Short Term Loan; Its main features:**

- 1. Small Scale Units may be considered for financial assistance even in absence of a satisfactory Debt-Equity Ration or adequate margin.
- 2. Loans against hypothecation of stock-in process on the retention of slightly higher margins.
- 3. Letter or Credit, inland as well as foreign, are allowed at concessional rates of margins.
- 4. Advances against the pledge of machines.

**Types of Advances:** Short Term Loans can be had in any of the following forms:

1. **Lock and Key Type Advance:** Such advances are made against the pledge of raw -materials and finished goods where the processes of converting raw materials into finished products in elaborate and involves a considerable time gap.The raw-material, not under immediate requirement, is kept under the Bank's lock and advances are given against them.

Such types of advances have advantage of turning the same limited Working Capital over and over again.

2. **Factory Types Advance:** They are also pledged advances but the godown are not under the Bank's lock. However, the Banks watchman may be posted at the factory. The only evidence of pledge over the goods in the Bank's favour is the Bank's Name Board.
3. **Mandi Type Advance:** The Bank may also release the goods from its go down till the railway receipt or other documents of title are available and the customer executes a trust-letter or receipt.
4. **Stock in Process:** Advance against materials under process may also be obtained on security of such materials.
5. **Trade Supply Bills :** Advance against Trade/Supply bill can also be considered. But such bills are sent direct to the Branches of the Bank Specified by the borrower.
6. Personal Guarantee and Pledge of Movable machinery;

In some cases, advances are also given against personal guarantee or the co-lateral security of fixed or movable assets or a combination of both.

### III. MEDIUM/LONG TERM LOAN

Medium and Long Term Loans are advances for:

- (a) Purchase of fixed assets, viz land, building, plant and machinery.
- (b) Modernisation, Renovation and Expansion of existing unit.

### VI. NATIONAL SMALL INDUSTRIES CORPORATION'S SCHEME

- (a) **NSIC's Credit Guarantee Scheme:** The NSIC, in co-operation with the State Bank of India and Reserve Bank of India, operates a scheme called the NSIC's Guarantee Scheme No.2,under which an SSI unit can obtain loan for purchase of raw -materials where the unit is in receipt of supply order from the Government and its agencies like the Railway, etc.
- (b) **NSIC's Supply of Machinery and Equipments on Hire purchase:** The NSIC also supplies indigenous and imported machineries and equipments to small-scale entrepreneurs on hire purchase. Such applications should be routed through the DIC the State Directorate of Industries. For further procedural details information's, one can contact the District Industries Centre of the area/district concerned.

### V. ARRANGEMENT FOR

**(A) Land & Site preparation, Building Design and Utilities .**

Proper planning and layout of the factory-site and the buildings design are very important for economic and efficient handling of materials and for future expansion or products diversification of the unit.

Site for Office, godown and the watchman's shed should preferably, be located near the entrance of the compound so that entry and exit of the visitors may not draw the attention of the workers and also enable check to unauthorised visitors.

Most of the service facilities, like water, toilets, etc. should be located around the plant compound to reduce the distance and save time wastage between various processes of operations. Similarly, minimum of 1.5 to 2.75 meters distance should be kept between each processes/machinery so that there will be sufficient space for men and material movement.

A well planned building design, factory layout and site preparation automatically will contribute towards cost reduction during construction of the buildings, installation of plants and machinery, day to day operational cost of the unit and provide allowance for future expansion of the industry.

Such systematic planning will no doubt eliminate health and fire hazards, corrosion control and avoidable breakdown of the machineries and equipments.

It will be advisable to design the unit's capacity a little high than the normal working capacity to make up occasional breakdown.

Similarly, items of utilities should also be thoroughly considered for before selection of the industry's location. Water, power, labour provision of labour quarters or, transport facilities for the labours from their place of residence to the working place must be some of the main infrastructures having impact on successful working of the unit.

The design of the factory building for plants and machinery should be as per the plant layout.

#### **(B) Selection of Machinery and Equipments, etc:**

The selection of machinery and equipments should be in favour of standard items, and whose parts are easily available in the local markets or, can be interchanged with parts of similar other machines. This, even if it costs more initially, will considerably reduce shut of the plant.

For purchase of machinery and equipments, the Assam Financial Corporation, Meghalaya Industrial Development Corporation and the nationalised Banks provide Term-Loans.

Besides, the National Small Industries Corporation (NSIC) offers purchase of Machineries and Equipments from their approved suppliers on hire purchase. Here the advantage lies in the fact that the entrepreneurs, need not pledge any co-lateral security/mortgage any fixed or movable property.

For investment in fixed assets, including the plant and machinery the unit is entitled for the Capital Investment Subsidy as applicable from time to time.

#### **(C) Man Power Planning and Training:**

The unit can avail the stipend offered by the State Department of Industries for the trainees/apprentices being engaged by it. The Department also sponsored cases for training of local youths and entrepreneurs, both inside and outside the state.

For training inside the State, stipend money of Rs.180.00 (in institutions or units without hostel facilities) and Rs.150.00 for training in units/institutions with hostel facilities is given.

Under the scheme of training outside the State, stipend of Rs.250/- per month and both to and T.A./D.A. is given.

## **VI. ERECTION AND COMMENCEMENT OF PRODUCTION**

Improper alignment and levelling of the machineries may bring about undue wear and tear, leakage of fluids and thereby shorten the actual lifespan of machines, Proper foundation laying is also of utmost importance as weaker foundation will gradually bring about sinking of certain portion of the plants and hence misalignment of the plant and machineries, as a whole.

Also equally important is the regular inspection and maintenance and repair/replacement of worn out or, damage parts. Regular greasing and cleaning will undoubtedly vitalise the working life span of the machines.

When the unit is ready for going into production, the operational part of the machine should be entrusted to only some of the skilled workers. In no case should an unskilled worker be allowed to handle the machinery and equipments. Allowing such practice not only will damage the machines but may also endanger the very safety of the workers and the factory.

As then initial stages of running of the machines will gradually set up the whole system into proper shape, this initial operational period should be taken care of until the unit is well established and functioning properly.

This period of infancy need utmost care not only in handling of machinery and equipments; but also in running of entire unit in its management aspects, labour aspects and in establishing a strong market prospect and customer's good will in favour of the unit.

## **VII. PRODUCTS MARKETING AND EXPORT OPPORTUNITY**

Sales promotion and management is one of the important aspects of products marketing of the Small Scale Industries.

Sales promotion awakens consumer's demand for a product. As such, establishment of contact with the customers is an important aspect of marketing function.

Sales promotion may, therefore, be defined as " those activities other than personal selling, advertising and publicity, that stimulates consumer shows and exhibition, demonstrations and other non-recurring efforts.

Marketing of the finished products of an industry is the only outlet, which actually encourages and strengthens the planning and production aspect of the unit. Without having any market prospect for the end-product of a unit, there could not and would not be any necessity for a unit to go into further production.

In selecting the products of manufacture, it is also to be observed whether the local demand is on quality items, whether substitute are easily available etc.

Looking into these various aspects of marketing problems, Governments, both at the Central and the State, have formulated a number of Rules and programmes, so that the interest of the Small Scale Sector is not jeopardised and there small manufactures may be able to exist and survive in the present day competitive markets.

A number of items have, therefore, been reserved for exclusive manufacture-full or part percentage purchase from the Small Sectors.

And, these lists of Reserved Items have been placed at Annexure II to V.

So that the entrepreneurs can go through each of these items having scope of manufacture and development, and examine finer details of their production, raw -materials availability and market survey.

At the end of his taking the above initiative, when the entrepreneur is convinced of his goal and determination, the D.I.C. is available for further clarification and advice on the same.

The Officers, and staffs of the D.I.C. would be willing to guide and help the entrepreneur because it is their duty and responsibility to guide, advise and render necessary help to the people.

## **IX. FEASIBILITY REPORT**

The entrepreneurs have, under the preceding chapters, come to know the various steps and procedures for setting up of a Small Scale Industry.

Detailed discussions on the sources of finance and other assistances have also been made known to the entrepreneurs.

Finer observation and surveys to identify the items of manufacture are, by now, also supposed to have been made.

These details are, therefore, finally structured in a final report called “The Feasibility Project Report”.

The report should discuss, in details, the various reasons in favour of the products identification, and forms of ownership that the unit is going to have location and selection of the place of industry, the proposed way of financing of the unit.

Availability of the raw -materials and machineries, either locally or from outside the state or the country, should also be clarified and the way the finished goods of the unit might find their market disposal have also to be foreseen.

This Project Feasibility Report should, therefore, show that prime facia the selected products have a market and that they can be sold and yield a reasonable profit (i.e. the products are economically viable) and also that the process of manufacture is technically feasible.

The report should be supported by facts and figures, as far as possible and practicable and where there, is an alternative to the said projects, reasons must be given to authenticate as to why it has been preferred to have this Project.

## CHAPTER – III

### **The State Department of Industries Meghalaya – Their Promotional Schemes and Programmes for the Small Scale, Village and Cottage Sector.**

- 3.0. The State Department of Industries implements its Schemes and Programmes, through its grass-root level functionaries -the District Industries Centres.

The District Industries Centres (D.I.C's):

#### **3.01. CONDUCT:**

1. Regular promotional and developmental programmes to motivate the local people towards entrepreneurship-building and setting up of Small Scale, Tiny, Village, Cottage and Artisan Industries, as self-employment ventures, viz:-

- i) **Entrepreneurial Motivation Programmes (E.M.Ps):** To motivate the local people in setting up of S.S.I. undertakings.
- ii) **Entrepreneurial Development Programmes (E.D.Ps):** To develop the motivated and existing entrepreneur in furthering their skills and inculcate in them new skills and ideas.
- iii) **Demonstration-cum-Training Programmes (D.C.T.Ps):** To introduce ideas of new trades, techniques and products, from time to time.
- iv) **Workshops and Seminars (W.A.Ss):** To explore the scope of development of this decentralised sector of industries, for a balanced economic development of the region, and also in co-ordinating the programmes and activities of the various promotional agencies working in the fields for the promotion and development of this de-centralised sector of industries.  
These programmes are held in the identified Growth-Centres, from time to time.
- v) **Study Tours for Entrepreneurs and Artisans (S.Ts):** To expose the local entrepreneurs and artisans to industrial culture, outside the State.

2. Regular vocational courses in the trade of –

- i) Carpentry and Furniture making;
- ii) Blacksmithy, Tinsmithy and Sheet-Metal Works;
- iii) Leather and Canvas Products;
- iv) Hand Made Paper Products and
- v) Machine Knitted Woolen Garments (Wears).

The duration of the above courses varies from one to two years and the selected trainees are awarded stipend-

- (a) Rs.180/- p.m. in the Departmental Training Centres without hostel facility and
- (b) Rs.150/-p.m. where such facility does not exist.

#### **3.02 Sponsor:**

1. Local youths for undergoing in plant training in some of the registered/recognised local S.S.I. units or, under a practising master craftsman, with a monthly stipend of
  - i) Rs.180/- where hostel facility does not exist and
  - ii) Rs.150/- where such a facility does exist.
2. Local youths for training/studies in some of the vocational trades, outside the state, with a monthly stipend of Rs.250/- including T.A./D.A.

3. Practising mastercraftsmen, of the District, for award of honorarium @Rs.500/- p.m. for undertaking craftman trainees.

### 3.03 HELP:

1. The local entrepreneurs in selecting viable industrial schemes/projects.
2. The local entrepreneurs by granting them the S.S.I. Registration, provisionally, in the first instance, for a period of two years, which is renewable for a further period of one year extension, to enable them to apply for some of the required infrastructures. As soon as a unit is about to go into production or, an already existing unit need not for the Provisional Registration but is eligible to go for the Pmt./Final SSI. Registration, which is granted by the Director of Industries, on the recommendation of the District Industries Centre of the district concerned.
3. In sponsoring industrial projects for requirement of their term and working capital loans to the financial institutions and the commercial banks respectively.
4. The registered local SSI units to get their requirement of scarce raw-materials and some of the construction materials for implementation of the Schemes/projects.
5. In marketing the products of the local SSI units by-
  - (i) giving price-preference and other fiscal relief, viz -exemption from deposit of earnest money and cost of tender materials, as provided under the.
    - (a) Meghalaya Preferential Stores Purchase Rules 1990, for purchases to be made by the State Government Departments, Organisations and Agencies, etc.
    - (b) Single Point Registration Scheme, of the National Small Industries Corporation (N.S.I.C), for the Central Government Purchases, which is treated as per to the D.G.S. & D. Rate contracts.
  - (ii) Organising the participating in some of the Products Promotion Programmes e.g. Industrial Fairs and Exhibitions, and Market Meets etc.

### 3.04. SUPPORT:

S.S.I. Undertakings in availing both the Central, as well as, the State Incentives, Viz-

1. **Transport Subsidy**: It is available to all industrial units in respect of transportation of both the raw materials as well as the finished products from outside the State.

While calculating the cost of transportation, Siliguri is taken as the Nodal-Point and the transport cost from the unit to the nearest railway-head and vice versa is taken into account.

The Subsidy eligible is upto the extent of 90% of the actual cost of transportation of the raw -materials from both inside the outside the north east region but not from within the state itself.

In case of the finished products, the subsidy eligible is 90% for export outside the northeast and 50% within the northeast but outside the State.

For electronic items, the transport subsidy eligibility is 75% of the air-freight by air to and from Calcutta and thereafter by rail or, road, as the case may be, upto the location of the industrial unit and vice versa.

