

ESTIMATES COMMITTEE 1959-60

SEVENTY-SEVENTH REPORT

(SECOND LOK SABHA)

MINISTRY OF COMMERCE AND INDUSTRY

Small Scale Industries

PART I

(Organisation of the Development Commissioner,
Small Scale Industries)

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LOK SABHA SECRETARIAT
NEW DELHI

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CORRIGENDA

SEVENTY-SEVENTH REPORT OF THE ESTIMATES
COMMITTEE (SECOND LOK SABHA).

1. Page (ii): For 'Viswesvaraya' occurring in 8th line from above read ' Visvesvaraya'.
2. Page (v): Omit Fullstop occurring in 5th line from above.
3. Page 6, footnote: Add '3' before the words 'Hire-Purchase Scheme' in 4th line and '4' before the words 'Projects Division' in 2nd line from below.
4. Page 12: Change all the words in 5th line from above, which are in italics to roman type.
5. Page 12: For 'has' occurring in 6th line from above read 'had'.
6. Page 27: For 'teh' occurring in 3rd line from above read 'the'.
7. Page 27: Para 82: Omit ',' occurring in 6th line from below.
8. Page 30, para 90: For 'What' occurring in 6th line read 'what'.
9. Page 53: For 'unhygienic' occurring in 11th line from below read 'unhygenic'.

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1959-60

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* Elected w. e. f. 19th December, 1959, *vice* Shri Mathuradas Mathur resigned.

INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Seventy-seventh Report on the Ministry of Commerce & Industry—Small Scale Industries—Part-I. (Organisation of the Development Commissioner, Small Scale Industries).

2. In this Report, the Committee have dealt with the set-up and functions of the Organisation of the Development Commissioner, Small Scale Industries, and a general appraisal of the results achieved so far in regard to the development of small scale industries.

3. The Organisation and functions of the National Small Industries Corporation Ltd., which also deals with the development of small scale industries, have been dealt with in Part-II.

4. A statement showing an analysis of the recommendations contained in this Report is also appended (Appendix VI).

5. The Committee wish to express their thanks to the Officers of the Ministry of Commerce and Industry and the National Small Industries Corporation Ltd., for placing before them the material and information that they wanted in connection with the examination of the estimates as well as to Shri P. R. Ramakrishnan, M.P., Dr. P. S. Lokanathan, Shri R. N. Kunzru and representatives of the Federation of Small Industries Association of India, New Delhi, the All India Manufacturers' Organisation, Bombay, the Federation of Small & Medium Industries, Calcutta, the Andhra Pradesh Small Industries Association, Vijayawada, and the Iron & Steel Industrial Co-operative Society Ltd., Bangalore for giving evidence and making valuable suggestions to the Committee.

H. C. DASAPPA,
Chairman,
Estimates Committee.

NEW DELHI;

The 18th March, 1960.

Phalguna 28, 1881 (Saka).

INTRODUCTORY

A. Role of small scale industries in the national economy

Small scale industries constitute an important sector in the economy of any country. The note below gives some idea of their size and importance both as independent units and as ancillaries in the highly industrialised countries of Japan and U.S.A. In India also, small industries have been recognised as constituting an important sector in the economy of the country. The Industrial Policy Resolution, 1948 recognised the role of cottage and small scale industries in the following words:—

“Cottage and small scale industries have a very important role in the national economy, offering as they do scope for individual, village or co-operative enterprise, and means for the rehabilitation of displaced persons. These industries are particularly suited for the better utilisation of local resources and for the achievement of local self-sufficiency in respect of certain types of essential consumer goods like food, cloth and agricultural implements”.

The Industrial Policy Resolution, 1956, re-emphasised the importance of the cottage, village and small scale industries in providing immediate large scale employment, offering a method of equitable distribution of national wealth and as a means of avoiding the problem of unplanned urbanisation.

