

FOURTIETH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1985-86)

(EIGHTH LOK SABHA)

DISTRICT INDUSTRIES CENTRES PROGRAMME

MINISTRY OF INDUSTRY
(DEPARTMENT OF INDUSTRIAL DEVELOPMENT)

[Action Taken on 219th Report (7th Lok Sabha)]



Presented in Lok Sabha on 28 April 1986
Laid in Rajya Sabha on 28 April 1986

LOK SABHA SECRETARIAT
NEW DELHI

April, 1986/Vaisakha, 1908 (Saka)

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PUBLIC ACCOUNTS COMMITTEE
(1985-86)

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INTRODUCTION

1. The Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Fortieth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 219th Report (7th Lok Sabha) on 'District Industries Centres Programme'.

2. Restructuring of District Industries Centres was to be completed by the end of October 1981. Since most of the posts of Project Managers and a large number of posts of Functional Managers who are the backbone of DICs are yet to be filled up the Committee are inclined to conclude that restructuring of DICs is yet to gain momentum. Uncertainty over the continuance of the scheme in the Seventh Plan having been removed the Committee desire that the restructuring processes should now be completed expeditiously.

3. Amounts released under loans and grants for promotional schemes have not been fully utilised in the past as these funds were not available for direct loaning and involved difficult formalities. The Committee desire that performance of the scheme should be reviewed to facilitate full utilisation.

4. Providing facilities to entrepreneurs at single window formed the basic objective of DICs and involved delegation of powers on a uniform basis. In this Report the Committee have reiterated their earlier recommendation to this end and have desired that all concerned authorities should act in a coordinated manner.

5. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 23 April, 1986. Minutes of the sitting form Part II of the Report.

6. For facility of reference and convenience, the recommendations and conclusions of the Committee have been printed in thick type in the

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body of the Report and have also been reproduced in a consolidated form in the Appendix to the Report.

7. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI ;
April 23, 1986
Vaisakha 3, 1908 (Saka)

E. AYYAPU REDDY,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

1.1 This Report of the Committee deals with the action taken by Government on the Committee's recommendations and observations contained in their 219th Report (Seventh Lok Sabha) on paragraph 35 of the Report of Comptroller and Auditor General of India for the year 1981-82—Union Government (Civil) on District Industries Centres Programme.

1.2. The Committee's 219th Report presented to Lok Sabha on 17 August, 1984 contained 23 recommendations and observations. According to the time schedule, the notes indicating the action taken by Government in pursuance of the recommendations and observations contained in the 219th Report, duly vetted by Audit, were required to be furnished to the Committee latest by 16 February, 1985. However, the Ministry of Industry and Company Affairs submitted action taken notes duly vetted by Audit on 27 September, 1985.

1.3 The action taken notes received from the Ministry have broadly been categorised as under :

(i) Recommendations and Observations that have been accepted by Government :

Sl. Nos. 1, 2, 3, 7, 8, 9, 10, 12, 14, 15, 16, 17, 19, 21, 22 and 23

(ii) Recommendations and Observations which the Committee do not desire to pursue in the light of the replies received from the Government :

Sl. No. 6

(iii) Recommendations and Observations replies to which have not been accepted by the Committee and which require reiteration :

Sl. Nos. 4, 5 and 11.

(iv) Recommendations and Observations in respect of which Government have furnished interim replies :

Sl. Nos. 13, 18 and 20

1.4 The Committee expects that final replies to the recommendations and observations in respect of which only interim replies have so far been furnished will be made available expeditiously after getting them vetted by Audit.

Restructuring of District Industries Centres

(Paragraphs 1.158 and 1.159—S. Nos. 2 & 3)

1.5 Stressing the need for expediting the process of restructuring of District Industries Centres and filling up of vacant posts of Project Managers on a priority basis the Committee had, in Paragraphs 1.158 and 1.159 of their earlier Report, recommended :

“As a result of monitoring at different levels of the DIC programme, it was observed by the Ministry of Industry that the DICs were mostly functioning as an extension of the Directorate of Industries at the district level and not as a hub of promotional activities as intended and as such were not able to provide a new thrust to the task of generating industries in rural areas, as expected. Accordingly in the Industrial Policy announced in Parliament on 23 July, 1980, it was stated that the DIC programme had not produced benefits commensurate with the expenditure and it was proposed to initiate more effective alternatives. After the announcement of the Industrial Policy, an intensive review of the DIC programme by high level team consisting of representatives of Ministries of Industry, Commerce, Rural Re-construction, Reserve Bank of India and State Governments was undertaken. The review teams recommended that instead of substituting DIC programme with another programme of organisation, it would be better to make certain changes in its structure so that it could make the desired impact. Accordingly, it was decided in August, 1981 to restructure the DICs which would consist of one General Manager, four Functional Managers and upto three Project Managers in disciplines considered relevant to the needs of the district.”

"Although the State Governments were asked to complete the restructuring of the DICs by 31st October, 1981, it has not been done in most of the DICs. In this connection, the Ministry of Industry have stated *inter-alia* that the hesitation of the State Governments to undertake additional burden in the absence of any assurance for the continuance of the programme as a Centrally sponsored programme beyond Sixth Plan had delayed the process of restructuring. The Committee feel that there should be no uncertainty in the continuance of a desirable programme and that the Ministry should ensure re-structuring of the DICs at an early date and report the progress to the Committee by 31 October, 1984."

1.6 In their action taken note dated 27 September, 1985 the Ministry of Industry have stated :

"The observations of the Committee were communicated to the State/UT Governments and were vigorously followed up regarding re-structuring of DICs. The up-to-date staffing position in the DICs has been shown in the Annexure-I. However, in respect of Project Managers, with the exception of Orissa, West Bengal, Pondicherry, Chandigarh, Dadra & Nagar Haveli, Tamil Nadu and Manipur, no Project Managers have been appointed so far and the States have reported that the process of selection and appointment is in progress. A number of States/UTs have however, stated that they were facing difficulties in getting suitable candidates to fill up the posts. It may be seen from the Annexure-I that 95.47 per cent (379 out of 397) of General Managers posts, 79.50 per cent (1263 out of 1588) of Functional Managers and 4.2 per cent (50 out of 1191) of Project Managers posts have been filled up so far. State/UT Governments have been asked to expedite the process of restructuring and filling up of the vacant posts on a priority basis."

"About the continuance of District Industries Centres Programme, a reply has already been sent to the Lok Sabha Secretariat vide this office letter No. DIC/2(2)/84-PAC 1.159 dated 12.11.1984 (copy enclosed at Annexure-II (A&B) and as such no uncertainty exists on the part of the State/UT Governments."

1.7 In the Industrial Policy announced in Parliament on 23 July 1980, it was stated that the District Industries Centres had not produced benefits commensurate with the expenditure and that it was proposed to initiate more effective alternatives. Accordingly, an intensive review of the District Industries Centres Programme was made by a high level team consisting of representatives of Ministries of Industry, Commerce, Rural Reconstruction, Reserve Bank of India and State Governments. In accordance with the recommendations of the Review Team, instead of substituting DIC programme with another programme it was decided in August 1981 to restructure the DICs which would consist of one General Manager, 4 Functional Managers and upto 3 Project Managers in disciplines considered relevant to the needs of the Districts. The Committee are unhappy to find that the restructuring of the District Industries Centres (DIC) which was to have been completed by the end of October 1981 is yet to be completed. As would be seen from the figures furnished by the Ministry, by the end of September 1985, 79.50 per cent of the posts of Functional Managers, 4.2 per cent of the posts of the Projects Managers have been filled up. The Committee note that out of 29 States/UTs 22 States/UTs have not even appointed a single Project Manager. As these functionaries are the backbone of the DIC activities the Committee consider it reasonable to conclude that the process of restructuring of the DICs has not even begun in these States.

1.8 Among the reasons put forward for delay in the restructuring process was absence of an assurance announcing the fact that the programme would continue as a Centrally sponsored programme after the Sixth Plan. While it surprises the Committee to know that uncertainty in regard to a programme formulated for providing a fillip to the generation of industries in the rural sector should have been allowed to exist at all they find that such an assurance, was given only in July, 1984. Now that Government thinking in the matter has been made clear to the State Governments, the Committee desire that the restructuring process should be completed most expeditiously so that DICs can begin to play the role designed for them from the very beginning of the Seventh Plan.

Non-utilisation of grants and loans for promotional scheme

(Para 1.160—Sl. No. 4)

1.9 Commenting on non-utilisation by the District Industries Centres of the grants and loans for promotional schemes; the Public

Accounts Committee had. in Paragraph 1.160 of their Report stated :

"Till March 1982, out of a total of 411 districts of the country, 384 DICs were sanctioned covering 394 districts. In 1978-79, Government provided a non-recurring grant of Rs. 5 lakh per centre (cost of building Rs. 2 lakh and cost of capital assets Rs. 3 lakhs). A grant of Rs. 3.75 lakhs per annum per centre was also provided by the Government for recurring expenses, to be matched by a grant of Rs. 1.25 lakhs from the State Government. From 1979-80, the pattern of assistance has been revised and funds are to be provided equally by the Centre and State Governments for all components of the scheme. Explaining the procedure for release of Central funds, the Ministry of Industry have stated that for the first two quarters of a financial year, 50% Central assistance is released on ad hoc *pro rata* basis of the budget provision of the State/Union Territories and for the 3rd and 4th quarter, the funds are to be released on the basis of actual expenditure incurred during the preceding quarters. The unspent balances are to be adjusted against the subsequent year's allocations. The Committee are concerned to note that whereas unspent balances remaining with the State/Union Territories out of Central releases of loans and grants for promotional schemes upto 1980-81 amounted to Rs. 180.69 lakhs, Rs. 318.55 lakhs and Rs. 115.60 lakhs respectively, the expenditure against recurring grants for establishments had been Rs. 1360.57 lakhs against the budgeted provision of Rs. 1313.23 lakhs, thus showing an excess expenditure of Rs. 47.34 lakhs during the same period. The Committee would like the Ministry of Industry to find out the reasons why it has not been possible for the DICs to utilise the grants and loans for promotional schemes and take necessary corrective measures in this regard."

1.10 The Ministry of Industry have in their action taken note dated 27 September, 1985 replied :

"The matter was referred to the State/UT Governments and they were asked to furnish the latest position regarding utilisation of grants and loans for promotional schemes along with reasons for non-utilisation of these funds. As per the information re-

received from the State Governments about the utilisation of recurring grant, it is observed that all the funds released to the State/UT Governments for promotional schemes under recurring head since inception of the programme upto 1983-84 has been fully utilised by the State Governments and there is no unspent balance lying with the State Governments.

However, the amount released under loan head have not been fully utilised. There was an unspent balance amounting to Rs. 363.88 lakhs upto March 1984. The main reason for non-utilisation of these funds is that these funds are not to be utilised for district loaning purposes and can be utilised as Seed/Margin money by observing certain formalities. The terms & conditions of the Margin Money Assistance Scheme is at Annexure-II/C. Since these conditions cannot be complied with easily by most of the State Governments quite a few of them have formulated their own Seed/Margin Money Schemes and therefore did not utilise the Central releases. The Statewise position regarding unspent balances for promotional schemes under recurring expenditure and under loan head are indicated in the Annexure-III.

1.11. The Committee find that the amount released under loans and grants for promotional schemes has not been fully utilised by various States/Union Territories and there was an unspent balance of Rs. 363.88 lakhs upto March 1984. The Ministry of Industry have informed the Committee that the main reason for non-utilisation of these funds was that these funds were not to be utilised for direct loaning but as seed/margin money by observing certain formalities. Since these formalities could not be easily complied with by most of the State Governments and a few of them have formulated their own seed/margin money schemes, they did not utilise the Central releases. The Committee are informed that to improve the utilisation of the resources made available under the loan head and to make the conditions under Margin Money Assistance Scheme more practicable, the scheme has been liberalised so as to :

- (1) raise assistance limit under Margin Money Scheme from 10% to 20% subject to a maximum of Rs. 40,000 (in place of the

Not visited in Audit.

existing limit of Rs. 20,000) and, in case of SCs and STs to 30% subject to a maximum of Rs. 60,000; and

- (2) make it applicable to industries in semi-urban areas upto a population of one lakh also.

1.12 As the liberalised scheme is already in operation since August 1984 the Committee suggest that its performance may be reviewed again and necessary changes made in the scheme in the light thereof in the interest of full utilisation of resources and keeping the basic objectives also in view.

Release of funds by the Centre for the whole year at the beginning of each financial year

(Paragraph 1.161—Sl. No. 6)

1.13 Commenting on the poor progress of construction of DIC buildings, the Committee had, in paragraph 1.161 of their Report, recommended :

“Although the DIC scheme provided for construction of building for each DIC and for this purpose non-recurring grant of Rs. 2 lakhs was provided to each DIC, the progress regarding the construction of building has been rather unsatisfactory. Although the Ministry of Industry had laid down 31st March, 1983 as the deadline by which non-recurring grant meant for construction of office building had to be utilised, out of 395 DICs sanctioned, buildings had been completed in respect of 256 DICs only till 31st December, 1983. In some of the States, the position is very unsatisfactory e.g. in Karnataka out of 19 DICs sanctioned, only 1 building had been completed, as on 31.12.1983 and in Kerala also out of 12 DICs only one building had been completed. The Ministry of Industry have informed that the escalation in the cost of construction and non-availability of construction material are some of the reasons responsible for delay in construction of buildings. The Committee would like the Ministry of Industry to make concerted efforts and provided necessary assistance to State Governments to ensure that the DIC buildings are completed at the earliest

so that the centres could function effectively. One of the measures that the Committee would recommend in this regard is the release of funds by the Centre for the whole year at the beginning of each year and adjusting the unspent balances against the next year's release. This should be done at least as an experimental measure because the Committee have reasons to believe that the late release of fund for the 3rd and 4th quarters under the existing procedure has inhibited the utilisation of funds by the State."

1.14 In their reply furnished to the above recommendation the Ministry of Industry have, in their action taken note dated 27 September, 1985, stated :

"The observations and recommendations of the PAC were conveyed to the State/UT Governments with the request to expedite the construction of DIC buildings. As per information received from the State Governments at the end of February 1985, 307 DIC buildings have been completed including 19 buildings which are nearing completion. Thus 90 DIC buildings are yet to be taken up for construction and the respective State Governments have informed that they are in various stages of processing, such as requisition and purchase of land etc. In some States non-availability of land has been reported especially in the States of Bihar, Karnataka and Kerala. However, the State Governments have been asked to expedite the completion of remaining DIC buildings. A statement showing upto date position of DIC buildings is enclosed at Annexure-IV.

As regards release of funds for construction of DIC building is concerned, it may be pointed out that it was included under one-time grant for non-recurring expenditure which was released to all State/UT Governments at the rate of Rs. 5 lakhs per DIC at the inception of DIC programme i.e., May 1978. As far as the construction of DIC building is concerned, the funds were released to all the State/UT Governments under non-recurring head which were to be utilised for construction of DIC building, purchase of vehicle and office equipments etc.

In 1978-79 when the DIC programme was started, the pattern of assistance was 100 per cent from the Centre and maximum Central assistance under non-recurring head was fixed at Rs. 5 lakhs per DIC of which Rs. 2 lakhs was meant for construction of DIC building and the remaining Rs. 3 lakhs was to be utilised for purchase of vehicles, office equipment and furniture etc. During 1979-80, the pattern of assistance was changed when it was decided that States should share the expenditure equally and the amount of non-recurring expenditure per DIC was raised to Rs. 6 lakhs with effect from the year 1983-84. Thus Central ceiling for DIC sanctioned after 1983-84 stands raised to Rs. 3 lakhs per DIC. However, it may be mentioned that all the funds under non-recurring head, including construction of DIC buildings were released to the State/UT Governments in the year 1978-79 and 1979-80, 1981-82 and 1982-83. There are a few DICs like Thoubal, Bishenpur in Manipur and two DICs in Maharashtra which have been sanctioned recently by the Central Government but funds have not been released for them because all the DIC buildings for which funds have been released earlier have not yet been constructed in these States.

However, the observation of the Committee regarding release of funds to the State Governments in the beginning of the financial year does not hold good in this context of non-recurring head of account. Presumably, the observation of the Committee that as an experimental measure, the Central releases should be made in the beginning of the year refers to recurring head of account. This matter was examined in consultation with the Ministry of Finance and is not found feasible because the funds are released in instalments so that the progress of the scheme could be monitored and releases regulated with reference to the expenditure actually incurred. The release of funds in one lump sum at the beginning of the year would defeat this objective. Moreover, if any deviation from the present procedure is made similar requests are bound to be received in respect of all other Centrally sponsored schemes and the amount of funds to be released in one instalment to the State Governments at the beginning of the year would

create a serious ways and means problem for the Central Government. In view of this the suggestion for the release of Central assistance in one instalment at the beginning of the year for the Centrally-sponsored scheme of District Industries Centres is not considered desirable."