2. **STATE INCENTIVE SCHEME**: The State Government, in its Industrial Policy of the 3<sup>d</sup> May,1988 has announced that units going into production after : 3.5.1988; and committing employment to the local tribal to the extent of –
  - i. 60% in managerial (non-Technical) and non-managerial grades and
  - ii. 50% in technical posts, are eligible for grant of the following types of subsidies:-

	<b>Types of Subsidy</b>	<b>Large &amp; Medium Scale</b>	<b>Small scale Industries.</b>
1	Project Subsidy(Capital cost)	-	10% of the Capital Cost upto a max.of Rs.3.5 lacs.
2	Employment Subsidy	-	30% of the Salary of Tribal workers, beyond 50% of the total employment.
3	Training Subsidy	50% of the cost(for tribals only)	50% of the cost (for tribals only)
4	Sales Tax	5 years deferred	Refund for 5 years for raw materials and finished products. MFST reduced to 4% (at per with 4% CST)from 12%.
5	Central Sales Tax	Refund on Machineries	-
6	Infrastructures	25% Max.25 lacs.	-
7	Power Subsidy	Above 25 MW=25% Subsidy Below 2.5 MW=30% Subsidy Max=5 lacs for 2 yrs.	50% for 5 years with Min.consumption of 500 units.
8	Drawal of power Line Subsidy	-	50% of the cost ofdrawal of powerline to a max.of Rs.20,000/-
9	Subsidy on Feasibility Study	90% of the cost to a max.=Rs.2 lacs.	100% of the cost of a Max.Rs.10,000/-
10	Exemption on Stamp Duty.	75% Exemption	75% Exemption.
11	Subsidy on Rent	-	50% of the Rent in Industrial Areas/Estate, for the local tribal entrepreneurs only.
12	Subsidy on Technical Know How.	-	Max.=Rs.25,000/-
13	Subsidy for Quality Control	-	Max.=Rs.10,000/-
14	Subsidy for Import Substitution	-	Max.=Rs.15,000/- or 30% of the cost.
15	Subsidy for Pollution Control Measures.	-	50% of the Cost Max.=Rs.50,000/-

### 3.05 AWARD:

1. District/State Awards to local SSI units and practising mastercraftsmen.
2. Sponsor SSI Units and practising mastercraftsmen for national Awards.
3. Grants-in-aids, with 90% Government Subsidy, to-
  - (i) Technically trained persons upto a maximum of Rs.5, 000/- towards both the cost of machineries, tools and equipments and the Working Capital; and
  - (ii) Recognised Private Institutions and Organisations upto a maximum of Rs.15,000/- for both the cost of machineries, tools and equipments, as well as, the Working Capital.

### 3.06. IMPLEMENT THE NATIONAL SCHEME OF “SEEUY”

Under the National Scheme for Self Employment of Educated Unemployment Youths, an educated (i.e. Matriculate and above. I.T.I. passed) Youth, between the age-group of 18-35 years, is assisted to set up an enterprises of his own, with Composite Loans, under the following sectors:-

- |       |          |                     |
|-------|----------|---------------------|
| (i)   | Industry | =Rs.35,000/- (Max). |
| (ii)  | Services | =Rs.25,000/- (Max). |
| (iii) | Business | =Rs.15,000/- (Max). |

The Composite Loan amount carries a normal rate of interest and is payable after an initial moratorium period of 3-7 years, depending upon the nature and profitability of the venture and carries a subsidy of 25% on the contracted amount of the Composite Loan.

## CHAPTER –IV

### **THE PROMOTION AGENCIES AND THEIR SUPPORT PROGRAMMES TO THE DE-CENTRALISED SECTOR OF INDUSTRIES:**

**6.00. INTRODUCTION:** in order to motivate and develop the local people towards entrepreneurship and enterprise building, the Governments, both at the Centre and the State, have set up a number of Government and Semi-Government Departments Organisations and Agencies, whose task it is to motivate, develop and render necessary support services to the local entrepreneurs.

We have, herein, outlines in brief, the various programmes and schemes of almost all these functionaries (both Central, as well as, the State) to whom the entrepreneurs may contact for different services and assistances, as per their needs.

6.01.	Nodal Agency	01
6.02.	Consultancy Organisations	04
6.03.	Financial Institutions	03
6.04.	Nationalised Banks	-
6.05.	Industrial (Refinance) Banks	03
6.06.	Promotional Agencies	10
6.07.	Planning Machinery	02

#### **6.01 Nodal Agency:**

In order to bring about a closer tie between the various net-work of institutions and agencies working in the field for the promotion and development of Small Scale, Village and Cottage Sector of Industries, the Government, at the Centre, was prompted to introduce, as a Nodal Agency, a scheme known as - the DISTRICT INDUSTRIES CENTRE, at the national level. On the 1<sup>st</sup> of May, 1978, to provide a district level set-up for making available to the entrepreneurs necessary services and support under a Single-Roof, as far as practicable, at the pre-investment, investment and post investment stages of an industrial project.

The main thrust of this programme is on the promotion and development of the decentralised sector of industrial units in the rural areas and small towns of the country as would create better employment opportunities in these areas.

The various services and assistances that are available for the benefits of the entrepreneurs, from the State Department of Industries, Meghalaya, through the respective District Industries Centres, the District concerned of the State, have been detailed in Chapter-III of this Book.

For further information one may contact the District Industries Centre (D.I.C), of the concerned district.

#### **6.02 CONSULTANCY ORGANISATIONS:**

For necessary guidance in selecting a project and its techno-economic viability, an entrepreneur should, invariably, keep in mind some of the following aspect of the Scheme/Project:

- (i) Availability of industrial infrastructures;
- (ii) Technical and managerial man-power requirement;
- (iii) Raw material requirement and their availability;
- (iv) Market study for the industrial products, etc.

And, for a thread-bare study of the above, it will, no doubt, be of immense advantage if the services of some of the Consultancy Organisation is sought, viz.

1. The Officer-in-charge,  
North Eastern Industrial and Technical Consultancy Organisation (N.E.I.T.C.O) Ltd.,  
Upper Lachumiere,  
Shillong – 793001 (Meghalaya).
2. The Managing Director,  
Meghalaya Industrial Development Corporation (M.I.D.C) Ltd.,  
'Kismat' Upland Road, Laitumkhrah,  
Shillong – 793003 (Meghalaya).
3. The Deputy Director (Mech),  
Branch Small Industries Service Institute (S.I.S.I),  
Industrial Estate, Short Round Road,  
Shillong- 793001, (Meghalaya).
4. The Director,  
National Institute of Small Industries Extension,  
Training (N.I.S.I.E.T), North East Regional Centre,  
Zoo Road, Guwahati (Assam).
5. The District Industries Centre (D.I.C) of the District concerned.

#### **6.03. FINANCIAL INSTITUTIONS:**

For term-loan requirement and in some cases for composite loan up to a certain limit, the following Financial Institutions do extend their credit assistances to the Small Scale entrepreneurs:-

1. The Managing Director,  
Meghalaya Industrial Development Corporation (M.I.D.C.)Ltd.,  
'Kismat; Upland Road, Laitumkhrah,  
Shillong, Meghalaya.
2. The Branch Manager,  
Assam Financial Corporation (A.F.C.)  
Lower Lachumiere, Shiullong-793001 (Meghalaya).
3. The Regional Manager, (N.E.Region),  
National Small Industries Corporation (N.S.I.C)  
R.G. Barua Road, Guwahati (Assam).

#### **6.04. NATIONALISED COMMERCIAL BANKS:**

For Working Capital requirement and in some cases for both the term, as well as, working capital, all the nationalised commercial banks and also the State Co-operative Apex Bank to extend finance to the Small Scale Industrial entrepreneurs.

Generally, these banks and their respective branches operate as per the service area approach, i.e. - each of these bank-branch operate according to their specific areas as specified for the purpose.

For details, one may contact-

The Development Officer (SIB),  
State Bank of India (Zonal Office),  
Bawri mension, Dhankheti,  
Shillong, Meghalaya.

The nearest Branch of any of the nationalised commercial or, State Co-operative Apex Bank located in the area where the project is to be located.

#### **6.05. INDUSTRIAL (REFINANCE) BANKS :**

Generally, up to a certain limit, which is refixed from time to time, project financing is done by the Financial-Institutions and the Nationalised Commercial Banks, which, in turn, is refinanced by some of the following institutions according to the nature or, class of the industrial ventures.

Strictly speaking, these refinancing institutions do not directly finance, up to certain limit of the industrial-project, the entrepreneurs except in cases where they organise seminars, workshops and such other training programmes to high light their activities and schemes, from time to time.

1. The Deputy Manager, i/c  
Small Industries Development Bank of India (SIDBI)  
'Morella-Building', Kachari Road,  
Shillong, Meghalaya.
2. The Manager (Technical),  
Industrial Finance Corporation of India (IFCI),  
Shillong, Meghalaya.
3. The Asstt. Zonal Manager,  
National Schedule Caste & Tribe Finance and Development Corporation  
(N.S.C.T.F.D.C),  
(North East Zone) Nongrim Hills,  
Shillong, Meghalaya.

#### **6.06. PROMOTIONAL AGENCIES:**

There are a number of Promotional Agencies working in the field for the promotion and development of Small Scale, Village and Cottage Industries, in the region.

The programmes and activities of these agencies cover up a large spectrum of services and support assistances to the entrepreneurs which may be enumerated as follows:-

- (i) Condition of-
  - (a) Entrepreneurial Motivation Programmes (EMPs);
  - (b) Entrepreneurial Development Programmes (EDPs);
  - (c) Various types of Training Programmes;
  - (d) Workshops and Seminars and
  - (e) Regular courses in different vocational trades.
- (ii) Sponsoring of local entrepreneurs for inplant training, both inside and outside the State, for trades which, incidentally, may not be available in the State, or, need further strengthening.
- (iii) Granting of loans, grants, and incentives.
- (iv) Organising and participation in industrial Exhibitions, Fairs and Buyers-Sellers Meets.

For further details, the entrepreneurs may contact any of the concerned agencies:

1. The General Manager,  
District Industries Centre of the concerned district.
2. The Director,  
Sericulture and Weaving,  
Meghalaya, Shillong.  
Or,  
his district and sub-divisional office.
3. The Assistant Director (handicraft),  
O/o the Development Commissioner (Handicrafts),  
Government of India, Jowai Road, Shillong.
4. The General manager,  
Meghalaya Handloom & Handicraft Development Corporation,  
( MHHDC), Upland Road, Laitumkhrah, Shillong.
5. The Chief Executive officer,  
Meghalaya Khadi & Village Industries Board,  
Lower Lachumiere, Shillong.
6. The Assistant Director,  
Khadi & Village Industries Commission,  
Forest Colony, Shillong.
7. The Secretary,  
State Social Welfare Advisory Board,  
Laitumkhrah, Shillong.
8. The district Social Welfare Officer, of the district concerned.
9. The Project Director,  
District Rural Development Agency (DRDA) of the district concerned.

**6.07 PLANNING MACHINERY:**

1. The District Planning Board also supplement support for the promotion and development of industries and industrial activities, at the District level, and compiles information and datas in this filed, through –  
  
The National Informatics Centre (NIC)
2. Besides, the North Eastern Council also plans and extends various types of support and assistance for the overall development of all the North Eastern States, including in the field of industrial sector.

For further details, one may contact the Advisor, (Industries), North Eastern Council (Sectt.), Shillong.

## CHAPTER - V

### **THE INDUSTRIAL POLICY (1988) OF THE STATE GOVERNMENT OF MEGHALAYA**

#### GOVERNMENT OF MEGHALAYA INDUSTRIES DEPARTMENT

#### NOTIFICATION The 3<sup>d</sup> May, 1988.

No.IND.95/88/34- The Governor of Meghalaya is pleased to announce the Industries Policy of the State of Meghalaya for general information as below. This policy takes effect from the date of publication:

#### INDUSTRIAL POLICY – 1988 PART – I

#### **Introduction:**

Meghalaya became a full-fledged State in January, 1972. The State, comprising of five districts, is endowed with rich resources in the form of minerals, forest, horticulture, power, manpower and a very pleasant and pollution free climate, which itself is a resource for high tech and service industries. These resources, with proper and timely planning can be exploited for industrial and economic development for the State and people of Meghalaya. An Industrial Policy is therefore necessary to quicken the pace of industrialisation of the State.

#### **Objectives:**

Establishment of industries in the State would be guided by the objectives laid down below:-

- i) To bring about an industrial culture amongst the people of the State.
- ii) To develop local tribal entrepreneurship so as to channelise investment into industrial activity and not only to traditional investments, like construction, trading etc.
- iii) To generate employment avenues for local unemployed youths.
- iv) To promote training facilities so as to develop the skills and expertise amongst local people.

#### **Minerals :**

The State is blessed with abundant mineral deposit like limestone, clay, coal, glass sand, kaolin, silimanite, granite, etc. Industrial units, utilising the minerals available in the State could be encouraged for setting up in the large, medium and Small Scale Sectors. These should be dispersed, as far as practicable to ensure balanced growth of the State.

#### **Horticulture and Agriculture:**

The Government is implementing various developmental programmes for introduction and increase in production of horticulture and agricultural products. Industrial units should be set up to utilise these horticultural and agricultural products, thereby providing a ready market for the products as well as producing value added finished products for further marketing.

#### **Forest:**

The aggregate forest area in the State is about 2.52 lakh hectares. Sal, teak, pine and bamboo are the major forest products. In keeping with the national policy to conserve forest, the present practice of

exporting timber outside the State in raw form should be discontinued. Instead, timber should be exported after duly processing into value added products.

#### Power:

Meghalaya is one of the very few states in the country with surplus power. Power intensive industrial units like calcium carbide projects, caustic soda and other projects where electricity is the major input and is considered, as one of the raw materials should be encouraged for setting up.

#### Climate:

Meghalaya enjoys a clean and dust-free atmosphere with the temperature not varying beyond 25\* C to 40\*C. This is a big advantage for industrial units set up for the manufacture of electronic components, electronic goods and electronic systems including telecommunication and computer related. Electronic industries manufacturing high value items would also be encouraged. This climate is also very conducive for service related industries such as Tourism, which should also be encouraged.

#### Man power:

With the expansion in educational facilities which the State has witnessed in recent years, there has been a steady increase in the number of educated job seekers. The skills that have been acquired need to be harnessed and job opportunities created or e'se the State would face serious unemployment in the near future.

The utilise the above resources for industrial and economic development of the State, the infrastructural facilities required by industrial units would be created at specified growth centres dispersed through the State.

Further, the government of Meghalaya would also set up an agency for procurement and supply of raw-materials to small scale and tiny sector. This agency would also assist in the marketing of the products of the small scale and tiny sector. The State Government would also set up an agency by establishing industrial areas and industrial estates in the growth centres identified. The agency would also liase with other Government agencies relating to the provision of electricity, Water, roads, tele-communications, hospitals, schools, training centres etc.

It would also be the endeavour of the Government of MAGALIA to promote facilities for imparting training for development of skills and entrepreneurship amongst the local tribal.

#### Meghalaya Transfer of Land (Regulation) Act.1971:

The operation of some of the provisions of the Meghalaya Land Transfer Act has come in the way of encouragement of setting up industrial units even by local tribal entrepreneurs and subsidiaries of government Companies. The Government are committed to safeguard the interest of tribal in respect of land and to maintain the population structure as well as to check influx. In order to encourage the local tribal entrepreneurs government are exploring ways for removing the procedural bottlenecks.

The Government of Meghalaya therefore resolved that steps would be taken-

1. To ensure a balanced industrial development through rapid promotion of –
  - a) Mineral based industries.
  - b) Horticulture and agro-based industries.
  - c) Forest based industries.
  - d) Power Intensive industries.