B. Objectives

2. The First and Second Five Year Plans both recognised the importance of the village and small scale industries and accorded them

Note :

- (i) In Japan for instance small industries which include all enterprises employing less than 300 persons and having a capital of less than 10 million yen (Rs. 1.33 lacs approximately) amounted to 99.9 per cent of all enterprises in non-agricultural activities. They employed 84 per cent of the workers and contributed 54 per cent of the net product of that sector and 50 to 60 per cent of the total export trade.
- (ii) In U.S.A. there are today four million of small businesses each employing fewer than 50 persons and they absorb about 65 per cent of the country's industrial workers. They produce roughly one third of all manufactured goods and are responsible for one half of all wholesale and retail trade. Many of the gigantic American Corporations obtain their requirements from small businesses—for instance the United States Steel Corporation, the largest American Corporation, buys from 54,000 small businesses and General Motors have more than 20,000 sub-contractors. The BELL Telephone System's manufacturing and supply Unit (the Western Electric Co.) does business with more than 30,000 small units. In 1958 their purchases from these units totalled 1 billion Dollars.

a specific role in planning for the economic development of the country. Their objectives in the Second Plan have been indicated as follows:—

- (i) to avoid as far as possible, during the period of the second plan, further technological unemployment such as occurs specially in the traditional village industries;
- (ii) to provide for as large a measure of increased employment as possible during the plan period through different village and small industries; and
- (iii) to provide the basis for the structure of an essentially decentralised society and also for progressive economic development at a fairly rapid rate.

II

ORGANISATION

A. Responsibilities of the Central and State Governments with regard to Small Scale Industries

3. Under the Constitution the development of small scale industries is the responsibility of the States. In view of their vital importance in the country's economy, their vast field, and the limited resources of the State Governments, the Central Government felt it necessary to take an active and direct part in the development of these industries. The Centre has accordingly come to play an increasingly important role in the development of small scale industries. Thus there are two organisations—one Central and another State—for the development of these industries.

B. Organisation at the Centre

4. The organisation at the Centre consists of the following agencies:—

- (i) The Small Scale Industries Board.
- (ii) The Development Commissioner, Small Scale Industries and his organisation.
- (iii) The National Small Industries Corporation Ltd.
 - (i) *Small Scale Industries Board*

5. The Small Scale Industries Board, which was originally constituted in 1954, is a high level consultative and advisory body for coordinating and planning the development programme of small scale industries. The composition of the Board is given in Appendix I.

6. It was represented to the Committee that at present the really small units had no voice in the Small Industries Board and that they should be given proper representation on it. From a perusal of the list of members of the Board it becomes evident that 38 out of 52 members are not small industrialists and even as regards the 14 representatives of the Small Industries Boards of the States who are on the Central Board, it is not known if there are any small industrialists among them. In any case it is evident that the small industrialists form only a small section of the

Board. *The Committee, therefore, recommend that the feasibility of reorganising the Board so as to provide for adequate representation to the small scale industries may be considered. The Committee suggest that where representation is to be given to small industrialists it would be better to call upon recognised associations to nominate their representatives to the Central Board.*

(ii) *Development Commissioner, Small Scale Industries and National Small Industries Corporation Ltd.*

7. The Development Commissioner, Small Scale Industries was appointed in September 1954 as the head of the Small Industries Organisation to implement the development programme. His functions are :—

- (i) Assisting the Government in taking decisions on policy in regard to the orderly development of small scale industries in the country.
- (ii) Creation of the requisite atmosphere and provision of the necessary facilities that would encourage starting of small scale industries.
- (iii) Evaluation of the condition of the industries in the country including economic surveys etc. in order to decide upon the priorities of different types of industries in the country for development;
- (iv) Providing facilities for imparting necessary training to technicians and the field staff for encouraging the proper development of industries in the small scale sector; and
- (v) Collection of the statistics.

8. On the recommendation of an International Planning Team (The Ford Foundation) of Experts, the National Small Industries Corporation Ltd. was set up in February, 1955 to assist the small industries in securing Government contracts. The objectives of the Corporation are stated to be to aid, counsel, assist, finance, protect and promote the interests of small industries in India with emphasis 'clearly on promotion'.

9. Thus there are two executive agencies at the Centre, both engaged on promotional activities. While the Development Commissioner is mainly concerned with providing technical assistance and industrial information, the National Small Industries Corporation is primarily engaged on rendering marketing assistance and supplying machinery on hire-purchase to the small industries.

10. The Committee discussed the organisational set-up with the non-officials who appeared before them to give evidence. One section of opinion was that the present set-up was adequate and called for no change. The other opinion was that the organisation of the Development Commissioner and the National Small Industries Corporation should be integrated and there should be only one organisation at the Centre.