1.15 The performance of the State Governments in regard to construction of DIC buildings is disappointing. Even after about eight years of operation of the scheme, the buildings had yet to be constructed in as many as 90 districts. Availability of funds was adequate in as much as allocation per DIC had been increased from Rs. 5 lakhs to Rs. 6 lakhs on non-recurring basis, thus raising the total allocation per DIC building to Rs. 3 lakhs. The Committee do not consider that availability of land could be an insurmountable obstacle in respect of a project which had the blessing of the administration at the local and state levels. It is clearly in a State's own interest to ensure expeditious construction of the building to house the centre designed to assist small/tiny industries in the State. The Committee would suggest that non-recurring grants may be released in stages in accordance with the progress made in the construction of the buildings. This might ensure greater speed. The Committee would like this matter to be taken up with the States with a view to evolving a suitable mechanism for monitoring and release of funds devised to ensure that funds do not remain unspent, for the purpose for which these have been released, for long periods.

Construction of District Industry Centre Buildings

(Paragraph 1.164—Sl. No. 8)

1.16 Expressing their hope for construction of DIC buildings expeditiously, the Committee had in paragraph 1.164 of their Report stated :

"Again in Rajasthan, construction of DIC buildings was entrusted in April 1978 to Rajasthan State Industrial Development and Investment Corporation whose normal activities do not include, as admitted by the Government of Rajasthan, construction of buildings. The Committee find that the funds to the extent of Rs. 71.50 lakhs were sanctioned for the purpose and the total expenditure incurred upto 31st March, 1982 was

Rs. 35.40 lakhs, leaving Rs. 36.10 lakhs unutilised with the above Corporation. The Committee feel that assigning construction of all the 26 DIC buildings to a single agency which had no experience in this field contributed to the inordinate delay in completion, of construction of buildings. In this connection, the Government of Rajasthan have attributed the delay to the non-availability of suitable land. As the land for construction of buildings was to be provided free of cost by the State Governments, the Committee feel that the State Government could have taken timely action in acquiring land for construction of DIC buildings. The Committee hope that at least now the work would be completed expeditiously."

1.17 The action taken note dated 27 September, 1985 furnished by the Ministry of Industry in this regard is reproduced below :

"Government of Rajasthan has reported that construction of 21 buildings have been completed, one purchased and 2 are at an advanced stage of construction and are likely to be completed shortly. As regards the remaining 2 DIC viz., Ajmer and Jaipur, State Government has informed that they are not getting suitable land for the purpose and efforts are being made to get the same."

1.18 The Committee note with regret that the State Government of Rajasthan had not been able to construct DIC building in Ajmer and Jaipur. The reason advanced for this failure is strange, namely that no suitable piece of land could be found during the last 8 years. The Committee would like this matter to be taken up earnestly at an appropriate level so as to ensure that land for DIC buildings in Ajmer and Jaipur is acquired quickly and buildings are constructed expeditiously.

Provision of facilities to entrepreneurs at a single window

(Paragraph 1.167—Sl. No. 11)

1.19 Stressing the need for delegation of adequate powers to District Industry Centres in order to achieve a single window concept the Committee had, in paragraph 1.167 of their Report, desired :

"The Committee find that provision of facilities to entrepreneurs at a single window formed the basic purpose of DICs. This in-

volved delegation of powers to District Industries Centres both at administrative and financial level. In this connection, the Ministry of Industry have stated that after a model delegation of powers was evolved at the All India DIC Conference for uniform application throughout the country and the same was approved by the Central Coordination Committee on DICs, all the State/UT Governments were requested on 1 July, 1983 to implement the model delegation of powers at an early date. The Committee, however, regret to note that in 9 States and one Union Territory powers were not delegated to the DICs. The Ministry of Industry have themselves admitted that the one window concept cannot be wholly adopted because of existence of certain constraints arising out of statutory compulsions. In the circumstances an attempt has been made at convergence of the activities of other statutory bodies like KVIC, State Financial Corporations, State Small Industries Development Corporation etc. with those of the DICs instead of making the former to surrender their statutory obligations. The Committee are positive that the DICs cannot be a success until and unless all the facilities are available under one roof in each centre so that the entrepreneur may not be required to run from pillar to post. The Committee, therefore, desire that the Ministry of Industry should take steps to ensure the delegation of adequate powers to DICs as far as possible and bring about effective co-ordination of all the concerned authorities including Electricity Boards and financial institutions under one roof."

1.20 The Ministry of Industry in their action taken note dated 27 September, 1985 have stated :

"It has been ascertained that delegation of power have by and large been completed in respect of the following heads for the individual States and UT concerned.

Administrative Powers relating to DIC Organisation

1. Full powers of the Head of Office.
2. Full power to act as controlling officer.
3. Full powers to sanction casual leave, earned leave, annual increment in respect of Gazetted and non-Gazetted Staff.

- 4 posting and transfer of gazetted and non-gazetted staff within jurisdictional area in public interest. In respect of these all the powers have been delegated by the States and UTs as follows:—

Andhra Pradesh, Bihar, Gujarat, Himachal Pradesh, Haryana, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Orissa, Punjab (except point 4 above), Arunchal Pradesh, Pondicherry, Dadra & Nagar Haveli, Chandigarh. Other States and UTs have not so far informed the position clearly. The same would also be ascertained from them and intimated to PAC.

Powers for Promotional Activities

1. Powers for registration and de-registration of units.
2. Powers to assess capacity of units.
3. Powers to assess the utilisation of raw materials.
4. Power to recommend for the supply of machinery on hire purchase upto Rs.50,000/-.
5. Powers for allotment of land/sheds to units in industrial areas etc.
6. Powers to select entrepreneurs and approve schemes under various programmes.
7. Powers to arrange preparation of project reports feasibility studies and sanction subsidy, if any, on cost of project report and technical know-how.
8. Powers to select trainees and arrange training.

The following States have mostly delegated these powers to the DICs :

A.P., Bihar, Chandigarh, Dadra & Nagar Haveli, M.P., U.P., Maharashtra, Punjab, Rajasthan, Tamil Nadu, West Bengal, Orissa, Kerala, Karnataka, Arunachal Pradesh, Pondicherry, Haryana, Gujarat, J & K., Manipur, Himachal Pradesh.

Financial Powers :

1. Powers to sanction loans/margin money.
2. Powers to grant subsidies/incentives in respect of tiny and SSI units.
3. Powers to recommend central subsidy upto Rs. 3.00 lakhs to SSI units with a fixed capital investment of not more than Rs. 20.00 lakhs and power to recommend concessional finance to tiny and SSI.

Powers of other Departments and Organisations :

1. Powers to recommend power load upto 20 HP.
2. Powers to grant loans on behalf of KVIC.
3. Powers to recommend loans upto Rs. 50,000/- to state Financial Corporation and Banks.
4. Powers to make assessment, issue material, check, their utilisation and consumption in matters of scarce raw materials.
5. Powers to issue of essentiality certificates, recommendation for import licence for import of raw material etc. to units located in backward areas.
6. Powers to recommend applications for import of capital goods upto a certain value.
7. Powers to issue E.C. for import of components/shares/Prototype upto a certain value.
8. Powers of sponsoring units to the licensing authority/canali-sing agencies.
9. Powers to assess capacity of units for purpose of import licence.
10. Allotment of imported raw materials to units inside the district.

11. Powers to organise industrial cooperatives. These powers in various degrees have been delegated by the following States :

Orissa, Punjab, Tamil Nadu, Uttar Pradesh, Bihar, West Bengal, Dadra & Nagar Haveli, Arunachal Pradesh, Andhra Pradesh, Gujarat, Himachal Pradesh, Haryana, Karnataka, J. & K., Kerala, Madhya Pradesh, Maharashtra, Rajasthan.”

1.21 Providing facilities to entrepreneurs at a single window formed the basic purpose of District Industries Centres and that involved delegation of powers to District Industries Centres both at Administrative and financial levels. Now the Ministry of Industry have informed the Committee that delegation of powers have by and large been completed in respect of various heads viz., Administrative Powers, Powers for Promotional Activities, Financial Powers, Powers of other Departments and Organisations etc. for the individual States and Union Territories. The Ministry of Industry have not clearly and specifically spelt out whether the model delegation of powers evolved at the All India DIC Conference for uniform application throughout the country and sent to all the States/ Union Territories for implementation on 1 July 1983 have been implemented in all the States and Union Territories. It would seem this has not been done on uniform basis. The Committee reiterate their earlier recommendation that the Ministry of Industry should take steps to ensure the delegation of adequate powers to DICs on an uniform basis, it is of the utmost importance that all the concerned authorities should act in a coordinated manner. This is of particular significance about Electricity Boards and Financial Institutions.

Establishment of rural marketing centres and showing preference by the Government and the public undertaking for purchase through the DICs.

(Paragraph 1.175—Sl. No. 19)

1.22 The Committee had in paragraph 1.175 of their Report stated as under :

“The Committee note that in order to assist the small scale industries, the DICs were required to make provision in their Action Plans for establishment of Rural Marketing Centres. While

the DICs in Karnataka had made provision in their Action Plans for opening rural marketing centres. the DICs in Andhra Pradesh, West Bengal and Kerala did not make any such provision. The DICs in Andhra Pradesh, West Bengal, Kerala, Karnataka, Manipur, Sikkim, Nagaland and Rajasthan, had also not been able to extend effective marketing assistance to the small scale units and artisans. The Committee need hardly point out that absence of adequate marketing outlets is the major problem being faced by the small units/artisans and as such certain positive steps have to be taken by the Government and other promotion agencies to provide marketing support. The Committee desire that the organisations such as Khadi and Village Industries Board, All India Handloom Board and All India Handicrafts Board, National Small Industries Corporation, State Small Industries Development Corporation, District Rural Development Agencies etc. should play a more active role for providing marketing assistance to small scale industries in a coordinated manner. The question of the Government and Public Undertakings showing preference for purchase through the DICs should also be considered and appropriate instructions issued."

1.23 In their action taken note dated 27 September, 1985 the Ministry of Industry have stated :

"The observations and recommendations of the Committee regarding marketing assistance to small scale industries was communicated to State/UTs and 15 of them have responded. The names of the 15 responded States are :—

Sikkim, Rajasthan, Dadra & Nagar Haveli, Kerala, Tamil Nadu, Pondicherry, Haryana, Bihar, Meghalaya, Assam, Himachal Pradesh, U.P., Punjab, West Bengal and Chandigarh.

The names of the States where the scheme has been devised and implemented include Rajasthan, Kerala, Pondicherry and Bihar.

The replies from Andhra Pradesh, Karnataka, Manipur, and Nagaland have not so far been received on the subject despite repea-

ted reminders. The position given by the State Government reveals that marketing assistance scheme has been devised and implemented in many of the States. "In Sikkim, there is a scheme called Rural Development Agency and more such agencies are proposed. They are providing marketing support to the rural artisans and those trained under the TRYSEM Scheme". In Rajasthan, Small Industries Corporation acts as a nodal agency for providing marketing assistance to small industries including Government purchase Programme. Regular buyer-seller meets are organised for boosting the sale of small scale industry products.

Dadra & Nagar Haveli have set up emporia and they participate in exhibitions and trade fairs for promoting sales of small and cottage industries.

*In Kerala the small scale units are helped in Government purchase programme. It is however, reported that the competition is being faced by the local units with those in other States. There is a provision of extending 5 per cent price preference to the local small scale units over the local large and medium units and 15 per cent price preference is given to local units against the units located outside the State. 420 items have been included for exclusive purchase from the State and only such items which are not manufactured locally out of this list would be purchased from other areas. The State is providing all assistance and encouragement for export and advertisement for boosting the marketing. Special emphasis is being given for export to gulf countries, (A copy of letter No. PM/M3/52369/84 dated 30.1.85 from State Government of Kerala is enclosed at Annexure VIII). The State Government has framed a scheme for providing more marketing assistance and this is being implemented in a phased manner.

Tamil Nadu has also reserved 401 items for exclusive purchase from small scale units and they are given price preference. The units are exempted from security for Government supplies. A number of buyers and sellers meets are organised in different areas.

*Not vetted in Audit.

In Pondicherry 5 per cent rebate on sale through emporia is given. For setting up of sales emporium subsidy is provided, Price preference is given for Government purchase programme and units are assisted for registration under Central Government Purchase Programme through NSIC. Buyer-seller meets are organised and participation in exhibitions and trade fair is encouraged and assisted.

Haryana has set up 12 Rural Industries Centres under the District Marketing Officers and the DICs have overall control on them. They are mostly in DIC buildings. 28 items have been reserved for exclusive purchase by the State Government Departments and this list is expanded from time to time. No service charges for the facilities by the centres are to be made by the rural units. 80% advance payment is made to the tiny units for Government purchases. Under the instructions the payment by the Government Departments have to be made to the units within 30 days. 15 per cent price preference is given to the local units over the prices quoted by the units from other States.

In Bihar also 15 per cent price preference to local small scale units against outside units are given under the State Governments Purchase programme. No earnest money is to be given by the units and 75 per cent payment against the supplies are to be made within 30 days. 40 items have been reserved for exclusive purchase from small scale units by the local State Government organisations.

Meghalaya is operating a scheme of price preference for Government purchase programme and it is reported that a new scheme is being formulated for rural marketing assistance to the craftsmen.

Assam is giving 10 per cent price preference to the registered units over the non-registered units. No security or earnest money deposit is required. 37 items have been reserved for exclusive purchase from small scale industries under Government purchase programme and corporations are extending coordinated marketing assistance to the units with the help of DIC.

In Himachal Pradesh a provision of 17½ per cent of prices preference under Government purchase programme exists for local units. The sales are being organised through the State Emporia.

West Bengal has set up 59 rural marketing Centres for sale of local small and cottage industry products. Rural Marketing scheme is being implemented through the Panchayat Samities and grant in aid for management support and fixed investment for interior decoration and final furnishing is provided to the Centre. An amount of Rs. 4000 per rural outlet as margin money is granted on the basis of which institutional finance would be available. The DICs are supervising the operation of these Centres. There are district-level service-cum-marketing cooperative unions existing in the district. At the State-level, the West Bengal Handloom Development Corporation, West Bengal Small Industries Corporation and West Bengal Small Industries and Development Corporations are helping in promotion of sale of the small and cottage industrial products through their respective outlets and they are negotiating with bulk buyers on behalf of small scale units in the area. The DICs are actively associated with this marketing assistance programme.

There are a chain of emporia set in Punjab for the sale of cottage and small scale industry products under the Punjab Small Industries and Export Corporation.

In the State of UP., a number of marketing Centre for promotion of sales of small scale and artisan based units have been opened. They are also associated with the Government Purchase Programme."

1.24 The Committee has in their earlier Report pointed out that absence of adequate marketing outlets was a major problem being faced by small scale units and artisans and as such certain positive steps had to be taken by Government and other promotion agencies to provide marketing support. The Committee had inter alia desired that the organisations like Khadi & Village Industries Board, All India Handloom Board, All India Handicraft Board, National Small Industries Corporation, DRDAs

etc. should play a more active role for providing marketing assistance to Small Scale Industries in a Coordinated manner. Unfortunately not all the States have responded to the enquiries initiated by the Ministry of Industry in this regard. The reply of Government which is based on the response received only from fifteen States indicates that the nature of marketing assistance being rendered to the small units and artisans varies from State to State. Only the States of Rajasthan, Kerala, Pondicherry and Bihar are stated to have implemented the Scheme. No indication is available from the information received from the rest of the States is show that Government agencise like KVIC, Handicrafts and Handsloom Board, SSIC and DICs have taken steps in a coordinated manner to involve themselves more actively in rendering marketing assistance to the small and tiny industries. The Committee wish to reiterate their recommendation in this regard and desire that further efforts should be made to persuade the States concerned to prevail upon the agencies referred to give active and vigorous assistance to the small scale units in coping successfully with their marketing problems.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

1.157 In pursuance of the Industrial Policy presented before Parliament on 23 December, 1977 a programme for setting up District Industries Centres (DICs) was launched by the Government of India to be operational from 1 May, 1978. The programme provided for setting up a DIC in every district of the country, in a phased manner in order to make the district headquarters a focal point for the development of small scale and cottage industries, to shift the emphasis from cities and State capitals to the district headquarters and to provide, under a single roof, all services and support needed by small and village entrepreneurs. The main functions of the DICs were economic investigations of the potential for development of the district, supply of machinery and equipment, provision of raw materials, arrangements for credit facilities, marketing assistance and quality control and research, extension activities so as to create industrial awareness among the entrepreneurs and artisans and entrepreneurial training. The DICs were also to coordinate the activities undertaken by Government and other agencies in the field of industries.

[Sl. No. 1. (Para No. 1.157) of Appendix-IV. of 219th Report
of PAC (1984-85) (7th Lok Sabha)]

Action Taken

Being a general observation no specific action is required.

[Office of the Development Commissioner, Small Scale
Industries No. DIC/2 (2) 85-PAC dated 24th/27th Sept 1985]

Recommendation

1.158 As a result of monitoring at different levels of the DIC programme, it was observed by the Ministry of Industry that the DICs

were mostly functioning as an extension of the Directorate of Industries at the district level and not as a hub of promotional activities as intended and as such were not able to provide a new thrust to the task of generating industries in rural areas, as expected. Accordingly in the Industrial policy announced in Parliament on 23 July, 1980, it was stated that the DIC programme had not produced benefits commensurate with the expenditure and it was proposed to initiate more effective alternatives. After the announcement of the Industrial Policy an intensive review of the DIC programme by high level team consisting of representatives of Ministries of Industry, Commerce, Rural Reconstruction, Reserve Bank of India and State Governments was undertaken. The review teams recommended that instead of substituting DIC programme with another programme of organisation, it would be better to make certain changes in its structure so that it could make the desired impact. Accordingly, it was decided in August, 1981 to restructure the DICs which would consist of one General Manager, four Functional Managers and upto three Project Managers in disciplines considered relevant to the needs of the district.

