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Programme for promotion of Village Industry and MSE Cluster - Rural Industry Service Centre (RISC) -A Key Driver for Development of Khadi and Village industry and MSE

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Abstract

Worldwide, village micro and small enterprises (MSEs) have been accepted as the engine of economic growth and for promoting equitable development. In India, village and MSEs play a pivotal role in the overall industrial economy of the country. It is estimated that in terms of value, the sector accounts for about 39 per cent of the manufacturing output and around 33 per cent of the total exports of the country. In recent years, the village and MSE sector has consistently a registered higher growth rate compared to the overall industrial sector. The major advantage of the sector is its employment potential at low capital cost. As per available statistics, this sector employs about 31 million persons spread over 12.8 million enterprises and the labour intensity in the village and MSE. This sector is estimated to be almost four times higher than the large enterprises. In India, the funding of micro enterprises is aligned with SHGs. Programme for promotion of village Industry Cluster-Rural Industry Service Centre (RISC) really a key for the development of Khadi and village industry. The author in this paper indicates the various facts regarding RICS.

Keywords: *Micro and Small Enterprises (MSEs), khadi and cottage industries, village industries, Rural Industry Service Centre (RISC).*

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1. INTRODUCTION

India is predominantly a country of villages. The majority of her population resides in villages. Agriculture and allied activities constitute their major occupation. However, the replacement of agriculture and craftsman production by the superimposed colonial mode of production destroyed the occupational structure of India. The destruction of agriculture and domestic industries is the root cause of the socio-economic crisis confronting the nation. The number of unemployed is increasing every year.

With a view to reduce the problem of unemployment, to eradicate poverty and to improve the living standard of people, the planners have implemented various strategies through Five Year Plans. However, these programmes do not solve the real problem of India, i.e., mass poverty. Because the strategies so far implemented are development oriented rather than human centered, human welfare is of least concern. In this regard, the development strategy as visualized by the Father of the Nation seems to be the need of the hour.

Mahatma Gandhi wrote, "there is no doubt in my mind that in a country like ours, teeming with millions of unemployed, something is needed to keep their hands and feet engaged in order that they may earn an honest living. It is for them that khadi and cottage industries are needed"1 In a county like India where capital is scarce and labour is abundant, the strongest argument along the lines of employment can be put forward through village industries. "In view of the meagerness of capital resources, there is no possibility in the short run, for creating much employment through the factory industries... Now consider the household or cottage industries. They require very little capital". [2]

In India, the cause-of village industries was initiated by Mahatma Gandhi. To him village industry is a way of life rather than a means of life. "The idea behind village industries scheme is that we should look to the villages for the supply of our daily need.[3] He realised that: village economy cannot be complete without the essential village industries, such as hand-grinding, hand-pounding, soap making, paper making, match making, tanning, oil pressing etc. Given the demand, there is no doubt that most of our wants can be supplied from our villages. When we have become village minded, we will not want imitations of the West or machine made products but we will develop a true national taste in keeping with the vision of a new India in which pauperism, starvation and idleness will be unknown . [4]

2. DEFINITION OF VILLAGE INDUSTRY

Since the present study is on the programme for promotion of village industry Cluster-Rural Industry Centre (RISC)-A key for development of Khadi and village industry. It is necessary to discuss the conceptual definitions of the terms 'small scale industries', 'cottage and village industries' and 'tiny sector'.

"How is a small-business defined? This perfectly normal question does not have a precise answer. It depends upon who provides the definition". "Small firm could not be adequately defined in terms of employment assets, turnover, output or any other arbitrary single quantity, nor would the same definition be appropriate throughout any economy". [6]

In India, industries ire broadly classified into four; large scale, medium size, small scale and tiny and cottage industries.

