

ESTIMATES COMMITTEE **(1973-74)**

FORTY-SEVENTH REPORT

(FIFTH LOK SABHA)

MINISTRY OF INDUSTRIAL DEVELOPMENT

**Action taken by Government on the recommendations
contained in the Thirty Fifth Report of the Estimates
Committee (Fifth Lok Sabha) on the Ministry of
Industrial Development — Small Scale
Industries.**



LOK SABHA SECRETARIAT
NEW DELHI

February, 1974/Magha, 1895 (Saka)

Price : Rs. 1.40 Price

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CORRIGENDA

To

The 47th Report of Estimates Committee
on the Ministry of Industrial Develop-
ment - Small Scale Industries
presented to the Lok Sabha on 5.4.1974.

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(ESTIMATES COMMITTEE)
1973-74

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- 14.

*Elected with effect from 29th¹ November, 1973 *Vice* Shrimati Jyotsna Chandra died.

INTRODUCTION

I, the Chairman of the Estimates Committee having been authorised by the Committee, present this Forty-Seventh Report of the Estimates Committee on action taken by Government on the recommendations contained in the Thirty-Fifth Report of the Estimates Committee (Fifth Lok Sabha) on the Ministry of Industrial Development—Small Scale Industries.

2. Thirty-Fifth Report of the Estimates Committee was presented to the Lok Sabha on the 30th March, 1973. Government furnished their replies indicating action taken or proposed to be taken on the recommendations contained in that Report on the 27th October, 1973. The replies were examined by Study Group 'E' of the Estimates Committee (1973-74) at their sitting held on the 3rd December, 1973.

3. The draft Report was adopted by the Estimates Committee (1973-74) on the 10th December, 1973.

4. The Report has been divided into the following Chapters:—

I. Report.

II. Recommendations which have been accepted by Government.

III. Recommendations which the Committee do not desire to pursue in view of the Government's replies.

5. An analysis of the action taken by Government on the recommendations contained in the Thirty-Fifth Report of the Estimates Committee (Fifth Lok Sabha) is given in Appendix. It would be observed therefrom that out of 55 recommendations made in the Report, 50 i.e. 91 per cent have been accepted by the Government; the Committee do not desire to pursue 5 recommendations i.e. 9 per cent in view of Government's replies.

NEW DELHI;
February, 1974.

R. K. SINHA,
Chairman,

Magha 12, 1895 (Saka)

Estimates Committee.

CHAPTER I

REPORT

Data and Registration—need for survey—(Sl. No. 12, Para No. 2.42)

The Committee had, in para 2.42 of their 35th Report (Fifth Lok Sabha) on the Ministry of Industrial Development—Small Scale Industries, noted that at present there is no Act for compulsory registration of Small Scale Industries and that there are considerable delays in their registration. They were given to understand that a Committee which was constituted by the Government under the Chairmanship of Shri A. R. Bhatt to study this question had submitted its Report. The Committee, while noting that the Report was under consideration of the Government in consultation with the State Governments, had urged the Government to expedite their decision in the matter so that reliable statistical data regarding the Small Scale industries which is badly needed, could be easily collected.

2. In their reply, Government have stated that various recommendations of the Bhatt Committee Report are under consideration of the Government in consultation with the concerned Departments. They have added that efforts will be made to further expedite the consideration and arrive at the decision in respect of suitable recommendations contained in the Report.

3. The Committee regret the delay in arriving at the decisions on the recommendations of the Bhatt Committee Report which was submitted to Government in September, 1972 and would urge Government to expedite them without further loss of time. It should also be ensured that effective measures are taken immediately to implement the decisions. The Committee would like to be informed of the action taken in this matter within three months.

Implementation of recommendations:

4. The Committee would like to emphasise that they attach the greatest importance to the implementation of their recommendations accepted by the Government. They would, therefore, like the Government to keep a close watch so as to ensure expeditious implementation of the recommendations accepted by them. In cases where it is not possible to implement the recommendations for any reason

the matter should be reported to the Committee within three months with reasons for non-implementation.

5. The Committee desire that further information where called for in respect of recommendations included in Chapters II and III may be intimated to the Committee expeditiously.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sr. No. 1, Para No. 2.12)

The Committee attach the greatest importance to the development of small scale industry as it is one of the best suited instruments for decentralised development and growth, encouragement of new entrepreneurs, channels of employment and in general, contribution towards the growth of economy in the area as a whole. The Committee have later in this report elaborated on the pre-requisites for the development of small scale sector such as realistic policy formulation to ensure that the principles laid down in the Industrial Policy Resolutions are implemented in letter and spirit, development of infra structures including availability of power, dependable means of communication, trained manpower, allocation of raw-materials particularly controlled or scarce raw-materials, linking of small scale industries with medium scale and larger units particularly those in the public sector, expansion of credit facilities on equitable terms. The Committee have no doubt that if Government agencies dealing with small scale industries take up their duties and responsibilities in a spirit of dedication to afford assistance for development rather than imposing constraints, the Small Scale Industry will come into its own and pave the way for decentralised development of economy which is the growing need of the country.

Reply of Government

The Recommendation is accepted. In fact the entire policy of development of small scale industries is evolved keeping in view the advantages mentioned in this Recommendation. Suitable steps have been taken to provide pre-requisites for the development of small scale units like policy measures including reservation, development of infrastructure including power; allocation of raw materials particularly controlled and scarce materials; development of small scale units as ancillaries to large scale units, etc. have already been adopted to foster the growth of small industry sector. As and when some difficulties or problems in these matters come to the notice of the Government, suitable steps are taken wherever necessary in consultation with the concerned State Governments to provide necessary measures for solving those problems. Similar measures have also

been suggested for inclusion in the Fifth Five Year Plan by the Task Force Committee. These are under consideration in consultation with the Planning Commission.

However small scale units are still facing difficulties in obtaining scarce categories of raw materials both imported and indigenous. This is one of the major handicaps for development of small scale industries in the country. The Small Scale Industries Development Organisation has made concerted efforts with the result that the allocation in different types of raw materials has increased but this has not been sufficient to meet the requirement of the small scale units even to the extent of 50 per cent.

Regarding imported raw materials, the Government has accepted in principle that the material will be given to the large and small scale sectors on an equitable basis. But in view of certain constraints it has yet not been found possible to implement it. The small scale units continue to get raw materials based on single shift basis while priority industries in the large scale sector get on three-shift basis. In case of non-ferrous metals the small scale sector is getting 40 per cent of the value of the machinery installed subject to Rs. 1 lakh notwithstanding their installed capacity.

The Estimates Committee has rightly stated the need for decentralised development and growth, encouragement to new entrepreneurs, etc. for which small scale ancillary industries would be ideally suited. In the field of ancillaries, efforts are being made to ensure that the instructions and guidelines issued by the Bureau of Public Enterprises, Ministry of Finance are implemented by the Public Sector Undertakings, which would help to foster development of small industry sector on lines envisaged by the Estimates Committee.

[Ministry of Industrial Development O.M. No. 1(35)|73—SSI(1)
dated 20-10-1973]

Recommendation (Sr. Nos. 2, 3, & 4 Para No. 2.13, 2.14 & 2.15)

The Committee note that in the modern industrial sector, 38 per cent of the total industrial production and 41 per cent of the employment is in the Small Scale sector and a little less than 50 per cent of the value added in industrial production is stated to originate in the small scale industries.

Considering the vast potential of the small scale industries in solving the gignatic unemployment problem facing the country as well as the need for rapid development of backward areas to solve regional disparities, the Committee cannot too strongly stress the need for full utilisation of this potential efficiently by accelerating

the development of small scale industries. What is required is a set of policies that would remove the existing constraints in the development of these industries like shortage of raw materials, inadequate credit facilities, marketing problems, etc., and would encourage efficiency of their operations.

The Committee would therefore like the Government to formulate the proposal for the Fifth Five Year Plan keeping these aspects prominently in view. The schemes to be included in the Fifth Five Year Plan should, *inter alia* aim at providing employment opportunities to a larger number of people, particularly to the educated unemployed. In this connection it would be of advantage if a package programme to provide assistance to the educated employed in setting up their own small scale units is formulated and implemented by keeping a continuous watch on the progress made in this regard.

Reply of Government

The Recommendations are accepted. The potential of small scale sector in solving the unemployment problem and in achieving rapid development of backward areas has already been recognized and suitable schemes have been initiated (i) to encourage educated unemployed particularly young engineers to set up small scale industries and (ii) to provide incentives for small industrialists to set up its units in the backward areas. The other constraints like shortage of raw materials, inadequate credit facilities and marketing problems are being sought to be solved through separate but integrated programmes. A separate preferential quota of raw materials is allocated to units set up in the Rural Industries Project. In the matter of credit facilities also the financial institutions under the leadership of the Reserve Bank of India have come forward with special schemes for units to be set up in backward areas.

The Task Force Committee which prepared programmes for inclusion in the Fifth Five Year Plan suggested that the small industry sector should provide job opportunities to 2 million workers during the Fifth Plan period through 2 lakh new units. It is expected that the bulk of these units say 1,00,000 would be set up in the backward areas. A package programme of assistance to educated unemployed has already been evolved and is being implemented in many States. The implementation of these schemes is also being revised from time to time and suitable guidance is being given at the all-India level for the more rapid implementation of these programmes.

[Ministry of Industrial Development O.M. No. 1(35)73—SSI(1)
dated 20-10-1973]

Recommendation (Sr. No. 5 Para No. 2.16)

Since most of the development work with regard to small scale industries has been concentrated in and around a few big cities and important industrial centres, leaving a sizable part of the country still in grip of backwardness, the Committee would stress that in the Fifth Plan particular emphasis should be laid by Government on the development of backward areas by providing special incentives and concessions for the setting up of small scale industries in those areas so that regional imbalances are narrowed down to the maximum extent possible.

Reply of Government

The Government accepts the Recommendation. In the initial stages of the small industry development programme, most of the new small scale units came up in and around four big cities. But efforts have all the time been made to induce small scale industrialists to set up their units in the comparatively smaller towns and backward areas. It has, however, been found that the efforts did not bear the desired degree of success. The Government, therefore, took various measures like allocation of a percentage of funds earmarked for small scale industries to rural and backward areas, creation of Rural Industries Projects, etc. But the results were not considered quite satisfactory. Therefore two working Groups were appointed (i) to evolve criteria for determining the backward areas and (ii) to suggest fiscal incentives for industrialists in the selected backward areas. The Recommendations of these two Working Groups have been accepted by the Government. The main incentives now available for attracting industries in the backward areas are the following: (a) 15 per cent subsidy and capital investment (b) transport subsidy on raw materials and finished goods in certain remote areas (c) provision of loans at concessional rates of interest by term-lending institutions. In addition to the above, small scale units in the backward areas are given liberal treatment for import of machinery, raw materials, spares, etc. Priority treatment is given by National Small Industries Corporation to applications for hire purchase of machinery to units located in the districts eligible for 15 per cent subsidy.

In view of the urgent need to promote the growth of more and more small scale units in the backward areas, the Task Force Committee on Small Scale Industries for the Fifth Five Year Plan recommended a target of 1,00,000 small scale industrial units with an employment potential of 7.5 lakhs persons in the selected backward districts and Rural Industries Projects areas.

These proposals are now under consideration in consultation with the Planning Commission. If, however, it is found that these incentives are not adequate the Government would consider the provision of more incentives to industrial units particularly small scale industrial units in the backward areas.

[Ministry of Industrial Development O.M. No. 1(35)73—SSI(1)
dated 20-10-1973]

Comments of the Committee

The Committee would like to know the final decision taken by the Ministry in consultation with the Planning Commission in the matter.