[Sl. No. 2 (Para No. 1.158) of Appendix-IV of 219th Report of PAC (1984-85) (7th Lok Sabha)]

Action Taken

The observations of the Committee were communicated to the State/UT Governments and were vigorously followed up regarding restructuring of DICs. The up-to-date staffing position in the DICs has been shown in the Annexure-I. However, in respect of Project Managers, with the exception of Orissa, West Bengal, Pondicherry, Chandigarh, Dadra & Nagar Haveli, Tamil Nadu and Manipur, no Project Managers have been appointed so far and the States have reported that the process of selection and appointment is in progress. A number of States/UTs have, however, stated that they were facing difficulties in getting suitable candidates to fill up the posts. It may be seen from the Annexure-I that 95.47 per cent of General Managers posts, 79.53 per cent of Functional Managers and 4.2 per cent of Project Managers posts have been filled up so far. State/UT Governments have been asked to expedite the process of restructuring and filling up of the vacant posts on a priority basis.

[Office of the Development Commissioner, Small Scale Industries, No. DIC/2(2)/85-PAC dated 24th/27th Sept., 1985].

ANNEXURE-I

*Restructuring and Staffing position in DICs in the Country
as on 15.10.1985*

Sl. No.	Name of the State/UT	No. of DICs	General Manager		Functional Managers		Project Managers	
			Posts sanctioned	No. in position	Posts sanctioned	No. in position	Posts sanctioned	No. in position
1	2	3	4	5	6	7	8	9
1.	Andhra Pradesh	22	22	21	88	69	66	—
2.	Assam	10	10	10	40	34	30	—
3.	Bihar	33	33	29	132	107	99	—
4.	Gujarat	17	17	17	68	57	51	—
5.	Haryana	12	12	12	48	34	36	—
6.	H.P.	12	12	10	48	16	36	—
7.	J & K	14	14	14	56	49	42	—
8.	Karnataka	19	19	19	76	56	57	—
9.	Kerala	12	12	12	48	40	36	—
10.	Madhya Pradesh	45	45	39	180	180	135	—
11.	Maharashtra	29	29	29	116	102	87	—
12.	Manipur	8	8	7	32	26	24	19
13.	Meghalaya	5	5	3	20	3	15	—
14.	Nagaland	7	7	7	28	28	21	—
15.	Orissa	13	13	13	52	36	39	12
16.	Punjab	12	12	12	48	22	36	—
17.	Rajasthan	26	26	26	104	83	78	—
18.	Sikkim	1	1	1	4	2	3	—
19.	Tamil Nadu	14	14	14	56	39	42	2
20.	Tripura	3	3	3	12	4	9	—

1	2	3	4	5	6	7	8	9
21.	U.P.	56	56	55	224	198	168	—
22.	West Bengal	15	15	15	60	56	45	11
23.	Arunachal Pradesh	5	5	5	20	15	15	—
24.	Mizoram	2	2	1	8	1	6	—
25.	Pondicherry	1	1	1	4	1	3	1
26.	Goa, Daman & Diu	1	1	1	4	2	3	—
27.	Dadra and Nagar Haveli	1	1	1	1	1	3	3
28.	A & N Islands	1	1	1	4	1	3	—
29.	Chandigarh	1	1	1	4	1	3	2
Total		397	397	379	1588	1263	1191	50
Percentage				95.47		79.50		4.20

Note : Before 1981 the national pattern was 1 GM and 7 Functional Managers in various disciplines. Under restructuring of the DICs, this pattern has been revised to 1 General Manager, 4 Functional Managers and upto 3 Project Managers per DIC.

Recommendation

1.159 Although the State Governments were asked to complete the re-structuring of the DICs by 31st October, 1981, it has not been done in most of the DICs. In this connection, the Ministry of Industry have stated *inter-alia* that the hesitation of the State Governments to undertake additional burden in the absence of any assurance for the continuance of the programme as a Centrally sponsored programme beyond Sixth Plan has delayed the process of restructuring. The Committee feel that there should be no uncertainty in the continuance of a desirable programme and that the Ministry should ensure re-structuring of the DICs at an early date and report the progress to the Committee by 31 October, 1984.

[Sl. No. 3 (Para No. 1.159) of Appendix IV of the 219th Report of the PAC (1984-85) (7th Lok Sabha)]

Action Taken

About the continuance of District Industries Centres Programme, a reply has already been sent to the Lok Sabha Secretariat vide this office letter No. DIC/2(2)/84-PAC 1.159 dated 12.11.1984 (copy enclosed at Annexure-II (A & B) and as such no uncertainty exists on the part of the State/UT Governments.

[Office of the Development Commissioner, Small Scale Industries No. DIC/2(2)/85-PAC dated 24th/27th Sept., 1985.]

COPY

Annexure-II(A)
(Para 1.159)

DIC/2(2)/84-PAC-1.159

9th/12th Nov., 1984

To

Shri K.K. Sharma,
Sr. Financial Committee Officer
Lok Sabha Secretariat,
Public Accounts Committee Branch,
Parliament House Annexe,
NEW DELHI-110001.

SUBJECT :—*Recommendation of the Public Accounts Committee of Parliament relating to restructuring of District Industries Centres - para 1.159 p. 64 of the report presented to the Lok Sabha on 17th August, 1984.*

Sir,

It may be mentioned that the State/UT Govts. have been advised frequently and we have also forwarded the recommendation of the Public Accounts Committee regarding the re-structuring of District Industries Centres at the earliest. The Committee in its report had also made an observation that there should be no un-certainty in the continuance desired programme and the Ministry should ensure re-structuring of DICs at an early date. It may be mentioned that the then Union

Minister of Industry in his letter of 13th July, 1984 addressed to all the Chief Ministers has stated that the DIC programme is to continue as a Plan Scheme during the 7th Five Year Plan. In view of this, there should be no uncertainty in the minds of a State Government regarding continuous of this programme during 7th Plan. However, up-to-date position regarding re-structuring of DIC in various State/UT Governments is yet to be received. As soon as it is received the same will be submitted to the Committee.

Yours faithfully,
Sd/-
(Mohd. Akram)
Director (DIC)

ANNEXURE-II(B)

(Para 1.159)

Copy of D.O. letter No. Nil dated July 13, 1984 addressed to Shri Omesh Saigal, Administrator, Lakshadweep, Kavarati by Shri Narayan Datt Tiwari, the then Union Minister of Industry.

In my D.O. letter dated 12th March, 1984, I had drawn your kind attention to certain gaps noticed in the functioning and performance of District Industries Centres in the country and I had requested your cooperation in getting them bridged expeditiously. You will agree that the crucial point requiring your immediate attention is proper staffing and restructuring of DICs. While I appreciate the difficulties being faced by some State Governments in this regard but as the DIC programme is to continue as a Plan Scheme during the 7th Five Year Plan, I would once again urge that all vacancies in DICs be filled up immediately. The process of restructuring may also be completed in your State expeditiously.

In this connection, I would further like to highlight the need for appointing a trainer for entrepreneurship development in each DIC. It would be worth while if one Functional Manager in each DIC is designated as Manager (Entrepreneurship Development) in addition to his own duties. He could then be deputed to a suitable institution like the National Institute for Entrepreneurship and Small Business Deve-

lopment, Okhla, New Delhi for a refresher course so that on return he could organise and promote entrepreneurship development in this area.

Yours sincerely,
Sd/-
(Narayan Datt Tiwari)

Recommendation

1.163 From the Audit para, the Committee learn that there have been a number of irregularities in the construction of buildings for DICs. Besides Rs. 206.61 lakhs remaining unutilised with the construction agencies, resulting in blocking of funds in 7 States (Andhra Pradesh, Assam, Himachal Pradesh, Kerala, Maharashtra, Rajasthan and Uttar Pradesh), completed buildings were taken over by the respective General Managers of the DICs in Madhay Pradesh without getting them technically inspected by authorised agencies. The Committee do not agree with the reply of the Government that since Laghu Udyog Nigam is the authorised agency of the State Government, further inspection by any other agency was not considered necessary. That it was necessary, is borne out by the fact that the competent supervising authority has now been requested to take steps to rectify the defects. The Committee desire the Ministry of Industry to issue necessary guidelines in this regard to ensure that the buildings constructed for DICs are properly scrutinised by technical personnel so as to ensure that these are free from defects.

[Sl. No. 7 Para No. 1.163 Appendix-IV of 219th Report of PAC (7th Lok Sabha).

Action Taken

Necessary guidelines were sent to State/UT Governments who were to follow the same to ensure that the buildings constructed for DICs were properly inspected by technical personnel so that they were free from defects. Copy of the letter is enclosed at Annexure-V

[Office of the Development Commissioner, Small Scale Industries, No. DIC/2(2)/85-PAC dated 24/27-9-1985]

ANNEXURE-V

(Para 1.161)

Copy of letter No. DIC/2(2)/84-PAC-1.161 dated 18.10.1984 addressed to the Secretary, Industries, All State/UT Governments by Shri Mohd. Akram, Director (DIC) Office of the Development Commissioner, Small Scale Industries, Nirman Bhavan, New Delhi.

SUBJECT :— Construction of DIC Buildings.

Sir,

The Public Accounts Committee of Parliament in its report presented to the Lok Sabha on 17th August, 1984 have stated that the progress regarding construction of DIC buildings has been very unsatisfactory. Although the Ministry of Industry had laid down 31st March, 1983, as the deadline by which non-recurring grant meant for construction of DIC office buildings had to be utilised and the construction of DIC building completed. The Committee has desired that the DIC buildings should be constructed without any further delay. They have also desired us to inform them the latest position regarding construction of DIC buildings in your State. The Committee has also desired that the DIC building when constructed should be properly inspected by competent and technical personnel and should be free from any defects before it is handed over to the DICs for housing the DICs.

It is, therefore, requested that the DIC buildings should be constructed immediately for which funds have already been released to your State Government and that they should be inspected by a competent authority before they are handed over to DICs.

Position regarding construction of DIC buildings should be furnished to this office by 31st October, 1984 as the report has to be presented to the PAC of Parliament in the beginning of November, 1984. This may kindly be treated as most urgent.

Yours faithfully,
Sd/-
(Mohd. Akram)
Director (DIC)

Copy to :

1. The Commissioner/Director of Industries, All State/UT Governments.
2. All Directors. Small Industries Service Institute, with the request to kindly pursue the matter with the State Government to furnish the position regarding construction of DIC building.

Sd/-
(Mohd. Akram)
Director (DIC)

Recommendation

1.164 Again in Rajasthan, construction of DIC buildings was entrusted in April, 1978 to Rajasthan State Industrial Development and Investment Corporation whose normal activities do not include, as admitted by the Government of Rajasthan, construction of buildings. The Committee find that the funds to the extent of Rs. 71.50 lakhs were sanctioned for the purpose and the total expenditure incurred upto 31st March, 1982 was Rs. 35.40 lakhs, leaving Rs. 36.10 lakhs unutilised with the above Corporation. The Committee feel that assigning construction of all the 26 DIC buildings to a single agency which had no experience in this field contributed to the inordinate delay in completion of construction of buildings. In this connection, the Government of Rajasthan have attributed this delay to the non-availability of suitable land. As the land for construction of buildings was to be provided free of cost by the State Governments, the Committee feel that the State Government could have taken timely action in acquiring land for construction of DIC buildings. The Committee hope that at least now the work would be completed expeditiously.

[Sl. No. 8 Para No. 164 of Appendix-IV of 219th Report of
PAC (7th Lok Sabha)].

Action Taken

Government of Rajasthan has reported that construction of 21 buildings have been completed, one purchased and 2 are at an advanced

stage of construction and are likely to be completed shortly. As regards the remaining 2 DICs viz. Ajmer and Jaipur, State Government has informed that they are not getting suitable land for the purpose and efforts are being made to get the same.

[Office of the Development Commissioner, Small Scale Industries No. DIC/2(2)/85-PAC dated 24/27.9.1985].

Recommendation

1.165 The Committee note that it was envisaged in the guidelines issued by the Development Commissioner, Small Scale Industries in June, 1978 that not more than two vehicles were to be provided per DIC and vehicles provided under the Rural Industries Project Programme were also to be utilised so as to reduce the number of such vehicles purchased for the Centres. The State Governments were also advised to have only one vehicle in every DIC until the full complement of staff was in position. Accordingly, non-recurring grants for purchase of vehicles preferably diesel operated jeeps, for DIC were released to the State Government. Eight State Governments/Union Territories had incurred an expenditure of Rs. 83.02 lakhs towards purchase of vehicles. However, some States purchased Ambassador cars in preference to diesel operated jeeps without the prior approval of the Central Government who did not raise any objection as a number of States reported that they had to wait indefinitely for the supply of diesel jeeps and that the repair and maintenance cost of diesel jeeps was much more than those of Ambassador cars. The Committee desire that the Ministry of Industry should review the position and take appropriate corrective steps as may be warranted.

[Sl. No. 9, Para No. 1.165 of Appendix-IV of 219th Report of PAC (7th Lok Sabha)].

Action Taken

The observations of the Committee have been conveyed to the State/UT Governments on 19.10.1984 for strict compliance. However, when any request for purchase of car is received in lieu of diesel jeep; the proposal is examined on merit.

[Office of the Development Commissioner, Small Scale Industries No. DIC/2(2)/85-PAC dated 24/27.9.1985].

Recommendation

1.166 Instances have come to notice where vehicles meant for DICs have been retained in the Directorate of Industries and used by the officers there. The Committee would like the Ministry of Industry to issue necessary guidelines to State Governments to avoid such misuse of vehicles meant for DICs.

[Sl. No. 10, Para No. 1.166 of Appendix-IV of 219th Report of PAC (7th Lok Sabha)]

Action Taken

Observations of the Committee have been communicated to all the State/UT Governments for compliance. It has also been impressed upon the State Governments that vehicles purchased for DIC should only be used for the DIC works at the district-level except in case of natural calamity and General Elections. A copy of the letter dated 19-10-1984 issued to the State Governments regarding proper utilisation of DIC vehicles is also enclosed at Annexure-VI.

[Office of the Development Commissioner, Small Scale Industries No. DIC/2(2)/85-PAC dated 24/27-9-1985.]

ANNEXURE-VI

Copy of letter No. DIC/2(2)/84-PAC dated 19.10.1984 addressed to the Secretary, Industries Deptt.,

All State/UT Govts. by Shri Mohd. Akram,
Director (DIC), Office of the Development Commissioner,
Small Scale Industries, New Delhi.

SUBJECT : *Purchase of Vehicles for DICs.*

Sir,

The Public Accounts Committee of Parliament in its report presented to the Lok Sabha has made following observations in regard to purchase of vehicles for the DICs :

“The Committee note that it was envisaged in the guidelines issued by the Development Commissioner, Small Scale

Industries in June, 1978 that not more than two vehicles were to be provided per DIC and vehicles provided under the Rural Industries Project Programme were also to be utilised so as to reduce the number of such vehicles purchased for the Centres. The State Governments were also advised to have only one vehicle in every DIC until the full complement of staff was in position. Accordingly, non-recurring grants for purchase of vehicles preferably diesel operated jeeps for DIC were released to the State Government. Eight State Governments/Union Territories had incurred an expenditure of Rs. 83.02 lakhs towards purchase of vehicles. However, some States purchased Ambassador cars in preference to diesel operated jeeps without the prior approval of the Central Government who did not raise any objection as a number of States reported that they had to wait indefinitely for the supply of diesel jeeps and that the repair and maintenance cost of diesel jeeps was much more than those of Ambassador cars. The Committee desire that the Ministry of Industry should review the position and take appropriate corrective steps as may be warranted.

Instances have come to notice where vehicles meant for DICs have been retained in the Directorate of Industries and used by the officers there. The Committee would like the Ministry of Industry to issue necessary guidelines to State Governments to avoid such misuse of vehicles meant for DICs''.

It is therefore, requested that your State Govt. may kindly take suitable action in the matter as per the remarks of the Public Accounts Committee of Parliament mentioned above. It is also requested that vehicles purchased for DICs should only be used for the DIC work at the District level except in case of natural calamities as such floods and General Election.

Yours faithfully,
Sd/- (Mohd. Akram)
Director (DIC)

Copy to :

1. The Commissioner/Director of Industries of all State/UT Govts.
2. All Directors, Small Industries Service Instt.

Sd/- (Mohd. Akram)
Director (DIC)

Recommendation

1.168 The Committee note that one of the objectives of the DIC was economic investigation of the potential for development of the District and as such the first task entrusted to each DIC was the preparation of an Action Plan. The Action Plan was to indicate the details of the industrial development programmes and needs for organisational support bringing out various requirements of inputs and production potentials separately for artisans based activities and tiny and small scale units. The Committee are concerned to note that upto March, 1981 out of 382 DICs only 301 had prepared Action Plans and in most of the State/Union Territories Action Plans were prepared without proper survey. The then Secretary, Ministry of Industry also admitted in evidence that he did not think there was any detailed study done before starting the scheme. In this connection, the Ministry of Industry have informed the Committee that Action Plans have been prepared for all the DICs except those sanctioned since 1982-83. The Committee recommended that each DIC should have well equipped information and documentation centre which could effectively assist the prospective entrepreneurs in the area covered by it.