"Industries having an investment of ***Rs.5*** crores or more are considered as large, those having an investment of **Rs.35** lakhs to Rs. 5 crores are referred to as medium sized. Those industries having an investment upto Rs.35 lakhs in plant and machinery are termed as small scalev[7] and "all industries with a capital investment of Rs.2 lakhs in plant and machinery and located in rural areas and towns with a population of less than 50,000 are included in tiny sector".' There is no well marked distinction between tiny sector and village industries according to this definition. Hence the definition given by Khadi and Village Industries Commission is accepted for the present study. The Khadi and Village Industries Commission defined village industries as "any industry located in a rural area which produce any goods or renders any service with or without the use of power and in which the fixed capital investment in plant and machinery and land and building per head of an artisan or worker does not exceed 15,000 rupees". [9]

3. VILLAGE INDUSTRIES ARE AS FOLLOWS:

(i) village oil industry
(2) soap-making with neem oil
(3) paddy husking
(4) palm gur industry
(5) gur and khandsari
(6) leather industry
(7) woollen blankets
(8) high-grade hand-made paper
(9) bee-keeping, and
(10) cottage match industry.

4. RURAL INDUSTRY SERVICE CENTRE (RISC)

"Rural Industry Service Centre (RISC) is the Common Facility Unit which aims to provide infrastructural support and necessary services to the local units to upgrade their production capacity, skill upgradation and market promotion."

The Rural Industry Service Centre (RISC) covers one of the following services

A. Provide testing facilities by establishing laboratory to ensure quality of the products.
B. Provide improved machinery/equipment to be utilised as common utility facilities by the nearby unites /artisans to enhance production capacity or value addition of the product
C. Provide attractive and appropriate packaging facilities and machineries to the local unties / artisans for better marketing of their products.

5. OBJECTIVES OF RISC

- To provide backward forward linkages to Khadi & V.I. activities in a cluster.
- To provide services like raw material support, skill up-gradation, training, Quality Control, Testing facilities, marketing promotion, design & product development in order to strengthen the rural clusters.

6. IN ADDITION OF THE ABOVE FACILITIES RISC CAN ALSO CATER TO FOLLOWING SERVICES

- Provide training facilities to upgrade artisan's skill in order to increase their earnings.
- Provide new design or new product, diversified product in consultation with experts /agencies for a value addition of rural manufacturing units.
- Provide raw material support, which mainly depend on seasonal procurement.
- Prepare product catalogue.

8. IMPLEMENTING AGENCIES

- KVIC and State KVIBs.
- National level / State level Khadi and V.I. Federations
- Khadi and V.I. Institutions affiliated to KVIC and KVIBs.
- NGO who have already worked in implementation of programme relating to development of rural artisans in activities excluding the negative list of KVIC with financial assistance at least for 3 projects from any Ministry of State / Central Government, CAPART, NABARD and UN agencies.

9. INDUSTRIES COVERED UNDER RISC

- Khadi & Poly Vastra post weaving value addition facilities.
- Herbal products: Cosmetics and Medicines.
- Edible Oil,
- Detergents & Soaps.
- Honey
- Hand Made Paper
- Food processing
- Bio-Fertilizer / Bio-Pesticides / Bio Manure
- Pottery
- Leather
- Woodwork
- All other V.I. except those which are in the negative list.

10. FINANCIAL PATTERN

i. For activity up to Rs.25.00 lakhs

	NE States	Other areas
a. KVIC's Share	80%	75%
b. Own Contribution	20%	25%

ii. For activity up to Rs 5.00 lakhs

Financial Pattern	NE States	Other areas
a. KVIC's Share	90%	75%
b. Own Contribution or Loan from Bank/ Financial Institutions	10%	25%

In case of North Eastern States 90% of project cost will be provided by KVIC upto a project cost of Rs.5.00 lakhs.

Norms of financial assistance

i. For activity up to Rs.25.00 lakhs

1	Skill Upgradation & training and/ or Product catalogue (Providing Training Skill up-gradation etc. to be taken up well in advance)	Maximum 5% of Project cost

2	Pre operative & Post Commissioning Expenses	Maximum 5% of Project cost.
3	Building/Infrastructure (Implementing Agency should have own land, in case of implementing agency having its own readily available building, the cost would be restricted to 15% of the project cost) subject valuation by appropriate authority.	Maximum 15% of project cost
4	Plant & Machinery for manufacturing and or testing facilities and packaging (Cost of machinery is to be released to machinery manufacturer/ supplier as per agreement who is having proper registration, with sales tax No. affiliation to Association/ Federation.	Minimum 50% of project cost
5	Raw material /new design, product Diversification, etc.	Maximum 25% of project cost.