Recommendation (Sr. No. 6, Para 2.24)

The Committee regret to note that barring four of five States, other States do not attach that much priority to small scale industries as they deserve. It is unfortunate that in some States, funds allocated for small scale industries are diverted to some other purposes. The Committee have already referred to the important role of small scale industries in providing employment opportunities, decentralisation of manufacturing activity, development of indigenous skill, increased supply of manufactured goods, reduction of regional imbalances in the country etc. There is thus an urgent need for the development of small scale industries in all the States. The Committee would, therefore, urge Government to make concerted efforts to ensure that the development of small scale industries is given high priority by all States, particularly, the backward States. If need be, frequent personal contacts should be established with the Ministers of Industries in the various States to achieve this end. It is also important that ways and means are devised to see that the funds meant for small scale industries in the States, are not diverted to other purposes.

Reply of Government

The Government agrees with the Recommendation of the Estimates Committee that the development of small scale industries should be given high priority by all States, particularly the backward States. It also agrees with the suggestion that the funds meant for small scale industries in the State are not diverted to other purposes.

In this connection, it is pointed out that the Ministry of Finance with the approval of the National Development Council have now decided that with effect from the commencement of the Fourth

Plan, Central Assistance to the States for implementing the schemes in the State Plans will be in the form of block grants and loans and will not be tied to individual heads of development. In these circumstances, from 1969-70 this Ministry was not required to issue any sanction for central assistance. However, in order to ensure that the overall priorities of the Plan are adhered to, outlays under certain heads or sub-heads of development and specified schemes will be earmarked and will not be diverted to other heads of schemes. This Ministry had, therefore, recommended inclusion of the programme of small scale industries and industrial estates under the head "Priority Programme" so that funds allotted for this purpose are earmarked and are not diverted for other heads of schemes by the State Governments.

But the Planning Commission have stated that the major portion of the outlay in the State Plan will be earmarked. Thereafter, it is not considered by them desirable to earmark outlays for additional heads of development/programme as this would introduce rigidity in plan formulation and implementation at the State level and would leave very little flexibility for the effective utilisation of Plan resources. The Planning Commission, however, feel that the State Governments are generally keen to promote industrial development within the State boundaries and, therefore, it is hoped that the programme for small scale industries and industrial estates will receive attention in the allocation of funds in the State Plans.

Furthermore in a meeting of the State Ministers' held at the instance of the Minister for Industrial Development in 1969, it was suggested that 3 per cent of the developmental budget in a State should be earmarked for small scale industries. Further discussions with State Minister of Industries will continue in the meetings of the Small Scale Industries Board under the Chairmanship of Deputy Minister for Industrial Development.

In the annual Plan discussions also in the Planning Commission with the representatives of the State Government and officers of the Ministries concerned, progress and problems in the small scale sector is reviewed with particular reference to different schemes under implementation. Wherever necessary recommendations are made for enhancing provision under a particular scheme.

After the nationalisation of banks and streamlining of the functions of the State Financial Corporations, there has been a larger inflow of institutional credit to supplement the State Budgetary resources allocated for the development of the small scale industries. Many a States like Gujarat, Tamilnadu, Rajasthan etc. had made

fuller utilisation of institutional finance for promotion of the small scale industries and setting up of industrial estates. This has obviated the need for higher allocation on small scale industries under the State Plans.

As for the Fifth Five Year Plan in the guidelines issued by the Planning Commission, it has been emphasised that the State Governments would make best use of institutional finance to supplement their budgetary provision for the finance to supplement their budgetary provision for the development of small scale industries and setting up of industrial estates/areas during the Fifth Plan period.

It is hoped that with the larger availability of institutional finance, the development programme of the small industries and industrial estates will not suffer for want of funds.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(1)
dated 20-10-1973.]

Recommendation (Sr. No. 7, Para 2.25)

The Committee have already emphasised the need to concentrate efforts to set up small scale industries in the backward areas/States in the 5th Five Year Plan. The Committee are glad to note that the Central Small Scale Industries Organisation is opening 5 branch institutes in backward areas and strengthening other Institutes by posting more officers particularly in industrially backward areas. The National Small Industries Corporation has also taken specific decision to give priority to applications for hire purchase of machines coming from the industrially backward States. The Committee would like to emphasise that to encourage rapid development of small scale industries in backward areas, it is imperative that meaningful surveys about the possibility of development of these industries are conducted in these areas and other incentives are offered to entrepreneurs to set up industries in such areas to make the scheme a success.

Reply of Government

The Government agrees with the Recommendation. The Small Scale Industries Development Organisation in consultation with the State Directorate of Industries have already conducted 120 Industrial Potentiality surveys in backward districts in different regions. It is expected that out of 231 districts/areas identified as backward, a major portion will be covered during 1973-74. Furthermore, it has also been emphasised on the State Directorate of Industries, Small Industries Service Institutes and other concerned agencies that areas

which were surveyed prior to 1965 should also be re-surveyed to assess the possibilities of development in the backward districts.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(1)
dated 20-10-73.]

Recommendation (Sr. No. 8, Para No. 2.26)

The Committee further note that Government have started a scheme for giving 10 per cent subsidy on the capital invested upto Rs. 50 lakhs in certain backward districts and that the number of such districts has now been increased to 6 districts in each backward State in which this scheme would be applicable. The Committee would like to point out that development of industries in backward areas is not easy. It calls for well planned and sustained efforts in several directions, particularly in the creation of necessary infrastructure facilities in those areas and steady supply of raw materials and arrangements for marketing of the products. It is therefore necessary that instead of dispersing efforts over wide areas, a few focal points of growth in selected districts in the backward States are chosen and intensive and integrated programmes are mounted to implement the scheme, in these focal points of growth so that viable small scale industries are developed in these districts. The Committee would like to emphasise that a constant watch on the progress made in this regard should be maintained by monitoring information and evaluating the same periodically to enable necessary changes to be made therein with reference to the problems encountered in the implementation of the scheme as the best of schemes can go wrong for lack of effective implementation.

Reply of Government

The Government agrees with the Recommendation. However, it is pointed out that development of backward districts will take considerable efforts on the part of various agencies involved in the development of industries, particularly those concerned with creation of infrastructure, power etc. However the Ministry of Industrial Development have already suggested that at least one Growth Centre should be identified preferably in one of the backward districts which are entitled to 15 per cent subsidy. It has further been suggested that the selected Growth Centre should preferably be located in a district for which area surveys have already been conducted.

The process of selecting Growth Centres and making concerted efforts to promote small scale industries in these areas will continue

to be the strategy of development of backward areas during the Fifth Five Year Plan period.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(1)
dated 20-10-73.]

Recommendation (Sr. No. 9 Para No. 2.27)

The Committee note that Government are implementing a special scheme for increasing employment among engineers and that an allocation of Rs. 9.5 crores has been made for that purpose. The scheme comprises direct financial assistance to young engineers to set up their own industries making arrangements to give them training in Small Industries Service Institutes and other institutions and provision for an interest subsidy on loans from financial institutions. The Committee hope that Government would evolve appropriate procedures for the actual implementation of this scheme and would ensure that the scheme is implemented in each and every State, particularly the backward States for which special attention should be paid by Government. Care should also be taken to ensure that the benefits of the scheme reach the young unemployed engineers for whom it is intended.

Reply of Government

The Government agrees with the Recommendation. The Ministry of Industrial Development are at present implementing two employment Schemes for young engineers and educated unemployed. These Schemes are (a) Training Scheme for engineer entrepreneurs (b) Scheme for assistance to educated unemployed. The Training Scheme for engineer entrepreneurs aims at providing necessary orientation to young engineers in starting suitable small scale industries, apprising them with various facilities and assistance available and assisting them in formulating a feasibility report. 29 Training Institutions have been selected for imparting training to young engineers and diploma-holders. These are 17 Small Industries Service Institutes, 2 Prototype Training-cum-Production Centres, Small Industry Extension Training Institute, Hyderabad, 5 Indian Institutes of Technology, the Gujarat Industrial Development Corporation, Ahmedabad; the Punjab Engineering College Chandigarh; Central Electronic Engineering Research Institute; Pilani and Motilal Nehru Regional Engineering College, Allahabad. Up to March 1973, 3587 young engineers have been trained in various States. Out of these 385 have already set up their own units and another 300 have taken steps to start their own industries.

Under the Scheme of assistance to educated unemployed a provision of Rs. 8 crores have been available to the Ministry of Indust-

rial Development during the year 1973-74. Various State Governments and Union Territories have been allocated Rs. 43 lakhs each for financing this Scheme. The State Governments have been advised to utilise funds under this scheme in the following manner:—

- (i) For setting up a package of consultancy services in the States.
- (ii) For meeting expenses incurred in connection with preparation of feasibility reports by professional consultancy organisations.
- (iii) To incur expenses on account of specific services or studies aimed at preparation of feasibility reports and detailed project reports.
- (iv) For the margin money required by State Small Industry Development Corporation to enable them to draw maximum institutional finance for setting up industrial estates or commercial estates.
- (v) To cover the expenses in connection with rent subsidy.
- (vi) For margin money for entrepreneurs and equity contribution to industrial cooperatives.

Furthermore, the Planning Commission under "Half a Million Job Scheme" have also provided Rs. 100 crores for helping educated unemployed including young engineers and technocrats.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(1)
dated 20-10-1973].

Comments of the Committee

The final decision taken in the matter may be intimated to the Committee.

Recommendation (Sr. No. 10 Para 2.40)

The Committee note that there is no reliable data regarding the number of small scale industries in the country. According to Government, one of the major obstacles in the way of small scale industries getting their imported raw materials on the basis of their assessed requirements, has been the absence of scientific and reliable data of production assessed capacity. In the absence of reliable statistical data, neither the number and location of small scale industries is known nor their production capacity and the variety of items produced by them. The Committee note that Government have decided to undertake a detailed survey of the entire small

scale industries in about a year's time. In this connection the Committee would like to point out that as early as March, 1960, the Estimates Committee, in their 77th Report (Second Lok Sabha), has emphasised the need for an area-wise and industry-wise survey of the existing as well as potential small scale industries for the whole country. As the Government did not take any effective action in implementing this recommendation, the Committee again in April, 1966, in their 105th Report (Third Lok Sabha) reiterated their recommendation and emphasised the need for collection of reliable statistical data about all the important aspects of the small scale industries as an essential prerequisite for the planned development of these industries. It is unfortunate that no concrete action was taken by Government to implement this important recommendation and collect reliable statistics about small scale units. It is only after a lapse of almost 13 years that the Government have now recognised the necessity to undertake a detailed survey of the entire small scale industries. The Committee cannot stress too strongly the need to undertake expeditiously a systematic and detailed survey of the number and capacity of the small scale units in the country, both registered and unregistered, so that apart from availability of statistical data about the number, capacity, items of production etc., of the small scale units, the constraints in providing necessary assistance to this important sector, in the matter of raw materials, credit facilities marketing assistance etc., are removed.

Reply of Government

The Government agrees with the Recommendation. The Ministry of Industrial Development have already decided to conduct an all-India census of small scale industries in the country. The Planning Commission have already provided funds to the tune of Rs. 2.8 crores under this scheme of Half a Million Jobs for the census work. The census work has already commenced and is likely to be completed within one year. On the completion of the all-India census a more scientifically reliable data on various aspects of small scale industries such as capacity, items of production credit requirements, etc., would be available for systematic and scientific planning for small scale industries development in the country.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(1)
dated 20-10-1973].

Recommendation (Sr. No. 11 Para No. 2.41)

The Committee would also like the Government to take expeditious measures to eliminate non-existent or ghost units in the small scale sector so that scarce raw materials are not obtained by such units to the detriment of genuine units.

Reply of Government

The Government agrees with the Recommendation. The Ministry of Industrial Development have already undertaken the project of conducting an all-India census of all the small scale units under the purview of Small Scale Industries Development Organisation and registered with the State Directors of Industries upto 30th June 1973. Data will be collected in the census through actual visits to the units by teams of enumerators. This data will reflect investment, employment, machinery installed, capacity, production, consumption of raw materials, fuels, electricity exports etc. Thus ghost units if any in the small scale sector are expected to get eliminated through the census operation.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(1)
dated 20-10-1973].