[Sl. No. 12 Para No. 1.168 of Appendix-IV of 219th Report of PAC (1984-85) (7th Lok Sabha)]

Action Taken

All the DICs have prepared Action Plans. However, they have been instructed to update them after proper surveys as per the guidelines issued *vide* letter No. DIC/8(23)/83 dated 15th June, 1983 as placed at *Annexure-VII*. 150 Action Plans have since been updated.

[Office of the Development Commissioner, Small Scale Industries O.M. No. DIC/2(2)/85-PAC dated 24/27-9-1985]

ANNEXURE-VII

(Para 1.168)

PRIORITY

Copy of letter No. DIC/8(23)/83 dated 15th June, 1983 addressed to the Commissioner/Director of Industries (All States/UTs) by Shri B.B. Maiti, the then Director (DIC) in the office of the Development Commissioner, Small Scale Industries, Nirman Bhavan, New Delhi.

SUBJECT :—*Updating of Action Plans of District Industries Centres.*

Sir,

At the time of initiation of DIC programme, Action Plans were hurriedly prepared by the DICs. Although detailed guidelines were issued by this office *vide* this office letter No. DIC/8 (23)/78 dated 29th December, 1978, many of the DICs did not follow the guidelines strictly. As a result, some of the Action Plans prepared were found to be rather sketchy in character. Although DICs were instructed to prepare blue print of Block-wise development for the next four years, some of the Action Plans contained development plan only for a year or two. Demand analysis had generally not been upto expectation. At the time of the review of some of DICs during 1981, it was observed that the actual development did not follow the plan enunciated in the Action Plan. The concerned DICs explained this by saying that the Action Plans were prepared hastily. The DICs were also requested to prepare project profiles of the main candidate industries recommended in the Action Plan and put those as a part of it. This has been done in a few cases only.

Now as the DICs are being re-structured and revamped it is necessary to dovetail the Action Plans with the Sixth Plan and the Seventh Plan frame. We are already aware of the shortfalls of our earlier Action Plans. It is therefore intended to up-date the Action Plans already prepared and remove its shortcomings.

In the up-dated Action Plans the projections of development have to be made year-wise for the next five years beginning from 1983-84. Resources position has to be re-examined taking into consideration the development that has already taken place in the intervening period and

the prospective growth trend. The stress has to be given on the surpluses of major products/inputs on which the new industries would be based, leaving aside the minor products/inputs and products that cannot be used as a base. The existing industries Status Section should depict picture of development separately in major, medium, small industries sector and artisan units that has taken place till this time, stating their product status, employment potentials etc. and prospects of further ancillarisation. The candidate industries section should review the earlier recommendations and should have direct bearing with the resources and demand analysis and the ancillarisation potentials of the existing industries. The year-wise and block-wise development plans for the next five years should closely correspond to the candidate industries section. It should also be linked with the infrastructure now available and those that are expected to be available during the next five years. The facilities available, the difficulties being faced and the probable solutions thereof should be clearly brought out in a section of the Action Plan. Project Profiles for the main candidate industries at different scales of operation for the convenience of different categories of entrepreneurs may be put forth. Lastly, the updated Action Plans have to correspond with District Credit Plan prepared by Lead Banks.

In order that format of information on "Existing Industry Status" and "Work Programme" Sections are precise and uniform in respect of all the DICs, we have restructured some schedules. The information may be furnished in the prescribed schedules. The Chapter plan of writing the Action Plan is also sent herewith.

You are requested to kindly instruct the DICs to pay urgent attention to updating the Action Plans so that the updated Action Plans are finalised and sent to this office in triplicate by 31st October, 1 83, positively. The Manager (Economic Investigation) would have to be solely busy with and mainly responsible for this job. The services of other Functional and Project Managers would also be required. The General Managers are to coordinate and finalise the report. Along with the Action Plans, the DICs may be instructed to furnish a write-up indicating the follow-up actions they have taken in implementing the Action Plan prepared previously and the trend of development that has taken place *vis-a-vis* the Action Plan, pointing out where the actual

development has departed from the Action Plan and the reasons thereof and where it has followed it closely.

Yours faithfully,

Sd/-

(B.B. Maiti)

Director (DIC)

Copy for information and urgent necessary action to
The General Manager
(All DICs)

Sd/-

(B.B. Maiti)

Director (DIC)

CHAPTER PLAN FOR UPDATED ACTION PLAN

- CHAPTER I** : Introducing the district briefly
- CHAPTER II** : *Position of Educated Unemployed*
- (1) Post Graduate
 - (2) Graduates
 - (3) Undergraduate upto Matriculates
 - (4) Degree Holders and Diploma Holders in Engineering & Technical discipline
- CHAPTER III** : *Area Resources*
- Agricultural, Minerals, Forestry, Livestock, Fisheries, Sericulture and others—availability of skill only major resources and their surpluses for industrial use are to be given. Concentration of particular skills are to be indicated.
- CHAPTER IV** : *Existing infrastructural facilities*
- Rail, road, transport, communication, banking facilities, power, water, training facilities, industrial estates/plots, common facility testing centres.
- CHAPTER V** : *Existing Industry Status*
- Large, medium small scale, artisan-based decentralised sector.
- CHAPTER VI** : *List of candidate industries*
- Demand-based, resource-based and skill-based.
- CHAPTER VII** : *Brief analysis of candidate industries*
- Identified for development in the area with particular reference to demand, resources and skills.
- CHAPTER VIII** : *Special infrastructure needed*
- CHAPTER IX** : *Work Programme (from 1983-84 to 1987-88).*
- CHAPTER X** : *Project Profiles for major candidate industries.*

Recommendation

In order to ensure that Functional Managers in the DICs have a clear perception of their duties and effectively discharge their responsibilities, the programme envisaged a scheme of training for them. The Committee have, however, found that either the training imparted was not comprehensive or no training was imparted. In this connection, the Ministry of Industry have informed the Committee that 276 General Managers and 758 Functional Managers have been trained upto the year 1983-84 and that the remaining personnel at managerial level would be trained by the end of 1984-85. The Committee hope that the assurance given by the Ministry of Industry would be fulfilled. The Committee further desire that steps might be taken to make the training as comprehensive as possible so as to improve the functioning of DICs.

[Sl. No. 14 (Para No. 1.170) of Appendix-IV of 219th Report of PAC (1984-85) (7th Lok Sabha)]

Action Taken

In order to make the training programme for DIC personnel more comprehensive, steps like project appraisal, behavioural aspects, marketing and sales management, export techniques, credit appraisal, motivation of the entrepreneurs, demand analysis, sick industry nursing etc have been included in the course and further the coverage of topics have been made more wide. In order to make it pragmatic, more case studies based on real field experiences of the Managers of DICs have been included. To equip the Functional Managers in areas like Credit, appraisal, marketing, economic investigation, cottage industries etc. specialised tailor-made courses have been arranged for equipping them with better techniques in their field of specialisation. Training courses have been organised at different regions of the country to make it more convenient for the officers to attend. Reputed training institutions like Small Industries Extension Training Institute, Hyderabad. State Bank of India Training Centre, Bangalore, Calcutta. Delhi, Indian Institute of Management, Calcutta, Management. Development Institute. Haryana were engaged to organise the courses. There are proposals for holding more courses with technical consultancy organisations,

like Centre for Entrepreneurship Development, Ahmedabad, All India Manufacturers Organisation, National Institute for Entrepreneurship and Small Business Development, New Delhi etc.

During the year 1984-85, six training courses have been organised for the General Managers/Functional Managers of the DICs and 167 persons have been trained till the end of February, 1985. Regarding the number of persons trained, it may be mentioned that due to interchangeability both in the field and at headquarters specially on account of transfer or promotions and retirement etc. the number of trained persons becomes less as compared to the number of officers posted in the DICs. Therefore, the efforts of training have to be a continuous process and the new incumbents have got to be trained afresh. However, it has been emphasised to the State Governments that the maximum number of persons should be sponsored for undergoing the training courses.

[Office of the Development Commissioner, Small Scale Industries, No. DIC/2(2)/85-PAC dated 24/27.9.1985].

Recommendation

The DICs were required to ascertain the requirements of raw materials for various units and to assist them in procuring the materials economically as well as to watch proper utilisation. The Committee are, however, distressed to find that most of DICs in Nagaland, Manipur, Assam, West Bengal, Bihar, Kerala and Karnataka had either not taken effective steps to establish raw material depots or could not arrange adequate supply of various raw materials required by the units. In some States, the authority for distribution of scarce materials rests with the State authorities and as such no effective action could be taken by the DICs. The Committee are surprised to note from the reply of the Ministry of Industry that the setting up of raw material depots by the DICs was not contemplated under the DIC scheme and that the question of opening raw material depots in a district is to be decided by the Small Industries Development Corporation in consultation with the State Government. The Ministry have further informed the Committee that there is a close liaison between DICs and SSIDCs for providing raw materials to small scale sector and recommendations made by the DICs are generally honoured by the latter. The Com-

mittee feel that as timely availability of adequate raw materials is one of the pre-requisite for running of an industrial unit, the DIC must have an effective say in its distribution. The Committee recommend that representatives of the DICs should be closely associated with the agency for the procurement and distribution of raw materials in the district. Further, it is necessary for the DICs to ensure proper utilisation of raw materials as in a test check in audit it was found that in two States viz. Uttar Pradesh and West Bengal, scarce raw materials worth Rs. 75.39 lakhs were misutilised by 69 units whereas in the States of Madhya Pradesh, Karnataka and also in Uttar Pradesh proper utilisation of raw materials by the units was not verified. As the total number of such cases might be quite large if all the States/Union Territories are taken into account, the Committee desire that the DICs should be required to play a more active role in monitoring the position and taking appropriate action in coordination with other State and Central authorities.

[Sl. No. 15 (Para No. 1.171) of Appendix-IV of the 219th Report of PAC (1984-85) (7th Lok Sabha)].

Action Taken

The observations and recommendations of the Committee regarding association of DICs with procurement and distribution and also monitoring of raw materials were communicated to the State Governments and Union Territories. Replies have been received from 14 States/UTs which reveal that, by and large, the DICs are being actively associated with the allocation and monitoring of raw materials and their utilisation. The role played by the DICs include the assessment of raw material requirements and sponsoring the cases to the State Industries Development Corporations and also issuing essentiality certificates for imported raw materials. The State-level Corporations are charged with the responsibility of procurement and distribution of raw materials to the small units through their raw materials depots set up at centres of concentration. The DICs recommend to the Corporations the requirement of various raw materials indicated by the units in their area to be stocked in the depots. The Corporations inform the DICs about the actual allocations to the units and the DICs keep a close watch on the proper utilisation of raw material by the units. In case where the mis-utilisation is detected the matter is taken up with the concerned agency and further supply of raw material is stopped. The

recommendations of the DICs are generally accepted by the procurement and allocating agency. Thus the DICs are playing a vital and effective role in assessment, recommendation and monitoring of raw material and their utilisation.

In a few States, DICs are not actively associated. Pondicherry and Meghalaya are two out of the reported State/UTs where the DICs are not actively associated with the procurement and distribution of raw materials, but they are involved in the utilisation of the raw materials mainly for inspecting. In case of pondicherry the work of assessment, distribution and procurement of raw materials to small scale industries is being dealt with by the Director of Industries. There is a separate raw material depot functioning in Pondicherry and run by National Small Industries Corporation which procures raw materials and distributes to all small scale industries according to the orders issued by the Director of Industries. The raw materials like iron and steel, fatty acids, parafin wax match wax, pig iron etc. are presently being procured and supplied through the raw material depots. The entire needs of the small scale sector in Pondicherry UT is being taken care of by the Director of Industries through the raw material depots. The technical officers of the Industries Department inspect the proper utilisation of the allocated raw materials. The officials of the DICs also periodically inspect the industries for finding out their needs of fresh raw materials and help them to procure the same from raw material depots and from the producers.

In case of Meghalaya the allotment of cement, parafin wax, steel etc. is made by the Industries Department through the State Small Industries Development Corporation and approved dealers of the Government. The DICs are involved fully for checking the utilisation of the raw materials. The Governments of these States are being requested to take appropriate action.

[Office of the Development Commissioner, Small Scale Industries, No. DIC/2(2)/85-PAC dated 24/27.9.1985].

Recommendation

One of the main functions of the DICs is to assist the artisans and small scale units in getting financial assistance from banks and other financial institutions. For this purpose applications for

institutional finance are to be assessed and recommended by the DICs through the Manager (Credit), an officer deputed by the 'Lead Bank' of the District. The Committee are surprised to find that out of 79,445 cases recommended by the DICs in 11 States/Union Territories during 1978-79 to 1981-82, only 30,035 cases were accorded sanction by the banks/financial institutions. In another State, viz. Maharashtra, out of 38,883 cases recommended by DICs, as many as 12,412 cases were rejected by the banks whereas in Andhra Pradesh, out of 10,902 recommended cases, 4,139 cases were pending as on April, 1982 with the banks for over 30 days. In Nagaland also, out of 185 cases, only 33 cases were sanctioned by the banks. It is surprising that in most of these cases, neither the banks had given nor had the DICs tried to ascertain the reasons for rejection of such a large number of applications although as stated by the Secretary, Ministry of Industry in evidence, in all these cases relevant projects were appraised by the Credit Managers borrowed from the banks before recommending financial assistance.

During their visits to different States, the Study Groups of the Committee had come across frequent complaints regarding inadequate availability of financial support to entrepreneurs recommended by DICs. It was stated that there was generally a tendency on the part of banks to delay the sanction of loans to the entrepreneurs recommended by DICs. In quite a number of cases, the banks neither sanctioned nor rejected loan applications, keeping the prospective entrepreneurs in suspense. One of the reasons for this was stated to be that in rural areas banks were badly under-staffed and in many cases persons in positions of responsibility did not have the right attitude. It was also stated that schemes/proposals appraised by the General Managers/Credit Managers of DICs were again independently appraised by banks and this led to unavoidable delays. The instructions of the Reserve Bank of India regarding grant of loans were also not being followed by bank officers. The representative of the Ministry of Industry admitted before the Committee that they have been facing difficulty in securing credits for the entrepreneurs identified by the DICs since 1979 itself. He stated that his predecessor and even the Minister had meetings with the Governor, Reserve Bank of India on high rejections of applications, insignificant funds made available and too

long time taken by the banks in granting loans etc.

[Sl. No. 16 (Para No. 1.172 of Appendix-IV of the 219th Report of PAC (1984-85) (7th Lok Sabha)]

Action Taken

The observations and recommendations of the Committee regarding inadequate financial support to the entrepreneurs, high rate of rejections of applications and delay in sanction by banks were forwarded to the Department of Banking, Ministry of Finance with a copy to the RBI for their comments and suitable action. In reply the Department of Banking have informed that the matter was taken up with the Reserve Bank of India. The comments received from the Reserve Bank of India are as under .

“Regarding inadequate availability of financial support to entrepreneurs recommended by DICs, the RBI has advised the banks that the quantum of credit to be sanctioned in each case should be need-based. While sanctioning credit limit/loans the requirements of one full operating (production) circle should be realistically assessed and a contingency of 10% to 20% should be added to this amount in the original sanction itself to be disbursed when required in any unforeseen Contingency due to operational bottle necks or for some consumption, requirements. Further, the credit limits sanctioned should be reviewed at periodical intervals (say annually) to assess whether the working capital requirements of the units have increased either as a result of enhanced levels of operations or increased costs and accordingly enhancements in the loan authorised wherever justified.

Regarding delay in sanction of loans to the entrepreneurs including artisans and tiny units, the RBI has advised the banks to ensure that all credit proposals upto Rs. 25000 should be disposed of within a fortnight and those for over Rs. 25000/- within 8 to 9 weeks. We have also directed banks to delegate adequate powers to sanction credit proposals from weaker sections without reference to any higher authority. Staffing pattern of branches is reviewed by the banks as also by Reserve Bank of India during periodical inspections.

Measures are also being taken to bring about attitudinal changes of staff through training/discussions in meetings/workshops/seminars etc.

Regarding delay in appraisal of the schemes and proposals of entrepreneurs, the RBI has advised the Banks that in respect of the advances above Rs. 25000/- and upto Rs. 1 lakh in order to ensure that the appraisal at both the DIC and the banks is taken up simultaneously the DIC will forward a copy of the application to the bank. Further the Manager (Credit) of DIC will also have discussions with the Branch Manager of the bank wherever possible during the appraisal stage so that their points also can be taken care of during the first appraisal itself. However, as the responsibility for the recovery of loans and advances granted by banks rests with them and not with DICs for the purpose of credit decision they make assessment of credit proposals from the angles of viability and need-based character even in respect of those received through the DICs.

Regarding RBI instructions about grant of loans not being followed by the banks the RBI undertakes periodical inspections of banks and the cases of non-compliances of RBI instructions are observed and brought to the notice of the concerned bank for prompt corrective measure.

Regarding rejections of loan applications by the banks, the RBI has advised that if any proposals sponsored by a DIC is found to be not acceptable to them, it should be returned to the concerned DIC with the specific reasons for non-acceptance. The DICs would then be expected to rectify the defects or deficiencies so as to make it eligible for finance. All banks should initiate a feed back mechanism to ensure that the time limit fixed for disposal of proposals is adhered to and the applications are not rejected on flimsy grounds. Specific instances of credit refusals in respect of viable projects by banks when brought to our notice by individual units or their representative bodies or Government are taken up with concerned banks for remedial action.