- e) Industries for the manufacture of electronic component, electronic goods and electronic systems and also.
  - f) Industries for the packaging and manufacture of consumer items.
  - g) Service based industries.
2. The above industries would be encouraged for setting up in the-
- a) Public Sector.
  - b) Joint Sector.
  - c) Private Sector and also
  - d) In the Small Scale Sector of proprietary nature.
3. To create a suitable environment by taking effective steps on provision of infrastructure at identified growth centres such as development of transport and communication facilities. Providing power, water, creation of industrial estate, industrial areas, setting up of institutes for provision of training facilities, etc. arranging of testing facilities, marketing facilities, etc.
4. To encourage development and utilisation of local tribal talents and skills. To conduct entrepreneurship development programmes, motivating the educated youths business community to set up industrial units.
5. To attract the interest of local tribal people by making state incentive schemes available to industrial units provided that -

#### EMPLOYMENT:

As far as practicable the State Employment Policy should be adhered to by Industrial units being set up. In any case the industry should commit employment of local tribal people of not less than-

- a) 60 percent in non-managerial cadres at the inception stage.
- b) In the managerial cadre, 60 percent employment of local tribal people in non-technical posts and 50 per cent in technical posts.

To achieve the above, Government would meet part of the training expenses. The quantum of monetary assistance by the Government in this respect would be fixed in consultation with the industry.

- 6. To ensure that local entrepreneurship is given preference in setting up of large, medium and small scale units.
- 7. The large and medium industries will identify ancillary units to manufacture items or products required by the mother unit. Such ancillary industries would be promoted by local people only.

In view of the high literacy rate and lack of labour class people from amongst the local residents labour intensive industries would not be encouraged.

- 8. To encourage the traditional industries covering items such as handicrafts metal works cane and bamboo works setting up of cottage industries in the tiny sector would be encouraged. Industrial units with investment up to Rs.2 lakhs in plant and machinery would be classed under this sector. Passed out trainees from training centres set up by the Government semi-Government and Private institutions would be encouraged to set up industrial units in the tiny sector.
- 9. To ensure and sustain the growth of industrial units in all sectors and to provide positive guidance to local entrepreneurs, a 'Data Bank' on feasible projects the supply and demand position of products proposed to be created, the source of machineries and raw materials and all allied information would be made available by the Directorate of Industries and, the District Industries Centre for the benefit of local entrepreneurs.

## PART II

### PACKAGE SCHEME OF INCENTIVES (MEGHALAYA)

To encourage the establishment of Industries both large, medium and Small Scale, the Government of Meghalaya hereby introduces the following package of incentives for promotion of Industries in the State. The incentives below would be applicable to units approved by Government and would be applicable for an initial period of 2 years.

The incentives detailed in Part II, III and IV would be made available to industries who should commit employment to local tribal people to the extent of-

- a) 60 percent in non-managerial cadres on the date of going into production.
- b) 60 percent employment of local tribal people in non-technical post in the managerial cadre and 50 per cent in technical posts.

Saw-Mills, Veneer units and units not approved by Government would not be eligible for the incentives.

#### A. LARGE AND MEDIUM INDUSTRIES :

##### 1. Subsidy on cost of infrastructure:

Subsidy of 25 percent on cost of Infrastructure Development subject to a maximum of Rs.25, 000 lakhs will be given to Government approved projects. Infrastructure development will include land development, drawing of power lines, laying of Water Supply Systems and Housing. Amount will be disbursed to the financial Institutions against the instalments of loans due for repayment.

##### 2. Sales Tax

Government approved projects will be allowed deferred payment of the Sales Tax due for 5 years after commercial production. The Sales Tax due per annum will be paid to the Unit as an interest free loan repayable from the 8<sup>th</sup> year of commercial production in 8(eight) equal instalments.

##### 3. Refund of C.S.T.

Government approved units will be re-imbursed the amount of C.S.T. actually paid on purchases of machinery made and machines installed up to commissioning of the unit.

##### 4. Exemption of Stamp Duty :

Government will exempt stamp duty up to 75 percent on all deeds of conveyance/mortgage pertaining to loans from financial Institutions.

##### 5. Training Subsidy:

Government will subsidise 50 percent of the cost of Training of local tribal incurred by a unit in institution approved by Government on conditions that the trainee is absorbed in the unit.

##### 6. Power Subsidy:

- a) In the large and medium sector, two categories have been made i.e. those industrial units having connected load up to 2.5 M.W. and those having more than that.
  - i) Power tariff will be subsidised to the extent of 30 percent for units having connected load up to 2.5 M.W. and percent in the case of units having more than that.

- b) Power subsidy will be allowed on actual consumption of power for manufacturing process.
- c) Existing units undertaking expansion/diversification will also be eligible for power concession for the expanded/diversified part of the activities. Expansion would imply an increase of more than 25 percent of the existing installed capacity.
- d) Units to substantiate with necessary details and diagrams the quantum of energy to be consumed for production.

#### 7. Incentive on Feasibility Study Cost:

For large and medium industries, Government would contribute 90 percent towards cost of preparation feasibility reports as approved by Government and prepared by an agency approved by Government subject to a ceiling of Rs.2 lakhs, in each case.

### B. SMALL SCALE INDUSTRIES :

#### 1. Project Subsidy:

10 percent of the capital cost would be given as subsidy to industrial units set up in Meghalaya other than in Industrial Areas and Industrial Estates subject to a maximum of Rs.3.5 lakhs, when the project has been or is ready to go into production.

#### 2. Employment Subsidy:

Government will subsidise annually up to 30 percent of the realistic wage bill for local tribal employees over and above 50 percent against the 60 percent as prescribed in the Policy. This would be eligible for those units where, either (a) investment in plant and machinery exceeds Rs.5 lakhs, or (b) number of employees in manufacturing exceeds 20 (twenty) numbers.

#### 3. Training Expenses:

50 percent of the cost of training of local tribal by a particular type of industry as may be specified by Government would be subsidised by Government on condition that all who have completed the same will be absorbed in the industry.

#### 4. Tax Incentives:

##### a. Sales Tax Exemption:

Sales Tax will be refunded/re-imbursed on purchase of raw materials and sales of finished products for a period of five years.

##### b. Reduction of Meghalaya Finance Tax:

To encourage the local manufacturers, Meghalaya Finance Tax will be lowered from 12 percent to 4 percent bringing at par with 4 percent CST so that such manufacturers can compete with products coming from outside the State. Such reductions will be limited to certain selected items which are being manufactured or likely to be manufactured locally within the State and the same will be identified by a Committee to be constituted for the purpose.

- i) Power subsidy will be granted to the extent of 50 percent for the first five years of commercial production for those units consuming a minimum of 500 units of energy per month.
- ii) Power subsidy will be allowed on actual consumption of power for manufacturing process.
- iii) Existing units undertaking expansion/diversification will also be eligible for power concession for the expanded/diversified part of the activities. Expansion would imply an increase of more than 25 per cent of the existing installed capacity.

iv) Units to substantiate with necessary details and diagrams the quantum of energy to be consumed for production.

**6. Subsidy on drawal of power lines:**

50 percent of the cost incurred on drawal of electrical power line, from the main line to the factory sheds, will be subsidised up to a ceiling of Rs.20,000 for each industrial unit when the unit goes into production.

**7. Incentive on feasibility study cost:**

100 percent of the cost of feasibility studies prepared by agencies approved by Directorate of Industries will be subsidised subject to a ceiling of Rs.10,000 in each case.

The above reports will become the property of the Government if the project is not implemented within the prescribed time.

**8. Exemption on Stamp Duty.**

75 percent exemption on stamp duty for the small-scale sector will be provided to entrepreneurs executing deeds for financial assistance from banks and financial institutions.

**9 Subsidy on rent:**

Rent for industrial land for sheds in Industrial Areas and Industrial Estates will be reduced by 50 percent in the case of local tribal entrepreneurs.

**10. Subsidy on technical know-how :**

Government will subsidise the cost of technology imported into the State subject to a maximum of Rs.25,000 from organisation such as N.R.D.C. and National Laboratories.

**11. Subsidy for Quality Control.**

Government will subsidise the cost of Laboratory equipment for the purpose of quality control and I.S.I. certification, subject to a maximum of Rs.10, 000 per unit where it does

**12. Subsidy for Import Substitution :**

Government will subsidise upto 30 percent the cost of fabrication of photo type or for import of items from outside the country proposed for import substitution. The subsidy will be limited to a maximum of Rs.15,000.

**13. Subsidy for Pollution Control:**

Government will subsidise 50 percent of the cost of pollution control measures, which will include license fee, etc., subject to a maximum of Rs.50,000.

**14. Price Preference:**

Price preference in accordance with the existing Meghalaya Preferential Stores Purchase Rules, 1978, will be allowed.

**P A R T – III**

In addition to the general incentives applicable to industries in Part A & B, the following special incentives will be made available for electronic industries set up in the state.

**1. Power Subsidy:**

Power Subsidy the extent of 60 percent of the tariff rate for the first 5 years will be given to small scale industrial units. 40 percent of the tariff rate for the first five years of commercial production will be given to the large and medium sector, subject to a ceiling of Rs.7.5 lakhs per unit.

**2. 100 percent subsidy on Feasibility study.**

In the case of small scale sector, 100 percent of the cost of feasibility-cum-project reports will be reimbursed provided it is prepared by agencies approved by Government and payable after the project is approved by Government.

**3. Subsidy on infrastructural facilities :**

In the case of the small scale sector 40 percent and in the large and medium sector 10 percent of the cost of infrastructure, which is specifically required for the development of the electronic industries only and as approved by Government will be paid to the unit as a subsidy.

**PART – IV.**

**Special Incentives for Horticulture Based Industries:**

In addition to the incentives available for the small scale sector Horticulture Based Units will be given the following additional Incentives.

1. Subsidy for cost or infrastructure at 10 percent subject to a maximum of Rs.30,000 infrastructure will include land development, water supply and Housing but will not include any cost for acquiring land.
2. The Government will reimburse 100 percent of the Transport cost incurred for transport of finished products from the place of unit to the main producer plant/or the nearest Rail Head whichever applicable.

**PART – V**

**Incentives available from Government of India.**

**1. Transport Subsidy :**

90 percent subsidy on transport units in the State are eligible for availableing 90 percent of the cost of transport for transport of raw -material into and finished products outside the North East Region. Inter-state movement or raw materials within the North East Region is also permitted under the Scheme. For electronics industries the freight by air is eligible under the scheme.

**2. Central Outright Grant or Subsidy Scheme:**

Industrial units being set up are entitled to a subsidy of 25 percent on the investment made on fixed assets, subject to a maximum of Rs.25,00 lakhs and Rs.50.00 lakhs for Electronics units.

**3. Concessional Finance:**

Concessional finance, i.e. lower rates of interest is available for industries set up in the State.

**4. Interest Subsidy Scheme:**

The interest rate on loans granted to Engineering entrepreneurs, un-employed graduates and diploma holders in Engineering and Science Graduates for setting up their industries is subsidised to the extent of Rs.20,000 per year and is available for a period of 5 years.

**5. Machinery on Hire-Purchase:**

The National Small Industries Corporation Ltd., provided machineries on hire-purchase. The earnest money payable is reduced.

M.D. RAPTHAP  
Special Secretary to the Government of Meghalaya,  
Industries Department.

GOVERNMENT OF INDIA  
MINISTRY OF INDUSTRY

STATEMENT ON INDUSTRIAL POLICY.

July 24, 1991.

**POLICY OBJECTIVES :**

1. Pandit Jawaharlal Nehru laid the foundation of modern India. His vision and determination have left a lasting impression on every facet of national endeavour since Independence. It is due to his initiative that India now has a strong and diversified industrial base and is a major industrial nation of the world. The goals and objectives set out for the nation by Pandit Nehru on the eve of independence, namely, the rapid agricultural and industrial development of our country, rapid expansion of opportunities for gainful employment, progressive reduction of social and economic disparities, removal of poverty and attainment of self-reliance remain as valid today as at the time Pandit Nehru first set them out before the nation. Any industrial policy must contribute to the realisation of these goals and objectives at an accelerated pace. The present statement of industrial policy is inspired by these very concerns, and represents a renewed initiative towards consolidating the gains of national reconstruction at this crucial stage.
2. In 1948, immediately after Independence, Government introduced the Industrial Policy Resolution. This outlines the approach to industrial growth and development. It emphasised the importance to the economy securing a continuous increase in production and ensuring its equitable distribution. After the adoption of the Constitution and the socio-economic goals, the Industrial Policy was comprehensively revised and adopted in 1956. To meet new challenges, from time to time, it was modified through statements in 1973, 1977 and 1980.
3. The Industrial Policy Resolution of 1948 was followed by the Industrial Policy Resolution of 1965 which had as its objective the acceleration of the rate of economic growth and the speeding up of industrialisations as a means of achieving a socialist pattern of society. In 1956, capital was scarce and the base of entrepreneurship not strong enough. Hence, the 1956 Industrial Policy Resolution gave primacy to the role of the State to assume a predominant and direct responsibility for industrial development.
4. The Industrial Policy statement of 1973, inter alia, identified high priority industries where investment from large industrial houses and foreign companies would be permitted.
5. The Industrial Policy Statement of 1977 laid emphasis on decentralisation on the role of Small Scale, tiny and Cottage industries.
6. The Industrial Policy Statement of 1980 focussed attention on the need for promoting competition in the domestic market, technological up gradation and modernisation. The policy laid the foundation for an increasingly competitive export base and encouraging foreign investment in high-technology areas. This found expression in the Sixth Five Year Plan, which bore the distinct stamp of Smti. Indira Gandhi. It was Smti. Indira Gandhi who emphasised the need for productivity to be the central concern in all economic and production activities.
7. These policies created a climate for rapid industrial growth in the country. Thus on the eve of the Seventh Five Year Plan, a broad-based infrastructure had been built up, Basic industries had been established. A high degree of self-reliance in a large number of items-raw materials, intermediates, finished goods- had been achieved. New growth centres of industrial activity had emerged, as had a generation of entrepreneurs. A large number of engineers, technicians and skilled workers had also been trained.