Recommendation (Sr. No. 12 Para No. 2.42)

The Committee note that at present there is no Act for compulsory registration of small scale industries and that there are considerable delays in their registration. They understand that a Committee which was constituted by Government under the Chairmanship of Shri A. R. Bhatt to study this question, has submitted its report. This report is under consideration of the Government in consultation with the State Government. The Committee would like the Government to expedite their decision in this matter so that reliable statistical data regarding the small scale industries which is badly needed, is easily collected.

Reply of Government

The Government agrees with the Recommendation. Various recommendations of the Report under the Chairmanship of Shri A. R. Bhatt are under consideration of the Government in consultation with the concerned departments. Efforts will be made to further expedite the consideration and arrive at the decision in respect of suitable recommendations contained in the Report.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(1)
dated 20-10-1973].

Recommendation (Sr. No. 13 Para No. 2.43)

The Committee would further recommend that procedure of registration of small scale industries should be simplified so that there are no delays in their registration.

Reply of Government

Government agrees with the Recommendation. It is, however, pointed out that registration of small scale industries falls within the purview of the State Directors of Industries. The Small Scale Industries Development Organisation has been impressing upon the State Directors of Industries in various forums to simplify the procedure of registration. Some of the States have already delegated powers for registration of small scale industries to their regional office/Area Development Offices etc. However, the Recommendation of the Estimates Committee will again be brought to the notice of the State Governments.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(1)
dated 20-10-1973].

Comments of the Committee

The final decision taken in the matter may be intimated to the Committee.

Recommendation (Sr. No. 14 Para No. 2.44)

The Committee would also suggest that the returns required to be submitted by the Small Scale Industries, should be simple so that no unnecessary expenditure is incurred by them in the submission of these returns as these industries are run by persons of modest means.

Reply of Government

The Government agrees with the Recommendation. The Small Scale Industries Development Organisation has been impressing upon the State Directors of Industries to simplify, as far as possible, various returns required to be submitted by the Small scale industries. The matter will be further pursued with the State Governments.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(1)
dated 20-10-1973].

Comments of the Committee

The final decision taken in the matter may be intimated to the Committee.

Recommendation (Sr. No. 18 Para No. 2.52)

The Committee note that with a view to enable NSIC to give some machinery on instalments, the Government have given Rs. 3.4 crores to NSIC Rs. 1.68 crores on account of devaluation losses, Rs. 28 lakhs on another account and Rs. 1.5 crores in the current year's budget. In addition NSIC have been allowed to borrow Rs. 3 crores from bank. Thus about Rs. 6.4 crores have been placed at disposal of NSIC. The Committee hope that the NSIC would now expedite supply of machines on hire-purchase basis to deserving small scale entrepreneurs and render assistance to new entrepreneurs to set up industries given priority to backward areas/States.

Reply of Government

Given further financial resources, NSIC will continue supply of machines on hire purchase basis to deserving small scale entrepreneurs and new entrepreneurs to set up industries, giving priority to backward areas/States.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(1)
dated 20-10-1973].

Recommendation (Sr. No. 19 Para No. 2.57)

The Committee are concerned to note that many of the small scale industries are working on outmoded technology and that many of the Small Industries Service Institutes in the States are not well-equipped to give guidance in modern lines of industries. The Committee are of the firm view that equipment modernisation is indispensable not only for the sustained growth but even for the survival of small scale industries. The Small Scale Industries have to face the challenging task of not only developing with the limited resources but also standing their ground in the face of keen competition by larger units who have the advantage of skill and modern equipment. It is, therefore, of the utmost importance that the small scale units should have most modern, latest and efficient means of production within the resources available to them.

Reply of Government

The Government agrees with the Recommendation. The Technical extension Services under the Small Scale Industries Development Organisation were initially geared to help the small industry sector which were in its infancy in mid-fifties. The facilities that were provided initially were of general nature with less of sophistication and specialisation. During the last 5 years the small scale

industries have gradually been switching on to processes and products which are comparatively more sophisticated in nature requiring up-to-date consultancy and extension work. The Government have recently strengthened Small Scale Industries Development Organisation to cope up with the increasing demand on extension services. Further-more, the Task Force Committee had already submitted its report in which the basic approach during the Fifth Five Year Plan in the field of consultancy have been spelt out as under:—

- (i) To make available the modern technology and technical know-how to the small scale industries. This should include both the process and product development.
- (ii) To modernise the existing small scale industries, technically and otherwise, where sufficient technological gap exists.
- (iii) To initiate and accelerate the development of small industries in backward areas and States through more promotional activities and field services.

In order to achieve these programmes, the Task Force Committee have proposed 7 Institutes for product and process development in the field of ceramics, chemical engineering, petro-chemicals, plastics and electronics. In addition, 10 Regional Testing Laboratories in the field of ceramics food processing and testing, metallurgical testing, etc. have been proposed.

The Report of the Task Force Committee is under consideration of the Government in consultation with the Planning Commission.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(1)
dated 20-10-1973].

Comments of the Committee

The final decision taken in the matter may be intimated to the Committee.

Recommendation (Sr. No. 20 Para No. 2.58)

The Committee note that Government have now become aware of the need of modernisation and that they have appointed a Committee to go into this question. A comprehensive plan of action is stated to have been worked out by Government to survey units in need of modernisation. The Committee consider that urgent action is called for to undertake survey of the machinery and technology, in the small scale sector covering all industries. For carrying out the survey, first priority should be given to those industries where modernisation

is imperative and urgently required. At the same time, Government should prepare a phased programme of action to cover other industries also, according to a time-bound programme so that all the industries are surveyed within a specific period of time.

Reply of Government

The Government accepts the Recommendation. The Government is already aware of the obsolescence of equipment and technology in certain sectors of small scale industries. It may be mentioned that a number of steps have already been taken on the Recommendation contained in the Report on Obsolescence and Modernisation Committee constituted under the Chairmanship of Shri G. B. Newalkar. A separate Directorate for initiating and coordinating selected programmes under modernisation have already been set up in the Small Scale Industries Development Organisation.

According to the Newalkar Committee, 5 industries, are to be added in the modernisation programme every year. This would result in covering 25 industrial fields within a period of 5 years. There are about 50 major areas of industries which could be covered presumably within a period of 10 years covering approximately 3 lakhs of units registered in the small scale sector. It will require huge resources, machinery and time as such it has been decided that the modernisation approach should be a selective one so that effective steps can be taken to complete a time-bound programme.

The Scheme of modernisation has already been under consideration of the Government and the same has been discussed in the Inter-Departmental Committee meetings. Pilot studies in the modernisation programme had already been initiated and the experience gained in this field would be applied to amend the programme, if necessary.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I)
dated 20-10-1973]

Recommendation (Sl. No. 23 Para No. 2.65)

The Committee note that at present 128 items are reserved for exclusive manufacture in the Small Scale Sector. They consider that in view of the rapid growth of small scale industries and their competence to manufacture a variety of items, including sophisticated items, there is need for a continuous review to expand the list of reserved items. The Committee would therefore like the Government to undertake such a review annually in consultation with the Departments concerned, to select suitable items of production for exclusive manufacture by the small scale units with a view to encourage the development of these units.

Reply of Government

The Government agrees with the Recommendation. The policy of reservation of industries for the small scale sector is one of the important measures for affording protection to the sector as it restricts the volume of production in the large sector in those fields where the small scale units are competent to produce goods of acceptable quality at reasonable prices.

The exercise of reservation of industries for exclusive production in the small scale sector was initiated by the Small Scale Industries Development Organisation in 1965-66 in collaboration with the Federation of Small Industries in India. Out of the 71 items suggested at that time 47 items were considered suitable by the Working Group constituted for the purpose. However, it was only in 1967-68 that a list of 47 items was announced where application under the Industries (Development & Regulation) Act would ordinarily be rejected. Since then the position has been reviewed from time to time and additions made to the reserved list as may be seen from the following:—

Year	No. of items reserved
1967-68	47
1968-69 .	45
1969-70 .	47
1970-71 .	55
1971-72 .	128
1972-73 .	124

An Inter-Departmental Committee has cleared another 49 items for making additions to the reserved list. However, Government notification has not yet been issued. With the addition of these items, total reserved items would go up to 173.

It may, therefore, be observed from the above that even at present the list of reserved items has continued to expand with the addition of new items. It is the policy of Government that as and when new suggestions are received either from the Director of Industries or Federation of Association of Small Industries in India or even from the industrial units, a study is conducted with the view

to forming specific proposals, based on the technical and economic feasibility of the products.

It will be the endeavour of Government that with the growth of the small scale sector to manufacture complicated parts-components and sophisticated items, continuous review is undertaken to select and recommend items which are suitable for reservation.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I)
dated 20-10-1973]

Recommendation (Sl. No. 24 Para No. 2.66)

The Committee further consider that in order to encourage entrepreneurs i.e. technocrats etc., to set up small scale units, both sophisticated and unsophisticated products, which are economically, technically and financially feasible within the small scale sector, should be reserved for this sector taking into account its capacity to produce items in sufficient quantities to meet the demand both in quantity and quality.

Reply of Government

Government agrees with the Recommendation. The policy for reservation of items in the small scale sector has already been explained under Recommendation No. 23. The existing criteria for recommendation of any item for reservation in the small scale sector is that (i) it should be technically, economically and financially feasible in the small scale sector; (ii) the items should be such where the small scale sector has already proved its capacity to produce as per prescribed specifications and quality; and (iii) the items are such where the small scale sector is capable of meeting the existing as well as future demand for those items.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I)
dated 20-10-1973]

Recommendation (Sl. No. 25 Para No. 3.7)

The Committee have, in an earlier chapter, stressed the importance of the development of small scale industries in backward areas. They note that Government of India have evolved a number of schemes for the development of backward areas which have been identified by the Planning Commission. The Committee have no doubt that the list of backward areas would be reviewed from time to time.

Reply of Government

The Recommendation is noted by the Government. It may, however, be stated that Planning Commission in consultation with the

State Governments is in a position to review the list of backward areas from time to time. However, as and when requests for such a review are received in the Ministry, the same will be taken up in consultation with the Planning Commission.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I)
dated 20-10-1973]

Recommendation (Sl. No. 26 Para No. 3.8)

The backward areas have been made eligible for special concessions for the development of small scale industries which *inter alia* include:—

- (i) Outright grant amounting to 10 per cent of the fixed capital investment in new units having a fixed capital of not more than Rs. 50 lakhs.
- (ii) Lower rate of interest at 7 per cent.
- (iii) Extension of the period of repayment of first instalment of loan from 3 years to 5 years.
- (iv) Longer period for the repayment of the loans from 10 to 12 years to 15 to 20 years.
- (v) 50 per cent reduction in the normal service charges.
- (vi) Special concessions for import of machinery and raw materials.
- (vii) Transport subsidy equivalent to 50 per cent of the transport cost of raw materials and finished products for starting industries in remote areas of certain States and Union Territories.
- (viii) Supply of machinery on hire-purchase by the NSIC on a priority basis.

Reply of Government

The observation of the Committee has been noted by the Government.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I)
dated 20-10-1973]

Recommendation (Sl. No. 27 Para No. 3.9)

The Committee consider that the above concessions are a step in the right direction for the development of small scale industries in

backward areas. The Committee would, however, like the Government to ensure that the concessions meant for backward areas are not directed to the other areas. The Committee feel that these concessions, in themselves, may not produce the desired results unless other positive measures are taken simultaneously by Government to give the required boost to the rapid development of small scale industries in backward areas. The Committee consider that the following measures would help in rapid development of these industries in those areas:—

- (i) To create awareness and enthusiasm in the backward areas for setting up small scale units, seminar and discussions on the role and importance of small scale industries in the economic development of these areas should be arranged by the Government at regular intervals.
- (ii) Detailed regional surveys of such areas should be undertaken immediately to ascertain the possibilities of setting up of small scale industries.
- (iii) Infra-structure facilities like land, water, electricity, roads and telephones etc., should be made available in the areas considered suitable for the development of such industries.
- (iv) Social service facilities such as educational facilities, marketing facilities, entertainment centres etc. should be created in these areas to attract entrepreneurs to start industries.
- (v) Machinery, spare parts, raw material, skilled manpower should be made available in these areas by making special arrangement therefor.
- (vi) The desirability of granting fiscal incentives to small scale industries in these areas in the form of exemption from income tax including Corporation tax, exemption from the payment of import duty on plant and machinery, components, exemption in excise duty and sales tax, concessional transport and power subsidy etc. for a period of 5 years should be considered.
- (vii) Government should also establish some public undertakings in these areas so that small scale industry units of ancillary and auxiliary types could automatically grow there.
- (viii) Large industrial houses should also be persuaded to establish their industries in these areas in order to create the climate for the setting up of small scale units as suppliers of components, parts etc. and ancillaries to these units.
- (ix) Ministries/Departments of the Government of India, State Governments and public undertakings should give prefer-

ence for the purchase of goods from units set up in these areas.