Regarding the routing of the loan applications by the entrepreneurs through DICs, the banks have been advised by the

Reserve Bank that it is not the intention that all credit proposals for assistance must necessarily be routed through DIC. The branch Managers should continue to entertain such proposals directly.

[Office of the Development Commissioner, Small Scale Industries No. DIC/2(2)/85-PAC dated 24/27-9-1985.]

Recommendation

1.173 The Committee feel that the present position regarding grant of loans by financial institutions is most unsatisfactory and needs to be streamlined. If after appraisal a case for grant of loan is recommended by DIC, it should normally be sanctioned by the banks otherwise the appraisal by DIC simply leads to an extra burden for the entrepreneurs as he has now to get his loan application cleared at two places. Moreover, the Committee do not see any justification for such high rejections. The Committee recommended that banks should invariably inform the DICs about the reasons for rejections. The Committee have no doubt that until and unless there is a basic change in the position, the DICs can never be a success. Timely availability of adequate financial support is essential. The Committee hope that appropriate steps would be taken in this regard. In this connection, the Committee understand that there are areas in the country not covered by any lead Bank. The position should be looked into with a view to covering such areas by some of the existing Lead Banks immediately.

[Sl. No. 17, Para No. 1.173, Appendix-IV of 219th Report of PAC (1984-85) (7th Lok Sabha)].

Action Taken

The observations and recommendations of the Committee regarding streamlining the procedure for provisioning of financial support to entrepreneurs for covering uncovered areas by the Lead Banks was forwarded to the Department of Banking, Ministry of Finance with a copy to the RBI for their comments and suitable action. The RBI has informed that the Lead Bank Scheme covers all the districts within the country and there is a lead bank for each of the districts. In the case of newly formed districts also, lead responsibility is assigned to various banks immediately on the formation of such of the district. Only the

metropolitan cities of Bombay, Calcutta, Madras and New Delhi have been excluded from the scheme right from its inception as these cities have well-developed banking infrastructure.

[Office of the Development Commissioner, Small Scale Industries No. DIC/2(2)/85-PAC dated 24/27.9.1985].

Recommendation

1.175 The Committee note that in order to assist the small scale industries, the DICs were required to make provision in their Action Plans for establishment of Rural Marketing Centres. While the DICs in Karnataka had made provision in their Action Plans for opening rural marketing centres, the DIC in Andhra Pradesh, West Bengal and Kerala did not make any such provision. The DICs in Andhra Pradesh, West Bengal, Kerala, Karnataka, Manipur, Sikkim, Nagaland and Rajasthan had also not been able to extend effective marketing assistance to the small scale units and artisans. The Committee need hardly point out that absence of adequate marketing outlets is the major problem being faced by the small units/artisans and as such certain positive steps have to be taken by the Government and other promotion agencies to provide marketing support. The Committee desire that the organisations such as Khadi and Village Industries Board, All India Handloom Board and All India Handicrafts Board, National Small Industries Corporation, State Small Industries Development Corporation, District Rural Development Agencies etc. should play a more active role for providing marketing assistance to small scale industries in a coordinated manner. The question of the Government and Public Undertakings showing preference for purchase through the DICs should also be considered and appropriate instructions issued.

[Sl. No. 19, Para No. 1.175 of Appendix-IV of the 219th Report of the PAC (1984-85) (7th Lok Sabha)].

Action Taken

The observations and recommendations of the Committee regarding marketing assistance to small scale industries was communicated to

State/UTs and 15 of them have responded. The names of the 15 responded States are :—

Sikkim, Rajasthan, Dadra & Nagar Haveli, Kerala, Tamil Nadu, Pondicherry, Haryana, Bihar, Meghalaya, Assam, Himachal Pradesh, U.P., Punjab, West Bengal and Chandigarh.

The names of the States where the scheme has been devised and implemented include Rajasthan, Kerala, Pondicherry and Bihar.

The replies from Andhra Pradesh, Karnataka, Manipur and Nagaland have not so far been received on the subject despite repeated reminders. The position given by the State Government reveals that marketing assistance scheme has been devised and implemented in many of the States. "In Sikkim, there is a scheme called Rural Development Agency and more such agencies are proposed. They are providing marketing support to the rural artisans and those trained under the TRYSEM Scheme". In Rajasthan, Small Industries Corporation acts as a nodal agency for providing marketing assistance to small industries including Government Purchase Programme. Regular buyer-seller meets are organised for boosting the sale of small scale industry products.

Dadra & Nagar Haveli have set up emporia and they participate in exhibitions and trade fairs for promoting sales of small and cottage industries.

In Kerala the small scale units are helped in Government purchase programme. It is, however, reported that the competition is being faced by the local units with those in other States. There is a provision of extending 5 per cent price preference to the local small scale units over the local large and medium units and 15 per cent price preference is given to local units against the units located outside the State. 420 items have been included for exclusive purchase from the State and only such items which are not manufactured locally out of this list would be purchased from other areas. The State is providing all assistance and encouragement for exports and advertisement for boosting the marketing. Special emphasis is being given for export to gulf countries (A copy of latter No. PM/M3/52369/84 dated 30.1.85 from State Government of Kerala is enclosed at Annexure VIII). The State Government

has framed a scheme for providing more marketing assistance and this is being implemented in a phased manner.

Tamil Nadu has also reserved 401 items for exclusive purchase from small scale units and they are given price preference. The units are exempted from security for Government supplies. A number of buyers and sellers meets are organised in different areas.

In Pondicherry 5 per cent rebate on sale through emporia is given. For setting up of sales emporium subsidy is provided. Price preference is given for Government purchase programme and units are assisted for registration under Central Government Purchase Programme through NSIC. Buyer-seller meets are organised and participation in exhibitions and trade fair is encouraged and assisted.

Haryana has set up 12 Rural Industries Centres under the District Marketing Officers and the DICs have over all control on them. They are mostly in DIC buildings. 28 items have been reserved for exclusive purchase by the State Government Departments and this list is expanded from time to time. No service charges for the facilities by the centres are to be made by the rural units. 80% advance payment is made to the tiny units for Government purchases. Under the instructions the payment by the Government Departments have to be made to the units within 30 days. 15 per cent price preference is given to the local units over the prices quoted by the units from other States.

In Bihar also 15 per cent price preference to local small scale units against outside units are given under the State Governments Purchase Programme. No earnest money is to be given by the units and 75 per cent payment against the supplies are to be made within 30 days. 40 items have been reserved for exclusive purchase from small scale units by the local State Government organisations.

Meghalaya is operating a scheme of price preference for Government purchase programme and it is reported that a new scheme is being formulated for rural marketing assistance to the craftsmen.

Assam is giving 10 per cent price preference to the registered units over the non-registered units. No security or earnest money deposit is required. 37 items have been reserved for exclusive purchase from

small scale industries under Government purchase programme and corporations are extending coordinated marketing assistance to the units with the help of DIC.

In Himachal Pradesh a provision of 17½ per cent of price preference under Government purchase programme exists for local units. The sales are being organised through the State Emporia.

West Bengal has set up 59 rural marketing centres for sale of local small and cottage industry products. Rural Marketing scheme is being implemented through the Panchayat Samities and grant in aid for management support and fixed investment for interior decoration and final furnishing is provided to the Centre. An amount of Rs. 4000 per rural outlet as margin money is granted on the basis of which institutional finance would be available. The DICs are supervising the operation of these centres. There are district-level service-cum-marketing cooperative unions existing in the district. At the State-level, the West Bengal Handloom Development Corporation, West Bngal Small Industries Corporation and West Bengal Small Industries and Development Corporations are helping in promotion of sales of the small and cottage industrial products through their respective outlets and they are negotiating with bulk buyers on behalf of small scale units in the area. The DICs are actively associated with this marketing assistance programme.

There are a chain of emporia set in Punjab for the sale of cottage and small scale industry products under the Punjab Small Industries and Export Corporation.

In the State of U.P., a number of marketing Centres for promotion of sales of small scale and artisan based units have been opened. They are also associated with the Government Purchase Programme.

[Office of the Development Commissioner, Small Scale Industries No. DIC/2(2)/85-PAC dated 24/27.9.1985].

ANNEXURE-VIII**(Para 1.175)**

Copy of letter No. PM/M3/52369/84 dated 30.1.1985 from The Director of Industries & Commerce, Directorate of Industries & Commerce, 'Vikas Bhavan', Trivandrum-695033 addressed to the Director (DIC), Govt. of India, Ministry of Industry, Office of the Development Commissioner, Small Scale Industries, 7th Floor, Nirman Bhavan, New Delhi.

To

The Director (DIC)
Government of India,
Ministry of Industry,
Office of the Development Commissioner,
Small Scale Industries,
Nirman Bhavan,
NEW DELHI.

Sir,

SUBJECT : *Industries-Marketing Outlets in small scale Industrial Units in—regarding.*

Ref : Your letter No. DIC-2 (2)/PAC/81/1-175 dt. 16.11.1984.

The present position of this State in respect of marketing assistance being provided to small scale units are as follows :

- (1) Government have reserved 420 items of SSI products for exclusive purchase from small scale sector within this State and if not available within the State from Small Scale Sector outside the State.
- (2) The following price preference is allowed for product of small scale units within the State of Kerala as a measure to encourage local small scale units.
 - (1) 15% over the products of Industries outside the State.

- (2) 5% over the products of medium and large scale industries in private sector within the State.
- (3) The scheme for starting of Marketing Depots at District level was taken up by the Department during 1977-78. A marketing Depot was started in Ernakulam District by SIDCO during the financial year and the provision in the budget was given as reimbursement grant. A new depot has recently being started by the Corporation in Trivandrum district also.
- (4) The formation of Marketing Corporation under the State Government is under way for which further action is being taken by the State Government in the Industries Department.
- (5) Various Incentives are being given by the State Government to the SSI units for promotion of internal and export marketing. The expenditure on advertisements and publicity registration with Export Promotion Council and Indian Standard Institution and establishment of testing laboratories etc. are subsidied by the State Govt.
- (6) A Gulf Market Survey has also been arranged by the State Government about four years back to find out suitable export market in gulf countries.
- (7) The participation of the department in Trade Fairs and Exhibitions in and outside the State and Country helps the SSI units to acquire more and more supply orders.
- (8) The Department also participates in Seminars in different districts in close cooperation with the Indian Standards Institution in order to promote the internal and export market of SSI products.

Yours faithfully,

Sd/-

For Director of Industries & Commerce

Recommendation

1.177. In their letter dated 10 April, 1978, the Ministry of Industry had asked the State Governments to constitute District Advisory Committees headed by the Collectors of concerned districts and consisting of district level officers of the State Government Departments and semi-Government bodies, non-officials such as MLAs, MPs representatives of Industry associations and Chamber of Commerce etc. This Committee was to meet once a month and in any case not less than once in two months. Similarly a State level Coordination Committee was to be constituted with the Chief Minister/Minister for Industry as the Chairman and Chief Secretary, Industries Secretary, Director of Industries, Secretaries-in-charge of Agriculture, Rural Development and Energy, Development Commissioner incharge of Panchayat Raj institution and Director, SISI at the State levels as its members. This Committee was to meet once in six months to review the functioning of the District Industries Centres in the State and report to the Government of India the progress, problems encountered and solutions identified. It was also provided to set up five Regional Coordination Committees for overall coordination, exchange of information between States and regional and All India bodies, identification of marketing outlets and strategies, evaluation of financial linkages between Central Financial Institutions and banks and review the DICs set up on a regional basis. This Committee was to meet once in three months. There was also a provision for Central Coordination Committee with the Union Minister of Industry as the Chairman and comprising representatives of Planning Commission, Ministry of Finance (Department of Expenditure & Banking), Secretary, Industrial Development, Chairman, IDBI and Development Commissioner, Handlooms and Handicrafts and Chairman, KVIC and Additional Secretary, Industrial Development as Convenor. This Committee was to review from time to time the policy and board framework of the DIC set up in the light of experience gained. This Committee was to meet once a year.

The Committee are distressed to note that none of the Committees had been meeting regularly in the past. Even the Central Coordination Committee had met only twice so far. Moreover, in spite of the guidelines issued by the Ministry of Industry, Members of Parliament and

Members of various Legislative Assemblies have not been nominated as Members of the District Advisory Committees in most of the States. In his D.O. letter dated 12 March, 1984 to all the Chief Ministers of States and Lt. Governors of Union Territories the Union Industry Minister has stressed the need for regular meetings of all these Committees. The need hardly stress the imperative need for the meetings of these Committees at various levels being held regularly.

The State-level Coordination Committees out to meet at least once in three months instead of once in six months as required at present. The Committee expect the Ministry of Industry to ensure that constitution of the Committees strictly conform to the guidelines issued and that in particular the district-level committees associate with them the elected representatives of the people viz. MPs and MLAs. The Committee further desire that the representatives of commercial banks and other financial institutions should also be associated with the Committee at various levels.

[Sl. No. 21, Para No. 1.177 of Appendix-IV of the 219th Report of the PAC (1984-85), (7th Lok Sabha).]

Action Taken

The observations and recommendations of the Committee were forwarded to the State/UT Governments and in response 27 of them have furnished information. The information reveals that the District and State Level Coordination Committees have been formed in almost all these States/UTs.

In the Union Territory of Chandigarh and Goa, Daman & Diu, the Distt. Consultative Committees have been formed in place of District Level Coordination Committees.

The names of 27 States who have furnished the information include Haryana, (2) Arunachal Pradesh, (3) U.P., (4) Tamil Nadu, (5) Sikkim, (6) Karnataka, (7) Pondicherry, (8) Kerala, (9) Meghalaya, (10) Assam, (11) Andhra Pradesh, (12) Gujarat, (13) West Bengal, (14) Chandigarh, (15) Bihar, (16) Punjab, (17) Himachal Pradesh, (18) Madhya Pradesh, (19) Manipur, (20) Maharashtra, (21) Nagaland, (22) Orissa, (23) Rajasthan, (24) Tripura, (25) Andha-

man & Nicobar Islands, (26) Dadra & Nagar Haveli. (27) Goa, Daman & Diu.

The Committees are set up by State Government for specified period and on expiry their life is further extended. All the State Governments have not given the exact date on which the Committees were initially set and their subsequent extension dates. The statement indicating the date of constitution extension of the committee is enclosed at Annexure-IX.

The District and State level coordination committees for DICs are periodically meeting under the Chairmanship of the Collector and Chief Minister/Minister for Industry respectively. But the specific information on the number and period of meetings have not been received from all the State Governments.

The District level Committees are to meet every month or once in two months, The State level Committees are required to meet once in six months. The statement indicating the frequency of the meetings of the District & State level Coordination Committee is also at Annexure-IX.

Haryana has stated that the State level Coordination Committee meetings are not necessary to be held quarterly because in that State, departmental meetings are being held regularly for reviewing the working of the DICs. The State/UT Governments have been asked to hold regular meetings of the District and State level committees for continuous review of the functioning of the DICs.

Further, the State/UTs have reported that the District and State level Coordination Committees have been formed in accordance with the guidelines. Elected representatives, commercial banks and other financial institution are associated with these committees.

[Office of the Development Commissioner, Small Scale Industries O.M. No. DIC/2(2)/85-PAC dated 24/27.9.1985]

ANNEXURE-IX

The information for construction and its meeting in respect of State/District level Committees received from State/UT Governments as on 31-8-1985 is detailed below :

Sl. No.	State	Date of constitution of District Level Committee	Date of constitution of State level Committee	Periodicity of meetings held	
				District level	State level
1	2	3	4	5	6
1.	Andhra Pradesh	Constituted in all the districts as per guidelines of Govt. of India.	Constituted	Meets monthly	Once in six months.
2.	Assam	All the ten Districts of Assam have constituted District Advisory Committee.	Constituted vide Notification No. CL112/72/42-A dt. 15.3.84	Once in every three months.	Only one meeting held so far. Next meeting to be held shortly.
3.	Bihar	Constituted	Constituted	In every two months.	Quarterly.
4.	Gujarat	Distt. Advisory Committee formed	-do-	Instructions issued to convene monthly meetings.	As per requirements.

1	2	3	4	5	6
5.	Haryana	Constituted vide Lr. dt. 11.3.1983	Constituted vide Lr. dt. 4.8.78 extended from time to time. Reconstituted on 22.1.1985	Regularly.	Meetings to be held shortly.
6.	H.P.	N.R.	Constituted	N.R.	Meeting held after 3-4 months.
7.	Karnataka	Constituted in 1978. Reconstituted vide G.O. No. C186/ CP78(2) dated 19.2.1979.	Constituted in 1979. Reconstituted vide G.O. No. C1.111) CP/84 dated 16.11.1984.	As often as necessary.	Meetings held quarterly.
8.	Kerala	Constituted on 9.2.1979	Constituted	Instructions issued by State Govt. to convene them regularly.	Two meetings con- vened on 8.7.72 & 11.7.84
9.	M.P.	Constituted.	Constituted.	Regularly	Only one meeting held.

10. Maharashtra	-do-	-do-	Not regularly. Instructions issued to hold meetings regularly.	—
11. Manipur	-do-	-do-		
12. Meghalaya	Meetings convened by District Advisory Committee.	-do-	Not regularly.	Only once.
13. Nagaland	Constituted vide Notification No. ID/P/Genl./4/84 (A to D) dated 21.5.1985.	Constituted vide Notification No. ID12/20/77 dt. 17.5.1979.	Shall meet once in 2 months.	Shall meet atleast once in 4 months.
14. Orissa	Constituted.	Constituted.	Not regularly Instructions issued to hold once in a month or twice in a month).	3 meetings held so far.