11. In the course of his evidence the Secretary of the Ministry, however, stated that the functions of the Development Commissioner were distinct from those of the National Small Industries Corporation. If the trading activities of the National Small Industries Corporation were given to the Development Commissioner, the advantage of autonomy in pushing up trading activities would be lost. The reverse was also not possible because the functions of the Service Institutes e.g., surveys etc., which had no definite worth in terms of Balance-sheet, would not be discharged by the Corporation. He was of the view that the developmental work at present done by the National Small Industries Corporation should be transferred to the Development Commissioner leaving the National Small Industries Corporation more and more with trading or business functions.

12. *The Committee find that the functions of these two organisations do not appear to have been as yet clearly demarcated and a certain amount of fluidity of functions exists. It is possible that such a relationship may not be conducive to smooth and harmonious relationship and may cause also delays which are avoidable. If the two organisations can be amalgamated, there will be the additional advantage of economy.* In paras 16 & 17 the Committee have made reference to multiplicity of organisations dealing with small industries at State level and the need for obviating the same.

C. Organisation in the States

13. The Development Commissioner, Small Scale Industries has his own field organisation. There are at present fifteen Small Industries Service Institutes (one for each State and one in the Union Territory of Delhi) and four branch Institutes. Each of these Institutes is headed by a Director and each of the Branch Institutes is headed by a Deputy Director. In addition, sixty-nine Industrial Extension Centres have been sanctioned for various States of which thirty-nine Centres have commenced functioning.

14. The National Small Industries Corporation has four subsidiary Corporations with headquarters at New Delhi, Bombay, Madras and Calcutta. It is now proposed to

convert these subsidiary corporations into branch offices of the National Small Industries Corporation. Further, the Committee are informed that as the activities of the Corporation are correlated with those of the Organisation of Development Commissioner, Small Scale Industries, it is considered desirable to follow a common pattern of organisational set-up and that the Corporation also should have a branch of the Corporation in each State, if required. The question of opening new branches in other States is stated to be under consideration.

15. The main organisation for the development of small industries at the State level is the State Directorate of Industries. The State Director of Industries is responsible for the execution of programmes for training, demonstration and assistance, securing controlled raw materials, import licences, credit, power and land for workshops and for the establishment of industrial estates, common facility workshops, pilot workshops etc. Thus the functions of the State Director of Industries overlap those of the Central agencies at the State level in many respects. In addition the State Financial Corporations and the State Bank of India are in certain cases also acting as agents of the State Governments in rendering financial assistance to small industries.

16. It will be seen that several agencies are operating at the State level for the development of small industries. The grant of developmental aid by one Central agency also requires references to a number of other agencies, Central and State which inevitably cause delay. Thus the functions of these agencies are so inter-woven* that the success of the programme of one agency depends to a large extent upon the co-operation of the other.

17. *The Committee have considered the existing set-up of the organisations relating to small scale industries both at the Central and State levels and their functioning and*

*The Committee were informed that the activities of the N.S.I.C. were inter-woven with those of other agencies as shown below :

1. *Government Purchase Scheme :*

- (a) D.G.S. & D.
- (b) S.I.S.Is. of the organisation of Development Commissioner, S.S.Is.
- (c) State Bank of India.

2. *Development of Ancillaries :*

- (a) Large scale units both in the public and private sectors.
- (b) S.I.S.Is.
- (c) Federation of Indian Chambers of Commerce and Industry.

Hire-Purchase Scheme :

State Director of Industries and S.I.S.Is.

Projects Division :

S.I.S.Is.

recommend that a Committee consisting of representatives of Central and State Governments and of small industries may be constituted to review their working and make suitable recommendations with a view to reduce the multiplicity of organisations, eliminate overlapping of functions by clearly demarcating the duties as between them, avoid delays, procedural and otherwise, and provide as far as possible unified service.

The Committee feel that such a re-organisation will also result in administrative economy.

18. Recently it was announced that there was a proposal to establish a Small Industries Corporation in each State by the State Government for taking over the management of Industrial Estates in the State and for providing necessary facilities such as supply of raw materials, marketing services, hire-purchase of indigenous machinery etc. It is not clear whether this State Corporation would be an additional agency along with the existing ones or it has to take over the functions of many of the other Central and State Organisations dealing with small industries and reduce the multiplicity of organisations at the State level. The general consensus of opinion of the officials and non-officials who appeared before the Estimates Committee was that it was necessary to reduce the number of agencies and there should be a single agency to perform all the work relating to development of small scale industries in a State. The only difficulty in the way of having such a State agency was stated to be that the States at present did not have the required organisation to take over the entire work of small industries which of course was the responsibility of the States.