Reply of Government

The observation of the Committee has been noted by the Government.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I) dated 20-10-1973]

Comments of the Committee

The action taken by Government on each of the suggestions made by the Committee may be intimated to them.

Recommendation (Sl. No. 28 Para No. 3.10)

The Committee are convinced that small scale industry can come up in backward areas only if the essential pre-requisites, viz., availability of land, power and communications are taken care of. It is equally essential that Government on the basis of the expertise gathered over the years, prepare concrete schemes which are best suited for development of small scale in these areas. One of the best means for generating a climate for growth of small scale industry is to locate bigger or medium scale units in the area so that small units will come up in the vicinity to cater to their requirements of components, stores and services. The Committee feel that the public sector and other leading well-established industrial houses in the country should be persuaded to play a leading role in establishing these units in backward areas. There should be a built-in scheme for development of ancillaries preferably in the small scale sector to meet the requirements for components, stores and services of the more subsidy on capital investment has been raised from 10 per cent to extend all technical facilities including detailed guidance in the matter of designing and planning so as to help the small scale ancillary units to come up to the requisite standard.

Reply of Government

The Government agrees with the Recommendation. The Government has already announced various concessions and incentives to attract large and medium and small scale industries to set up units in the backward areas, such as (a) transport subsidy on raw materials and finished goods in certain remote areas, (b) provision of loans at concessional rates of interest by term lending institutions. Further more subsidy on capital investment has been raised from 10 per cent to 15 per cent with these concessions and incentives, it is hoped that large and medium scale industries will be attracted towards backward areas.

While granting letter of intent/licence, it will be the endeavour of the Government to farm out parts, components and subassemblies which can be taken up by prospective ancillary units in the small scale sector.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I)
dated 20-10-1973]

Recommendation (Sl. No. 29 para No. 3.11)

The Committee feel that the Small Scale Industries Development Organisation and the National Small Industries Corporation can play a key and crucial role by making available blue prints of industries suited for development in these areas and by extending credit facilities for purchase of the requisite machinery and equipment undertake the manufacturing activity. In short, the Committee feel that a package approach which proved of such immense value in achieving a break through in agriculture is required to be made in the case of extending and developing small scale industries in relatively backward areas. The Committee need hardly stress that this drive would have to be done after most careful planning and sustained follow up so that impediments are not allowed to come in the way of growth. The Committee would suggest that Government should select on the basis of surveys already undertaken or to be undertaken two or more focal Centres in backward areas for such package development and in the light of the experience gained extend the activity to other areas on a planned basis.

Reply of Government

The Government agrees with the Recommendation that two or more focal centres in backward areas may be selected for providing a package of assistance. In pursuance of a similar suggestion made by the Chairman of the Estimates Committee, the Task Force Committee has proposed the selection of 30 Pilot Centres all over the country for intensive development of small scale industries. The idea is to provide a package of facilities to prospective entrepreneurs. In these Pilot Centres starting right from the provision of factory accommodation to the marketing of the products by the Central Government has been proposed to be made in cooperation with the concerned State Government. The Task Force Committee proposals in this regard are under consideration of this Ministry in consultation with the Planning Commission.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I)
dated 20-10-1973]

Comments of the Committee

The Committee would like to know the final decision taken by the Ministry in consultation with the Planning Commission in the matter.

Recommendation (Sl. No. 30 Para No. 3.12)

The Committee note that development of small industries depend largely on the State Governments. They have noticed that one of the major causes of backwardness in most of the States is lack of adequate organisations in the State and lower levels. The Committee hope that the State Governments will take urgent steps to gear up their organisations at all levels dealing with Small Scale Industries and equip them with up-to-date expertise and to keep close liaison with the SISI Organisations in their respective States so as to accelerate the growth of Small Scale Industries with special emphasis on development of backward areas and creation of employment opportunities.

Reply of Government

The Government agrees with the Recommendation. The State Governments are being persuaded to establish and strengthen adequate organisations at various levels for dealing with the small scale industries and provide necessary expertise in close liaison with Small Industries Service Institutes. Furthermore, the Advisory Committee attached to various Small Industries Service Institutes in the States already exist to have a close liaison with the State Directors of Industries, Public Sector Undertakings, representative of the industry, banks, etc. under the Chairmanship of the State Directors of Industries.

The Wanchoo Committee has also recommended that there should be a Co-ordination Committee in each State under the Chairmanship of the Chief Secretary. The State Governments are being requested to implement the Recommendation as far as possible.

[Ministry of Industrial Development No. 1(35)/73-SSI(I)
dated 20-10-1973]

Recommendation (Sr. 31. Para No. 4.17)

The Committee note that the shortage of imported as also indigenous scarce raw materials has been recognised by the Government as one of the major problems confronting the Small Scale Industries in India. The raw materials problem, according to Govern-

ment, originated as a consequence of foreign exchange crisis of 1957-58 and since then, with the deterioration in the foreign exchange position, coupled with inadequate indigenous production, the shortage of both the imported and the indigenous scarce raw materials has assumed an alarming situation for the Small Scale Industries. A scheme of liberalisation of imports of raw materials, components and spares was announced during the year 1966-67. This scheme initially covered raw materials, components and spares licensable by the CCI&E. Subsequently, imported iron and steel and non-ferrous metals were also included under this Scheme. After the year 1966-67, a number of restrictions were clamped on the imports effected by the Small Scale Industries. The initial import entitlement was linked with the value of machinery installed, etc. In view of the prevailing conditions, according to Government, the possibility of making available scarce raw materials to Small Scale Industries to the extent of their full requirements appears to be rather remote. The Committee note that Government have taken some steps, in recent years, to improve the availability of scarce raw materials for the small scale sector. But they are constrained to observe that the steps so far taken by Government for the supply of scarce raw materials to the Small Scale Industries have not been able to meet the demands of these industries fully. The Committee note that the whole matter regarding the allocation of raw material to priority and non-priority small scale industries was reviewed recently by Balachandran Committee which has recommended concrete measures to be adopted for the adequate supply of raw materials to these industries at reasonable prices and within the shortest possible period. The Committee are glad to note that Government have accepted these recommendations in principle. The Committee would urge the Government to take expeditious measures to implement the various recommendations contained in the Balachandran Committee Report particularly allocation of scarce raw materials to the Small Scale Industries according to their installed capacity without further delay.

Reply of Government

The Government agrees with the Recommendation. The Balachandran Committee had recommended that the allocation of imported and scarce raw materials to small scale units should be made on the basis of capacity at par with large scale units in the same industry. This Recommendation has been accepted in principle in an Inter-Departmental meeting taken by the Deputy Minister of Industrial Development on 14th August, 1972 but at present, only in the case of priority industries, imported raw mate-

materials are being allowed to small scale units, on the basis of their assessed capacities on single shift basis, while the non-priority industries in the small scale sector continue to get imported raw materials on the basis of value of machinery and equipment installed. In the case of scarce, Indigenous raw materials, allocations are still made on an ad hoc basis. It may be stated that large scale units in the priority sector get raw materials based on three shifted capacity while the small scale units get only on single shift basis. The Ministry of Industrial Development in consultation with other Ministries and Department is further pursuing the matter so that the major recommendations of the Balachandran Committee are implemented as far as possible to the advantage of small scale industries.

[Ministry of Industrial Development No. 1(35)/73-SSI(I)
dated 20-10-1973]

Comments of the Committee

The Committee would like to know the effective measures that have been taken by Government in the implementation of the various recommendations contained in the Balachandran Committee Report.

Recommendation (Sl. No. 32 Para No. 418)

The Committee would also like to impress upon the Government the desirability of ensuring well conceived distribution system of scarce raw materials so that the small scale industries are able to get their requirement of scarce raw materials, both indigenous and imported, regularly and equitably and at reasonable prices.

Reply of Government

The Government agrees with the Recommendation. In fact the Ministry of Industrial Development have already constituted a committee on 29th November, 1972 under the Chairmanship of Shri N. N. Tandon, Director, Ministry of Industrial Development. The terms of reference of Committee are as follows:—

- (i) To study the basis of distribution; terms and commission of sale; delivery schedule, etc. of the items canalised from the MMTC/STC.
- (ii) to study the procedural formalities involved in the release orders and to find out ways and means as to how can these be minimised.

- (iii) to study the fixation of pricing policy for each items with special reference to handling charges, margin of profits, etc. and to suggest ways and means as to how the pricing policy could be rationalised for the actual users.

This Committee has already submitted an Interim Report for looking into the prices and procedures relating to MMTC and STC. The Report is under consideration in consultation with the concerned agencies.

[Ministry of Industrial Development No. 1(35)/73-SSI(I)
dated 20-10-1973].

Comments of the Committee

The final decision taken in the matter may be intimated to the Committee.

Recommendation (S. No. 33 Para No. 4.19)

In the case of certain raw materials for which there are only one or two manufacturers e.g. high density polythene powder, the Committee recommend that Government should ensure that the indigenous manufacturers regulate their supplies by giving priority to the small scale entrepreneurs. It is always possible for the Government to control distribution of a material under Section 18(G) of the Industrial Development and Regulation Act. The Committee understand that there has not been much difficulty for Small Scale Sector after having informal control on some of the items of non-ferrous metals. The Committee suggest that efforts should be made to bring all such other items like H.D. Polythene, L.D. Polythene, P.V.C. Resins etc. under informal control so that the Small Scale Units get these materials at reasonable prices so as to be able to function on competitive basis.

Reply of Government

The Government accepts the Recommendation. Efforts are being made in consultation with the Ministry of Petroleum & Chemicals and other concerned Departments that some sort of informal control is exercised to ensure availability of raw materials like high and low density polythene to small scale units, P.V.C. Resins, etc. as recommended by the Estimates Committee.

[Ministry of Industrial Development No. 1(35)/73-SSI(I)
dated 20-10-1973].

Comments of the Committee

The result of efforts made in consultation with the Ministry of Petroleum and Chemicals and other concerned Departments may be intimated to the Committee.

Recommendation (Sl. No. 34 Para No. 4.20)

The Committee regret to observe that at present the Small Scale Industries are getting iron and steel at a higher price than that paid by the organised industry. The Committee would urge the Government to evolve a system by which the Small Scale Industries would be able to get iron and steel at a price not higher than that is paid by the large and organised industries so that they are not at a cost disadvantage compared to the large industries in regard to the basic raw material.

Reply of Government

The Government agrees with the Recommendation. There is reported to be no difference in the prices charged by the indigenous producers for the non-ferrous metals supplied to the small scale and large scale units. Similarly, the prices charged by the canalising agencies in respect of imported raw materials was also the same for the two sectors. But there are complaints about the prices charged by Small Scale Industries Corporations in respect of indigenous steel the suppliers of which to the small scale industries have been canalised through them. While the large scale units get these materials directly from the plants at prices fixed by the J.P.C. the units in the small scale sector get the same at the prices fixed by the small scale industries corporations which include their handling charges etc. Obviously the price charged by the Small Scale Industries Corporations for a particular raw materials is higher than that at which the large scale units are getting the material directly from the plants.

A Committee appointed by the Ministry of Steel & Mines to go into this question has already submitted its report which is under consideration of the Ministry of Steel and Mines. A decision to allow concessions in prices for steel to Small Scale Industries Corporations is expected to be announced by the Ministry of Steel & Mines shortly. Subsequently, it is hoped that the small scale industries units will also start getting steel from Small Scale Industries Corporations at JPC prices.