(**Land cost should be included in the project cost**)

i. For activity up to Rs 5.00 lakhs

The financial assistance should follow the norms below:

a	Building/Infrastructure	Maximum 15% of project cost
b	Plant & Machinery for manufacturing and or testing facilities and packaging	Minimum 50% of project cost
c	Raw material /new design, product Diversification, etc.	Maximum 25% of project cost.
d	Skill upgradation & training and/ or Product catalogue	Maximum 10% of Project cost.

However, a, c, d can be reduced depending upon requirements as the case may be.

11. PROCEDURE FOR FINANCIAL ASSISTANCE

i. Appraisal committee at State/Div offices for activity up to Rs.25.00 lakhs
The project proposals to set up Rural Industry Service Centre (RISC) upto Rs. 25 lakhs will be scrutinized and recommend by a Committee constituted for the purpose at State / Div. level, consisting of following members for sanction:

i)	Director (Industry) of concerned State Govt. or his representative not below the rank of Additional Director.	Member
ii)	CEO of concerned State KVI Board KVI Board	Member
iii)	Representative of Leading Bank in the State / Division	Member
iv)	Representative of NABARD	Member
v)	Secretary of KVI Institution having highest turn over in the State	Member
vi)	Representative of S & T interface in or closest to the State	Member
vii)	State Director, KVIC	Member

12. TERMS AND REFERENCES

- The Committee will evaluate capability of the organisation to implement
- The Committee will examine commercial & technical viability of the project.
- Evaluate and monitor the execution of programme in the Rural Industry Service Centre (RISC)

13. TECHNICAL FEASIBILITY

Feasibility of the Project may be studied by the technical interface of KVIC/Engineering College/ Agriculture College, University/ Polytechnic. The cost of feasibility study may be included in pre operative expenses or an expert with appropriate technical credentials.

14. MODE OF SANCTION

Once the project up to Rs. 25.00 lakhs has been technically appraised and remarks by the Appraisal Committee, at State level, the State Director will forward the same with his comments to the concerned Programme Director at head office who will place the same for approval by SFC Khadi or VI as the case may be.

15. RELEASE OF FUNDS

Releases will be made by the Commission in 3 equal installments after the utilizes institution its own proportionate contribution of the sanctioned amount of the project.

1	Skill Upgradation & training and/or Product catalogue Institution should acquire required training for staff operation of project/prepare product catalogue etc. from own contribution.	Maximum 10% of Project cost
2	Pre operative & Post Commissioning Expenses. Institution make expenditure towards cost of preparation of project report etc. contingency, conveyance, Miscellaneous expenditure etc. from own contribution.	Maximum 5% of Project cost
3	Building/Infrastructure (Implementing Agency should have own land, in case of implementing agency having its own readily available building, the cost would be restricted to 15% of the project cost) subject valuation by appropriate authority.	Maximum 15% of project cost
4	Plant & Machinery for manufacturing and or testing facilities and packaging (Cost of machinery is to be released to machinery manufacturer/ supplier as per agreement who is having proper registration, with sales tax No. affiliation to Association/ Federation.	Minimum 50% of project cost
5	Raw material /new design, product Diversification, etc.	Maximum 25% of project cost.

Note

1. Inter-change of percentage in respect of (1) to (4) is allowed in exceptional cases

as per the recommendation of the State/Divisional by appraisal Committee.
2. 1st installment will be released on the basis of feasibility report of the field official and subsequent installment on the basis of utilisation certificate duly inspected by the field official of the State/Divisional office concerned and on satisfaction of the State /Divisional Director.

15. OPERATIONAL MODALITIES

- For the purpose of establishing Rural Industry Service Centre (RISC), it may be ensured that the number of artisans / Village Industries units benefited shall not be less than 125 individual artisans or 25 REGP units / VI Institutions / Societies for projects upto Rs.25.00 lakhs.

The implementing agency / Organisation should have its own land where the Rural Industry Service Centre (RISC) will be established.
The period of setting up of the project should not be more than 6 months.
After submission of the proposal by the implementing agency to set up Rural Industry Service Centre (RISC),with technical feasibility as per the guidelines above and place the proposal with his recommendations before State Level Committee.