1	2	3	4	5	6
15.	Punjab	Distt. Level Co-ordination Committee formed.	Constituted	Once in a month or more fre- quently.	Regularly.
16.	Rajasthan	Constituted.	-do-	Regularly (generally with 4-6 months frequency).	No meeting held so far.
17.	Sikkim	Committees were to be formed after the Election to State Legislative Assembly were over.			
18.	Tamil Nadu	Constituted in 8 districts only.	Constituted.	Once in a month or more fre- quently.	Action being taken to convene SLCC meetings.
19.	Tripura	Constituted.	-do-	Steps taken to hold meetings regularly.	—

<p>20. U.P.</p>	<p>Constituted vide Lr. No. 6-4/8/79-653-IND-2 dated 21-2-1983.</p>	<p>Constituted vide Lr. No. 4366/18-2-5/74/78 dt. 18.8.78</p>	<p>Orders issued by State Govt. for holding meetings only.</p>	<p>SLCC meeting is held as and when fixed by the Chairman.</p>
<p>21. W. Bengal</p>	<p>Distt. level Advisory Committee constituted vide Resolution No. 9041-Cot (Est) dated 1.6.1984.</p>	<p>State Level Coord. Committee constituted vide Resolution No. 12656. Cot (Est) dt. 14.9.1984.</p>	<p>Steps being taken to increase frequency.</p>	<p>Steps being taken to increase the frequency.</p>
<p>22. A & N Islands</p>	<p>Constitution of DAC was not felt necessary as the SLCC has already been constituted and the District Consultative Committee also exist.</p>	<p>Constituted.</p>	<p>Every quarterly.</p>	<p>Two meetings held.</p>

1	2	3	4	5	6
23.	Arunachal Pradesh	<p>DIC-Khonsa constituted (Tirap) vide Lr. No. DIC/T34/79-80 dated 17.8.1979</p> <p>DIC-Kameg constituted vide letter No. KMG/DIC/3179 dated 19.6.1979</p> <p>DIC Along constituted vide Lr. No. SQ/DMIND/1/47 dated 18.7.1979.</p> <p>DIC-Subansiri (Ziro) constituted vide Lr. No. IND/DIC/4/55 dated 21-7-1979.</p> <p>DIC-Lohit, 1st meeting held on 16.8.1979.</p>	Constituted.	-do-	<p>Two meetings held so far. Necessary instructions already issued to hold regular meetings.</p>
			Constituted	Regularly	

- | | | | | |
|--------------------------|---|---------------------------|---|-----------------|
| 24. Chandigarh | Distt. Consultative Committee meetings held under the Chairmanship of Dy. Commissioner. | Not formed | Monthly or quarterly. | — |
| 25. Dadra & Nagar Haveli | Genl. Board for Co-ordination of various activities of DIC has been formed which also works as Advisory Board/Committee for the scheme. | | Not regularly | — |
| 26. Goa, Daman & Diu | DIC started functioning in November, 1984. The District Advisory Committee is in the process of being formed. | | | |
| 27. Pondicherry | Constituted on 4-11-1978. | Constituted on 11-4-1978. | Regular from time to time when need arises. | Met nine times. |

Recommendation

The Committee are distressed to note that none of the Committees had been meeting regularly in the past. Even the Central Co-ordination Committee had met only twice so far. Moreover, in spite of the guidelines issued by the Ministry of Industry, Members of Parliament and Members of various Legislative Assemblies have not been nominated as Members of the District Advisory Committees in most of the States. In his DO letter, dated 12 March, 1984 to all the Chief Ministers of States and Lt. Governors of Union Territories the Union Industry Minister has stressed the need for regular meetings of all these Committees. The Committee need hardly stress the imperative need for the meetings of these Committees at various levels being held regularly. The State-level Co-ordination Committees ought to meet at least once in 3 months instead of once in six months as required at present. The Committee also expect the Ministry of Industry to ensure that constitution of the Committees strictly conform to the guidelines issued and that in particular the district level committees associate with them the elected representatives of the people, viz. MPs & MLAs. The Committee further desire that the representatives of Commercial banks and Public financial institutions should also be associated with the Committees at various levels.

[Sl. No. 22 (Para No. 1.178) of Appendix-IV of the PAC
1984-85 (7th Lok Sabha)]

Action Taken

In reply to observations/recommendations of the Committee in Para 1.177, it has been already stated that the District and State-level Co-ordination Committees have been formed in accordance with the guidelines. Elected representatives, commercial banks and other financial institutions are associated with these Committees.

[Office of the Development Commissioner, Small Scale
Industries No. DIC/2 (2)/85-PAC dated 24/27.9.1985]

Recommendation

The DIC's programme calculated to some extent to decentralise industrial planning to suit the endowments and needs of each

district and to bring about an inter-disciplinary approach to help establish and efficiently run industrial units in the small scale sector could have achieved not only rapid production growth but also large employment generation if only the programme had been implemented well. The Committee's examination of the implementation has left them with the feeling that the programme has been inhibited by lack of direction and coordination. The institutional and other infrastructure needed are not yet fully available. The Action Plans of the DICs which are basic to implementation of the programme have evidently been prepared in most cases without adequate survey of the areas. Besides, specific targets to be achieved from year to year have not been laid down in the Action Plans. There is no effective monitoring of the functioning of the industrial units set up by the DICs with a view to taking appropriate measures to ensure that they functioned efficiently. The units have not been assured of supply of inputs, chiefly raw materials and finance, nor are there uniformly well developed marketing outlets. The main objective of providing under one roof all services and facilities required by entrepreneurs has not been realised. Nevertheless, the Committee hope that on the basis of this Report steps would be taken to revamp the programme and put in it on a sound footing. The DICs should be suitably strengthened to enable them to discharge their functions efficiently and overlapping of functions with other organisations avoided. The ultimate test of the success of the industries centres is their impact on the economy of the country in terms of value added and employment generated. The Committee would, therefore, in particular stress the need for effective monitoring *inter-alia* to assess the impact of the programme on the economy in terms of value added and employment generated by the industrial units established by the DICs and to take steps to achieve their steady growth. The results obtained in this regard from year to year should be published for the information of Parliament and the public.

[Sl. No. 22, (Para No. 1.179) of Appendix-IV of the 219th Report of the PAC 1984-85 (7th Lok Sabha)]

Action Taken

State Governments were asked to examine the recommendations of the Committee for revamping the programme of DICs. The replies of

15 responded State Governments are indicated below :

Maharashtra has stated that the progress in their State appears to be satisfactory as revealed by the figures of achievement. Action Plans have been prepared for the period 1982-83 to 1987-88 as per the guidelines given by Central Government and further supplemented by the State Government. These Action Plans are scrutinised by a panel formed for the purpose by the State Government. The various inputs required for small scale industries are recommended by the DICs and generally accepted by the concerned organisations. The single window approach has, however, not achieved the desired objectives so far. There are certain powers which have yet to be delegated to the DICs by other agencies, for example, the DICs should be given powers for allotment of plots, disbursement of Seed Money, allocation of raw materials, sanction of loans upto Rs. 50,000/- etc. Recently the State Government has formed an agency for meeting most of the requirements for single window through the Zila Udyog Mitra. This agency holds monthly meetings. Time limit has been set for providing various facilities to the units, like registration, sanctioning finance, incentives, raw materials, marketing, rehabilitation of sick units etc. At the State-level, a State-level Committee for industries has also been set up to take cognizance of inter-ministerial problems.

Dadra & Nagar Haveli have reported to have achieved all targets.

Haryana have already prepared action plans as per the model guidelines given by the Central Government in collaboration with the Lead Banks and three of the Action Plans have further been updated as per the guidelines and others are to be completed shortly. Monitoring system has been developed at the district and State-level. Besides district and State-level Coordination Committees, quarterly meeting are held at the Directorate-level under the Chairship of the Director of Industries or Secretary Industries.

Tamil Nadu has prepared Action Plans based on survey reports. A proposal to form a marketing federation in the district exclusively for small scale products has been taken up. The proposed strengthening of DICs is also being taken care of.

In Kerala, Action Plans are being prepared by DICs after surveys in collaboration with SISIs and Lead Banks, as per the guidelines given

by the Central Government. A system of giving colour cards to the units have been devised which will show satisfactory, likely to be sick, sick units, so that proper assistance should be given to the sick units. The raw material allocation is ensured through a district-level Committee with General Manager, DICs as Chairman and represented by State Small Industries Development Corporations and Small Industries Associations. The State-level committee and Export Service Groups have been formed at the State and District-level to provide as much assistance as possible to the entrepreneurs with DIC as a focal point for the district. Action is being taken for strengthening the DIC by filling up the vacant posts and restructuring as per the guidelines.

Tripura is taking action for filling up of the vacant posts and ensuring input supply making available the incentives and marketing assistance.

Karnataka has welcomed the suggestion of revamping and reported that five Action Plans have been updated and others are being finalised. DIC has been made nodal agency for administering the new package of incentives and concessions for new investors.

The Government of Andhra Pradesh has developed internal co-ordination system through a Committee constituted under the Chairmanship of Secretary (ID) which coordinates the activities of various State-level Corporations. Linkages have been developed with various organisations. Senior Cadre officers have been made in charge of various activities. There are district-level State-level Coordination Committees and also regional conference of DICs are organised. Documentation Cell exists and nodal agency has been constituted in each DIC under the Chairmanship of District Collector for expeditious clearance. General Manager, DIC, is a member of this committee. District-level Consultative Committee provides close liaison with other departments. Assistant Director of Industries appointed as Assistant Project Officer in each 'DRDA integrates ISB sector' and TRYSEM programme. Action Plans has been prepared after proper survey and they are being updated as per the guidelines. The DICs are being restructured. 46 Development Officers are proposed to be appointed in addition to 22 growth Centres officers. Further powers have been delegated at the district-level. There is a proposal to assess the DIC programme.

Uttar Pradesh has informed that they are taking action for revamping the DICs.

West Bengal have informed that they are taking effective steps for providing suitable escort services, strengthening the DICs and monitoring.

Assam has assured for taking suitable steps for revamping the programme.

Rajasthan has informed that they are trying to achieve the single window concept and Industrial Bureau has been set up. They are considering a proposal for rural marketing centres.

Bihar would take up the revamping programme for strengthening and restructuring the DICs. Chandigarh has asked for more staff & vehicles so that they could take up proper revamping of DICs. Pondicherry has prepared the Action Plans and the registration of the units and the targets given in the Action Plan has almost achieved. Although the powers of all the Departments have not yet been delegated but various types of forms as applicable for different types of assistance and as prescribed by other organisations are kept in the DICs. The entrepreneurs are helped in filling up these forms and forwarded to the concerned departments and also followed up subsequently. This shows that State Governments have taken adequate measures to revamp the programme of District Industries Centres. Further progress in this regard respect of the above States will be intimated informed to the PAC.

As regards the suggestion of the Committee about publishing the impact of DIC programme on the economy, it may be stated that physical achievements are collected from State/UTs, tabulated and released every year.

[Office of the Development Commissioner, Small Scale Industries No. DIC/2 (2)/85-PAC dated 24/27.9.1985]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation

1.162 It is surprising that the Ministry of Industry have furnished different figures regarding the number of DIC buildings completed. While the Committee were informed that till 31-12-1983, 256 DIC buildings had been completed. In reply to Unstarred Question No. 5320 in Lok Sabha, it was stated that 287 buildings have been completed by that date. The Committee would like to be informed of the reasons for discrepancies in the figures and the correct position in this regard.

[Sl. No. 6, Para No. 1.162, Appendix-IV of 219th Report of PAC (7th Lok Sabha) 1984-85]

Action taken

While furnishing the information to the Committee on 10th February, 1984 about the progress of DIC buildings, the latest position as received from the State/UT Governments pertaining to the period ending September, 1983 was taken into consideration. By then 256 buildings had been constructed and a number of buildings were reported to be under advanced stages of construction. Subsequently for replying to the Parliament Question No. 5320 dated 28th March, 1984 some more information had been received from the State Governments indicating various stages of construction and the likely dates of the completion of the buildings. Accordingly the information pertaining to construction of buildings was revised.

The buildings which were constructed between September and February, 1984 and those which were expected to be completed by

March, 1984 were also included when the reply was given to the Parliament Question, which explains the discrepancy between the two figures.

It may be pointed out that the position has further improved and as per latest figures supplied by the State/UT Governments 307 buildings have been completed including 19 buildings which are likely to be completed shortly. The State Governments have informed that for the rest of the buildings necessary steps are being taken such as acquisition of land and construction of buildings etc.

[Office of the Development Commissioner, Small Scale Industries No. DIC/2 (2)/85-PAC dated 24/27.9.1985]

CHAPTER IV

RECOMMENDATIONS OBSERVATIONS THE REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

1.160 Till March, 1982, out of a total of 411 districts of the country, 384 DICs were sanctioned covering 394 districts. In 1978-79, Government provided a non-recurring grant of Rs. 5 lakh per centre (cost of building Rs. 2 lakh and cost of capital assets Rs. 3 lakhs). A grant of Rs. 3.75 lakhs per annum per centre was also provided by the Govt. for recurring expenses, to be matched by a grant of Rs. 1.25 lakhs from the State Government. From 1979-80, the pattern of assistance has been revised and funds are to be provided equally by the Centre and State Governments for all components of the scheme. Explaining the procedure for release of Central funds the Ministry of Industry have stated that for the first two quarters of a financial year, 50% Central assistance is released on ad hoc pro rata basis of the budget provision of the State/Union Territories and for the 3rd and 4th quarter, the funds are to be released on the basis of actual expenditure incurred during the preceding quarters. The unspent balances are to be adjusted against the subsequent year's allocations. The Committee are concerned to note that whereas unspent balances remaining with the State/Union Territories out of Central releases of loans and grants for promotional schemes upto 1980-81 amounted to Rs. 180.69 lakhs, Rs. 318.55 lakhs and Rs. 115.60 lakhs respectively, the expenditure against recurring grants for establishments had been Rs. 1360.57 lakhs against the budget provision of Rs. 1313.23 lakhs, thus showing an excess expenditure of Rs. 47.34 lakhs during the same period. The Committee would like the Ministry of Industry to find out the reasons why it has not been possible for the DICs to utilise the grants and loans for promotional schemes and take necessary corrective measures in this regard.

[Sl. No. 4 (Para No. 1.160) of Appendix-IV, of 219th Report of PAC (1984 85) (7th Lok Sabha)]

Action Taken

The matter was referred to the State/UT Governments and they were asked to furnish the latest position regarding utilisation of grants and loans for promotional schemes along with reasons for non-utilisation of these funds. As per the information received from the State Governments about the utilisation of recurring grant, it is observed that all the funds released to the State/UT Governments for promotional schemes under recurring head since inception of the programme upto 1983-84 has been fully utilised by the State Governments and there is no unspent balance lying with the State Governments.

However, the amount released under loan head have not been fully utilised. There was an unspent balance amounting to Rs. 363.88 lakhs upto March, 1984. The main reason for non-utilisation of these funds is that these funds are not to be utilised for direct loaning purposes and can be utilised as Seed/Margin money by observing certain formalities. The terms and conditions of the Margin Money Assistance Scheme is at Annexure-II/C. Since these conditions cannot be complied with easily by most of the State Governments quite a few of them have formulated their own Seed/Margin Money Schemes and therefore did not utilise the Central releases. The State-wise position regarding unspent balances for promotional schemes under recurring expenditure and under loan head are indicated in the Annexure-III.

[Office of the Development Commissioner, Small Scale Industries, No. DIC/2 (2)/85-PAC dated 24/27th Sept. 1985]

ANNEXURE-II-C

(Para 1.160)

1.160 The Seed/Margin Money Scheme was initially as Central Scheme w.e.f. 1979-80, it was transferred to the State Plans. The Planning Commission decided that DIC loans which were hitherto being disbursed as direct loan for fixed or working capital through State Aid to Industries Act were to be used entirely as Seed/Margin Money. The existing terms and conditions of the Margin Money Scheme were as follows :

- (i) The areas covered under the Scheme in the State/UTs would

be on the basis of population in towns and rural areas having a population of less than 50000. Cities with more than one million population in standard urban areas of the city as demarcated in 1971 census and areas upto 15 kilometers around such cities would be excluded from the purview of the scheme.

- (ii) Margin Money Scheme would be admissible to tiny units having investment on plant and machinery not exceeding Rs. 2 lakhs. The extent of assistance will be 10% of total investment comprising of fixed capital investment, pre-operative expenses and 3 months working capital requirements or Rs. 20,000/- whichever is less. In the case of entrepreneurs belonging to S.C./S.T. seed margin assistance may be 15% of the total fixed capital or Rs. 30,000/- whichever is less.

With these terms and conditions some of the State Governments had represented that they are facing difficulties in implementing the scheme. There is still a large areas in the rural sector which is not covered by the banks and as such, most of the artisan based and smaller of the small units are unable to avail the scheme. The State Governments had pleaded for direct loaning to save tiny and artisan based units from approaching 2 or 3 agencies for their loan requirements and to get cheaper credit from DIC. For availing margin money the entrepreneur has to approach 2 agencies—one DIC for margin money and another bulk of the credit requirement from the financial institutions.