[Ministry of Industrial Development No. 1(35)/73-SSI(I)
dated 20-10-1973].

Reply of Government

The Government agrees with the Recommendation. The matter has been taken up with the canalising agencies for reducing the time-lag between issue of release orders and making supplies particularly to small scale units. The views of the canalising agencies are given below:

State Trading Corporation

The State Trading Corporation assesses the annual demand of each commodity in consultation with representatives of Chief Controller of Imports & Exports, Economic Adviser, Directorate General of Technical Development, Development Commissioner (Small Scale Industries) and small scale units. Decision regarding quality, packing, quantity and specifications, shipment period etc. of imports is taken in consultation with the representatives of the industry in the Import Advisory Committee. Every effort is made to keep the procurement/selling prices low. Effective from 1-4-1973 the clearing and handling charges have been brought down to 2 per cent from 2.5 per cent.

Pricing

Inter-Ministerial Pricing Committees presided over by Chief Controller of Imports & Exports lays down the pricing of the imported commodities and margins to be charged by State Trading Corporation on each commodity taking into consideration various aspects such as the nature and use of commodity, indigenous availability, price control of end products etc. During 1972-73, as per guidelines decided by the above committee State Trading Corporation margins were 1.5 per cent—Registered Exporters, 2.5 per cent—Actual User Priority and 7.5 per cent. Actual User with a rebate of 5.5 per cent for small scale units. Recently, the Chief Controller of Imports & Exports Committee has restructured and rationalised the above service margins which are generally reduced as under for all categories:

Registered Exporters—1 per cent.

Actual Users Priority—2 per cent.

Actual User—5 per cent.

Under the new arrangements small scale sector is treated at par with large scale sector and no rebate is permissible. However, to extend the other facilities like bulk buying high-seas sales etc, the Committee has suggested that State Small Scale Industries Deve-

lopment Corporations should play an important role and State Trading Corporation will give them a rebate of 1 per cent out of service margin indicated above for actual users.

Letter of Authority Procedure

It is constant endeavour of the Corporation to import and supply the raw material in the manner decided in the Import Advisory Committees—mentioned above. The supplies are released on quarterly basis or monthly basis or on prorata basis depending on the availability of stocks and incoming consignments. This is done to avoid unnecessary blocking of funds on inventories for long periods as also the difficulties regarding storage and the carrying cost of inventories.

Normally, the Corporation organises supplies in 3 months time provided there is no international shortage of that item. It also allows Letter of Authority to the actual users permitting them to arrange their own imports in exceptional cases. Similarly in case of newly canalised items, State Trading Corporation, in the initial stages, allows the letter of authority procedure till purchase arrangements are finalised in consultation with all those concerned in order to ensure that there is no dislocation in the supply position.

Sales Tax Liability on Small Scale Industries Units

The facility of taking delivery on high-seas is also available to the small scale sector provided the quantity is sufficient to be supplied under a separate bill of lading. The Corporation has evolved a system whereby the requirements of small scale units are clubbed through State Small Scale Industries Development Corporations and delivery is made to State Small Scale Industries Corporations on high-seas. This saves the actual users from additional sales tax liability. The advantage of bulk handling and distribution is also made available to the small scale units.

It is evident from the above that to the extent possible the treatment to small scale industries units is uniform and at par in all matters as for the large scale units.

Thus constant endeavours are made to extend all facilities to small scale units and deliver raw material from the nearest port except when there is non-availability of shipping space.

Minerals and Metals Trading Corporation

The prices are fixed by the Minerals & Metals Trading Corporation every quarter under the guide lines of the Pricing Committee.

The prices fixed are the same both for the large scale and small scale units and the Minerals & Metals Trading Corporation service charges have recently been slashed and are allowed on a fixed amount on per tonne basis; which are very nominal. Supplies are made to the units invariably as per phased programme indicated by the parties. In case there is no indication of the phased programme, 25 per cent of their requirements is initially allowed.

There also exists a Liaison Committee, representing the interests of various end users to sort out problems faced by them. Similar Liaison Committees have been set up in the region also.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I)
dated 20-10-1973]

Recommendation (Sl. No. 36 Para No. 4.35)

The Committee are distressed to note that in the quarter, April-June, 1972 there has been surrender in respect of copper zinc, tin and lead in the case of small scale industries to the extent of 43 per cent of quantity made available to them by the MMTC. This surrender increased to 46 per cent in the subsequent quarter, i.e., July-September 1972. The Committee would like the small scale units to avoid such surrenders and to assess their requirements on analysed raw material realistically and inform the MMTC|STC of these requirements and the phased delivery programme to enable adequate imports being made timely to meet their full requirements.

Reply of Government

The Recommendation is noted. The State Directors of Industries who are the sponsoring authorities for Small Scale Industries, have been addressed for ascertaining the reasons for non-lifting of materials. The Recommendation of the Estimates Committee has also been brought to the notice of the State Directors of Industries to avoid repetition of surrender of raw materials in future.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(1)
dated 20-10-1973.]

Comments of the Committee

The final decision taken in the matter may be intimated to the Committee.

Recommendation (Sl. No. 37 Para No. 5.12)

The Committee agree with the view that liberal flow of credit is essential for a rapid and sustained growth of industry and it

is all the more true in the case of small scale industries which work with the basic disadvantage of a weak capital structure. The Committee note that there are various schemes which are being operated by the Government and institutional agencies for providing different types of financial assistance to the small scale enterprises; but there are complaints of the small scale entrepreneurs that (a) there is deterioration in the service of the Nationalised Banks; (b) the procedure to obtain loans is cumbersome; (c) the application form is a complicated one; (d) there are delays in sanctioning of loans; and (e) the present credit policy is a security oriented one and that all these problems of a small entrepreneur who is an institution in himself, i.e., the proprietor, accountant, salesman, production manager, storekeeper etc. need thorough examination. The Committee also note that some entrepreneurs do not furnish complete information in the applications which results in delay in sanction of loans from banks. They, however, feel that the whole procedure of taking loans from banks need a careful examination with a view to streamline the present cumbersome and time consuming procedure, to evolve a simplified application form and above all to inculcate a more helpful and sympathetic attitude on the part of the banks towards the Small Scale Entrepreneurs. They therefore, recommend that Government should look into the aforementioned genuine difficulties of the small scale entrepreneurs and take necessary remedial measures immediately.

Reply of Government

The Government agree with the observations of the Committee regarding simplification of the procedure for taking loans with the Banks. It also agrees with the need for simplifying the loan application form.

The matter has been taken up with the Ministry of Finance (Department of Banking), who in turn are expected to impress upon the State Bank and other Nationalised Banks to implement the recommendation of the Estimates Committee.

[Ministry of Industrial Development O.M. No. 1(35)73—SSI(1)
dated 20-10-1973.]

Comments of the Committee

The Committee would like to know whether the necessary instructions have since been issued by the Ministry of Finance.

Recommendation (Sl. No. 58 Para No. 337)

The Committee are unhappy to note that large units delay payments and thereby cause undue hardship to the Small Scale Indust-

ries. They agree with the view that Small Scale Industries, in such cases, cannot fall back upon the banks and seek financial help against the supplies made by them to the large units. The Committee are informed that in Japan, there is a law which makes it obligatory that bills for goods supplied by Small Units, should be paid within 20 days. The Committee also understand that the Bhatt Committee set up by Government on the recommendation of the Small Scale Industries Board, have suggested enactment of similar legislation enjoining payment within 60 days. They recommend that Government should examine the problem, being faced by the small scale industries in regard to the delayed payments by large units against the supplies made to them by the small scale units and take expeditious steps for enacting a suitable legislation in this behalf to afford relief to the Small Scale Units without further delay.

Reply of Government

The Government agrees with the Recommendation. The complaints regarding delayed payments, as and when received, are promptly taken up in consultation with the concerned agencies. The Committee on "Drafting of Legislation on Small Scale Industries" has also proposed enactment of a comprehensive legislation for ancillary development in small scale sector. The report of the Committee is still under consideration in consultation with the concerned Departments.

[Ministry of Industrial Development O.M. No. 1(35)73--SSI(1) dated 20-10-1973.]

Recommendation (Sl. No. 39 Para No. 525)

The Committee note that small scale industry is basically either proprietary or a partnership industry with a very meagre capital base and to have a reasonable growth rate, it is essential that every year something is added to the capital base so that the production could be increased by a reasonable level every year. The Committee also note that if an excise duty is introduced on a particular commodity and if it is found that there is considerable quantity of goods produced in the Small Scale Sector, which requires protection vis-a-vis the larger sector. Government issue exemption notifications. Besides very often the Government give a preferential rate, a lower rate for the small scale sector so that they can survive along with the larger sector. They are happy to note the assurance, given to the Committee, during evidence by the representative of the Ministry of Finance (Department of Revenue and Insurance) that Government were alive to the situation and they hope that such an attitude will continue to be shown to the small scale sector which stands in great need of such an assistance.

Reply of Government

The Recommendation of Committee is noted. The Ministry of Finance is already giving due weightage for providing relief|exemption on excise duty on representations received from recognised Associations|Units. In a number of cases relief was granted to small scale units on representation from the Ministry of Industrial Development.

[Ministry of Industrial Development O.M. No. 1(35)|73—SSI(1)
dated 20-10-1973.]

Recommendation (Sl. No. 40 Para No. 6.9)

The Committee note that Government of India had introduced a regular marketing assistance programme for the small scale industries as early as 1956, and that there are several Government and other agencies which take keen interest in assisting the small scale industries for marketing of their goods in and out side the country. Besides, the Small Scale Industries Development Organisation has undertaken the programme of market surveys to help individual small entrepreneurs and also to collect market information regarding specific industries. The Distribution Aid Surveys are undertaken on behalf of the individual procedures with specific problems and they attempt to find potential distribution outlets and to assess market acceptability for their products. Exhibitions which are followed by seminars on the products of the small scale industries required by large scale units are also arranged. The Committee, however, feel that there is still enormous scope for improvement in regard to the help now being given to the small scale entrepreneurs for marketing their products, in as much as market surveys in all the States have yet to be undertaken, as stated by the Development Commissioner, Small Scale Industries they hope that this survey would be undertaken by the Small Scale Industries Development Organisation early and the results widely publicised for the use and information of the Small Scale Industries. This kind of market survey should, in the opinion of the Committee be undertaken by the Small Scale Industries Development Organisation in association with the representative of Small Scale Industries on a regular and continuous basis for the benefit of the small scale industries. Besides, close liaison needs to be established between the large and medium enterprises and the smaller units so that the small units can function as ancillary and feeders to the large enterprises in regard to supply of components and parts.

Reply of Government

The Government accepts the Recommendation. Recognising that small scale units cannot afford to spend large sums of money on

market research, sales promotion for their products, etc. the Small Scale Industries Development Organisation has included market research under its programme of assistance to the small scale industries. The Small Scale Industries Development Organisation has already launched a programme of studies for different products on all-India basis. While conducting these studies, as suggested by the Estimates Committee, representative of Small Scale Industries Association will be associated along with the large and medium enterprises for solving various marketing problems standing in the way of small scale sector.

In the proposals of the Fifth Five Year Plan, it has also been proposed that a separate Organisation exclusively developed to the marketing problems of small scale industries set up at the central level. The main functions of the proposed marketing Organisation would be to promote the marketing of small industries products, undertaking of marketing research and study of distribution channels and for trade consultancy services, etc. Various proposals for the Fifth Five Year Plan in this regard are still under consideration in consultation with the Planning Commission.

[Ministry of Industrial Development O.M. No. 1(35)|73—SSI(1)
dated 20-10-1973.]

Comments of the Committee

The Committee would like to know the final decision taken by the Ministry in consultation with the Planning Commission in the matter.

