

GUJARAT INDUSTRIAL POLICY 2003

SMALL AND MEDIUM ENTERPRISES

Gujarat, since many years has been known as the land of entrepreneurs. It is this entrepreneurial spirit that ushered the process of emergence of a sector characterized by many small and medium scale industries in the state. Small-scale industries are the major contributors to the economy of any region. Looking to the nature of investment and technology adopted by them, they offer wide scope for employment opportunities thus helping to alleviate the core problem of unemployment in our country. The sector has matured over a period of time driven by the business acumen of the entrepreneurs in terms of their technical skills and capability to run units with lower overheads. However, with the Indian economy steadily aligning with the global environment, a need is now felt to strengthen small and medium sector units in terms of an array of needs like capacity building, infrastructural support, financing, technology up gradation, research and development activities, quality improvement, market access and many more ... so as to enable them to have competitive advantages in the international market.

Cluster Development Approach

The strong presence of 76 identified manufacturing sectors consisting of a large number of small and medium scale industries provides a very vibrant manufacturing base for the state. Each of these sectors is located in clusters spread throughout the state. With increasing extent of globalization and liberalization, when economies of scale and quality would play predominant role in the international trade, empowering industries of the state to meet with such challenges is an imperative need of the present time. The cluster development approach is therefore an important initiative for empowering the clusters to face the challenges.

The Government therefore, plans to strengthen existing clusters in the state to provide necessary support to meet with the challenges ahead. A cluster would be defined as a group of industries manufacturing identical and complimentary products. The Government has decided to recognise a cluster with a critical mass of a minimum of 50 units located within the radius of 10 kms at a particular location. The number of 50 units could be relaxed by the Government in respect of certain sectors having regard to the managerial and technical competence, size and the nature of the industry. The Government aims to empower the clusters by providing need-based financial assistance for taking up strengthening activities. For the purpose, individual clusters will be rated by accredited rating agencies in terms of technical and managerial competence, level of maturity, administrative set up, past track record, transparency of operations, etc. Based on the grading, quantum of financial assistance will be decided. The assistance will be provided for the purpose of helping the clusters in up gradation of both product design and technology, quality improvement, R&D activities, common branding and marketing facilities, development of common facilities such as library, testing and certification laboratories, tool room, soft skill development, capacity building for workers and supervisors in terms of skill up gradation and productivity, etc besides the up

gradation/creation of common infrastructure facilities . Assistance to the identified clusters will be from existing schemes of the government. Detailed guidelines for assistance will be laid down separately.

The Government also has decided to offer concessions in the form of electricity duty exemption for a period of first five years to the cluster associations if they set up either common power plants or common effluent treatment plants or waste recycling plants.

Develop common facility centers in clusters

Small-scale industries have proved to be a major contributor to the economy of the state, both in terms of value addition and employment generation and therefore, their importance cannot be understated. However, in the coming years, Government feels that for small units to survive and prosper, 'consolidation' would be the key. The existing clusters need to be strengthened so as to enable them to convert adversities into opportunities. The role of the respective cluster associations would therefore, be crucial in this context. The associations would be encouraged to take up the following activities.

Creation of common facilities like Research and Development laboratories, the fruits of which can be reaped by all the participants. Improved technology and quality product designs would be the password for the small scale units for entry in the international market and the associations would make a periodic review of their member units on this aspect.

The cluster associations will also help the member units by involving R&D institutions in up gradation of technology with the help of Government fund

The associations will assist their member units to tie up bank finance and at the same time will also help the banks to recover their dues.

The Government will also encourage cluster associations to set up cooperative banks to enable members units to avail of finances at competitive cost. For the purpose, the Government would provide necessary interventions in terms of ensuring proper monitoring and regulating operations, human resource development and arrangement of funds.

The associations will also help the units to find new markets. For the purpose, they will maintain an extensive information bank of the opportunities available for their cluster products in other markets, as also they will strive to devise strategies for strengthening existing markets of their member units. They would make representations to the Government, if the latter's intervention is required.

The associations will encourage common branding and marketing through the brand development and marketing fund. Government considers this to be a very important aspect, as it will enable the units to channelize their efforts in a focused direction as also it would initiate a process of projecting image of Gujarat as a leading producer of quality goods.

The cluster associations will launch a campaign for the use of cleaner technologies. For the purpose, arrangement would be made to provide information on advice and guidance as well as training on pollution control norms.

The cluster associations will also arrange for the capacity enhancement programmes including productivity improvement for the workforce engaged in the member units.

The cluster associations will also motivate the member units to go for review of energy and water consumptions for the purpose of conservation of these resources. For the purpose, they will also be encouraged to use energy efficient devices as well as minor modifications in the process design to change the operating conditions.

The cluster associations may arrange for a collective participation in national as well as international fairs.

SME Sector

Apart from the approach of cluster development as outlined above, the need for strengthening the existing SME units also assumes importance. However, such assistance should be done in a manner that good and healthy unit with managerial and financial strengths would feel encouraged by the recognition of performance. Yet genuine sick and weak units should also be extended a helping hand. A concept of credit and performance rating would enable Government to assist such units. This concept should also enable the unit to approach money market for borrowing at reasonable rates of interest. This will be very useful because of a feeling of general neglect of SSIs by banking institutions and ailing SFCs.