The State Governments had also pleaded that some good units having investment of Rs. 2.5 lakhs on plant and machinery are not able to avail of the margin money assistance because of the fact that according to the existing conditions, margin money assistance is admissible to tiny units having investment on plant and machinery not exceeding Rs. 2 lakhs, although such units are being promoted by the DICs. Keeping this fact in view it was pleaded by the state Government that margin money assistance to such small scale industries which have investment on plant and machinery upto Rs. 5 lakhs may be allowed.

The State Governments had further pleaded for providing assistance to units located in towns having population of more than 50,000

under the Margin Money Scheme. This condition of providing all assistance to units located in towns having population of less than 50,000 should not debar good entrepreneurs in such areas where industrial estates, complexes etc. have been set up. It was therefore, suggested that margin money assistance should be admissible to all eligible units set in industrial estates/complexes even in standard urban areas except in cities having population of more than 5 lakhs. The proposals of the State Governments were examined and a proposal was sent to the planning Commission on 17.1.1983 with the modification in the terms and conditions as listed below for consideration of the Planning Commission :

- (i) The Margin Money Scheme would be admissible to units having investment on plant and machinery upto Rs. 5 lakhs as against the existing limit of Rs. 2 lakhs;
- (ii) Allowing Margin Money assistance to all eligible units set up in industrial estates/complexes even in standard urban areas except in cities having population beyond 5 lakhs; and
- (iii) Authorising the State Government to utilise at least 50% of the total outlay/allocation of the margin money for direct loaning.

The above proposal of the Ministry was examined by the Planning Commission and change in criteria for operation of the scheme has agreed to by the Planning Commission which is as under :

- (i) It may continue to be made available to the tiny units namely those which have an investment on plant and machinery not more than Rs. 2 lakhs.
- (ii) Instead of assistance being limited to 10% of the total fixed capital, it may be increased to 20% subject to a maximum of Rs. 40,000/-. In the case of Scheduled Castes/Scheduled Tribes, it would be increased to 30% of the total fixed capital subject to a maximum of Rs. 60,000/-; and
- (iii) This may be made applicable to all units constituted in semi-urban areas namely upto a population of one lakh.

The above recommendation has been communicated to all the State/UT Governments *vide* this office letter No. DIC/2(2)/81 dated 14.8.1984 (copy enclosed).

NO. DIC/2(2)/81
GOVERNMENT OF INDIA
OFFICE OF THE DEVELOPMENT COMMISSIONER
SMALL SCALE INDUSTRIES
MINISTRY OF INDUSTRY

Nirman Bhavan, New Delhi.
Dated : 14th August, 1984.

To,

The Secretary,
Industry Deptt. of all
State/UT Governments.

SUBJECT :— *Loan assistance under District Industry Centres Schemes to be utilised as seed/Margin Money—Terms and Conditions—modifications.*

Sir,

In continuation of this office letter No. RIPC. 2(2)/76 dated 4th April, 1981 forwarding there with copies of the Seed/Margin Money alongwith clarifications, I am directed to state that the following modifications have been brought in the above scheme :—

- I. The loan assistance would be admissible to all the tiny units having investment on plant and machinery not exceeding Rs. 2 lakhs as already provided in this scheme.
- II. The extent of assistance will be limited to 20% of the total investment comprising of fixed capital investment, pre-operative expenses and 3 months working capital requirements or Rs. 40,000 whichever is less. In case of entrepreneurs belonging to SC/STs Seed/Margin Money assistance may be 30% of the total fixed capital of Rs. 60,000 whichever is less.
- III. The assistance will be provided to all units located in the Cities and towns having population upto 1 lakh as per 1971 census.

The other terms and conditions will remain the same. In consequence, I am to request you to kindly issue further instructions in the matter to all the DICs of your State.

Yours faithfully,
Sd/-
(B.B. Maiti)
Director (DIC)

Copy to :—

1. The Commissioner/Director of Industries all States/UTs Government.
2. The General Managers of District Industries Centre.

Sd/ -
(B.B. Maiti)
(Director (DIC))

ANNEXURE-III

(Para 1.160)

Unspent balances at the end of 1983-84.

(Rs. in lakhs)

Sl. No.	Name of the State	Unspent balances at the end of March, 1984	
		Recurring	Grant Loan
1.	Andhra Pradesh	13.42	32.60
2.	Assam	—	—
3.	Bihar	(+) 33.01	47.72
4.	Gujarat	—	6.69
5.	Himachal Pradesh	—	18.98
6.	Haryana	—	—
7.	Jammu & Kashmir	—	2.77
8.	Karnataka	—	21.15
9.	Kerala	—	0.95
10.	Madhya Pradesh	—	45.00
11.	Maharashtra	7.90	65.53
12.	Manipur	—	1.90
13.	Meghalaya	0.35	11.62
14.	Nagaland	—	15.56
15.	Orissa	—	13.00
16.	Punjab	—	7.40
17.	Rajasthan	—	6.73
18.	Sikkim	—	3.22
19.	Tamil Nadu	—	9.11
20.	Tripura	—	5.37
21.	Uttar Pradesh	—	15.81
22.	West Bengal	—	32.67
Total :		(+) 11.34*	363.88*
Central assistance released from 1978-79 to 1983-84		• 5446.58	2200.31

*Provisional

Recommendation

Although the DIC scheme provided for construction of building for each DIC and for this purpose non-recurring grant of Rs. 2 lakhs was provided to each DIC, the progress regarding the construction of building has been rather unsatisfactory. Although the Ministry of Industry had laid down 31st March, 1983 as the deadline by which non-recurring grant meant for construction of office building had to be utilised, out of 395 DICs sanctioned, building shad been completed in respect of 256 DICs only till 31st December, 1983. In some of the States, the position is very unsatisfactory e.g. in Karnataka, out of 19 DICs sanctioned, only 1 building had been completed, as on 31.12.1983 and in Kerala also out of 12 DICs only one buildings had been completed. The Ministry of Industry have informed that the escalation in the cost of construction and non-availability of construction materiel are some of the reasons responsible for delay in construction of buildings. The Committee would like the Ministry of Industry to make concerted efforts and provide necessary assistance to State Governments to ensure that the DIC buildings are completed at the earliest so that the centres could function effectively. One of the measures that the Committee would recommend in this regard is the release of funds by the Centre for the whole year at the beginning of each year and adjusting the unspent balances against the next year's release. This should be done at least as an experimental measure because the Committee have reasons to believe that the late release of fund for the 3rd and 4th quarters under the existing procedure has inhibited the utilisation of funds by the States.

[Sl. No. 5 (Para No. 1.161) of Appendix-IV of 219th Report of PAC (1^c84-85) (7th Lok Sabha)].

Action Taken

The observations and recommendations of the PAC were conveyed to the State/UT Governments with the request to expedite the construction of DIC buildings. As per information received from the State Governments at the end of February, 1985, 307 DIC buildings have been completed including 19 buildings which are nearing completion. Thus 90 DIC buildings are yet to be taken up for construction and the respective State Governments have informed that they are in various stages of processing, such as requisition and purchase of land etc. In

some States non-availability of land has been reported especially in the States of Bihar, Karnataka and Kerala. However, the State Governments have been asked to expedite the completion of remaining DIC buildings. A statement showing upto date position of DIC building is enclosed at Annexure-IV.

As regards release of funds for construction of DIC building is concerned, it may be pointed out that it was included under one-time grant for non-recurring expenditure which was released to all State/UT Governments at the rate of Rs. 5 lakhs per DIC at the inception of DIC programme i.e. May, 1978. As far as the construction of DIC building is concerned, the funds were released to all the State/UT Governments under non-recurring head which were to be utilised for construction of DIC building, purchase of vehicle and office equipments etc. In 1978-79 when the DIC programme was started, the pattern of assistance was 100 per cent from the Centre and maximum Central assistance under non-recurring head was fixed at Rs. 5 lakhs per DIC of which Rs. 2 lakhs was meant for construction of DIC building and the remaining Rs. 3 lakhs was to be utilised for purchase of vehicles, office equipment and furniture etc. During 1979-80, the pattern of assistance was changed when it was decided that States should share the expenditure equally and the amount of non-recurring expenditure per DIC was raised to Rs. 6 lakhs with effect from the year 1983-84. Thus Central ceiling for DIC sanctioned after 1983-84 stands raised to Rs. 3 lakhs per DIC. However, it may be mentioned that all the funds under non-recurring head, including construction of DIC buildings were released to the State/UT Governments in the year 1978-79 and 1979-80, 1981-82 and 1982-83. There are a few DICs like Thoubal, Bishenpur in Manipur and two DICs in Maharashtra which have been sanctioned recently by the Central Government but funds have not been released for them because all the DIC buildings for which funds have been released earlier have not yet been constructed in these States.

However, the observation of the Committee regarding release of funds to the State Governments in the beginning of the financial year does not hold good in this context of non-recurring head of account. Presumably, the observation of the Committee that as an experimental measure, the Central releases should be made in the beginning of the year refers to recurring head of account. This matter was examined in

consultation with the Ministry of Finance and is not found feasible because the funds are released in instalments so that the progress of the scheme could be monitored and releases regulated with reference to the expenditure actually incurred. The release of funds in one lump sum at the beginning of the year would defeat this objective. Moreover if any deviation from the present procedure is made similar requests are bound to be received in respect of all other Centrally sponsored schemes and the amount of funds to be released in one instalment to the State Governments at the beginning of the year would create a serious ways and means problem for the Central Government. In view of this the suggestion for the release of Central assistance in one instalment at the beginning of the year for the Centrally-sponsored scheme of District Industries Centres is not considered desirable.

[Office of the Development Commissioner, Small Scale Industries, No. DIC/2 (2)/85-PAC dt. 24/27 Sept. 1985]

ANNEXURE-IV

(Para 1.161)

Progress of Construction of DIC Buildings

Sl. No.	Name of the State/UT	No. of DICs sanctioned	No. of DIC building completed (as on 31.12.1983)	No. of DIC buildings completed (including/ to be completed shortly as on 1.2.84)	No. of DIC buildings completed (including those to be completed shortly as on 1.3.1985)
1	2	3	4	5	6
1.	Andhra Pradesh	22	22	22	22
2.	Assam	10	3	3	3
3.	Bihar	33	15	15	15
4.	Gujarat	17	13	15	16
5.	Haryana	12	6	6	10

1	2	3	4	5	6
6.	Himachal Pradesh	12	10	10	10
7.	J & K	14	13	13	14
8.	Karnataka	19	1	1	4
9.	Kerala	12	1	1	4
10.	Madhya Pradesh	45	38	39	44
11.	Maharashtra	29	19	20	20
12.	Manipur	8	3	3	4
13.	Meghalaya	5	2	3	3
14.	Nagaland	7	7	7	7
15.	Orissa	13	9	9	10
16.	Punjab	12	7	12	12
17.	Rajasthan	26	12	24	24
18.	Sikkim	1	1	1	1
19.	Tamil Nadu	14	14	14	14
20.	Tripura	3	Nil	2	2
21.	Uttar Pradesh	56	47	54	54
22.	West Bengal	15	7	7	7
23.	Arunachal Pradesh	5	4	4	4
24.	Mizoram	2	1	1	1
25.	Pondicherry	1	1	1	1
26.	Goa, Daman & Diu	1	DIC has become operational in Oct., 1984		
27.	Dadra & Nagar Haveli	1	Nil	Nil	1
28.	A & N Islands	1	Nil	Nil	Nil
29.	Chandigarh	1	Nil	Nil	Nil
Total :		397*	256	287	307

*The two more DICs viz. Bishenpur and Thoubal of Manipur were sanctioned on 11-6-1984.

Recommendation

The Committee find that provision of facilities to entrepreneurs at a single window formed the basic purpose of DICs. This involved delegation of powers to District Industries Centres both at administrative and financial level. In this connection, the Ministry of Industry have stated that after a model delegation of powers was evolved at the All India DIC Conference for uniform application throughout the country and the same was approved by the Central Coordination Committee on DICs, all the State/UT Governments were requested on 1 July, 1983 to implement the model delegation of powers at an early date. The Committee, however, regret to note that in 9 States and one Union Territory powers were not delegated to the DICs. The Ministry of Industry have themselves admitted that the one window concept cannot be wholly adopted because of existence of certain constraints arising out of statutory compulsions. In the circumstances an attempt has been made at convergence of the activities of other statutory bodies like KVIC, State Financial Corporations, State Small Industries Development Corporation etc. with those of the DICs instead of making the former to surrender their statutory obligations. The Committee are positive that the DICs cannot be a success until and unless all the facilities are available under one roof in each centre so that the entrepreneur may not be required to run from pillar to post. The Committee, therefore, desire that the Ministry of Industry should take steps to ensure the delegation of adequate powers to DICs as far as possible and bring about effective Coordination of all the concerned authorities including Electricity Boards and financial institutions under one roof.

[Sl. No. 11 Para No. 1.167, Appendix-IV of 219th Report of PAC (7th Lok Sabha)]

Action Taken

Delegation of Power

It has been ascertained that delegation of power have by and large been completed in respect of the following heads for the individual States and UT concerned.

Administrative Powers relating to DIC Organisation :

1. Full powers of the Head of Office.

2. Full power to act as controlling officer.
3. Full powers to sanction casual leave, earned leave, annual increment in respect of Gazetted and non-Gazatted Staff.
4. Posting and transfer of gazetted and non-gazetted staff within jurisdictional area in public interest. In respect of these all the powers have been delegated by the States and UTs as follows :

Andhra Pradesh, Bihar, Gujarat, Himachal Pradesh, Haryana, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Orissa, Punjab (except point 4 above), Arunachal Pradesh, Pondicherry, Dadra & Nagar Haveli, Chandigarh. Other States and UTs have not so far informed the position clearly. The same would also be ascertained from them and intimated to PAC.

Powers for Promotional Activities

1. Powers for registration and de-registration of Units.
2. Powers to assess capacity of units.
3. Powers to asses the utilisation of raw materials.
4. Power to recommend for the supply of machinery on hire purchase upto Rs. 50,000/-.
5. Powers for allotment of land/sheds to units in industrial areas etc.
6. Powers to select entrepreneurs and approve schemes under various programmes.
7. Powers to arrange preparation of project reports, feasibility studies and sanction subsidy, if any, on cost of project report and technical know-how.
8. Powers to select trainees and arrange training.

9. The following States have mostly delegated these powers to the DICs :

A.P., Bihar, Chandigarh, Dadra & Nagar Haveli, M.P., U.P., Maharashtra, Punjab, Rajasthan, Tamil Nadu, West Bengal, Orissa, Kerala, Karnataka, Arunachal Pradesh, Pondicherry, Haryana, Gujarat, J & K, Manipur, Himachal Pradesh.

Financial Powers :

1. Powers to sanction loans/margin money.
2. Powers to grant subsidies/incentives in respect of tiny and SSI units.
3. Powers to recommend central subsidy upto Rs. 3.00 lakhs to SSI units with a fixed capital investment of not more than Rs. 20.00 lakhs and power to recommend concessional finance to tiny and SSI.

Powers of other Departments and Organisations :

1. Powers to recommend power load upto 20 HP.
2. Powers to grant loans on behalf of KVIC.
3. Powers to recommend loans upto Rs. 50,000/- to State Financial Corporation and Banks.
4. Powers to make assessment, issue material, check, their utilisation and consumption in matters of scarce raw materials.
5. Powers to issue of essentiality certificates, recommendation for import licence for import of raw material etc. to units located in backward areas.
6. Powers to recommend applications for import of capital goods upto a certain value.
7. Powers to issue E.C. for import of components/shares/Prototype upto a certain value.
8. Powers of sponsoring units to the licensing authority/canalising agencies.

9. Powers to assess capacity of units for purpose of import licence.
10. Allotment of imported raw materials to units inside the district.
11. Powers to organise industrial cooperatives. These powers in various degrees have been delegated by the following States :
Orissa, Punjab, Tamil Nadu, Uttar Pradesh, Bihar, West Bengal, Dadra & Nagar Haveli, Arunachal Pradesh, Andhra Pradesh, Gujarat, Himachal Pradesh, Haryana, Karnataka, J & K, Kerala, Madhya Pradesh, Maharashtra, Rajasthan.

[Office of the Development Commissioner, Small Scale Industries No. DIC/2(2)/85-PAC dated 24/27.9.1985].

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The Committee note that the DIC programme laid emphasis on manning of the Centres with personnel of proven ability and adequate experience having organisational skill and quality of leadership. Each Centre was to be headed by a General Manager of the rank of Joint Director of Industries or a senior Deputy Director, if found exceptionally suitable, to be assisted by 4 to 7 Functional Managers depending upon the requirements of every DIC. No guidelines have been issued by the Ministry of Industry with regard to educational qualifications and pay scales for the posts of General Manager and Functional Manager, and the selection and appointment of the staff has been left to the State Governments who were permitted to absorb their staff from Industry Department, recruit on contract basis from the open market and take on deputation from other Central/State Government Departments/undertakings suitable personnel to man the DICs. The Committee are concerned that in 317 DICs out of a total of 395 DIC sanctioned, there were only 344 General Managers and 1222 Functional Managers against 363 and 1676 sanctioned posts respectively as on 31 December, 1982. What is more disturbing is the fact that there is not even a single Project Manager in position against 502 Project Managers suggested by the Development Commissioner, Small Scale Industries and 398 proposed by the various District Industries Centres till 31 December, 1982 although the restructuring of all the DICs was to be completed by 31st October, 1981.