Recommendation (Sl. No. 41 Para No. 6.10)

The Committee are happy to note that Government are contemplating to have a Market Corporation which could look after the marketing problems of the small scale industries. They would urge the Government to constitute the Market Corporation early so as to render the necessary assistance, badly required by the small scale industries.

Reply of Government

The Government accepts the Recommendation. In the proposals of the Fifth Five Year Plan, it has been proposed that a separate organisation exclusively devoted to the marketing problems of small scale industries be set up at the Central level. The main functions of the proposed marketing Organisation would be to promote the marketing of small industries products, undertaking of marketing research and study of distribution channels, trade consultancy services, etc. Various proposals for the Fifth Five Year Plan in this regard

are still under consideration in consultation with the Planning Commission.

[Ministry of Industrial Development O.M. No. 1(35)73-SSI(1)
dated 20-10-1973.]

Comments of the Committee

The Committee would like to know the final decision taken by the Ministry in consultation with the Planning Commission in the matter.

Recommendation (Sl. No. 42 Para No. 6.17)

The Committee note that the Government policy of according preferential treatment in issue of import licences to industrial units exporting 10 per cent or more of their production is continuing during the current licensing year, i.e., 1972-73 also. They understand that this has been done with a view to stimulating and enlarging the export effort mainly by units which are not engaged in the traditionally export oriented industries and that large and small scale units which export 10 per cent or more of their production (engaged in either priority or non-priority industries) will be eligible for priority treatment in issue of import licences and for preferred sources of supply. They are also happy to note 411 units of small scale industries produced goods worth Rs. 53.59 crores and exported products to the tune of Rs. 24.44 crores during the year 1970-71. The Committee feel that in view of the large range of product lines and a degree of sophistication achieved by them, small scale industries can, in the majority of the cases, cater in much larger way to export markets, both in developed and developing countries. It is but appropriate that small scale industries should play their legitimate role in augmenting the foreign exchange resources of the country by entering into export markets in a big way. To achieve the desired result in regard to increasing exports from the small scale industries it would be necessary to make an integrated approach and a concerted effort by all the organisations concerned with export, by providing special incentives to the small entrepreneurs so as to encourage them to export more and more.

Reply of Government

The Government agrees with the Recommendation. In this connection, it may be mentioned that there is already a standing Committee on Export Promotion of all-India Small Scale Industries Board which periodically reviews the programme and problems of export promotion in the small scale sector. Recommendations are made for

augmenting exports from the sector and coordinated and integrated efforts are made for their implementation in consultation with concerned agencies like Ministry of Commerce, Trade Development Authority, Export Promotion Councils, State Trading Corporation, Chief Controller Imports & Exports, etc.

[Ministry of Industrial Development O.M. No. 1(35)73—SSI(1)
dated 20-10-1973.]

Recommendation (Sl. No. 43 Para No. 6.18)

The Committee feel that potential for export of goods produced by the Small Scale Industries is concerned, does not seem have been full exploited. The basic deficiencies have been in adequate knowledge of foreign markets and insufficient realisation of their production problems. They, therefore, recommend that the Small Scale Industries Development Organisation should be geared to attend to these basic deficiencies and take necessary steps to remove them as early as possible. The Organisations like Trade Development Authority should also help the Small Scale Units in export promotion measures, by offering them all facilities. The State Trading Corporation should also play a dominant role in the export of goods produced in the small scale sector.

Reply of Government

The Government agrees with the Recommendation. The Small Scale Industries Development Organisation has recently been strengthened and a separate Directorate for Export Promotion have been set up for initiating, coordinating and implementing various programmes for increasing export potential of the small scale industries.

The views of Trade Development Authority, regarding export promotion measures for small scale industries, are as under:—

Majority of the clients of Trade Development Authority are from Small Scale Sector. The Trade Development Authority have been providing total assistance to selected export-worthy units mostly in the small and medium scale sectors. This has enabled the selected units to market a wide range of their labour intensive products to developed countries of the world. As on 31st March, 1973, Trade Development Authority have already enrolled 461 units which are export-worthy, out of this 56 per cent belong to the small scale sector and 33 per cent to the medium scale sector.

Further more 22 projects have been selected to augment exports. These projects relate to items like readymade garments, bicycle components, polyethylenewoven sacks, electronic components, hand tools, etc. Out of these 22 projects, 14 belong to small scale sector. Thus Trade Development Authority is making constant efforts in enhancing the export potential from small and medium scale industries.

Similarly, the State Trading Corporation has also accepted total responsibility for aiding the industries in the small scale sector. It has set up a State Marketing Division which coordinates production through the State Small Industries Corporations. The State Trading Corporation offer package service to the exporters which include:

1. Marketing
2. Raw Material supply
3. Technical services and new-pre-processing techniques
4. Finance including pre-shipment credit
5. Warehousing
6. Shipping
7. Quality Control.

The State Trading Corporation is tackling export development and marketing of Small Scale Industries products through the agency of State Small Scale Industries|Export Corporations. The State Trading Corporation in association with the State Small Scale Industries Corporations is engaged in developing exports from Small Scale Sector through a four phased programme:—

- (i) Development of infrastructure
- (ii) Preparation of product-wise export plans
- (iii) Export assistance by State Trading Corporation, and
- (iv) Launching a concentrated export sale drive.

As a result of joint efforts by State Trading Corporation and Small Scale Industries units, some of the product groups have been identified for the purpose of intensive exports assistance. Apart from this development work for generating additional exports, State Trading Corporation has been assisting Small Scale Industries units

directly in exporting various "difficult to sell" products as can be seen from in the table given below:—

(Rs. in crores)

	1968-69	1969-70	1970-71	1971-72	1972-73
State Trading Corp.	48	55	70	78	92
Export from Small Scale Sector	21	28	35	38	46
Share of small scale sector in State Trading Corp. exports	44%	52%	50%	48%	50%

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(1) dated 20-10-1973].

Recommendation (Sl. No. 44 Para No. 6.19)

The Committee note that the Standing Committee on export promotion for Small Scale Industries set up by the Small Scale Industries Board is making a detailed and intensive study of all the aspects of export promotion for Small Scale Industries. They hope that this Committee will finalise its recommendations early and that Government would take suitable steps to implement them expeditiously with a view to give encouragement to Small Scale Industries to play their rightful role in the export field.

Reply of Government

The Government agrees with the recommendation. The Standing Committee on Export Promotion of the All India Small Scale Industries Board have appointed two sub-committees on Export Production and Export Organisations. Reports/Summary of the Recommendations of these two committees have already been circulated among the concerned agencies like Ministry of Commerce, Trade Development Authority, Chief Controller Imports & Export, Directors of Industries, etc. A vigorous follow-up action for implementation of various Recommendations has already been initiated.

Furthermore, the Ministry of Commerce has also appointed the Bhagwan Singh Committee to review the working of the Export Promotion Councils. This committee has stressed the need for taking steps for securing closer association of the small scale sector and for giving them greater support in the matter of export production and export marketing. The Report of the Committee is under consideration in the Ministry of Commerce and it is hoped

that its recommendations as soon as accepted will give further fill up to export promotion in the small scale sector.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(1)
dated 20-10-1973].

Comments of the Committee

The final decision taken in the matter may be intimated to the Committee.

Recommendation (Sl. No. 45 Para No. 6.20)

The Committee further note that there is a feeling in some quarters in the Small Scale Sector that the Export Promotion Councils have not made special efforts to promote exports from the Small Scale Industries. In this connection, they would like to draw the attention of Government to their recommendation contained in para 7.32 of their Fourteenth Report (1971-72) on the Ministry of Foreign Trade—Export Promotion measures, Commercial Publicity, Exhibition and Trade Fairs—which reads as follows:

The Committee would also stress that the small scale and medium scale industries be encouraged to play their rightful role in the export field. In this connection the Committee would stress that export performance for deciding small scale members should be defined for each Export Promotion Council and there should be specific allocation in the budgets of the councils for the activities relating to the small enterprises. In this connection the Committee would commend the establishment of cell in the Ministry of Foreign Trade which in coordination with the organisation of the Development Commission, Small Scale Industries should pursue actively the programmes and activities of the Export Promotion Councils and other export Organisations on the requirements of the small scale enterprises for examining in detail the product coverage aspects in respect of the Export Promotion Councils, the Committee would commend the early implementation of the recommendations of the Review Committees appointed by Government in 1964 and 1971 in this regard. The Committee urge upon Government to take suitable steps to implement it immediately.

Reply of Government

The Government agrees with the Recommendation. The views of Ministry of Commerce are as follow very endeavour is being made.

by the Government to encourage the Small Scale and medium scale industries to play their rightful role in the export field. It is the primary function of the Export Promotion Councils to promote exports of the group of products entrusted to them. This can only be done with the active and collective participation of the exporters from large, medium and small scale sectors. The nature of promotion activities of the Councils is such that it would perhaps, not be practicable to divide these activities among different categories of exporters. However, the Councils have lately been ensuring due participation and of the medium and small exporters in the important activities. Suitable representation in delegations and study teams sponsored by the Councils for visits to foreign countries is being given to the representatives of the small scale sector. The Government has recommended to the Councils that membership fee for the members from the small scale sector may not exceed half of the fees prescribed for primary members. The Working Committee of Administration should have 10 per cent membership from the small scale sector, and the representation of the Federation of Associations of Small Scale Industries on the panels of the Councils may be considered depending upon the role the small scale sector could play in relation to products covered by the Councils concerned.

The recommendation regarding establishment of a cell in the Ministry of Commerce in coordination with the Development Commissioner, Small Scale Industries, and the product coverage are being examined. The criteria suggested by the Review Committee regarding the export performance of Small Scale members is also under examination.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(1)
dated 20-10-1973].

Comments of the Committee

The final decision taken in the matter may be intimated to the Committee.

Recommendation (Sl. No. 46 Para No. 6.21)

The Committee note that the Japanese Government have come forward with a number of measures to improve the competitive ability and export performance of the small scale sector. These include establishment of joint research centres for technology and designs, promoting joint brands and undertaking publicity in overseas markets. Pre-shipment financing is being undertaken by commercial banks who extent loans to small scale exporters for production, processing and despatch of goods to be exported. Rediscounting facilities are offered by the Bank of Japan to the commercial

banks on export advance bills. Medium and long term credits are extended by Export and Import Bank of Japan which is a Government financial institution. Such credits, as a rule, are given as loans to exporters for period ranging from six months to 15 years. This particular facility acts as an incentive to small scale manufacturers of machines and equipment to export their products even on a deferred payment basis. Besides, the Japanese Government have come forward to assist the small scale exporters to improve their designs by lending the services of qualified designers. The Government also hold exhibitions of products in new designs to create awareness among small entrepreneurs about the need for better designs for the export market. The Committee would like Government to study the facilities extended by the Japanese Government to small scale industries in the matter of export promotion and see to what extent these facilities can be provided to the Small Scale Industries in India to boost up their exports.

Reply of Government

The Government agrees with the Recommendation. It is, however, pointed out that a high powered team of Senior Officials led by Shri Bhanu Prakash Singh, former Deputy Minister for Industrial Development, had visited Japan in September, 1969. The report of this Team has been taken into consideration while formulating various proposals for the Fifth Five Year Plan by the Task Force Committee. The proposal of the Task Force Committee are under consideration in consultation with the Planning Commission.

Moreover, the Bhat Committee Report on Drafting of Legislation on Small Industries have also given due consideration to facilities available for small enterprises in Japan. The Report is under consideration.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I)
dated 20-10-1973].

Comments of the Committee

The Committee would like to know the final decision taken by the Ministry in consultation with the Planning Commission in the matter.

Recommendation (Sl. No. 47 Para No. 6.27)

The Committee agree with the view that the quantitative growth of the small scale sector has not been matched by adequate atten-

tion and concern for quality and that in an increasing competitive situation, the small scale sector can compete with larger units only if it is thoroughly made aware of a sound and sustained concern for quality. It would not be proper to expect the consumer to tolerate for any significant length of time continued protection to units if prices, deliveries and quality are not fully competitive. Furthermore, the products of the small scale sector should be able to hold their own not only in the domestic market but also to an increasing extent in export trade. The Committee note that Government propose to establish 4 Regional Testing Laboratories to test various small scale industrial products. They urge that these 4 Regional Testing Laboratories should be established early and that they should be authorised to issue testing certificates also which should be acceptable to all concerned. The Committee would further like the Government to assess the requirements of testing facilities for the Small Scale Units throughout the country on an emergent basis and take early steps to set up common testing facilities wherever required.