- The funds shall be released based on the progress of work report received periodically from State / Divisional Director and based on activities of the project and also within a specific time frame for timely completion of the project.
- The State / Divisional l Director of the concerned state where the project is located shall ensure monitoring and evaluation and timely completion of project.
- After obtaining approval by the State Level Committee for setting up of project State / Divisional Director will intimate to concerned Industry Programme Directors at Central Office of the Commission.

16. MONITORING

- State/Divisional Office of the Commission will conduct periodical inspection of the project to ensure that the project is functioning in accordance with the modalities of the RISC.
- Industry/Programme Director concern will conduct inspection once the project is fully established and into operation.
- The Directorate of VIC will arrange to conduct the physical verification of the project after one year from the date of its functioning.

ii. Sanctioning Authority for activity up to Rs 5.00 lakhs

The project proposals to set up Rural Industry Service Centre (RISC) upto Rs. 5 lakhs will be appraised and sanctioned by a Committee constituted for the purpose at State / Regional level, consisting of following members :

i) Director Industry of concerned State Govt. or his representative not below the rank of Additional Director	Member
ii) CEO of concerned State KVI Board	Member

iii) Representative of Lead Bank in the State / Region	Member
iv) Representative of NABARD	Member
v) Secretary of KVI Institution having highest turnover in the State	Member
vi) State/Regional Director, KVIC	Member/Convenor

16. TERMS AND REFERENCES

1. The Committee will evaluate capability of the organisation to implement
2. The Committee will examine commercial viability of the project.
3. Accord approval upto project of Rs. 5 lakhs
4. Evaluate and monitor the execution of programme in the Rural Industry Service Centre (RISC)

17. RELEASE OF FUND

After Committee approved the proposal, the funds will be released in 2 installments by State/Regional Directors. The first installment will be 50% of the amount share of KVIC for the project. The second and last installment will be released only after amount released by KVIC and 50% of the share of the organisation is utilized.

18. Operationalisation and programme implementation

- For the purpose of establishing Rural Industry Service Centre (RISC), it may be ensured that the number of artisans / Village Industries units shall not be less than 25 individual artisans or 5 REGP units / VI Institutions / Societies for projects upto Rs.5.00 lakhs.
- The implementing agency / Organisation should have its own land where the Rural Industry Service Centre (RISC) will be established.
- The period of setting of project should not be more than 6 months.
- After submission of the proposal by the implementing agency to set up Rural Industry Service Centre (RISC), State / Regional Director shall conduct technical feasibility and place the proposal with his recommendations before State Level Committee. Technical feasibility may done either by DIC or by State Office or State Board.
- The funds shall be released based on the progress of work report received periodically from State / Regional Director and based on activities of the project and also within a specific time frame for timely completion of the project.
- The State / Regional Director of the concerned state where the project is located shall ensure monitoring and evaluation and timely completion of project.
- After obtaining approval by the State Level Committee for setting up of project State/Regional Director will intimate to concerned Industry Programme Directors at Central Office of the Commission.

20. STAGES OF PROGRAMME IMPLEMENTATION (FOR ACTIVITIES UPTO RS 5 AND 25 LAKHS)

- Identification of the cluster.
- Selection of a Cluster Development Agency.
- Technical feasibility by an expert or an agency with expertise.

- Project formulation.
- Approval of the project and release of funds.
- Monitoring and Evaluation.

In 2007, the Ministry of Agro and Rural Industries and the Ministry of Small Scale Industries were merged into the single entity-the Ministry of Micro, Small and Medium Enterprises. Worldwide, micro and small enterprises (MSEs) have been accepted as the engine of economic growth and for promoting equitable development. In India, MSEs play a pivotal role in the overall industrial economy of the country. It is estimated that in terms of value, the sector accounts for about 39 per cent of the manufacturing output and around 33 per cent of the total exports of the country. In recent years, the MSE sector has consistently a registered higher growth rate compared to the overall industrial sector. The major advantage of the sector is its employment potential at low capital cost. As per available statistics, this sector employs about 31 million persons spread over 12.8 million enterprises and the labour intensity in the MSE sector is estimated to be almost four times higher than the large enterprises. In India, the funding of micro enterprises is aligned with SHGs.