8. The Seventh Plan recognised the need to consolidate on these strengths and to take initiatives to prepare Indian industry to respond effectively, to the emerging challenges. A number of policy and procedural changes were introduced in 1985 and 1986 under the leadership of Shri.Rajiv Gandhi aimed at increasing productivity, reducing costs and improving quality. The accent was on opening the domestic market to increased competition and readying our industry to stand on its own in the face of international competition. The public sector was freed from a number of constraints and given a larger measure of autonomy. The technological and managerial modernisation of industry was pursued as the key instruments for increasing productivity and improving our competitiveness in the world. The net result of all these changes was that Indian industry grew by an impressive average annual growth rate of 8.5 % in the Seventh Plan period.
9. Government is pledged to launching a reinvigorated struggle for social and economic justice, to end poverty and unemployment and to build a modern, democratic, socialist, prosperous and forward-looking India. Such a society can be built if India grows as part of the world economy and not in isolation.
10. While government will continue to follow the policy of self-reliance, there would be greater emphasis placed on building up or ability to pay for imports through our own foreign exchange earnings. Government is also committed to development and utilisation of indigenous capabilities in technology and manufacturing as well as its up gradation to world standards.
11. Government will continue to pursue a sound policy framework encompassing encouragement of entrepreneurship, development of indigenous technology through investment in research and development, bringing in new technology, dismantling of the regulatory system, development of the capital markets and increasing competitiveness for the benefit of the common man. The spread of industrialisation to backward areas of the country will be actively promoted through appropriate incentives, institutions and infrastructure investments.
12. Government will provide enhanced support to the small scale sector so that it flourished in an environment of economic efficiency and continuous technological up gradation.
13. Foreign investment and technology collaboration will be welcomed to obtain higher technology, to increase exports and to expand the production base.
14. Government will endeavour to abolish the monopoly of any sector or any individuals enterprise in any field of manufacture, except on strategic or military considerations and open all manufacturing activity to competition.
15. The Government will ensure that the public sector plays its rightful role in the evolving socio-economic scenario of the country. Government will ensure that the public sector is run on business lines as envisaged in the Industrial Policy Resolution of 1956 and would continue to innovate and lead in strategic areas of national importance. In the 1950s and 1960s, the principal instrument for controlling the commanding heights of the economy was investment in the capital of key industries. Today, the State has other instruments of intervention, particularly fiscal and monetary instruments. The State also commands the bulk of the nation's savings. Banks and financial institutions are under State control. Where State intervention is necessary, these instruments will prove more effective and decisive.
16. Government will fully protect the interests of labour, enhance their welfare and equip them in all respects to deal with the inevitability of technological change. Government believes that no small section of society can corner the gains of growth; leaving workers participation in management will be promoted. Workers cooperatives will be encouraged to participate in packages designed to turn around sick companies. Intensive training, skill development and up gradation programmes will be launched.

17. Government will continue to visualise new horizons. The major objectives of the new industrial policy package will be to build on the gains already made, correct the distortions or weaknesses that may have crept in, maintain a sustained growth in productivity and gainful employment and attain international competitiveness. The pursuit of these objectives will be tempered by the need to preserve the environment and ensure the efficient use of available resources. All sectors of industry whether small, medium or large, belonging to the public, private or cooperative sector will be encouraged to grow and improve on their past performance.
18. Government's policy will be continuity with change.
19. In pursuit of the above objectives, Government have decided to take a series of initiatives in respect of the policies relating to the following areas.
  - A. Industrial Licensing.
  - B. Foreign Investment
  - C. Foreign Technology Agreement.
  - D. Public Sector Policy.
  - E. MRTP Act.

A package for the small and tiny sectors of industry is being announced separately.

#### **A. INDUSTRIAL LICENSING POLICY:**

20. Industrial Licensing is governed by the Industries (Development & Regulation) Act, 1951. The Industrial Policy Resolution of 1956 identified the following three categories of industries those that would be reserved for development in the public sector, those that would be permitted for development through private enterprise with or without State participation, and those in which investment initiatives would ordinarily emanate from private entrepreneurs. Over the years, keeping in view the changing industrial scene in the country, the policy has undergone modifications, Industrial licensing policy and procedures have also been liberalised from time to time. A full realisation of the industrial potential of the country calls for a continuation of this process of change.
21. In order to achieve the objectives of the strategy for the industrial sector for the 1990s and beyond it is necessary to make a number of changes in the system of industrial approvals. Major policy initiatives and procedural reforms are called for in order to actively encourage and assist Indian entrepreneurs to exploit and meet the emerging domestic and global opportunities and challenges. The bedrock of any such package of measures must be to let the entrepreneurs make investment decisions on the basis of their own commercial judgement. The attainment of technological dynamism and international competitiveness require that enterprises must be enabled to swiftly respond to fast changing external conditions that have become characteristic of today's industrial world. Government policy and procedures must be geared to assisting entrepreneurs in their efforts. This can be done only if the role played by the Government were to be changed from that of only exercising control to one of providing help and guidance by making essential procedures fully transparent and by eliminating delays.
22. The winds of change have been with us for some time. The industrial licensing system has been gradually moving away from the concept of capacity licensing. The system of reservations for public sector undertakings has been evolving towards an ethos of greater flexibility and private sectors enterprise has been gradually allowed to enter into many of these areas on a case by case basis. Further impetus must be provided to these changes which alone can push this country towards the attainment of its entrepreneurial and industrial potential. This call for bold and imaginative decisions designed to remove restraints on capacity creation, while at the same time, ensuring that over-riding national interests are not jeopardised.

23. In the above context, industrial licensing will henceforth be abolished for all industries except those specified, irrespective of levels of investment. These specified industries (Annex-II), will continue to be subject to compulsory licensing for reasons related to security and strategic concerns, social reasons, problems related to safety and over-riding environmental issues, manufactures of products of hazardous nature and articles of elitist consumption. The exemption from licensing will be particularly helpful to the many dynamic small and medium entrepreneurs who have been unnecessarily hampered by the licensing system. As a whole the Indian economy will benefit by becoming more competitive, more efficient and modern and will take its rightful place in the world of industrial progress.

#### **B. FOREIGN INVESTMENT :**

24. While freeing Indian industry from official controls, opportunities for promoting foreign investments in India should also be fully exploited. In view of the significant development of India's industries economy in the last 40 years, the general resilience, size and level of sophistication achieved, and the significant changes that have also taken place in the world industrial economy, the relationship between domestic and foreign industry needs to be much more dynamic than it has been in the past in terms of both technology and investment. Foreign investment would bring attendant advantages of technology transfer, marketing expertise, introduction of modern managerial techniques and new possibilities for promotion of exports. This particular necessary in the changing global scenario of industrial and economic cooperation marked by mobility of capital. The government will therefore welcome foreign investment, which is in the interest of the country's industrial development.
25. In orders to invite foreign investment in high priority industries, requiring large investments and advanced technology, it has been decided to provide approval for direct foreign investment upto 51 % foreign equity in such industries. There shall be no bottlenecks of any kind in this process. This group of industries has generally been known as the "Appendix I industries" and are areas in which FERA companies have already been allowed to invest on a discretionary basis. This change will go along way in making Indian policy on foreign investment transparent. Such a framework will make it attractive for companies abroad to invest in India.
26. Promotion of exports of Indian products calls for a systematic exploration of world markets possible only through intensive and highly professional marketing activities. To the extent that expertise of this nature is not well developed so far in India, Government will encouraged foreign trading companies to assist us in our export activities. Attraction of substantial investment and access to high technology, often closely held, and to world markets, involves interaction with some of the world's largest international manufacturing and marketing firms. The Government will appoint a special board to negotiate with such firms so that we can engage in purposive negotiation with such firms, and provide the avenues for large investments in the development of industries and technology in the national interest.

#### **C. FOREIGN TECHNOLOGY AGREEMENTS :**

27. There is a great need for promoting an industrial environment where the acquisition of technological capability receives priority. In the fast changing world of technology the relationship between the suppliers and users of technology must be a continuous one. Such a relationship becomes difficult to achieve when the approval process includes unnecessary Governmental interference on a case-to-case basis involving endemic delays and fostering uncertainty. The India entrepreneur has now come of age so that he no longer needs such bureaucratic clearance of his commercial technology relationships with foreign technology suppliers. Indian industry can scarcely be competitive with the rest of the world if it is to operate within such a regulatory environment.

28. With a view to injecting the desired level of technological dynamism in Indian Industry. Government will provide automatic approval for technology agreements related to high priority industries within specified parameters. Similar facilities will be available for other industries as well if such agreements do not require the expenditure of free foreign exchange. Indian companies will be free to negotiate the terms of technology transfer with their foreign counterparts according to their own commercial judgement. The predictability and independence of action that this measure is providing to Indian industry will induce them to develop indigenous competence for the efficient absorption of foreign technology. Greater competitive pressure will also induce our industry to invest much more in research and development than they have been doing in the past. In order to help this process, the hiring of foreign technicians and foreign testing of indigenously developed technologies, will also not require prior clearance as prescribed so far, individually or as a part of industrial or investment approvals.

**D. PUBLIC SECTOR POLICY:**

29. The public sector has been central to our philosophy of development. In the pursuit of our development objectives, public ownership and control sectors of the economy has played an important role in preventing the concentration of economic power, reducing regional disparities and ensuring that planned development serves the common good.
30. The Industrial Policy Resolution of 1956 gave the public sector a strategic role in the economy. Massive investments have been made over the past four decades to build a public sector, which has a commanding role in the economy. Today key sectors of the economy are dominated by mature public enterprise that have successfully expanded production, opened up new areas of technology and built up a reserve of technical competence in a number of areas.
31. After the initial exuberance of the public entering new areas of industrial and technical competence, a number of problems have began to manifest themselves in many of the public enterprises. Serious problems are observed in the insufficient growths in productivity, poor project management, over-manning, lack of continuous technological up gradation, and inadequate attention to R & D and human resource development. In addition, public enterprises have shown a very low rate of return on the capital invested. This has inhibited their ability to re-generate themselves in terms of new investments as well as in technology development. The result is that many of the public enterprises have become a burden rather than being an asset to the Government. The original concept of the public sector has also undergone considerable dilution. The most striking example is the take over of sick units from the private sector. This category of public sector units accounts for almost one third of the total losses of central public enterprises. Another category of public enterprises, which does not fit into the original idea of the public sector being at the commanding heights of the economy, is the plethora of public enterprises, which are in the consumer goods and services sectors.
32. It is time therefore that the Government adopt a new approach to public enterprises. There must be a greater commitment to the support of public enterprises, which are essential for the operation of the industrial economy. Measures must be taken to make these enterprises more growth oriented and technically dynamic. Units, which may be faltering at present but are potentially viable must be restructured and given a new lease of life. The priority areas for growth of public enterprises in the future will be the following:
- Essential infrastructure goods and services.
  - Exploration and exploitation of oil and mineral resources.
  - Technology development and building of manufacturing capabilities in areas which are crucial in the long term development of the economy and where private sector investment is inadequate.
  - Manufacture of products where strategic considerations predominate such as defence equipment.

At the same time the public sector will not be barred from entering areas not specifically reserved it.

33. In view of considerations, Government will review the existing portfolio of public investments with greater realism. This review will be in respect of industries based on low technology, small scale and non-strategic areas, inefficient and unproductive areas, areas with low or nil social considerations or public purpose, and areas where the private sector has developed sufficient expertise and resources.
34. Government will strengthen those public enterprises, which fall in the reserved areas of operation or are in high priority areas or are generating good or reasonable profits. Such enterprises will be provided a much greater degree of management autonomy through the system of memoranda of understanding. Competition will also be induced in these areas by inviting private sector participation. In the case of selected enterprises, part of Government holdings in the equity share capital of these enterprises will be disinvested in order to provide further market discipline to the performance of public enterprises. There are a large number of chronically sick public enterprises incurring heavy losses, operating in a competitive market and serve little or no public purpose. These need to be attended to. The country must be proud of the public sector that it owns and it must operate in the public interest.

#### **E. MONOPOLIES AND RESTRICTIVE TRADE PRACTICES ACT (MRTP ACT)**

35. The principal objectives sought to be achieved through the MRTP Act are as follows:-
  - (i) Prevention of concentration of economic power to the common detriment, control of monopolies, and
  - (ii) Prohibition of monopolistic and restrictive and unfair trade practices.
36. The MRTP Act became effective in June 1970. With the emphasis placed on productivity in the Sixth Plan, major amendments to the MRTP Act were carried out in 1982 and 1984 in order to remove impediments to industrial growth and expansion. The process of change was given a new momentum in 1985 by an increase of threshold limit of assets.
37. With the growing complexity of industrial structure and the need for achieving economics of scale for ensuring higher productivity and competitive advantage in the international market, the interference of the Government through the MRTP Act in investment decisions of large companies has become deleterious in its effects on Indian Industrial growth. The pre-entry scrutiny of investment decisions by so called MRTP companies will no longer be required. Instead, emphasis will be on controlling and regulating monopolistic, restrictive and unfair trade practices rather than making it necessary for the monopoly houses to obtain prior approval of Central Government for expansion, establishment of new undertakings, merger, amalgamation and takeover and appointment of certain directors. The thrust of policy will be more on controlling unfair or restrictive business practices. The MRTP Act will be restructured by eliminating the legal requirement for prior governmental approval for expansion of present undertakings and establishment of new undertakings. The provisions relating to merger, amalgamation and takeover will also be repealed. Similarly, the provisions regarding restrictions on acquisition of and transfer of shares will be appropriately incorporated in the Companies Act.
38. Simultaneously, provisions of the MRTP Act will be strengthened in order to enable the MRTP Commission to take appropriate action in respect of the monopolistic, restrictive and unfair trade practices. The newly empowered MRTP Commission will be encouraged to require investigation suo moto or on complaints received from individual consumers or classes of consumers.

## F. DECISIONS OF GOVERNMENT :

39. In view of the considerations outlined above Government have decided to take a series of measures to unshackle the Indian industrial economy from the cobwebs of unnecessary bureaucratic control. These measures complement the other series of measures being taken by Government in the areas of trade policy, exchange rate management, fiscal policy, financial sector reform and overall macro economic management.

## A. INDUSTRIAL LICENSING POLICY:

- i. Industrial Licensing will be abolished for all projects except for a short list of industries to security and strategic concerns, social reasons, hazardous chemicals and overriding environmental reasons, and items of elitist consumption (list attached as Annex II). Industries reserved for the small-scale sector will continue to be so reserved.
- ii. Areas where security and strategic concern predominate will continue to be reserved for the public sector. (List attached as Annex I).
- iii. In projects where imported capital goods are required, automatic clearance will be given.
  - a) in cases where foreign exchange availability is ensured through foreign equity.
  - b) If the CIF value of imported capital goods required is less than 25% of total value (net of taxes) of plant and equipment, upto a maximum value of Rs.2 crore. In view of the current difficult foreign exchange situation, this scheme (i.e.(iii)b) will come into force from April, 1992.

In other cases, imports of capital goods will require clearance from the Secretariat of Industrial Approvals (SIA) in the Department of Industrial Development according to availability of foreign exchange resources

- iv. In locations other than cities of more than 1 million population, there will be no requirement of obtaining industrial approvals from the Central Government except for industries subject to compulsory licensing. In respect of cities with population greater than 1 million, industries other than those of a non-polluting nature such as electronics, computer software and printing will be located 25 Kms. Of the periphery, except in prior designated industrial areas.