Reply of Government

The Government agrees with the Recommendation. During the Fourth Plan period, 4 Regional Testing Laboratories at Calcutta, Madras, Bombay and New Delhi had already been sanctioned by the Government. In the current year, a provision for Rs. 1 lakh has already been made for the purchase of machinery and equipment. The Planning Commission is of the opinion that on account of drastic measures announced by the Government for effecting economy in the budget, staff against these 4 Testing Laboratories may not immediately be appointed. However, efforts are being made to procure necessary machines and equipment for different items of testing in the electrical, mechanical metallurgical and chemical industries in consultation with the Indian Standards Institution.

The Task Force Committee had further proposed during the Fifth Five Year Plan to augment testing facilities throughout the country by way of establishing 10 testing laboratories for ceramics and allied mineral based industries, scientific glasswares, other glass products and vitreous enamelling industry, plastics, process development laboratory for chemicals, electrical and electronics, etc.

The proposals of the Task Force Committee in this regard are under consideration in consultation with Planning Commission. All these laboratories if established will adequately take care of the Recommendation of the Estimates Committee.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I)
dated 20-10-1973].

Comments of the Committee

The Committee would like to know the final decision taken by the Ministry in consultation with the Planning Commission in the matter.

Recommendation (Sr. No. 48 Para No. 6.28)

The Committee would also like to recommend to Government to examine, the feasibility of introduction of a 'Quality Marking Scheme' either by the Government through the Indian Standards Institute or through their proposed four Regional Testing Laboratories or through an association of manufacturers in order to build up confidence among the consumers regarding the products marketed.

While noting the useful role that the Central Small Scale Industries Organisation has played in the development of the small scale industry, the Committee feel that the position needs to be reviewed urgently so as to provide services which are now required by the small scale sector because of the technological advance and the recent trends in industrial development. This review would help to bring out the directions in which the Central Small Scale Industries Organisation needs to be strengthened so that it can continue to act really as a friend, philosopher and guide to the small scale units and contribute towards the development of the industry in the right direction.

What is needed in the Committee's view is strengthening of quality of service rather than of numbers. The Committee need hardly point out that with the passage of time the requirements of small scale units have shifted from elementary needs to those of expert assistance in technological fields. It is only when the Small Scale Industries Development Organisation has engineers and technicians of high calibre and eminence with practical experience that their service would be welcomed genuinely as an aid towards development.

Reply of Government

The Government accepts the Recommendation. The Small Scale Industries Development Organisation has already realised that under the changing situation in the small scale sector requiring expertise in technological fields, the time has come that the industrial extension services should now be changed to suit growing requirements of small scale industries. In the Fifth Five Year Plan proposals formulated by the Task Force Committee, the extension services have been visualised more as an institutional approach than

individual guidance and advice. Various process and product development institutes on industries like ceramics, chemicals, petrochemicals, plastics, electronics, etc. as well as the testing laboratories proposed under the Report of the Task Force Committee will not only act as a store-house of expertise but would also solve the technical problems of the small scale industries as rightly envisaged by the Estimates Committee.

In regard to the standards as mentioned in the para 1 of the Recommendation, a close cooperation has already been established with the Indian Standards Institution so that the facilities available in the Small Industries Service Institutes and Extension Centres could also be used for ISI marking with their assistance.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I)
dated 20-10-1973].

Recommendation (Sr. No. 50 Para No. 6.30)

The Committee would like to stress that the Service Organisation should be kept compact in the interest of preserving its efficiency. It is also of the utmost importance that there should be close coordination between the services provided by the Centre and the States to obviate any overlapping. The Committee need hardly point out that in areas where small scale industries have come to be well established, there is hardly any need for further expansion of the Service Institutes. In such areas the effort should, in fact, be to encourage the small units to develop, on a cooperative basis, such technical services and processing facilities which they require in common. In these specialised areas, the effort of the Small Industries Service Institutes should be to provide expertise and services necessary for diversification of industry particularly on new lines such as chemical engineering, pharmaceuticals, electronics, printing, etc. for which technical experts who can command the respect of the industrial units may be appointed on contract basis, where necessary, and the Service Institute equipped accordingly.

Reply of Government

The Government agrees with the Recommendation. With a view to having a close coordination between services provided by the Centre through the Small Industries Service Institutes and Extension Centres; there are Advisory Committees attached to each Small Industries Service Institute under the chairmanship of the State Director of Industries. Various problems facing the development of small scale industries and remedial measures, are discussed in the meetings of the Advisory Committees attached to various Institutes.

In areas where small industries have already been well established, efforts are being made for promotion of small scale industries which have either export angle, import substitution, defence oriented, etc. Furthermore now attention is being focussed for development of backward regions and States by opening new Institutes and Centres. Expertise available at Centres where the small scale industries are already well established is being transferred to new Institutes in the backward areas.

The suggestion of appointing technical experts in new lines of pharmaceutical, electronics, printing, etc. on a contract basis will be examined and implemented as far as possible.

[Ministry of Industrial Development O.M. No. 1(35)73—SSI(I) dated 20-10-1973].

Comments of the Committee

The final decision taken in the matter may be intimated to the Committee.

Recommendation (Sr. No. 51 Para No. 6.36)

The Committee note that value of purchases made by the Director General of Supplies and Disposals from Small Scale Industries rose from Rs. 29 crores in 1968-69 to Rs. 86.29 crores in 1971-72. They further note that 192 items are reserved by the DGS&D for purchase exclusively from the Small Scale Industries and that for items which could be purchased both from large scale as well as small scale units, a price preference of 15 per cent is given to the Small Scale Units. The Committee have been informed that there is no strict adherence to the 15 per cent price preference by all Government Departments. It has been admitted by the DGS&D that Departments like the Railways, P&T and Defence, make direct purchases also instead of going through the DGS&D. The Committee are strongly of the view that there is need for strengthening the assistance programme for the participation of small scale sector in Government purchases and strict adherence to the 15 per cent price preference for all Government purchases including purchase made directly by Departments without going through the DGS&D. It is also necessary that the public undertakings and the State Governments give the specified price preference to small scale industries while making direct purchases. The Committee would like the Government to take effective measures to see that all Central Government Ministries and Departments and public undertakings give the necessary price preference to the Small Scale Industries for all purchases made by them in-

cluding direct purchases. Government should also examine the feasibility of persuading the State Governments to give price preference to the Small Scale Industries in respect of the purchases made by them.

Reply of Government

Government accepts the Recommendation. The recommendation is being circulated among various Central Ministries, Departments, etc. in consultation with the Bureau of Public Enterprises under the Ministry of Finance.

[Ministry of Industrial Development O.M. No. 1(35)|73—SSI(I)
dated 20-10-1973]

Comments of the Committee

The Committee would like to know whether there is improvement in the present position as regards purchases made by the Central|State Governments and Public Undertakings from the Small Scale Industries.

Recommendation (Sr. No. 52 Para No. 6.37)

The Committee would also like the DGS&D to undertake an annual review of the items of stores etc., purchased by them with a view to add to the list of items which are reserved for purchase exclusively from the Small Scale Units.

Reply of Government

The Government accepts the Recommendation. At present, there are 192 items exclusively reserved for purchases to be made by DGS&D from the small scale sector. Furthermore, it may be mentioned that DGS&D has already constituted an *Ad-hoc* Committee under the chairmanship of Secretary, Department of Supply having representatives from the Directorate General of Technical Development, Development Commissioner (Small Scale Industries), Railways, Finance, etc. to review the items for reservations in the small scale sector. It is expected that more items will be included under Group IV which are being presently purchased by DGS&D for which the small scale sector has developed sufficient capacity and know-how.

[Ministry of Industrial Development O.M. No. 1(35)|73—SSI(I)
dated 20-10-1973]

Recommendation (Sr. No. 53 Para No. 6.42)

It is well known that the technical advice and training play a very important role in the development of the Small Scale Industries. The Committee are glad to learn that there exists a Technical Advisory Service which aims at providing complete technical services to small scale industries so as to upgrade the skills of workers, increase their productivity and wages, impart knowledge about the use of proper raw materials, improve the quality of goods produced and, thus, strengthen the competitive position of the small scale units. They also note that as part of technical assistance, various items of technical literature are also being produced by the Small Industries Service Institutes. They also prepare technical bulletins for the guidance of the small entrepreneurs. Besides, the Development Commissioner, Small Scale Industries also and Consultancy Services in order to improve organises country-wide Management Training the technical and competitive status of small enterprises and to enable them to keep in touch with the latest developments in technology. The Committee also note that the Economic Information Service run by the Small Industries Service Institutes and the office of the Development Commissioner, Small Scale Industries aims at providing actual manufacturers and interested entrepreneurs with information relating to particular industries or fields in which they are interested. The Committee further note that the question of strengthening the SISI staff is also engaging the attention of Government with a view to equip them for rendering better and up-to-date service to small scale industries.

Reply of Government

The observations of the Committee have been noted.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I) dated 20-10-1973].

Recommendation (Sr. No. 54 Para No. 6.43)

The Committee agree with the view that unlike large industrial enterprises which can afford to hire the services of skilled workers, efficient managers and consultants, the small enterprises with their limited resources have to depend mostly on assistance from the Government in getting their workers trained in production and management techniques. The Committee note that the Small Scale Industries Development Organisation is undertaking training programmes on various aspects of the Small Scale Industries for the benefit of the employers and the employees of the small scale sector. The Committee, however, feel that there is further scope for improvement in the field of training to cover more sophisticated fields like electronics, plastics etc., and they recommend that urgent steps

should be taken by Government to augment their training programme to cover the latest techniques.

Reply of Government

The Government accepts the Recommendation. In order to upgrade the skills of the personnel both technical and managerial in the small scale industries, training courses, both product and process oriented, are being organised by the Small Industries Development Organisation. The content, methodology, etc., of these courses are under constant review. Changes are incorporated depending upon the overall needs of the small scale industries. A Committee has already been set up in the SSIDO to review various technical training courses run by the Institutes and Extension Centres.

The Task Force Committee in their proposals for the Fifth Five Year Plan have also suggested the establishment of various testing laboratories, regional Institutes for Design and Development such as the Apex National Institutes of Electronics which will *inter alia* impart training facilities to small scale industries. It may be mentioned that the proposals contained in the Task Force Committee's Report are under consideration in consultation with the Planning Commission.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I)
dated 20-10-1973].

Recommendation (Sr. No. 55 Para No. 7.4)

The Committee note that the Development Commissioner Small Scale Industries, who looks after the growth of Small Scale Industries, does not have the same rank as that of the Director-General of Technical Development who is responsible for the industries in the organised sector and who is in the rank of Additional Secretary in the administrative set up. The Committee feel that since the development of Small Scale Industries has acquired great importance in the economic development of the country, it is high time that the Organisation of the Small Scale Industries is also placed in charge of an Officer with the same rank as that of the Director General of Technical Development.

Reply of Government

The Government agrees with the Recommendation. A proposal regarding the upgrading of the post of Development Commissioner to that of Additional Secretary is already under consideration.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I)
dated 20-10-1973].

Comments of the Committee

The final decision taken in the matter may be intimated to the Committee.

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation (Sr. No. 15 Para 2.49)

The Committee note that the National Small Industries Corporation (NSIC) is supplying machinery on hire-purchase to Small Scale Industries since, March 1956 and that upto 31st March, 1971 machines worth Rs. 45.76 crores have been supplied by it. The Committee were informed that a large amount of money of the NSIC, amounting to Rs. 6 crores, is locked up as quite a number of parties to whom the machines were supplied on hire-purchase basis, have defaulted in the payment of instalments. Of this, about Rs. 3.4 crores are stated to have been realised in the last few months.