21. SWOT ANALYSIS OF VILLAGE, MICRO AND SMALL ENTERPRISES:

A. Strengths:

- Large untapped domestic market
- Low cost manufacturing
- Availability of Trained Scientific Personnel
- Raw material available in sufficient quantity
- Existence of Technical Institutes
- Well developed Infrastructural facilities
- Presence of number of Financial Institutions, Banks etc.

B. Weakness:

- Characterised by low margins
- Low investment in R & D
- Imports started coming in
- Finance available at high rate of interest
- Trust level very low
- Poor testing facilities
- Poor coordination with Govt. bodies and other related Organisations

C. Opportunities:

- Possibility of establishing Common Testing Laboratory
- Globalisation can ensure tremendous market potential
- Enterprise can join hands together for overseas market, brand building and participation in trade fairs.
- New Drug Price Control Order – exempting drugs from falling under DPCO for a period of 15 years, provided the
drug is developed through indigenous R & D and is patented under the Indian Patent Act, 1970.

D. Threats:

- China threat – capacity to deliver huge quantity at low price
- Competition is increasing
- Investment in Plant & Machinery will increase in order to fulfill the norms of 'Schedule M' of Drugs and Cosmetic Actir respective of assured market
- Burden of Taxes increasing day by day
- Product Patent Law will be made compulsory

ACTION PLAN:

The development of cluster will mostly depend upon the level of trust being built amongst the core cluster actors and the stakeholders. Also, the core cluster actors and the stakeholders are required to devote a lot of time for its development. Small consortiums/networks are to be formed. The business linkages are to be strengthened. Based on the needs and interest shown by the Bulk Drug Manufacturers located at Thane Belapur belt the following action may be taken up for the development of the cluster:

A) Training programmers to be organized for:
1) Personnel Management
2) Financial Management
3) Marketing Management

Village, Micro, small and medium enterprises is perhaps the most crucial link between India's economic growth and socio-economic transformation. This sector contributes about 8 per cent of the country's GDP, 45 per cent of the manufactured output and 40 per cent of the total exports. This is a key driver of our country's industrial growth as it comprises about 36 million enterprises that generate over 6,000 products and employ over 80 million persons.

The village and MSME sector is characterized by its heterogeneity. It is diverse in terms of size, technology level, location, and product range that spans from grass-root village industries to sophisticated units producing auto components, micro-processors, electronic components and electro-medical devices. As village and MSME units have a high degree of geographic dispersion, their development assumes great significance for an equitable and inclusive growth which is the ultimate objective of our economy.

The challenges to the village and MSME sector in India are many. This sector has great potential to be a true agent of socio-economic change. But for that, we must direct our efforts at increasing the competitiveness of this sector by enhancing the availability of institutional credit, promoting innovation and technology, providing adequate industrial infrastructure, meeting the demands for skill development and capacity building, and strengthening market support.

To extend an enabling infrastructure for MSME units, reliance on industrial clusters has been found prudent in many countries. By providing shared access to amenities like testing centres, utilities, roads, security, effluent treatment, training of workers, and marketing, clusters can provide substantial benefits in terms of technology absorption, efficiency enhancement and growth for these units.

The Cluster Development Programme of the Government has been active in building capacity, upgrading infrastructure and setting up common facility centres. We are confident of this scheme fulfilling its objective of bringing sustainable growth to this sector.

The National Manufacturing Policy, 2011 has envisaged the setting up of dedicated National Investment and Manufacturing Zones to bring together modern infrastructure, technology, skill development centres, and state-of-the-art connectivity to become the nuclei of manufacturing growth. We expect the manufacturing MSME units to take full advantage of this initiative.

The growth potential of the village and MSME units should not be impeded by lack of access to financial resources. There is a need to increase the reach and coverage of financial institutions by expanding branch network to locations near industrial clusters.

Our Capital Market is an important resource-raising medium for our business. The Small and Medium Enterprises Exchange platform launched by the National Stock Exchange and the BSE would allow small and medium enterprises to access the capital market to raise necessary resources. This will also help diversify risk in these enterprises by widening the investor base.