The Study Group of Public Accounts Committee were informed by the representatives of the various State Govts. that the DICs programme has been suffering from the constraint of lack of management, efficiency in a big way. The Committee are surprised to note that the

position has not shown any improvement in spite of communications from the Union Industry Minister in February, 1983 and again on 12 March, 1984. The Committee recommend that the Ministry of Industry should ensure that all the vacant posts of General Managers/Functional Managers/Project Managers in the DICs are filled up at the earliest with competent men from all sources.

[Sl. No. 13 (Para No. 1.169) of Appendix-IV of the 219th Report of the PAC (1984-85) (7th Lok Sabha)]

Action Taken

The observations and recommendations of the Committee were forwarded to the State/UT Governments on 16.11.1984 and they have been asked to ensure expeditious filling of all the vacant posts of General Managers, Functional Managers & Project Managers. The PAC will be informed about further progress in this regard.

[office of the Development Commissioner, Small Scale Industries No. DIC/2(2)/85-PAC dated 24/27.9.1985].

Recommendation

The DICs were expected to create industrial awareness among the rural entrepreneurs and artisans and motivate them to start the industries by conducting seminars, exhibitions and entrepreneurial development programme (EDPs). However, the Committee find that in Karnatrka owing to constraint of staff and finance, the number of EDPs and exhibitions conducted between 1978 and 1982 was too small (i.e. 282) compared to the number of 1189 growth centres identified for development. Again in Kerala, owing to non-filling up of the posts of Industries Extension Officers, linkage of block level industrial activities with DICs set up was yet to be achieved in 22 out of 59 blocks in four districts. In Andhra Pradesh also extension activities were not adequate in any of the DICs and in 6 DICs test checked by Audit there were only 39 Extension Officers for 101 blocks. It is incomprehensible as to now in these circumstances, DICs can be expected to create industrial awareness among the rural entrepreneurs and artisans and how these entrepreneurs and artisans are expected to know about the activities of the DICs in the absence of adequate linkages of the block/Taluq level.

The Committee, therefore, desire that the position should be periodically and effectively monitored by the Ministry and follow up action taken to ensure that proper and adequate extension services are available in all the Centres in the country.

[Sl. No. 18 para No. 1.174 of Appendix-IV of the 219th Report of the PAC (1984-85) (7th Lok Sabha)]

Action Taken

Regarding proper and adequate extension services in the DICs, 13 State/UT Governments have now informed about their present position. The names of 13 States/UTs who have reported include : West Bengal, Andaman & Nicobar Islands, Andhra Pradesh, Haryana, Assam, Meghalaya, Tripura, Orissa, Sikkim, Manipur, U.P., Pondicherry and Punjab. Rest of the State/UT Governments could not collect the information from the DICs and send the compiled position by the given date. Replies indicate that in most of the States, the linkages has been provided upto the level of blocks through Panchayat Samities. Block-level extension officers have been appointed who are providing extension services to the small scale and rural entrepreneurs and coordinating the services with the DICs. Entrepreneurial Development Programme, seminars, exhibitions, intensive compaigns are organised at different places in the district. Linkages have also been established with various district and block-level organisations in order to provide coordinated extension services to the entrepreneurs. This shows that in most of the States from where replies have been received a network has been created for providing extension services to the cottage and small scale units upto the block/ taluq level creating industrial awareness amongst prospective entrepreneurs.

[Office of the Development Commissioner, Small Scale Industries, No. DIC/2(2)/85-PAC dated 24/27-9-1985]

Recommendation

1.76 There is regretablely no systematic arrangements to monitor the functioning of the units assisted by the DICs. During the tours of the study Groups of the Committee the representatives of the State Governments had informed the Committee that while the figures of small scale industries and units set up under the DIC programme were avai-

lable with them, the number of industries which were actually function- were not known. It was also admitted that the possibility of a high percentage of such industries having been closed down or becoming sick could not be ruled out. On a test check of 81 DICs covering 13 States, Audit had found that there were about 5203 sick units of which 4618 units were closed mainly due to the shortage of working capital, essential raw materials, inadequate power supply, absence of marketing facilities etc. It was disturbing to the Committee to hear from the then Secretary, Ministry of Industries that "there are hundreds and thousands of sick units in the Districts. I do not think that the DICs which have a strength of only 4 or 5 people can go and assist the sick units and re- view them". From the information furnished by the Ministry, the Committee are concerned to find that there were about 25342 sick units involving an outstanding loans of Rs. 359.07 crores as on 31 December, 1981. During evidence, the Secretary, Ministry of Industry has stated that at present the number of sick units might be about 35,000. In this regard, he suggested that collective efforts are necessary in such a task as revival of sick units. The Committee are of the definite view that the success of the DICs has to be judged not by by the number of new industrial units set up but by the number of units which are actually well established and are functioning efficiently. The Committee have an apprehension that considerable percentage of new units set up have either become sick or have been wound up. There are also evidently cases where the assisted units did not come into existence at all. The Committee, therefore, recommend that the DICs should evolve a proper monitoring mechanism to keep a close watch over the setting up of units as well as functioning of units set up and to render all assistance to obviate sickness. Further DICs ought to play an effective role in revival of sick units in coordination with other organisations concerned. For this purpose if the DICs are to be strengthened, it should be done. Necessary guidelines in this regard may be issued.

[Sl. No. 20 Para No. 1.176, of Appendix-IV of 219th Report of the PAC 1984-85 (7th Lok Sabha)]

Action Taken

As regards the observations and recommendations of the Committee on sick units, 15 State Governments have responded. Their replies have brought out that in almost all the States/UTs, the system

has been evolved for identification, diagnostic study and provisioning of rehabilitation assistance through the sick units cell at the State-level. In every State there is a State-level Inter-Institutional Committee (SLIICs) functioning for rendering assistance to sick units in a coordinated manner. This is headed by the Secretary of Industries with the regional head of Reserve Bank of India as the convener. The small industries service institute is represented on this Committee. Some of these States have pointed out that because of the inadequacy of the staff at the district-level proper attention could not be given to the task of identification and rehabilitation of sick units. The present staff is fully absorbed in promotional activities for creating entrepreneurs and providing them guidance and assistance for setting up of new units. It has been suggested by them that additional staff may be provided for this task of looking after the sick units' problems. Further it has been pointed out that the recommendations of the State-level Coordination Committees are not mandatory and binding and, therefore, not always accepted by the organisations concerned with providing rehabilitation assistance to the sick units. In certain areas there are sub-committees for sick units formed at the DIC-level. In Kerala the units are given colour cards indicating whether the unit is treated as satisfactory, likely to become sick or has become sick. The inception of the units with this colour marking scheme is in progress and the results are awaited by the State Government. The DICs are associated with the task of identification, diagnostic study and recommending the rehabilitation measures and follow up with the concerned agencies.

In this context it may be mentioned that a Standing Committee on Industrial Sickness was constituted under the Chairmanship of Development Commissioner, Small Scale Industries. The terms of reference of the Committee include among others to identify causes of sickness, to evolve measures to prevent sickness and for rehabilitation of sick units, to suggest improvements in the existing institutional framework for dealing with problems of sickness etc. This Committee has already submitted its report to the All India Small Scale Industries Board. The recommendations of the Committee cover a number of areas including definition of sickness and rehabilitation measures for revival of sick units and are presently under the consideration of the Government and the Reserve

Bank of India. PAC will be informed of the decision taken by Government on the recommendation of the Committee on industrial sickness.

[Office of the Development Commissioner, Small Scale Industries, No. DIC/2 (2)/85-PAC dated 24/27-9-85]

NEW DELHI ;
April 23, 1986

Vaisakha 3, 1908 (Saka)

E. AYYAPU REDDY,
Chairman,
Public Accounts Committee,

PART II
MINUTES OF THE 54TH SITTING OF THE COMMITTEE ON
PUBLIC ACCOUNTS HELD ON 23 APRIL, 1986 (AN)

The Committee sat from 1530 hours to 1710 hours.

PRESENT

Shri H.M. Patel—*In the Chair*

MEMBERS

Lok Sabha

2. Shri J. Chokka Rao
3. Shri Amal Datta
4. Shri G. Devaraya Naik
5. Shri Rameshwar Neekhra
6. Shri Rajmangal Pande
7. Shri Girdhari Lal Vyas

Rajya Sabha

8. Shrimati Amarjit Kaur
9. Shri Nirmal Chatterjee

SECRETARIAT

1. Shri N.N. Mehra—*Joint Secretary*
2. Shri K.H. Chhaya—*Chief Financial Committee Officer*
3. Shri Krishnapal Singh—*Senior Financial Committee Officer*
4. Shri Brahmanand—*Senior Financial Committee Officer*
5. Shri O.P. Babal—*Senior Financial Committee Officer*

REPRESENTATIVES OF THE OFFICE OF C&AG

- | | |
|-----------------------|----------------------------|
| 1. Shri T.M. George | —ADAI (Reports) |
| 2. Shri P.C. Asthana | —ADAI (Railways) |
| 3. Shri P.N. Misra | —Joint Director (Railways) |
| 4. Shri N. Rayalu | —Joint Director (Reports) |
| 5. Shri V.S. Jakhmola | —Joint Director (C.W.&M) |

2. The Committee in the absence of Chairman requested Shri H.M. Patel to act as Chairman for the sitting under rule 258 (3) of the Rules & Procedure and Conduct of Business in Lok Sabha.

3. The Committee took up for consideration Draft Report on Action Taken on recommendations contained in their 219th Report (Seventh Lok Sabha) regarding District Industries Centres Programme. The Committee adopted the draft Report with certain modifications as shown in Annexure I.

* * * *

7. The Committee also authorised the Chairman to finalise the draft Reports in the light of the above modification and other verbal and consequential changes arising out of factual verification by Audit and present them to the Parliament.

The Committee then adjourned.

ANNEXURE -I

Modifications/Amendments made by the Public Accounts Committee in the Draft Report on Action Taken on the recommendations contained in 219th Report of PAC (7th Lok Sabha) regarding District Industries Centres Programme.

<i>Page</i>	<i>Para</i>	<i>Line(s)</i>	<i>For</i>	<i>Read</i>
5	1.7	21	79.53 per cent	79.50 per cent
5	1.7	25-26	a single post of	a single
6	1.7	1	process of	process of restructuring of
6	1.8	9	all. They	all, they
9	1.11	26	with	upto
19	1.21	24	important	importance

APPENDIX

Statements of Conclusions/Recommendations

Sl. No.	Para No.	Ministry/Deptt. concerned	Conclusions/Recommendation
1	2	3	4
1.	• 1.4	Ministry of Industry	<p>The Committee expects that final replies to the recommendations and observations in respect of which only interim replies have so far been furnished will be made available expeditiously after getting them vetted by Audit.</p>
2.	1.7	-do-	<p>In the industrial Policy announced in Parliament on 23 July 1980. it was stated that the District Industries Centres had not produced benefits commensurate with the expenditure and that it was proposed to initiate more effective alternatives. Accordingly, an intensive review of the District Industries Centres Programme was made by a high level team consisting of representatives of Ministries of Industry, Commerce, Rural Reconstruction, Reserve Bank of India</p>

and State Governments. In accordance with the recommendations of the Review Team, instead of substituting DIC programme with another programme it was decided in August 1981 to restructure the DICs which would consist of one General Manager, 4 Functional Managers and upto 3 Project Managers in disciplines considered relevant to the needs of the District. The Committee are unhappy to find that the restructuring of the District Industries Centres (DIC) which was to have been completed by the end of October 1981 is yet to be completed. As would be seen from the figures furnished by the Ministry by the end of September 1985, 79.50 percent of the posts of Functional Managers, 4.2 per cent of the posts of the Project Managers have been filled up. The Committee note that out of 29 States/UTs 22 States/UTs have not even appointed a single Project Manager. As these functionaries are the backbone of the DIC activities the Committee consider it reasonable to conclude that the process of restructuring of the DICs has not even begun in these States.

3. 1.8 Ministry of Industry

Among the reasons put forward for delay in the restructuring process was absence of an assurance announcing the fact that the programme would continue as a Centrally spon-

sored programme after the Sixth Plan. While it surprises the Committee to know that uncertainty in regard to a programme formulated for providing a fillip to the generation of industries in the rural sector should have been allowed to exist at all, they find that such an assurance, was given only in July, 1984. Now that Government thinking in the matter has been made clear to the State Governments, the Committee desire that the restructuring process should be completed most expeditiously so that DICs can begin to play the role designed for them from the very beginning of the Seventh Plan.

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The Committee find that the amount released under loans and grants for promotional schemes has not been fully utilised by various States/Union Territories and there was an unspent balance of Rs. 363.88 lakhs upto March, 1984. The Ministry of Industry have informed the Committee that the main reason for non-utilisation of these funds was that these funds were not to be utilised for direct loaning but as seed/margin money by observing certain formalities. Since these formalities could not be easily complied with by most of the State Governments and a few of them have formulated their own seed/margin money schemes, they did not utilise the Central release. The Committee are informed that to improve the utilisation of the resources made available under

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the loan head and to make the conditions under Margin Money Assistance Scheme more practicable, the scheme has been liberalised so as to :

- (1) raise assistance limit under Margin money scheme from 10% to 20% subject to a maximum of Rs. 40,000 (in place of the existing limit of Rs. 20,000) and in case of SCs and STs to 30% subject to a maximum of Rs. 60,000; and
- (2) make it applicable to industries in semi-urban areas upto a population of one lakh also.

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As the liberalised scheme is already in operation since August 1984, the Committee suggest that its performance may be reviewed again and necessary changes made in the scheme in the light thereof in the interest of full utilisation of resources and keeping the basic objectives also in view.

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Ministry of Industry

The performance of the State Governments in regard to construction of DIC buildings is disappointing. Even after about eight years of operation of the scheme, the buildings had yet to be constructed in as many as 90

district. Availability of funds was adequate in as much as allocation per DIC had been increased from Rs. 5 lakhs to Rs. 6 lakhs on non-recurring basis, thus raising the total allocation per DIC building to Rs. 3 lakhs. The Committee do not consider that availability of land could not be an insurmountable obstacle in respect of a project which had the blessing of the administration at the local and state levels. It is clearly in a State's own interest to ensure expeditious construction of the building to house the centre designed to assist small/tiny industries in the State. The Committee would suggest that non-recurring grants may be released in stages in accordance with the progress made in the construction of the buildings. This might ensure greater speed. The Committee would like this matter to be taken up with the States with a view to evolving a suitable mechanism for monitoring and release of funds devised to ensure that funds do not remain unspent, for the purpose for which these have been released, for long period.

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7. 1.18 -do-

The Committee note with regret that the State Government of Rajasthan had not been able to construct DIC building in Ajmer and Jaipur. The reason advanced for this failure is strange, namely that no suitable piece of land could be found during the last 8 years. The Committee would like this matter to be taken up earnestly at an appropriate level so

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as to ensure that land for DIC buildings in Ajmer and Jaipur is acquired quickly and buildings are constructed expeditiously.

8. 1.21 Ministry of Industry

Providing facilities to entrepreneurs at a single window formed the basic purpose of District Industries Centres and that involved delegation of powers to District Industries Centres both at Administrative and financial levels. Now the Ministry of Industry have informed the Committee that delegation of powers have by and large been completed in respect of various heads viz., Administrative Powers, Powers for Promotional Activities, Financial Powers, Powers of other Departments and Organisations etc. for the individual States and Union Territories. The Ministry of Industry have not clearly and specifically spelt out whether the model delegation of powers evolved at the All India DIC Conference for uniform application throughout the country and sent to all the States/Union Territories for implementation on 1 July, 1983 have been implemented in all the States and Union Territories. It would be seen this has not been done on uniform basis. The Committee reiterate their earlier recommendation that the Ministry of Industry should take steps to ensure the delegation of adequate powers to DICs on an uniform basis,

it is of the utmost importance that all the concerned authorities should act in a coordinated manner. This is of particular significance about Electricity Boards and Financial Institutions.

9. 1.24 -do-

The Committee had in their earlier Report pointed out that absence of adequate marketing outlets was a major problem being faced by small scale units and artisans and as such certain positive steps had to be taken by Government and other promotion agencies to provide marketing support. The Committee had *inter alia* desired that the organisations like Khadi & Village Industries Board, All India Handloom Board, All India Handicrafts Board, National Small Industrial Corporation, DRDAs etc. should play a more active role for providing marketing assistance to Small Scale Industries in a Coordinated manner. Unfortunately not all the States have responded to the enquiries initiated by the Ministry of Industry in this regard. The reply of Government which is based on the response received only from fifteen States indicates that the nature of marketing assistance being rendered to the small units and artisans varies from State to State. Only the States of Rajasthan, Kerala, Pondicherry and Bihar are stated to have implemented the Scheme. No indication is available from the information received from the rest of the States to show that Government

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agencies like KVIC, Handicrafts and Handloom Boards, SSIC and DICs have taken steps in a coordinated manner to involve themselves more actively in rendering marketing assistance to the small and tiny industries. The Committee wish to reiterate their recommendation in this regard and desire that further efforts should be made to persuade the States concerned to prevail upon the agencies referred to give active and vigorous assistance to the small scale units in coping successfully with their marketing problem.

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