Reply of Government

The NSIC has been able to arrest the default at a level of Rs. 6 crores over the last three years, though the total value of machines supplied has gone up by Rs. 19.85 crores from Rs. 45.76 crores upto 31-3-1971. Upto 31-3-73 machinery of the total value of Rs. 65.61 crores has been supplied. During 1971-72, a sum of Rs. 323.05 lakhs fell due and the collections were to the tune of Rs. 327.12 lakhs. The corresponding figures for 1972-73 are Rs. 416.70 lakhs and Rs. 407.47 lakhs. It will thus be seen that the collections have been going up in the last few years.

2. The NSIC has taken up, during the last three years, a number of measures to reduce defaults in respect of its hire-purchase scheme.

3. At the organisational level, a plan of action has been developed to exercise pressure on the defaulting hirers from the very beginning of default through personal visits, explanations to hirers and gaining their confidence and as a last recourse to legal action and repossession of machines. The NSIC takes the assistance of the Directors of Industries, Small Industries Service Institutes in recovering its dues from the defaulting hires. The NSIC sends to the Directors of Industries, lists of defaulters on regular basis and the representatives of the Directors of Industries join the officials of NSIC in carrying out intensive collection drives. Letters have been written by the Chairman of the NSIC to State authorities soliciting

the cooperation of the State Governments in recovery of hire purchase dues. Even the Secretary, Ministry of Industrial Development and Deputy Minister have addressed letters to Chief Secretaries and Ministers of Industries at the State level, respectively, for this purpose. The Directors of Industries frequently write to the defaulting units emphasising the importance of paying NSIC's dues in time.

4. The NSIC has been new segregating cases of chronic defaulters, which are reviewed by a Committee consisting of the Chairman of the Corporation and two other senior officers. This Committee visits the Regional Offices regularly with a view to examine cases and take decisions on the spot. A Central Cell has also been created to keep track of and examine cases of chronic defaulters pertaining to all the States and to assist the Regional Offices of NSIC on follow up action.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I)
dated 20-10-1973].

Comments of the Committee

The Committee trust that vigorous action would continue to be taken to recover the outstanding dues from defaulters.

Recommendation (Sr. No. 16 Para 2.50)

The Committee are greatly concerned that the Corporation have not been able to recover as much as about Rs. 3 crores from the small scale units for machinery and equipment which had been earlier supplied on deferred payment basis. The Committee feel that in the larger interest, Government should leave no stone unturned to recover this amount from these units. The Committee need hardly point out that the small scale units look to the Government in innumerable ways for help and assistance and they see no reason why these contacts cannot be put to use for making good outstanding Government dues. The Committee would like the Corporation and the Small Scale Industries Organisation to work in close coordination and take the assistance of the Industrial Development Organisations at the State level to work out a detailed plan of action for making good the amount from each small scale unit from whom it is outstanding. If necessary, Government may constitute a task force to work out a plan of action. The Committee would like to be informed within three months of the concrete measures which have been taken or proposed to be taken by Government to recover outstanding amounts from the small scale units. In any case the Committee can see no reason as to why there should be any lacuna in the agreements with small scale units for taking legal action against

the recalcitrant parties. They need hardly stress that the lacuna, if any should be remedied without delay and that responsibility for the deficiency noticed in the agreements executed earlier fixed.

Reply of Government

The amount of default includes a large element of penal interest which was introduced as a deterrent measure at the formulation stage of the schemes. In the revised scheme introduced in 1971-72 this has been abolished in the new agreements excluding this element, the arrears of instalments in 1970-71, 1971-72 and 1972-73 would be to the tune of Rs. 487 lakhs, Rs. 472 lakhs and Rs. 480 lakhs respectively against deliveries of machines worth Rs. 45.76 crores, Rs. 56.14 crores and Rs. 65.61 crores. The ratio of default to machines supplied has been 10 per cent, 8 per cent and 7 per cent over these three years. The default of 7 per cent measured as a percentage of machines delivered is not alarming and compares not unfavourably with the experience of an average commercial concern. In view of the fact that the security, normally demanded by a Bank as security for loan, is considerably and deliberately relaxed in keeping with the promotional character of NSIC's business, the default does not appear exceptionable. Actually the amount in default of 7 per cent includes the irrecoverable bad debts of the initial years when the Corporation was settling down organisationally and getting the measure of its job. These must have been fairly substantial, say 15 per cent. One can thus conclude that the scheme is being operated at a reasonably high level of efficiency.

2. NSIS has perfected over the years recovery procedures which given the limitations of its promotional role are as nearly water tight as they can be made. In fact no stone is left unturned to effect recovery. It is largely because of the assistance rendered to small scale industry by Government, in matter of provision of scarce raw material, power water supply etc., that the percentage of recovery is as high as 93 per cent. But there are black sheep in every society. There are cases of genuine defaulters, who do not pay, not because they do not wish to, but because they are genuinely not able to. Such cases would account for about 50 per cent of the Rs. 3 crores irrecoverables through had debts. The remainder is due to un-scrupulous hirers who do not pay because they do not want to pay and resort to fraudulent practices. It is against these that legal action is principally directed.

3. Actually there are no lacunae in the Hire Purchase Agreement which inhibits NSIC from taking recourse to Courts for effecting recovery. But legal procedures are expensive, dilatory and

even when a decree is obtained it is not always possible to execute it. Even so recourse to legal measures have been intensified during the last 3 years contrary to the attitude of earlier years. The amount involved in legal cases has gone up from Rs. 143 lakhs in 1970-71 to Rs. 202 lakhs in 1972-73.

4. The suggestion of the Estimates Committee to constitute a task force to work out a detailed plan of action for effective recovery in coordination with SSIDO and Directors of Industries is welcome. As stated in para 3 on comments on para 2.49, NSIC has always taken assistance of the Small Scale Industries Organisation and Directors of Industries and this has been explored. It would be necessary to constitute such task force in each State to examine cases of chronic defaulters and work out a plan of action. The Government has recently recommended the constitution of State level Committees to screen applications from the point of view of technical and economic viability. It is suggested that these State Level Committees may also constitute the task force, as recommended by the Estimates Committee, to assist NSIC in the recovery of overdue instalments. Action has also been initiated to set up a Regional Committee for each of the four Regions into which the NSIC is presently organised. These Regional Committees will include representatives of State Industrial Development Organisations and State Small Industries Development Organisations and NSIC and will be charged with the responsibility of reviewing each month initially, and later on once in every quarter, the individual cases of all defaulters with a view to taking effective steps to ensure recovery of the amounts in default as soon as possible.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I) dated 20-10-1973].

Comments of the Committee

The Committee may be informed whether the task force to work out plan of action to recover the outstanding dues has been formed in each State and if so, the details thereof may be furnished.

Recommendation (Sr. No. 17 Para No. 2.51)

It is of the utmost importance that the units in the small scale sector should not get a feeling that they can get away with Government money. The Committee stress that loans extended to the small scale section can and should be recovered in the interest of small scale industry itself so that healthy foundation are laid for continued Government assistance on a revolving basis.

Reply of Government

Comments given on para 2.50 cover the points raised in para 2.51.

[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I)
dated 20-10-1973].

Recommendation (Sl. No. 21 Para No. 2.59)

The Committee are surprised at the inadequacy of the S.I.S. Is to provide proper guidance to the small scale units in modern lines of Industries. They are, greatly perturbed to find that the Small Scale Industries Organisation which has been put in the field to do the developmental work, has not seriously taken up the task of assisting the industry in keeping pace with the technological developments and of modernising their machines and equipments so as to produce goods at the most competitive rates in the interest of general economy. The Committee have an impression that the Small Scale Industries Organisation has come to conceive its role more and more as an instrument of regulation rather than an instrument of development Organisation and other concerned agencies that the small Industries Service Institutes do not have engineers and other technical experts in those disciplines or they are not keeping themselves abreast of developments or that they do not have the requisite aptitude and qualifications, or they do not have requisite up-to-date equipments and workshop facilities.

Reply of Government

It is mainly due to the efforts of the Small Scale Industries Development Organisation and other concerned agencies that the small scale industries have made a phenomenal progress in the country. It is well-known that the number of units registered in the small scale sector has risen from 26,887 in the year 1961-62 to over 3 lakhs in 1972-73. The contribution of this sector to the overall economy in the country in terms of employment, production, etc., has already been recognised.

It is, however, true that the development programmes of the small scale industries had to pass through several constraints which arose particularly in the year 1962 on account of Chinese Aggression and again in 1965 due to the conflict with Pakistan. Overall financial stringency has been mainly responsible for slowing down the programmes of technological developments and modernisation of Small Industries Service Institutes and Extension Centres. Nevertheless, Government is conscious of the need for modernising the equipment and upgrading the expertise available in the Small In-

dustries Service Institutes. Quite recently additional posts have been sanctioned by the Government to strengthen the Small Industries Service Institutes. As soon as suitable personnel are appointed against these posts, necessary guidance and consultancy service are bound to be augmented.

On modernising the machinery and equipment in the Small Industries Service Institutes the total requirements of improved machinery and equipment was estimated at Rs. 70 lakhs during the Fourth Five Year Plan. A systematic programme for modernising various Small Industries Service Institutes and Extension Centres have already been evolved. During the last two years machinery to the extent of Rs. 61 lakhs and Rs. 26 lakhs, have been purchased while sanctions for additional machinery to the tune of Rs. 29 lakhs are under consideration.

Further, the proposals of Fifth Five Year Plan have already provided schemes to reorganise the consultancy services including machinery and equipment to be able to provide comprehensive guidance to prospective entrepreneurs. A Documentation Cell proposed to be set up to acquire record and disseminate technical expertise. All these proposals for upgrading the technical services as recommended by the Estimates Committee are under consideration in consultation with the Planning Commission.

[Ministry of Industrial Development, O.M. No. 1(35)/73-SSI(I)
dated 20-10-1973]

Comments of the Committee

The Committee would like to know the final decision taken by the Ministry in consultation with the Planning Commission in the matter.

Recommendation (Sl. No. 22 Para No. 2.60)

It is expected that technical service organisations like the Small Industries Service Institutes, keep themselves informed of the latest development in technology so that they could render proper guidance about the knowhow, machinery etc., regarding modern lines of industries etc., to the small scale units. The Committee recommend that necessary steps should be taken by Government immediately to improve the quality of service of the Small Scale Industries Development Organisation to enable it to render better service to the small scale sector in so far as modernisation is concerned. It is imperative for this Organisation to keep in touch with the changing requirements of small scale industries in the country

and the latest technical developments as to be able to render necessary and timely guidance and service facilities to the small scale units.

Reply of Government

It is mainly due to the efforts of the Small Scale Industries Development Organisation and other concerned agencies that the small scale industries have made a phenomenal progress in the country. It is already well-known that the number of units registered in the small scale sector has risen from 26,887 in the year 1961-62 to over 3 lakhs in 1972-73. The contribution of this sector to the overall economy in the country in terms of employment, production, etc., has already been recognised.

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[Ministry of Industrial Development O.M. No. 1(35)/73-SSI(I)
dated 20-10-1973].

Comments of the Committee

The Committee would like to know the final decision taken by the Ministry in consultation with the Planning Commission in the matter.

CHAPTER IV

Recommendation in respect of which replies of Government have not been accepted by the Committee.

NIL

CHAPTER V

Recommendation in respect of which final replies of Government are still awaited.

NIL

NEW DELHI;
February 1, 1974
Magha 12, 1895 (S)

R. K. SINHA,
Chairman,
Estimates Committee.

APPENDIX

(Vide Introduction)

Analysis of the action taken by the Government on the recommendations contained in the Thirty-Fifth Report of the Estimates Committee (Fifth Lok Sabha).

I.	Total Number of recommendations	55
II.	Recommendations which have been accepted by Government (<i>Vide</i> recommendations at S. Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 18, 19, 20, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54 and 55)	
	Number	50
	Percentage to total	91
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>Vide</i> 15, 16, 17 and 22)	
	Number	5
	Percentage to total	9