Assistance for Technology Up gradation

In the times to come, technology would dictate the manufacturing sector in any industry. The industries with superior technology will ultimately have a cutting edge by being equipped with the ability to provide quality products and services in a cost effective manner. In today's world, when the process of 'technology change' has become an unbridled phenomenon, it is very essential that the industries try to keep pace with the rapid changes in the technology, identify and adopt ones, which fit the best in their set-up. Government appreciates this fact and therefore, plans to encourage industries thinking in the direction of upgrading their existing technology. For the purpose, Government plans to introduce a scheme to provide an interest subsidy @ 3% on purchase of all capital equipments necessary to be installed for technology up gradation for a period of 5 years subject to a maximum of Rs.3 lakhs per year, to the small and medium sector units.

Technology Acquisition and Patent Tracking Fund

Technology Acquisition: Acquisition of technology is also a complex process. It may perhaps not be possible for individual small units to acquire technology on their own. The Government therefore plans to create an administrative set up in the Industries Commissionerate comprising technology experts, to source, assess and acquire appropriate technologies. For the purpose, the Government has decided to create an initial revolving fund. The administrative set up will procure the technology and in turn will transfer it to individual units at reasonable price. This will also include the technologies, which are generic in nature and useful to the whole cluster in the form of drawings and designs mainly for SSI units. The technology transfer will also include the training component. This benefit could be extended to recognised clusters as well.

Patent Tracking: In the changing business environment which is likely to impact the export drive from Gujarat, it is necessary to keep a close track on the details of patent registrations taking place globally. This fund therefore will also be utilised towards appointing professional agencies to monitor and make available periodic tracking reports on patent registrations and their profiles for catering to the information needs of the industry in Gujarat. The benefit could be extended to recognised clusters as well. The details will be worked out and notified separately.

Quality Up gradation Scheme

In the new emerging scenario, quality up gradation is a must for every industry to survive, be it in the small or medium or large sector. The Government of Gujarat also realises the importance of this critical factor and therefore, has decided to continue to extend its current scheme of quality up gradation to reimburse the expenses incurred which will include cost of acquiring equipments required for testing and R&D connected with quality up gradation and acquisition of quality marks as well as consultancy fees required if any, to be paid to recognised R&D institutions/firms. This assistance is also extended for obtaining ISO 9000 and ISO 14000. Assistance will also be offered for various other schemes including GMP, Six Sigma, HACCP, cleaner technology, Total Productivity Maintenance/Management (TPM), Just in Time (JIT), CRM/SCM/BPR packages and other sectoral programmes, which will be notified from time to time. The scheme provides for a maximum of Rs.25,000/- per scheme as grant from the Government on a matching fund basis with the contribution from the individual units with an overall ceiling of Rs.1 lakh per SSI unit, once in every five years. The identified cluster would also avail of the benefit for its units.

Industrial Sickness

Industrial sickness has become a critical but unpleasant feature of the Indian economy. In order to ensure rapid growth of industrial economy, the sickness should be cured and subsequently to be eradicated. The Government plans to set up a mechanism to detect the reasons for possible sickness of a particular industrial sector as a whole over a period of time through studies so that these reports could serve as whistle-blowing exercises in advance to enable appropriate Government interventions to be made in time to prevent the sector falling sick.

Cash Subsidy for common R&D activities

In order to survive and to thrive in the years ahead, activities of research and development would become an integral part of any industry. Government realises the importance of R&D in the industry and have therefore, decided to promote the same in a big way, more so in the small and medium sectors. The Government has therefore, decided to continue the present scheme of providing assistance in the form of cash subsidy at the rate of 50% subject to a maximum of Rs.5 lakhs for the necessary expenditure incurred towards R&D activities. Identified clusters could also take up collective R&D work under the scheme.

Conservation of Energy and need for Energy Review

The Government plans to encourage energy review in a big way by providing subsidy to conduct energy review to SMEs. This will help in conservation of precious energy in general and the unit also to be benefited in terms of cost of operations. For the purpose, the Government has decided to offer the Energy Review Subsidy. This subsidy will however be disbursed only after the unit introduces the energy conservation measures as suggested in the study report. For the purpose, the Government will appoint a large pool of accredited review agencies.

Assessment of Water Consumption

In the recent years, water is also considered to be one of the important resources, more so in the context of Gujarat. The Government therefore, wants to encourage proper assessment of water requirements of the industries to enable them to conserve water, which could be utilised for other purposes. The Government has therefore, decided to offer cash subsidy for assessment of water consumption in the existing industries. This subsidy will however be disbursed only after the unit introduces water conservation measures as per the recommendation of the assessment agency. For the purpose, the Government will appoint accredited agencies.

Interest subsidy

The existing scheme of providing interest subsidy to small scale units will also be continued with modification in view of fluctuating interest rates. Under the scheme, a new small scale unit will be offered an interest subsidy @ 5% per annum or Rs.5 lakhs whichever is less subject to a condition that the unit will have to pay a minimum of 5% of interest per annum. This benefit will be extended for a period of five years, subject to an overall ceiling of Rs 25 lakhs.