A flexible location policy would be adopted in respect of such cities (with population greater than 1 million) which require industrial regeneration.

Zoning and Land Use Regulation and Environmental Legislation will continue to regulate industrial locations.

Appropriate incentives and the design of investments in infrastructure development will be used to promote the dispersal of industry particularly to rural and backward areas and reduce congestion in cities.

- v. The system of phased manufacturing programmes run on an administrative case by case basis will not be applicable to new projects. Existing projects with such programmes will continue to be governed by them.
- vi. Existing units will be provided a new broad banding facility to enable them to produce any article without additional investment.
- vii. The exemption from licensing will apply to all substantial expansions of existing units.
- viii. The mandatory convertibility clause will no longer be applicable for term loans from the financial institutions for new projects.

Procedural consequences.

- ix. All existing registration schemes (Delicensed Registration, exempted Industries Registration, DGTD registration) will be abolished.

- x. Entrepreneurs will henceforth only be required to file an information memorandum on new projects and substantial expansions.
- xi. The lists at Annex II and Annex III will be notified in the Indian Trade Classification (Harmonised system).

**B. FOREIGN INVESTMENT :**

- i) Approval will be given for direct foreign investment upto 51 per cent foreign equity in high priority industries (Annex III). There shall be no bottlenecks of any kind in this process. Such clearance will be available if foreign equity covers the foreign exchange requirement for imported capital goods. Consequential amendments to the Foreign Exchange Regulation Act 1975 shall be carried out.
- ii) In respect of industries other than those in Annex III, automatic permission will be given subject to the same guidelines as above if no free foreign exchange is required for any payments.
- iii) All other proposals will need specific approval under the general procedures in force.
- iv) No permission will be necessary for hiring of foreign technicians, foreign testing of indigenously developed technologies. Payment may be made for blanket permits or free foreign exchange according to RBI guidelines.

**D. PUBLIC SECTOR:**

- i) Portfolio of public sector investments will be reviewed with a view to focus the public sector on strategic, high-tech and essential infrastructure. Whereas some reservation for the public sector is being retained there would be no bar for areas of exclusivity to be opened up to the private sector selectively. Similar the public sector will also be allowed entry in areas no reserved for it.
- ii) Public enterprises which are chronically sick and which are unlikely to be turned around will, for the formulation of revival / rehabilitation schemes, be referred to the Board for Industrial and Financial Reconstruction (BIFR), or other similar high level institutions created for the purpose. A social security mechanism will be created to protect the interests of workers likely to be affected by such rehabilitation packages.
- iii) In order to raise resources and encourage wider public participation, a part of the government's shareholding in the public sector would be offered to mutual funds, financial institutions, general public and workers.
- iv) Boards of public sector companies would be made more professional and given greater powers.
- v) There will be a greater thrust on performance improvement through the Memorandum of Understanding (MOU) system through which managements would be granted greater autonomy and will be held accountable. Technical expertise on the part of the Government would be upgraded to make the MOU negotiations and implementation more effective.
- vi) To facilitate a fuller discussion on performance, the MOU signed between Government and the public enterprise would be placed in parliament,. While focussing on major management issues, this would also help place matters on day to day operations of public enterprises in their correct perspective.

**E. MRTP ACT.**

- i) The MRTP Act will be amended to remove the threshold limits of assets in respect of MRTP companies and dominant undertakings. This eliminates the requirement of prior approval of Central Government for establishment of new undertakings, expansion of undertakings, merger, amalgamation and takeover and appointment of Directors under certain circumstances.
- ii) Emphasis will be placed on controlling and regulating monopolistic, restrictive and unfair trade practices. Simultaneously, the newly empowered MRTP Commission will be authorised to initiate investigations suo moto or on complaints received from individual consumers or classes of consumers in regard to monopolistic, restrictive and unfair trade practices.
- iii) Necessary comprehensive amendments will be made in the MRTP Act in this regard and for enabling the MRTP Commission to exercise punitive and compensatory powers.

**PROPOSED LIST OF INDUSTRIES TO BE RESERVED FOR THE PUBLIC SECTOR.**

1. Arms and ammunition and allied items of defence equipment, Defence aircraft and warships.
2. Atomic Energy.
3. Coal and lignite.
4. Mineral oils.
5. Mining of iron ore, manganese ore, chrome ore, gypsum, sulphur, gold and diamond.
6. Mining of copper, lead, zinc, tin, molybdenum and wolfram.
7. Minerals specified in the Schedule to the Atomic Energy (Control of Production and Use) Order, 1953.
8. Railway transport.

**LIST OF INDUSTRIES IN RESPECT OF WHICH INDUSTRIAL LICENSING WILL BE COMPULSORY:**

1. Coal and Lignite.
2. Petroleum (other than crude) and its distillation products.
3. Distillation and brewing of alcoholic drinks.
4. Sugar.
5. Animal fats and oils.
6. Cigars and cigarettes of tobacco and manufactured tobacco substitutes.
7. Asbestos and asbestos-based products.
8. Plywood, decorative veneers, and other wood based products such as particleboard, medium density fibreboard, block board.
9. Raw hides and skins, leather, chamois leather and patent leather.
10. Tanned or dressed fur skins.
11. Motorcars.
12. Paper and Newsprint except bagasse-based units.
13. Electronic aerospace and defence equipment: All types.
14. Industrial explosives, including detonating fuse, safety fuse, gun powder, nitrocellulose and matches.
15. Hazardous chemicals.
16. Drugs and Pharmaceuticals (according to Drug Policy).
17. Entertainment Electronics (VCRs, Colour TVs, C.D. players, Tape Recorders).
18. White Goods (Domestic Refrigerators, Domestic Dishwashing machines, Programmable Domestic Washing Machines, Microwave ovens, Air conditioners).

Note: - The compulsory licensing provisions would not apply in respect of the small scale units taking up the manufacture of any of the above items reserved for exclusive manufacture in small scale sector.

**LIST OF INDUSTRIES FOR AUTOMATIC APPROVAL OF FOREIGN TECHNOLOGY AGREEMENTS AND FOR 51 % FOREIGN EQUITY APPROVALS.**

**1. Metallurgical Industries :**

- i) Ferro alloys
- ii) Castings and forgings.
- iii) Non-ferrous metals and their alloys.
- iv) Sponge iron and pelletisation.
- v) Large diameter steel welded pipes of over 300 mm diameter and stainless steel pipes.
- vi) Pig iron.

**2. Boilers and Steam Generating Plants.**

**3. Prime Movers (other than electrical generators)**

- i) Industrial turbines.
- ii) Internal combustion engines.
- iii) Alternate energy systems like solar wind etc. and equipment therefor.
- iv) Gas/hydro/steam turbines upto 60 MW.

**4. Electrical Equipments:**

- i) Equipment for transmission and distribution of electricity including power and distribution transformers, power relays, HT-switch gear synchronous condensers.
- ii) Electrical motors.
- iii) Electrical furnaces, industrial furnaces and induction heating equipment.
- iv) X-ray equipment.
- v) Electronic equipment, components including subscribers'end telecommunication equipments.
- vi) Component wires for manufactures of lead in wires.
- vii) Hydro/stem/gas generating sets upto 60 MW.
- viii) Generating sets and pumping sets based on internal combustion engines.
- ix) Jelly-filled telecommunication cables.
- x) Optic fibre.
- xi) Energy efficient lamps and
- xii) Midget carbon electrodes.

**5. Transportation:**

- i) Mechanised sailing vessels upto 10, 000 DWT including fishing trawlers.
- ii) Ship ancillaries.
  - (a) Commercial vehicles, public transport vehicles including automotive commercial three wheeler jeep type vehicles, industrial locomotives.
  - (b) Automotive two wheelers and three wheelers.
  - (c) Automotive components/spares and ancillaries.
- iii) Shock absorbers for railway equipment; and
- iv) Brake system for railway stock and locomotives.

**6. Industrial Machinery :**

- i) Industrial machinery and equipment.

**7. i) Machine tools and industrial robots and their controls and accessories.**

- ii) Jigs, fixture, tools and dies of specialised types and cross land tooling, and
- iii) Engineering production aids such as cutting and forming tools, patterns and dies and tools.

8. **Agricultural Machinery.**
- i) Tractors.
  - ii) Self-propelled Harvester Combines.
  - iii) Rice transplanters.
9. **Earth Moving Machinery.**
- i) Earth moving machinery and construction machinery and components thereof.
10. **Industrial Instruments.**
- i) Indicating, recording and regulating devices for pressure, temperature, rate of flow weights levels and the like.
11. **Scientific and Electro medical Instruments and Laboratory Equipment.**
12. **Nitrogenous & Phosphatic Fertilizers falling under.**
- i) Inorganic fertilizers under '18-Fertilizers' in the First Schedule to IDR Act, 1951.
13. **Chemicals (other than fertilizers).**
- i) Heavy organic chemicals including petrochemicals.
  - ii) Heavy inorganic chemicals.
  - iii) Organic fine chemicals.
  - iv) Synthetic resins and plastics.
  - v) Man made fibres.
  - vi) Synthetic rubber.
  - vii) Industrial explosives.
  - viii) Technical grade insecticides, fungicides, weedicides, and the like.
  - ix) Synthetics detergents.
  - x) Miscellaneous chemicals (for industrial use only).
    - a) Catalysts and catalyst supports.
    - b) Photographic chemicals.
    - c) Rubber chemicals.
    - d) Polyols
    - e) Isocyanates, urethanes, etc.
    - f) Speciality chemicals for enhanced oil recovery.
    - g) Heating fluids.
    - h) Coal tar distillation and products there from.
    - i) Tonnage plants for the manufacture of industrial gases.
    - j) High altitude breathing oxygen/medical oxygen.
    - k) Nitrous Oxide.
    - l) Refrigerant gases like liquid nitrogen, carbondioxide etc. in large volumes.
    - m) Argon and other rare gases.
    - n) Alkali/acid resisting cement compound.
    - o) Leather chemicals and auxiliaries.
14. **Drugs and Pharmaceuticals.**
- According to Drug Policy.
15.
  - i) Paper and pulp including paper products.
  - ii) Industrial Laminates.

16.
  - i) Automobile tyres and tubes.
  - ii) Rubberised heavy-duty industrial beltings of all types.
  - iii) Rubberised Conveyor Beltings.
  - iv) Rubber reinforced and lined fire fighting hose pipes.
  - v) High pressure braided hoses.
  - vi) Engineering and industrial plastic products.
  
17. **Plate Glass:**
  - i) Glass shells for television tubes.
  - ii) Float glass and plate glass.
  - iii) H.T.insulators.
  - iv) Glass fibres of all types.
  
18. **Ceramics.**
  - i) Ceramics for industrial uses.
  
19. **Cement Products.**
  - i) Portland cement.
  - ii) Gypsum boards, wall boards and the like.
  
20. **High Technology Reproduction and Multiplication Equipment.**
  
21. **Carbon and Carbon Products.**
  - i) Graphite electrodes and anodes.
  - ii) Impervious graphite blocks and sheets.
  
22. **Pretensioned High Pressure RCC Pipes.**
  
23. **Rubber Machinery.**
  
24. **Printing Machinery.**
  - i) Web-fed high speed off-set rotary printing machine having output of 30,000 or more impressions per hour.
  - ii) Photo composing/type setting machines.
  - iii) Multi-colour sheet-fed off-set printing machines of sizes of 18"x25" and above.
  - iv) High Speed rotograture printing machines having output of 30,000 or more impressions per hour
  
25. **Welding Electrodes other than those of Welding Mild Steel.**
  
26. **Industrial Synthetic Diamonds.**
  
- 27
  - i) Photosynthesis improvers.
  - ii) Genetically modified free-living symbiotic nitrogen fixer.
  - iii) Pheromones.
  - iv) Bio-insecticides.
  
28. **Extraction and Upgrading of Minor Oils.**
  
29. **Pre-fabricated Building material.**
  
30. **Soya Products.**
  - i) Soya texture proteins.
  - ii) Soya protein isolates.

- iii) Soya protein concentrates.
  - iv) Other specialised products of soyabean.
  - v) Winterised and deodourised refined soyabean oil.
31. a) Certified high yielding hybrid seeds and synthetic seed, and  
b) Certified high yielding plantlets developed through plan tissue culture.
32. All food processing industries other than milk food, malted foods and four, but excluding the items reserved for small scale sector.
33. All items of packing for food processing industries excluding the items reserved for small scale sector.
34. Hotel and tourism-related industry.

GOVERNMENT OF INDIA  
MINISTRY OF INDUSTRY:

**POLICY MEASURES FOR PROMOTING AND STRENGTHENING SMALL, TINY AND VILLAGE ENTERPRISES.**

**A. SMALL AND TINY ENTERPRISES.**

**1. INTRODUCTION:**

- 1.1 The Small Scale Industrial Sector has emerged as a dynamic and vibrant sector of the economy during the eighties. At the end of the Seventh Plan period, it accounted for nearly 35 percent of the gross value of output in the manufacturing sector and over 40 percent of the total exports from the country. It also provided employment opportunities to around 12 million people.
- 1.2 The primary objective of the Small scale Industrial Policy during the nineties would be impart more vitality and growth-impetus to the sector to enable it to contribute its mite fully to the economy, particularly in terms of growth of output employment and exports. The sector has been substantially de-licensed. Further efforts would be made to deregulate and debureaucratise the sector with a view to remove all fetters on its growth potential, reposing greater faith in small and young entrepreneurs.
- 1.3 All statutes, regulation and procedures would be reviewed and modified, wherever necessary, to ensure that their operations do not militate against the interests of the small and village enterprises.

**2.0 TINY ENTERPRISES:**

- 2.1. Government have already announced increases in the investment limits in plan and machinery of small scale industries, ancillary units and export oriented units to Rs.60 lakhs, 75 lakhs and 75 lakhs respectively. Such limits in respect of "TINY" ENTERPRISES would now be increased from the present Rs.2.lakhs to Rs.5 lakhs irrespectively of location of the unit.
- 2.2. Service sub-sector is a fast growing area and there is need to provide support to it in view of its recognised potential for generating employment. Hence all Industry-related service and business enterprises, irrespectively of their location, would be recognised as small scale industries and their investment ceilings would correspond to those of Tiny Enterprises.
- 2.3. A separate package for the promotion of Tiny Enterprises is now being introduced. This constitutes the main trust of Government's new policy.
- 2.4. While the small scale sector (other than 'Tiny Enterprises') would be mainly entitled to one-time benefits (like preference inland allocation/power connection, access to facilities for skill/technology upgradation), the 'Tiny' enterprises would also be eligible for additional support on a continuing basis, including easier access to institutional finance, priority in the Government Purchase Programme and relaxation from certain provisions of labour laws.
- 2.5. It has also been decided to widen the scope of the national Equity Fund Scheme to cover projects upto Rs.10 lakhs for equity support (upto 15 percent). Single Window Loan Scheme has also been enlarged to cover projects upto Rs.20 lakhs with working capital margin upto Rs.10 lakhs. Composite loans under Single Window Scheme, now available only through State Financial Corporations (SFCs) and twin function State Small Industrial Development Corporation (SSIDCs), would also be channellised through commercial banks. This would facilitate access to a large number of entrepreneurs.