19. *The Committee suggest that the State Small Industries Corporations, if and when they come into being, should take over many of the functions at present carried out in a State by other agencies so as to render a unified service which would make for efficiency and expedition.*

20. *Whatever be the future set-up of the organisation dealing with the development of small scale industries, the committee suggest that the Central Government should continue to take direct part in the development of small industries in the backward areas.*

III

DEVELOPMENT PROGRAMME AND PROGRESS

A. Definition of Small Scale Industry

21. For the purpose of Government assistance small scale industries are defined to include all industrial units with a capital of not more than Rs. 5 lakhs irrespective of the number of persons employed.*

22. The term 'capital' has different connotations. The Committee were given to understand that the 'capital' for purposes of definition of small scale industries was meant to include the fixed assets only, viz., land, buildings and plant and machinery of a firm. But it has not been clarified whether the assets mean gross fixed assets (value of assets before depreciation) or net assets (value of assets after depreciation). In this connection, it was pointed out to the Committee that the term 'capital' represented net assets and was open to abuse because the bigger units could take advantage of their depreciated assets to come within the definition of small industries and claim special aid as such. *The Committee feel that the implication of the term 'capital' should be restricted to the gross value of all fixed assets so that the risk of larger industries taking advantage of Government aid meant for the smaller units is avoided.*

23. It may be noted that the capital limit relates only to fixed assets but does not include working capital. If the latter also is taken into account evidently the real capital limit would be much higher than what it appears *prima facie*.

24. As regards the limit of capital prescribed in the definition the Committee heard divergent views. One view was that having regard to the present high level of prices of machines, required by the small scale industries, the capital limit of Rs. 5 lakhs laid down in the definition was rather on the low side and should be increased. Another view expressed was that the existing capital limit operated to the disadvantage of the really small scale industries with small capital and that the benefits of governmental assistance accruing thereunder were generally availed of by the units nearer the ceiling limit. It was, therefore, suggested that only those industries which had a capital investment of not more than Rs. one or one and a half lakhs should be treated

*The Committee were informed at the time of factual verification that "Small Industries are defined as units with fixed capital assets not exceeding Rs. 5 lakhs irrespective of the number of persons employed".

as small scale. The representative of the Ministry, while agreeing that there was a certain amount of abuse under the existing definition, stated that it was very difficult to dogmatise about the most appropriate capital limit for small scale industries and that the present limit was a fair compromise between the divergent views advocating increase and decrease of the limit.

25. The Committee are of the opinion that if 'capital' is restricted to gross and not to net fixed assets, the present limit would be quite a fair compromise. They, however, feel that there is a real necessity to ensure that Government aid for development of small industries goes also to the smaller units and is not monopolised by units with capital nearer the ceiling. The Committee, therefore, recommend that in administering Government aid special steps be taken to ensure that the benefit at least goes equally, if not more, to the development of really small units.

B. First and Second Five Year Plans

26. In the First Five Year Plan a provision of Rs. 37·5 crores was made for both village and small scale industries against which an expenditure of Rs. 33·7 crores was incurred. The total expenditure on small scale industries only during the plan was Rs. 4·4 crores.

27. The Second Plan provided for an outlay of Rs. 200 crores on village and small industries which included Rs. 61 crores for small scale industries. These amounts were eventually reduced to Rs. 176 crores and Rs. 55·57 crores respectively.

28. The First Five Year Plan noted that the information available on the subject of the existing small industries was extremely meagre with the result that there had been far too little formulation of policy on the subject and executive action had been largely confined to such activities as the provision of power or the distribution of controlled materials. A great deal of small industry had grown up in an unplanned manner lacking in the elements that made for efficiency and stability.