The potential of knowledge-based industries in India is very high. To facilitate their growth, increased access to alternative sources of capital like private equity, venture capital and angel funds should be made possible.

It is gratifying to note that our efforts at easing the flow of credit to the village and MSME sector have continued unabated. The Union Budget 2013-14 has envisaged doubling the refinance capacity of the Small Industries Development Bank of India to Rs. 10,000 crore per year, and setting up a Rs. 500 crore corpus with the Bank to facilitate up-scaling of factoring services. We are also happy to note that the India Microfinance Equity Fund, which was set up in 2011-12 with a budgetary support of Rs. 100 crore to assist micro finance institutions by provision of equity, is being allocated an additional amount of Rs. 100 crore.

Our future progress will be determined largely by the level of technology that will drive our economy. Innovation and technology provides the competitive edge that our industrial sector at large and the MSME sector in particular should not be deprived of.

We must aim at developing relevant technologies to re-engineer manufacturing processes, reduce costs, improve turnaround time and enhance product quality. For that, the industry and academic and research institutions should collaborate to identify and find solutions to existing technology gaps.

Tool Rooms and Technology Development Centers have been found useful in providing technology and design support to MSME units. There is a need to replicate such efforts. We are therefore pleased to note that 15 such centers are being set up during the Twelfth Plan period at a cost of Rs. 2,200 crore.

This decade is the decade of innovation. Our drive towards innovation must benefit the bottom of the socio-economic pyramid. There are many cutting edge innovations that, due to lack of technological and commercial support, remain denied of development into marketable products.

Institutional mentoring of grass root innovators would go a long way in taking the benefits of technology closer to the people. I am hopeful that the 'India Inclusive Innovation Fund' being envisaged would create a new class of entrepreneurs by building an economic model around the needs and problems of the poor.

The demographic profile of our nation is likely to change in the times to come. By 2025, two-third Indians will be in the working age bracket. This is both a challenge and an opportunity. We have to gainfully employ our working population to ensure that their contribution to national progress is unearthed to the fullest extent.

To stimulate employment creation, healthy industrial relations and capacity building mechanisms are a must. Our strategies must focus on up-gradation of our technical institutes, both in terms of quality and quantity, setting up of more technical institutes to cater to the increasing demand, and skill development of our manpower to equip them with the relevant expertise and knowhow.

The legal entitlements for our country's workforce must be aimed at greater employment generation. Our labour laws should be able to address the contemporary business models and reflect the pragmatic rights and obligations of the employer and the employee.

Our MSME units can prosper only if there is a concerted effort at widening the market for their products. On account of the scale of operation, most of these units are not capable of individual initiative in marketing, brand building and promotion.

The Public Procurement Policy for Micro and Small Enterprises 2012, which mandates Central Government Ministries and Public Sector Undertakings to procure at least 20 per cent of their annual purchases from the micro and small enterprises, would address the marketing concerns of this sector to a great extent. But more importantly, market development assistance - trade fairs, packaging technology, bar coding and standardization- should be strengthened through the joint efforts of the Government and industry associations.

Close to 95 per cent of the MSME units are micro enterprises that employ around 69 per cent of the total MSME workforce. Most of the micro enterprises operate in the unorganized sector and require substantive support for their growth.

The categorization of village and MSME units on the single criteria of investment in plant and machinery or equipment – ceiling of Rs. 10 crore, Rs. 5 crore and Rs. 25 lakh for medium, small and micro enterprises respectively in manufacturing sector and Rs. 5 crore, Rs. 2 crore and Rs. 10 lakh for these classes of units in services sector - is perhaps necessary to channelize the requisite dose of incentives. But we must be watchful that this does not disincentives firms from growing beyond the threshold.

Growth of firms is best achieved if allowed to grow unfettered. Perhaps, a calibrated approach to the growth of our village and MSME units may be prudent for the long term.

The private sector must be active participants in the process of rejuvenating the MSME sector. Their partnership in creating a friendly business environment, especially by skill development, product promotion, and technology development, will pave the way for our MSME units to compete successfully with the best in the world. Apart from that the programme for promotion of village Industry Cluster-Rural Industry Service Centre (RISC) is really a key driver for development of Khadi and village industry.

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