**3.0 FINANCIAL SUPPORT MEASURES:**

- 3.1. Inadequate access to credit-both short term and long term-remains a perennial problem facing the small scale sector. Emphasis would henceforth shift from subsidised/cheap credit, except for specialised larger groups and efforts would be made to ensure both adequate flow of credit on normative basis, and the quality of its delivery, for viable operations of this sector. A special

monitoring agency would be set up to verses that the genuine credit needs of the small scale sector are fully met.

- 3.2. To provide access to the capital market and to encourage modernisation and technological upgradation, it has been decided to allow equity participation by other industrial undertakings in the SSI, not exceeding 24 percent of the total shareholding. This would also provide a powerful boost to ancillarisation & sub-contracting, leading to expansion of employment opportunities.
- 3.3. Regulatory provisions relating to the management of private limited companies are being liberalised. A Limited partnership Act will be introduced to enhance the supply of risk capital to the small scale sector. Such an Act would limit the financial liability of the new and non-active partners/entrepreneurs to the capital invested.
- 3.4. A beginning has been made towards solving the problem of delayed payment to small industries by setting up of 'factoring' services through Small Industries Development Bank of India (SIDBI). Net work of such services would be set up throughout the country and operated through commercial banks. A suitable legislation will be introduced to ensure prompt payment of Small Industries bills.

#### **4.0 INFRASTRUCTURAL FACILITIES:**

- 4.1. To facilitate location of industries in rural/backward areas and to promote stronger linkages between agriculture and industry, a new scheme of Integrated Infrastructural Development (including Technological Back-up Services) for Small Scale Industries would be implemented with the active participation of State Governments and financial institutions. A beginning in this direction will be made this year itself.
- 4.2. A Technology Development Cell (TDC) would be set up in the Small Industries Development Organisation (SIDO), which would provide technology inputs to improve productivity and competitiveness of the products of small scale sector. The TDC would coordinate the activities of the Tool Rooms, Process-cum-Product Development Centres (PPDCS), existing as well as to be established under SIDO, and would also interact with the other industrial research and development organisations to achieve its objectives.
- 4.3. Adequacy and equitable distribution of indigenous and imported raw materials would be ensured to the small scale sector, particularly the tiny sub-sector. Policies would be so designed that they do not militate against entry of new units. Based on the capacity needs, Tiny/Small Scale unity would be given priority in allocation of indigenous raw materials.
- 4.4. A proper and adequate arrangement for delivery of total package of incentives and services at the District level will be evolved and implemented.

#### **5.0 MARKETING AND EXPORTS**

- 5.1. In spite of the vast domestic market, marketing remains a problem area for small and tiny enterprises. Mass consumption labour intensive products are predominantly being marketed by the organised sector. Tiny/Small scale sector will be enabled to have a significant share of such markets. In addition to the existing support mechanism, market promotion would be undertaken through cooperative/public sector institutions, other specialised/professional marketing agencies and consortia approach, backed up by such incentives, as considered necessary.
- 5.2. National Small Industries Corporation (NSIC) would concentrate on marketing of mass consumption items under common brand name and organic links between NSIC and SSIDCS would be established.
- 5.3. Government recognised the need to widen and deepen complementarity in production programmes of large/medium and small industrial sectors. Parts, components, sub-assemblies, etc. required by large public/private sector undertakings would be encouraged for production in a techno-economically viable manner, through small scale ancillary units. Industry Association would be established sub-contracting exchanges, in addition to strengthening the existing ones under the SIDO. Emphasis would also be laid on promotion of a viable and competitive 'component' market.
- 5.4. Through the Small scale sector is making significant contribution to total exports, both direct and indirect, a large potential remains untapped. The SIDO has been recognised as the nodal agency to support the small scale industries in export promotion. An Export Development Centre would be set

up in SIDO to serve the small scale industries through its network of field offices to further augment export activities of this sector.

#### **6.0 MODERNISATION, TECHNOLOGICAL AND QUALITY UPGRADATION.**

- 6.1. A greater degree of awareness to produce goods and services conforming to national and international standards would be created among the small scale sector.
- 6.2. Industry Associations would be encouraged and supported to establish quality counselling and common testing facilities. Technology Information Centres to provide updated knowledge on technology and markets would be established.
- 6.3. Where non-conformity with quality and standards involves risk to human life and public health, compulsory quality control would be enforced.
- 6.4. A reoriented programme of modernisation and technological upgradation aimed at improving productivity; efficiency and cost effectiveness in the small scale sector would be pursued. Specific industries in large concentration/cluster would be identified for studies in conjunction with SIDBI and other banks. Such studies will establish commercial viability of modernisation prescriptions, and financial support would be provided for modernisation of these industries on a priority basis.
- 6.5. Indian Institutes of Technology (IITs) and selected Regional/Other Engineering Colleges will serve as Technological information, Design and Development Centres in their respective command areas.

#### **7.0 PROMOTION OF ENTREPRENEURSHIP:**

- 7.1. Government will continue to support first generation entrepreneurship Development Programmes (EDP). Industry Associations would also be encouraged to participate in this venture effectively.
- 7.2. EDP would be built into the curricula of vocational and other degree level courses.
- 7.3. Women entrepreneurs will receive through special training programmes. Definition of “Women Enterprises” would be simplified. The present stipulation regarding employment of majority of women workers would be dispensed with a units in which women entrepreneurs, have a majority shareholding and management control would be defined as “Women Enterprises”.
- 7.4. Additional employment opportunities would be generated through training of multi-disciplinary ‘Barefoot’ managers to suit the special requirements of the small scale sector.

#### **8.0 SIMPLIFICATION OF RULES AND PROCEDURES:**

- 8.1. The persistent complaint of small scale units of being subjected to a large number of Acts and Laws, being required to maintain a number of registers and submit returns, and face an army of inspectors, would be attended to within a specified time frame of three months.
- 8.2. Procedures would be simplified, bureaucratic control effectively reduced, unnecessary interference eliminated and paper work cut down to the minimum to enable the entrepreneurs to concentrate on production and marketing functions.

#### **B. VILLAGE INDUSTRIES:**

##### **9.0 HANDLOOM SECTOR.**

- 9.1. Handloom sector contributes about 30 percent of the total textile production in the country. It is the policy of Government to promote handlooms to sustain employment in rural areas and to improve the quality of life for handloom weavers.
- 9.2. Schemes for the handloom sector will be redesigned keeping in mind the local and regional needs. Constraints of coverage will be removed so as to include bulk of the weavers who are outside the corporate/cooperative field.
- 9.3. Existing schemes will be redrawn and suitable revised under three major heads:
  - a) **Project Package Scheme:** Under this scheme, area-based projects for product development, upgradation of technology, improvement of marketing facilities will be drawn up.

- b) **Welfare Package Scheme:** Number of welfare schemes and quantum of funds earmarked for them will be substantially augmented.
  - c) **Organisation Development Package:** Schemes for participation in the share capital will be re-drawn under organisational development scheme for imparting a better management system in the existing state agencies.
- 9.4. Janta cloth scheme which sustains weavers often on a minimum level of livelihood will be phased out by the terminal year of VII Plan and replaced by the omnibus project package scheme under which substantial funds will be provided for modernisation of looms, training, provision of better designs, provision of better dyes and chemicals and marketing assistance.
- 9.5. A vastly expanded role for the national Handloom Development Corporation (NHDC) is envisaged. NHDC would be the nodal agency for increasing the supply of hank yarn and of dyes and chemicals. Spinning capacity in the cooperative sector will be increased. National Co-operative Development Corporation will provide more assistance for this in the form of Seed Money, both for cotton growers spinning mills and weavers spinning mills.
- 9.6. For improving marketing of handloom products, a more intensive implementation of schemes for design and product improvement by national level publicity, exhibitions, and design exercise will be undertaken. A special scheme will be drawn up to graduate the handloom production, which is often of low value items, to high value products suitable for export markets. This will be done by better design inputs, upgradation of technology, diversion of weavers from cotton to silk and tassar weaving. Special projects for modernisation of looms for products suitable for export markets will be drawn up.

#### 10.0 HANDICRAFTS SECTOR:

- 10.1. The key areas in handicrafts that could contribute towards a faster pace of rural industrialisation are production and marketing. Schemes for training and design development and for production and marketing assistance will be given encouragement.
- 10.2. Considering the importance of this sector from the point of view of employment and exports, it is proposed to provide an integrated development thrust to this sector with a view to enlarging the production base, thus enhancing the opportunities for employment and income through crafts as an economic activity and to giving it necessary inputs for quality improvement and effective marketing support both internal and overseas. Efforts will be made not only to preserve the traditional richness of the crafts but engage the hereditary skills of the crafts persons to suit modern requirements.
- 10.3. Emphasis will be given to the following: -

Extension of services like supply of raw materials, design and technical guidance, market support, training and procuring of related materials/inputs in an integrated and area-based manner through the setting up of craft development centres in identified clusters of villages.

Market development support in the form of a package of assistance through expansion of marketing infrastructure. Exhibitions, publicity, etc., through Central and State handicrafts Corporations, voluntary organisations and support to direct marketing activity by crafts persons.

Expansion of training activities by greater involvement of State handicrafts Development Corporations, Co-operatives and voluntary organisations.

Measures to sustain increased exports of handicrafts through new marketing channels like trading companies, departmental stores, etc.

#### 11.0 OTHER VILAGE INDUSTRIES:

- 11.1. Government recognise the need to enhance the spread of rural and cottage industries towards stopping up non-farm employment opportunities.

- 11.2. The Activities of the Khadi and Village Industries Commission and the State Khadi and Village Industries Boards will be expanded and the organisations strengthened to discharge their responsibility more effectively.
- 11.3. There will be greater emphasis on improving the quality and marketability of the products paripassu with consumer preference instead of merely depending on rebates and subsidies.
- 11.4. While the plan allocation for rural industries will be augmented, effective steps will also be taken to ensure better flow of credit from the financial institutions and a more coordinated and optimal utilisation of different development schemes and agencies operating in the rural sector. Bank ability or projects undertaken in this sector would be stressed.
- 11.5. The programmes of intensive development of KVI through are a approach with tie-up with DRDA, TRYSEM and ongoing developmental programmes relating to weaker sections like Scheduled Castes, Scheduled Tribes and Women would be extended throughout the country.
- 11.6. The traditional Village industries would be given greater thrust. Involvement of traditional and reputed voluntary organisations will be encouraged.
- 11.7. Agro processing and food processing industries in KVI sector using appropriate technologies would be promoted with a view to utilise locally available agricultural produce and promote employment/resource generation in the countryside.
- 11.8. Functional industrial estates would be established in areas with concentration of agricultural/horticulture produce.
- 11.9. R & D in KVI sector would be strengthened through greater linkages with CSIR and other research institutions in the areas of production, finishing/packaging, processes and development of new tools and implements.
- 11.10. The training programmes would be upgraded and augmented to cover the expanded list of industries under the of review the KVIC.

## **6.01 LIST OF ITEMS IDENTIFIED AS HAVING SCOPE FOR DEVELOPMENT IN THE STATE**

Some of the promotional agencies, like the Small Industries Service Institute, the State Department of Industries and other have taken up a number of Techno-Economic Surveys of the Districts and the State and have identified a few items of industrial products that may have potential for local manufacture in the small scale sector. One of such a Lists is reproduced below, for information of the local entrepreneurs-

I.	Agro Based Industries	... 27
II.	Forest Based Industries	... 10
III.	Minerals Based Industries	... 15
IV.	Chemicals Based Industries	... 29
V.	Basic Metals Based Industries	... 24
VI.	Live Stocks Based Industries	... 10
VII.	Food Products Industries	... 36
VIII.	Paper Products and Printing	... 03
IX.	Electrical and Electronic Products	... 25
X.	Hosiery Industries	... 08
XI.	handicraft Industries	... 07
XII.	Miscellaneous Industries	... 12
XIII.	Repair and Servicing Industries	... 06
XIV.	Small Scale Service Establishment	... 06
	Total	...223

### **I. AGROBASED**

1. Absorbent/Surgical Cotton and Bandages.
2. Activated Carbon from Rice Husks.
3. Agro Service Centres.
4. Atta Chakki Mills.
5. Arocanuts Processing and Scented Supari Making.
6. Banana Powder making.
7. Cattle-Poultry Feed Making.
8. Corn Flakes Making.
9. Denydration and Canning of Fruits and Vegetables products.
10. Distillation and Processing of Essential Oils Products.viz-
  - i) Citronella Oil
  - ii) Lemon Crass Oil.
11. Fruits Processing, Preservation and Canning.
12. Ginger Dehydration.
13. Integrated Unit for the Production of Fruits Juices, Squases,Ketch up Sauseses, Barly Water, Jams & Jelly.
14. Paddy/Rice Threshers/Hullers.
15. Maize Shellers.
16. Modernisation of:-
  - i) Atta Chakki Mills.
  - ii) Rice Mills and Hullers.
17. Mushrooms Cultivation and Canning.
18. Paper Adhesives from Potato Starch.
19. Potato Chips and Starch Making.
20. Pine Apples Fibers, Extraction of
21. Pickles and Chutney Making.
22. rice Bran Oil, Extraction of
23. Rice Milling.
24. Starch and Sago from topioca.
25. Starch from Banana Stems.

26. Spices Grinding and Packing in Poly Pouches.
27. Tapioca.
  - i) Flour Making
  - ii) Sago Making.

## II. FOREST BASED:

1. Agarbatti Sticks Making.
2. Broom sticks, Processing of
3. Fuel Briquette from Saw Dust.
4. Cane and Bamboo Products, viz-
  - i) Bamboo Mats.
  - ii) Bamboo Baskets.
  - iii) Sofa Sets.
  - iv) Mura.
5. Grey (Card) Board Making.
6. Leaf Cups-Plates (laminated) Making.
7. Mechanised Carpentry Workshop for Making of Utility Articles viz:-
  - i) Cable Brums.
  - ii) Dusters.
  - iii) Electrical Fitting and Accessories.
  - iv) Packing Boxes/Cases for various items.
  - v) Photo Boards.
  - vi) Particle Boards.
  - vii) Wood Wool.
8. Paper Pulp making.
9. Saw Milling Seasoning-cum-Treatment Plant.
10. Ply wood, Venner and Splinters.