29. There has been little improvement in the availability of information on small scale industries since then. No country-wide survey of small industries has been so far carried out. In this connection, it was represented to the Committee by a well known economist that "the existing organisations lack data regarding the total number of establishments, their activities and so on. They work on an *ad hoc* basis, aiding each establishment as it comes along, without knowing the total situation". *Executive action even in*

The Second Plan is limited to certain specific activities such as construction of industrial estates, provision of technical advice, training, supply of plant and machinery on hire-purchase basis etc. There is no coordinated industry-wise programme for development of small industries in the plan.

C. Progress of Expenditure

30. The various schemes for development of small scale industries are divided into three categories viz., State schemes, Central schemes and Industrial Estates. The progress of expenditure on these schemes during the three years of the Second Plan *vis-a-vis* the Plan provision was as under:—

(Amounts in crores of Rs.)

Item	Amount allocated during the Second Plan	Amount spent during the years 56-57, 57-58 & 58-59	Percentage
1. State Schemes	33.18	14.45	43
2. Industrial Estates	11.00	5.03	46
3. Central Schemes	11.39	6.09	53

31. During the financial years 1956-57 to 1958-59 a little over Rs. 19 crores were allocated to the States (including the Union Territories) for development of small scale industries. The total expenditure up to the end of 1958-59 was about Rs. 14½ crores *i.e.*, approximately 76% of the allotted amount. The details of State-wise allocations and expenditure are given in Appendix II. It will be seen that in the States of Assam, Bombay and Madhya Pradesh expenditure amounted to only 54%, 41% and 40% of the allocation.

32. The slow progress of expenditure was attributed to the following reasons:—

(a) State Schemes

- (i) The machinery for sanctioning the schemes both at the Centre and States' level was cumbersome and caused inevitable delays.
- (ii) The States' Reorganisation which took place in November 1956 resulted in dislocation of work and resulted in short-falls.
- (iii) Shortage of suitable technical staff.

(b) Industrial Estates

- (i) Slow acquisition proceedings.
- (ii) The delays caused by PWDs.

(c) *Central Schemes*

(i) Ban on construction activities in 1956-57.

(ii) Want of suitable accommodation for installing machinery.

33. *The Committee are well aware of the fact that the success in the important sector of small industries depends on the full cooperation of the State Governments and their proper implementation of the schemes, apart from the assistance rendered by the Centre and its own efficient functioning. Nevertheless the reasons given cannot be deemed to explain the slow progress. Some of them are procedural in character and were avoidable. One of the first things to be done is to gear up the implementation procedure and machinery to the plan programme at the earliest and then see that by frequent periodical reviews and assessment of progress, the time schedule of the schemes is maintained.*

34. During evidence the Committee were informed by the Secretary of the Ministry that the procedure of financial sanction had been streamlined in 1958-59 and that the total Plan allocation would be spent during the rest of the Plan period. *While the Committee hope that the financial targets under Plan programme would be achieved, they trust that, in the attempt to do so, there should be no undue haste in spending—a feature which is not uncommon in such situations.*

D. Achievements

35. As regards physical progress, the Secretary of the Ministry of Commerce and Industry stated that it was difficult to say that anything remarkable had been achieved because the number of small units that had been set up was comparatively small considering the size and the population of the country. However, the tempo of development had increased recently and if it could be kept up it would be possible to achieve tangible results during the next two Plans.

36. Referring to the specific objectives the Committee were informed as follows:—

(i) *Technological Unemployment*: It was stated that in a sense there was no technological unemployment in the country except in cases where there was lack of mobility. *The Committee feel that in the absence of a proper assessment this appears to be an over-simplification of the problem.*

(ii) *Providing increased employment*: It was stated that the figures were not readily available and that a machinery had been set up to collect the figures. The Karve Committee

envisaged the creation of 1,60,000 new jobs in the small scale units during the Second Plan period. The Development Commissioner stated that if the amount of investment in the small industries was taken and the employment it could be *expected to provide was worked out, it could be said that the employment provided has exceeded the target.* The Secretary of the Ministry, however, stated that employment had not been increasing hand in hand with increased production in the small industries because quite a large number of the small industrial entrepreneurs were self-employed people. This latter view is borne out by the observation of the Working Group on small industries in its evolution report. *There is no proper data to assess the increase in employment and the claim made in regard to additional employment in this sector is purely hypothetical. The Committee recommend that arrangements may be made to maintain and collect the statistics of employment provided by small industries so that the increased employment provided by their development could be periodically assessed.*

(iii) *Decentralisation:* The Committee have referred to the question of dispersal of industries in Chapter IV of the report and discussed how far there has been a failure in adhering to the Plan objective in this respect.