## III. MINERALS BASED

1. Bleaching Powder Making.
2. Bricks and Flooring Tiles
 

-	Cements Concrete.
-	Cement Mosaic.
-	Granites.
-	Marbles (Excluding Tiles of this Kneeless than 19mm)
3. Calcium Carbide.
4. China Clay and Chemical Porcelain-Making-cum-Processing.
5. Ceramic products:-
  - i) Chalk Crayon Making.
  - ii) Crockery items.
  - iii) Electric Insulators (L.T)
  - iv) Glass Bottlers and Wares.
  - v) Insulators for Telephones Lines.
  - vi) Sanitary Wares and Sewerages Pipes.
  - vii) Water Filter Candles.
6. Coal Complex Industry:-
  - i) Coal Based Fertilizers.
  - ii) Coal Briquettes Making.
7. Coal and Coke Briquettes Making  
(Except lighted for integrated Plants)
8. Dry Distemper making.
9. Granite Mining and Polishing.
10. Hollow Blocks Making, Cement.

11. Lime Burning (For Building and Chemical Grades)
12. Lime-Sand Bricks.
13. Mini Cement Plants (Restricted project).
14. Pre-Stressed Cement Concrete Poles, R.C.C. Pipes, etc. Making.
15. Precipitated Calcium Carbonates.

#### IV. CHEMICALS BASED

1. Alum.
2. Aerated Mineral Water in Pouches.
3. Acid Slurry by Manual Process.
4. Asbestos Cement Pipes and Sheets.
5. Bar Soap making.
6. Bleaching Powder.
7. Calcium silicates (Hydrated).
8. Candles making
9. Cleaning Powder for Utensils (VIM type)
10. Detergent Soap Water.
11. Detergent Soap Cake.
12. Dhoop/Agarbatti making.
13. Distilled Water for Batteries.
14. Dry Distemper.
15. Injectable Water.
16. Plant for Electroplating-cum-Anodising.
17. G.I. Pipes and Buckets making Plant including Galvanising.
18. H.D.P.E. Products making:-
  - i) Pipes and Fittings.
  - ii) Bags.
  - iii) Polythene Woven Sacks.
  - iv) PVC Coated Electric Wires.
  - v) Jarry Cans and Containers.
  - vi) PVC Bootwears.
19. Injection Moulded thermo Plastic Products:-
  - i) Handles.
  - ii) Soap Cases.
  - iii) Buckets.
  - iv) Cups and Plates.
  - v) Lunch Boxes.
  - vi) Water Jugs.
  - vii) Saucers.
  - viii) Tumblers.
  - ix) Cans of various shapes and sizes.
  - x) Wash Bowls.
  - xi) Salad Baskets.
  - xii) Dust Bins and Pans.
  - xiii) Hair Brushes.
  - xiv) Umbrella Frames.
  - xv) Mugs.
  - xvi) Salt Containers.
  - xvii) Pencil Boxes.
  - xviii) Plastic name Board Making.
  - xix) Plastic Buttons.
20. Ink and Adhesives.
21. Naphthalene Balls and Powder.
22. Non-Pressure Asbestos Pipes and readymade Nallas and other Building.

23. Paints and Varnishes.
24. Polish:-
  - i) Car
  - ii) Floor and Furniture (mansion Polish).
25. Phenyl.
26. Safety matches.
27. Water Soluble Wood Preservation based on copper chrome arsenic boric components.
28. Wax Paper for Packing.
29. Washing and laundry Soap.

## V. BASIC METAL

1. Agricultural Implements-
  - i) Hand Operated Tools and Equipments.
  - ii) Animal Drawn.
  - iii) Power Operated.
2. Barbed Wires and Fencing Materials.
3. Blacksmithy, Tinsmithy and sheet Metal Works.
4. Building Fittings (M.S.)-
  - i) Doors Windows and Ventilators.
  - ii) Gates and Grills.
5. Circlips Making.
6. Fuel Tanks.
7. G.I. Metal Works Viz:-
  - i) G.I. Pipe.
  - ii) Water Tanks.
  - iii) Buckets.
8. Hospital Equipments, Trolleys, etc.
9. Iron & Steel Fabrication works.
10. Maize shellers, Wheat and Paddy/Rice Threshons.
11. Magnetic Display Board.
12. Nuts and Bolts (Except High Tensil and other Special types)
13. Nails and Screws.
14. Paper Pin and Gems Clips.
15. Rolling shutters.
16. Re-rolling Mills (Steel).
17. Steel-
  - i) Almirahs and Chairs/Tables.
  - ii) Trunks and Buckets.
  - iii) Dust Bins and Drums.
  - iv) Furniture.
  - v) Tabullar Poles.
  - vi) Structural Fabrication Works.
  - vii) Stainless Steel and Aluminium Utensil.
  - viii) Steel wool.
18. Sodium Silicate.
19. Tea Cutting Knives.
20. Tin Containers (Square type).
21. Trailers, for
  - i) Jeeps
  - ii) Tractors.
22. Trucks Body Building (Steel).
23. Washers making (Metal)
24. Wheel Barrows.

## VI. LIVE STOCK BASED

1. Ammunition Boots.
2. Bone Mills (Except Captive Consumption for 100% Export)
3. Cattle Farming and Meat Processing.
4. Casein from milk.
5. Dairy Farming and Powder Milk Making.
6. Glue from -
  - i) Animal Fleshing.
  - ii) Tannery Wastes.
7. Leather Articles, Viz;
  - i) Footwears.
  - ii) Bags.
  - iii) Suitcases.
  - iv) Garmers.
  - v) Show Uppers making.
8. Big Bristles Processing and Brushes Making.
9. Poultry Farming.
10. Tannery-Raw Hides Processing.

## VII. FOOD PRODUCTS

1. Acrated/Mineral Water in Poly Bags.
2. Bakery-Semi-Mechanised 1/4 Mechanised.
3. Baby Oil Expellers-Making.
4. Beer manufacturing.
5. Biscuits making.
6. Caffine from Tea Wastes.
6. Canning of Pine Apples with Tits-Bits and pulps.
7. Cream from Milk.
8. Chilli Sauces.
9. Chilli Grinning and Packing in Pouches.
10. Corn Flakes.
11. Confectionery.
12. Fruits and Vegetables Preservation and Canning Dehydration.
13. Gold Finger making.
14. Ground and Processed Spices.
15. Hand Pouched Rice (Both Polished and Unpolished).
16. Honey Processing and bottling.
17. Ice Cream Cones.
18. Juices, Squashes, Sarbats, Pickles, Preserve and Chutneys.
19. Masala Pounding Units.
20. Mustard Oil in Poly- Bags.
21. Mini Flour Mills.
22. Flour Noodles Making.
23. Popcorn Making and Packing in Polythene Bags.
24. Potato Powder and Starch making.
25. Potatoes Waffer/Chips.
26. Poultry Farming.
27. Rice Bran Oil Extration.
28. Roller Flour Mills.
29. Sago from Tapioca.
30. Sago Waffer Making.
31. Soyabean Oil.
32. Soft drink in Poly Bag.

33. Supari Processing.
34. Tea Processing and Blending.
35. Tubes of lime for Tobacco Consumers.

### VIII. PAPER PRODUCTS AND PRINTING

1. Card Board from Waste Papers.
2. Composing Works of printing Presses.
3. Card Board Boxes.
  - i) Plain Boxes.
  - ii) Corrugated Card Board Boxes.
4. Exercise Book, Registers and Envelopes.
5. Grey Board from Waster papers.
6. Hand Made Paper making.
  - i) File Board and Covers.
  - ii) Envelopes.
  - iii) Greeting Cards.
  - iv) Paper Bags.
  - v) Paper Cups-Plates.
  - vi) Filter papers.
  - vii) Eggs Trays.
  - viii) Shoe Boxes.
7. Printing Presses(Including Litho Printing).
8. Photo albums.

### IX. ELECTRIALS AND ELECTRONICS

1. Assembling of:-
  - i) Domestic Appliances.
  - ii) Battery Eliminators Charges.
  - iii) Low Cost Transistor Radio (Medium Waves).
  - iv) Tape Recorders.
  - v) T.V. (Black & White, Colour)
  - vi) Video Cassettes.
  - vii) Computers.
  - viii) VCRs and VCPs.
  - ix) Voltage Stabilisers.
2. Amplifiers.
3. Automobile Battery.
4. Battery Charging and Repairing.
5. Black (Insulating) Tapes.
6. Blacklite Moulded Electric Accessories .
7. Cabinets Making:
  - i) Wooden.
  - ii) Plastic.
  - iii) Metal.
8. Chokes and Small Transformers.
9. Clips for Electric Wiring.
10. Cold Storage.
11. Dry Cells and Storage Battery making.
12. Digital Electronic Watches.
13. Distilled Water for Storage Batteries.
14. Electric Lambs and its Components.
16. Rewinding of Electric Motors & Transformers.
17. Power Transformers (Stop Down Transformers).

18. Servicing and Repairing of:-
  - i) Radio and Tape Recorders.
  - ii) T.V., V.C.Rs and V.C.Ps.
19. T.V. Antennas.
20. Street Light Fittings.  
Electric Transmission Lines hardware, like Steel Cross-Bars, Cross Arms, Arming Camps and Arms, Brackets etc.
21. Transformer Type Welding sets, conforming to 15,129/75 (up to 600 amps)
22. Rectifier Type Welding Sets, Conforming to 15,4559/68, with amendment Nos. 122.
23. Gas Welding Filter Rods.
24. Welding Electrodes.

#### X. HOSIERY

1. Carpet Weaving.
2. Haver Sacks making.
3. Hosiery Items making voz:-
  - i) Cotton Underwears.
  - ii) Socks.
4. Knitting Tailoring Embroidery Works.
5. Readymade Garments making.
6. Surgical Cotton Making.
7. Woollen Knitten:-
  - i) Shawls.
  - ii) Vests.
8. Tarpaulin Making.

#### XI. HANDICRAFTS

1. Cane & Bamboo Products.
2. Flowers Vases Making.
3. Floor Governings and mattings.
4. Hand Knitted Carpets.
5. Hand made Drugets.
6. Paintings and Drawings
7. Stone and Wood Carvings.

#### XII. Miscellaneous

1. Auto Silencers making.
2. Automobile Radiators Making.
3. Automobile (Trucks and Bus) Body Building.
4. Acrylic yarn Knitted Wears.
5. Ball Pen Refill and Ink making.
6. Foam Rubber Products Making.
7. Gunny Bags making.
8. Hawai Chappals Making.
9. Mechanical Toys Making.
10. Hypodemic/Surgical Disposable Needles making.
11. Melical Instruments Making.
12. Umbrella Assemblint.

#### XIII. REPAIRING AND SERVICES

1. Automobile Repair and Servicing.

2. Automobile Radiators Repairing, and Servicing.
3. Electroplating and Anodising of Automobile Parts.
4. General Engineering Workshops.
5. Head Treatment of Spring Leaves.
6. Tyres Repairing, Vulcanising and Rethreading.

- i) Hot Rolled Process.
- ii) Cold Rolled Process.

#### XIV. SMALL SCALE SERVICE ESTABLISHMENT

1. Cold Storage.
2. Computer Service and Date Processing Centres.
3. Dry Cleaning and Dyeing Laundry.
4. Cobar Gas Plants.
5. Hotel Industry.
6. Type Writing Institute.

Note:

1. This list is not comprehensive and exhaustive.
2. As, with time the local resources, infrastructural availability, consumers, demand, etc, are likely to change, this list therefore, is intended to be dated from time to time.

## **6.02 LIST OF ITEMS RESERVED FOR PROCUREMENT FROM THE SMALL SCALE SECTOR**

Looking into the technology feasibility and economic viability of some of the Industrial products in the Small Scale Sector, the Government at the Centre, have reserved a number of items for procurement from the Small Scale Industrial Undertakings, the per centage of reservation being based on the type of such products. Such reservation policy of the Government, no doubt, gives market protection to the Small and tiny industries from the powerful competition of the medium and large scale Sectors.

I.	Reservation up to 100% of the total requirement by the DGS & D (Gr. IV Items) -	406
II.	Reservation up to 75% of the total requirement by the DGS & D (Gr. V Items) -	14
III.	Reservation up to 50% of the total requirement by the DGS & D (Gr. VI Items) -	28
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	Total	- 448.
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**LIST OF (GROUP-IV) ITEMS RESERVED FOR EXCLUSIVE PROCUREMENT FROM THE SMALL SCALE SECTOR BY THE DISTRICT GENERAL OF SUPPLY AND DISPOSAL:**

1. Animal driven Vehicles.
2. Anklets Web Khaki.
3. All badges cloth embroidered and metals.
4. Attaches cases.
5. Aluminium's Utensils.
6. Ammeter/Ohm meter.
7. Automobiles Head Light.
8. Augur (Carpenter).
9. AAG/ACSR Conductor up to 19 strand.
10. Absorbent Cotton.
11. Agricultural Implements.
  - a) Hand operated tools and implements.
  - b) Animal driven implements
12. Bags/ice head.
13. Bandage Cloth.
14. Barbed Wire.
15. Basket Cane (Procurement can also be made from State Forest Corporation and State handicraft Corporation).
16. Belt Leather and strips.
17. Benzyl benzoate.
18. Blacksmith hearth.
19. Boot polish.
20. Bone meal.
21. Belt leather.
22. Boxed made of metal.
23. Boxing boots.
24. Brass Dampers.
25. Boots and shoes of all type excluding canvas shoes.
26. Brass Padlocks..
27. Brief case
28. Brooms.
29. Buckets.
30. Brushes.
31. Beam Scale (up to 30 Mds).
32. Battery Charger Engine driven only.
33. Button metal.
34. Blotting paper.
35. Blow Moulded Containers.
36. Cans(made of G.I.Sheets for milk and measuring)
37. Cash bags.
38. Caps cotton.
39. Caps waterproof.
40. Caps woolen.
41. Casing and Capping.
42. Ceiling roses upto 15 amps.
43. Centrifugal steel plate blowers.
44. Copper sulphate.
45. Coir mattress and matting.
46. Chains lashing.
47. Chappals and sandals.
48. Coir Fibre and coir yarn.
49. Community receives.