(iv) *Contribution to progressive economic development at rapid rate:* It was stated that no estimates of the contribution of the small scale industries to the national income had been attempted.

37. *It would thus be seen that with regard to the actual extent of achievement of the objectives set forth in the Plan adequate information is not available or the progress has not been appreciable considering the size and population of the country. The Committee are, however, glad to note that the tempo of activity in the small industries sector has been rising but whether it is in accordance with the objectives of the Plan they are unable to assess.*

E. Suggestions

38. *In the opinion of the Committee the essential prerequisites for planned development of the small industries are as follows:—*

(i) *There should be an area-wise and industry-wise survey of the existing* as well as the potential small scale*

*In this connection, it was suggested that a survey of all establishments in all the industries should be carried out. The Secretary of the Ministry informed the Committee during his evidence that it was proposed to avail of the opportunity of the next census to get a fairly complete position of small industries in the country.

industries for the whole country to determine the fields and areas where their further development is possible or called for. The Small Scale Industries Organisation is at present carrying out certain selected industry-wise, area-wise and marketing surveys etc. but the Committee feel that a comprehensive survey should be centrally planned, directed and completed within a given period.

(ii) Basic data needed for carrying out the objectives envisaged for the small industries should be collected, as for instance the nature and extent of technological unemployment, the number of persons who seek employment through small industries, the fields in which small industries can operate etc.

(iii) Development schemes should be prepared on the basis of the data thus collected. They should be directly related to and aimed at the achievement of the specific objectives laid down in the plan.

(iv) Targets should be prescribed scheme-wise as well as industry-wise and there should be an arrangement to watch the progress of the schemes with reference to the targets. Where industry-wise targets are not feasible the targets may be fixed for classified groups of industries.

39. The Committee are conscious of the fact that the implementation of the suggestions would entail considerable labour but it is necessary for proper planning. They recommend that adequate steps may be taken towards this end.

F. Registration

40. The Committee received a suggestion that a procedure of automatic registration of new establishments and de-registration of defunct units would be useful in planning for the development of small industries. The Secretary of the Ministry stated that it was easy to register small units coming for assistance and the Directors of Industries in the States were in fact making such registration. But compulsory registration of all establishments could not be made until the Factories Act was amended. He agreed that it would be desirable to provide for compulsory registration and there might be no difficulty in amending the Act but he felt that it would be a problem to have the defunct units de-registered. The Committee appreciate the difficulty but feel that it is essential to have a system of registration of all functioning units which fall within the definition of small scale industries so that it would be possible to assess accurately the problem of these industries and to plan accordingly.

IV

DISPERSAL OF INDUSTRIES TO RURAL AREAS

41. The Industrial Policy Resolution of 30th April, 1956, laid particular emphasis on the development of small scale industries in the under-developed areas and districts. The Karve Committee considered the decentralised pattern of economy as the main premise of their whole approach to the question of development of small and cottage industries during the Second Five Year Plan. They envisaged a pattern of industrial activity with "a group of villages having its natural industrial and urban centre. These small urban centres will be similarly related to bigger ones. Thus a pyramid of industry broad-based on a progressive rural economy will be built up". The Committee visualised the growth of small industrial units, along with the necessary services, among the big villages or small towns located all over the country.

42. The Committee were informed by the Secretary of the Ministry that "while I cannot really claim that we have gone anywhere near the idea of groups of villages having their own localised industrial centres to form the basis of a pyramid, I would say we are tending in that direction". The Committee were also given to understand that the present trend was that the small scale industries were coming up fast in places where there were large scale industries and that in other places the development was very slow. It has resulted in over-crowding in certain industries as well as in certain areas.

43. Another view expressed before the Committee was that it was very difficult for small industries to grow in the villages. A small industry by its very definition was a power-using industry and it required power, market and means of communications to grow but these were the very things wanting in the villages. It would, therefore, take time to develop small industries in rural areas. They could be developed even now but it was likely to be costly.