50. Conduit pipes (Metallic)
51. Conduit pipes (Metallic)
52. Cotton wool(Non- absorbent).
53. Cotton Hosiery.
54. Cotton cord twine.
55. Crates wooden.
56. Cumblies.
57. Curtain mosquito (civil requirement only).
58. Coir mattresses and cushions.
59. Copper naphenate.
60. Corrugated board paper.
61. Centrifugal pumps-sucting and delivery 150mm x 150 mm.
62. Cruoibles upto and including 31 Kg.
63. Chaff cutter blade.
64. Distribution board upto 15 amps.
65. Drums and barrels.
66. Domestic utensils other than stainless steel.
67. Domestic electric appliances:-  
Toaster electric, Electric iron, Hot Plates, Electric Mixers and grinders, Electric lighter, Electric oven, Juice extractors.
68. Dusters cotton, all type except the item required in Khadi.
69. Dust Shield leather.
70. Dust bins.
71. Domestic (House wiring) PVC. Cables and Wires (Aluminium) conforming to the prescribed ISI specification and upto 10.00 mm sq. nominal cross section. This would not ber applicable to defence requirements.
72. Electric all bells.
73. Electric buzzers.
74. Electric soldering iron.
75. Eyelets.
76. Expanded metal.
77. Electric transmission line, Hardware like steel cross bars, cross arms clamps arching arms, brackets, etc.
78. Exhaust mufflers(Except in the case of original equipment many factures).
79. Film spools and cans.
80. Football boots.
81. Film polythene.
82. French polish.
83. Garments (civil requirements only).
84. Garmantels.
85. Gauze cloth.
86. Chamellas.
87. G.I. Pad locks.
88. G.I. Bath tubs.
89. G.I. Buckets.
90. Glass ampoules.
91. Gauze surgical, all types.
92. Gun Metal bushes.
93. Gun cases.
94. Graphite crucinles utp No.200.
95. Grease Nipples and grease guns.
96. Glue.
97. Gum tape.
98. Hand frawn carts of all types.

99. Handles wooden and bamboo(Procurement can also be made from State Forest Corporation and State handicraft Corporation).
100. Hand lamps.
101. Hand numbering machine.
102. Hair passam wool.
103. Hand gloves.
104. Hand presses.
105. Hide and country leather of all types.
106. Horse and Mule shoes.
107. Hob nails.
108. Holdalls.
109. Hypodermic needles.
110. Invalid wheeled chairs.
111. Insecticides Dust and sprayers (manual only)
112. Iron clad switches(upto 930 MPH).
113. Keys wooden.
114. Kit bags.
115. Kodali.
116. Kullahs
117. Lace leather.
118. Lint plain.
119. Lanterns posts and bodies.
120. Lathies .
121. Lamp signal.
122. Latex foam sponge.
123. Lamp holders.
124. Leather bags.
125. Leather boxes.
126. Leather Barness.
127. Leather washers.
128. Low cost radio (medium wave and community Radio receivers).
129. L.T.Porcelain insulators and fuse criups.
130. Magnesium sulphate.
131. Machine screws.
132. Metal clad switches.
133. mail bag (canvas dossoti and jute).
134. Manhole covers.
135. Metal polish.
136. Miniature bulbs (for torches only).
137. Metric weights.
138. Washers.
139. Machine shop vices.
140. Nail tip heed rustles.
141. Nail cutters.
142. Newar.
143. Oil stove (wick stoves only).
144. Ordinary bench vices.
145. Ovens electric (domestic types)
146. Paper conversion products, papers bags, envelopes, ice-cream, cups paper cum and saucers.
147. Paint remover.
148. Pillows (cotton).
149. Patient coats and pyjamas.
150. Plaster of paris.
151. Postal lead seals.
152. Piles fabric.

153. Pluge.
154. Pouches.
155. Postal weighing scales.
156. Pump hand.
157. PVC Footwears.
158. Polythene bags.
159. Palm Rosa Oil.
160. Playing cards.
161. Plastic cane.
162. Quits, Razails (Cotton)
163. Rag Cotton.
164. Railway platforms drinking water.
165. Razors.
166. Rubber Balloons.
167. Rivets of all types (including bifurcated excepted for defence requirement).
168. Rolling shutters.
169. Room coolers (desert type)
170. Scientific Laboratory glass wares (barring sophisticated items).
171. Squirrel cage, induction motors upto and including 10 KW 440 Volts 3 Phase.
172. Store ore jars.
173. Sanitary Jewels.
174. Soap Yellow.
175. Soap Liquid.
176. Soap soft (civil requirements only).
177. Stapling machines.
178. Steel Wool.
179. Spectable frames.
180. Sodumsijicate.
181. Surgical gloves (except plastic)
182. Sanitary plumbing fittings.
183. Snap fasteners (excluding 4 pcs. One)
184. Safety matches.
185. Scissors cutting (ordinary).
186. Shoe laces.
187. Sign boards painted.
188. Shellac.
189. Skin sheep all types.
190. Ski boots and shoes.
191. Sole leather.
192. Soap washing or laundry soap (civil requirements only).
193. Sockets.
194. Spiked boots.
195. Steel trunks.
196. Leracks.
197. Steel trunks.
198. Stocknettee.
199. Stone and Stone curry rollers.
200. Suitcases.
201. Steel desks.
202. Shelves steel.
203. Silk ribbon.
204. Street light fittings.
205. Steel window land ventilators.
206. Student micoroope.
207. Standard wire.

208. Safety pins (and other similar products like papers pins, staple pins etc)
209. Tack metallic.
210. Cotton tapes and laces.
211. Tarpaulins (civil requirements only)
212. Teak fabricated round block.
213. Tent age civil/military and salitah jute for tentage.
214. Tin trays.
215. Tip boots.
216. Tent poles.
217. Tin can uprinted upto 4 gallons capacity (other than can Ots)
218. Tyres and tubes (cycles)
219. Tiles.
220. Toilet rolls.
221. Transistorised insulation testers.
222. Umbrellas.
223. Utensils cooking including stainless steel utensils except spoon desert.
224. Wooden shelves.
225. Wooden wool.
226. Wooden plugs.
227. Wooden ammunition boxes.
228. Wheel barrows.
229. Wicks cotton.
230. Wire adjusting screws.
231. Wooden packing cases of all sizes.
232. Wire nails and horseshoe nails.
233. Woollen hosiery.
234. Woollen hosiery.
235. Welded wire mesh.
236. Wooden Chairs.
237. Waxes paper.
238. Water proof papers.
239. Wire netting and gauze thicker than 100 mesh size.
240. Wire brushes and fibre brushes.
241. Wind shield wipers (arms and blades only except in the case of original equipment manufactures).
242. Diesel Engines upto H.P.(slow speed).
243. Voltage stabilisers.
244. Paper tapes 9cummed)
245. Clinical thermometers.
246. Drawing and mathematical instruments.
247. Aluminium builders and hardware hinges.
248. Aluminium drp/towerboths.
249. Zinc sulphate.
250. Nickel sulphate.
251. Steel measuring tape.
252. Sip Fasteners (metallic)
253. Emergency lamp.
254. Electric flashgun.
255. M.S. Tie Bars.
256. Padlocks.
257. Railway Carriage Fans (transferred to group V list)
258. Bolts and nuts (except high tensile and other special types)
259. Cir clips.
260. Cloth Sponge.
261. Cloth cases.
262. Cotton cases.

- 263. Cotton packs.
- 264. Cotton pouches.
- 265. Cotton sling.
- 266. Cotton straps.
- 267. Forges Bay nets.
- 268. Cotton carriers.
- 269. Cotton bags.
- 270. Badges cloth (including embroidered)
- 271. Sleeping bags.
- 272. Wooden pins.
- 273. Wooden veneers.
- 274. Mallet wooden.
- 275. Chrome tanned (Semi-finished buffalo and cow)
- 276. Rubber hoses armoured (upbraided)
- 277. Rubber cord.
- 278. Potassium nitrate.
- 279. Soap carbolic.
- 280. Insecticide fluid.
- 281. Disinfectant fluid.
- 282. Foot Powder.
- 283. Table knives (excluding cutlery)
- 284. Steel beds tead.
- 285. Boxes kit.
- 286. Badges metallic.
- 287. Tin seal holders.
- 288. Lime equipment.
- 289. Safe meat and mild.
- 290. Fuse cut outs.
- 291. Roof light fitting.
- 292. Railway carriage light fittings.
- 293. Chokes for light fittings.
- 294. Ambulance stretchers.
- 295. Monometer.
- 296. Whistle.
- 297. Dyes.
  - a. Azo Dyes (Direct and Acid)
  - b. Basic Dyes.
- 298. Sild webbing.
- 299. Lanyard.
- 300. Sodium Nitrate.
- 301. Lisasorb.
- 302. Funnels.
- 303. Nail copper.
- 304. Boxes tin for postage stamp..
- 305. Lockers.
- 306. Letters Boxes round.
- 307. Trays for postal use.
- 308. Cloth jaconet.
- 309. Cotton ropes.
- 310. Canvas products.
  - a. Water proof delivery bags to Spec.No.IS -1422/70
  - b. Bonnet covers and radiator muff.to Spec.Drg.Lv7/NSNIA/30295
- 311. Cotton canvas bag.
- 312. Water proof covers.
- 313. Haver sacks.

314. Rubber tubing (excluding braided tubing)
315. Dimethyl Phthalate.
316. Dibutyl phthalate.
317. Polythene pipes.
318. RCC Poles prestressed.
319. Graphite crucible (upto No.500).
320. Tubular poles (rivetted tubular poles)
321. Brass wire.
322. Measuring tapes and sticks.
323. Claw Bars and wires.
324. Shovels.
325. Bench vice.
326. Bolts sliding.
327. Steel Chairs.
328. Valves metallic.
329. Studs (excluding high tensile)
330. Wire fencing and fittings.
331. Hinges (other than door fitting)
332. Iron Dhobi.
333. Happs and staples.
334. Horse Clipping machines.
335. Heaters convectors upto 2 KW-Is-4238/67
336. Switches tumbler.
337. Fuse unit.
338. Link clip.
339. Trolley
340. Pulley wire
341. Cotters.
342. Hose pipe clips (transferred to group-VI)
343. Push cock gravity lotah (transferred to group-V)
344. Scales weighing.
345. Castor oil,
346. Linseed oil.
347. Helmet non-metallic.
348. Was Scaling.
349. Rail Screws.
350. Plate Screws.
351. Serew spikes.
352. Hydraulic jack below 30 tons capacity.
353. Other wooden boards.
354. Rust and scale preventing/removing composition.
355. Nylon stocking.
356. Tin Mess.
357. Cird twine maker.
358. Cordages others.
359. Cotton singlets.
360. Cotton Belting.
361. Brases.
362. Teatlies manufactures other than NEC (not elsewhere classified)
363. Wooden boxes and cases NEC(Not elsewhere classified).
364. Chamois leather.
365. Rubberised garment cap and caps etc.
366. Oil bound distemper.
367. Bituminous paints.
368. Soap curd.

369. Nylon tapes and laces.
370. Drilling clay.
371. Hand lamps railways.
372. Rprivy pans.
373. Eowls.
374. Metallic containers and drums other than N.E.C.
375. Taps.
376. Brackets other than railways.
377. Pans lavatory flush.
378. Lighting arrasters up to 22 KV.
379. Battery eliminator.
380. Lubricators.
381. Hand Pounded rice (Polished and unpolished).
382. Honey.
383. Palmgur.
384. Pappads.
385. Biscuits.
386. Varnish black Japan.
387. Candle wax carriage.
388. Wooden box for stamps.
389. Coir rope hawserlaid.
390. Equipment camflags bamboo support.
391. Post pocket (wooden).
392. Wooden flush door shutters.
393. Cleaning powder.
394. Napthelene balls.
395. Hammars.
396. Screw drivers.
397. Zip fasterness (non-metallic)
398. Pressure Die classing upto 0-75 Kg.
399. Glass and pressed wares.
400. Fire extinguishers.
401. Sluice valves.
402. P.V.C. insulated.
403. P.V.C. Insulated Aluminium cables (upto 220 sq.mm ISS-694
404. Eakes Ballast.

**II. LIST OF (GROUP-V) ITEMS RESERVED FOR PROCUREMENT FROM THE SMALL SCALE SECTOR UP TO 75% OF THE REQUIREMENT BY THE DIRECTOR GENERAL OF SUPPLY AND DISPOSAL**

1. Railway carriage fans.
2. Push cock gravity lotah.
3. Formation signs.
4. Rubber mattresses.
5. M Vitamin tablets.
6. Glass looking.
7. Pin split tapers.
8. Filing system including filling cabinet.
9. Carbon dioxide crash tenders.
10. Coupling universal.
11. Hospital and aseptic furniture.
12. P.V.C. pipes upto 110 mm dia (Transferred to group IV)
13. Carbon paper.
14. Laminated Jute bags.

**III. LIST (GROUP-VI) ITEMS RESERVED FOR PROCUREMENT FROM THE SMALL SCALE  
SECTOR UPTO 50% OF THE REQUIREMENT BY THE DIRECTOR GENERAL OF SUPPLY AND  
DISPOSAL**

1. Cellulose lacquers and thinners.
2. Paint ready mixed.
3. Vanished excluding black japan.
4. Oil paste.
5. Fire Bricks.
6. Flushing cisterns.
7. Bower transformers.
8. Weigh bridges.
9. Dry distemper.
10. Red Oxide.
11. Wagon black.
12. Graphite paints.
13. Aluminium paints.,
14. Yarn worsted.
15. Lead sheets.
16. Lead tubes.
17. Lead pipes.
18. Lead wool.
19. Lead tablets 17.5 mm dia.
20. Pencils.
21. P.V.C. Underground aluminium cables up to 35 mm sq.mm (ISS -1544)
22. Type writer ribbons.
23. Rectifier type wilding sets conforming to IS:4559/68 with amendment Nos. 122.
24. Duplicating machine.
25. Printing jobs.
26. Jams, Jellies, Marmalades, Sauces and preserves.

For the items include in Group V and VI the purchase officers will issue enquiries for the 100 percent of the demand and at the time coverage, they would ensure that 75 per cent 50 per cent of the demand is order on S.S.I. Units. The balance 25 percent 50 percent should be considered as unreserved but could also be procured from SS Units which the consideration of price preference up to 15 percent as applicable to unreserved items.

References:-

1. Indian Economics - K.K. Dewett & J.D. Varma.
2. Guide Book for Entrepreneurs - North Eastern Council Publication  
(August, 1986, Shillong)
3. How to Start Your Own Small Scale Industry. - G. D. Sharma.
4. A Hand book for Extension Services-Rural Industries Deveopment.
5. Annual Reports - Department of industries, Government of  
India, Ministry of Industry & Company Affairs,  
New Delhi.