44. *The Committee feel that beyond enunciating the principle of decentralised pattern of economy little else has been done to translate it into practice. Though it is one of the three basic objectives of the Plan programme there has*

been no conscious effort to fulfil the objective. This view is also borne out by the following observation of the Selected Buildings Projects Team expressed in their Report on Slum Clearance (1958) :—

“Dispersal of industries is being talked about in our country for a long time; but no concrete steps appear to have been taken to implement it. On the contrary, there is a tendency to permit the establishment of new industries in the already over-crowded and congested parts of cities even without any regard as to whether adequate provision exists there for water supply, electricity, drainage and other facilities. Ways and means must also be found to increase the income of the villager to make him stay in the village itself where at present the employment opportunities are limited. If adequate steps are taken to provide these facilities and to start small scale industries in villages, the exodus of village population to towns can be arrested. It is better to carry industry to the people than carry people to the industries”.

45. *The Committee appreciate that there are difficulties in the way of achieving that objective but they think that special efforts are required to be taken because of their existence. They, therefore, recommend that the programme for the development of small scale industries should be made largely rural-oriented so as to concentrate efforts towards developing industries in the rural areas as distinct from urban localities where the efforts have been primarily directed so far.*

46. *The pattern of small industries development in the rural areas may be different from that of urban areas since the conditions there are not the same. In this connection, the Committee would commend to the Government's consideration the scheme prepared by Dr. M. Visvesvaraya for rural industrialisation which has been adopted by Mysore Government. The salient features of the scheme are given in Appendix III.*

COMMON PRODUCTION PROGRAMMES

47. To assist the growth of decentralised sector of the industry the First Five Year Plan recommended the principle of common production programmes for related large scale and small scale industries. The possible elements of a common production programme were stated to be as under:—

- (a) (i) reservation of spheres of production, (ii) non-expansion of capacity of large scale industries, (iii) imposition of a cess or excise on products of large scale industries; and
- (b) positive measures for the supply of raw materials, equipment and technical and financial assistance to the small units.

48. The Industrial Policy Resolution of 1956, made a reference to these measures and emphasised that “while such measures will continue to be taken, whenever necessary, the aim of the State Policy will be to ensure that the decentralised sector acquires sufficient vitality to be self-supporting and its development is integrated with that of large scale industry”. The Second Five Year Plan attached great importance to the implementation of the three main devices for a common production programme, referred to in para 47 (a) above.

49. The Committee were informed that a policy of partial reservation of spheres of production had been implemented in respect of three items only *viz.*, sewing machines, bicycles and storage batteries for which the following targets of production had been laid down:—

Targets of Annual production to be achieved by 1960-61

(Figures in '000)

Industry	Large Scale Sector	Small Scale Sector	Total
Sewing Machines	220	80	300
Bicycles	1,000	250	1,250
Storage batteries	350	70	420

50. In this connection the Committee note that no production programme for the manufacture of storage batteries in the small scale sector was formulated, and the production of the sewing machines also is likely to lag behind the targets as would be apparent from the following table:—

(Figures in '000)

Year	Sewing machines		Bicycles	
	Large scale sector	Small scale sector	Large scale sector	Small scale sector
1956	130·4	23·6	664	26
1957	167·5	24·8	791	109
1958	210·9	31·5	906	167

51. As regards restrictions on large scale industries, the Committee were informed that further expansion of capacity in respect of certain industries like bifurcated rivets, chaff cutter, knife, agricultural implements, radio receivers, tanning and leather industry had been reserved for small scale sector only. The expansion of capacity in the organised sector of industries like furniture, pencil, small hand tools, sports goods was also being discouraged. The spheres of production for large and small producers of agricultural implements had been demarcated and the Licensing Committee had been following a restrictive policy in regard to expansion in the large scale industry. The Committee were further informed by the Secretary of the Ministry during evidence that a Sub-Committee of Small Scale Industries Board had recently recommended 59 more items for reservation in the small scale sector and that the matter was under consideration of Government.

52. As to the regulation by way of excise duty, it was stated that in the case of footwear industry an excise duty was levied on the large industries in March, 1954, which was still in force, and that differential excise duties and subsidies provided in the cases of soap, paints and varnishes, electric batteries, matches and leather footwear.

53. The Committee note that though no expansion of capacity in the organised sector was envisaged in the Second Plan in respect of tanning, leather and radio receivers industries, the capacity in that sector, however, increased owing to registration of five units in the case, of tanning industry and adoption of improved techniques and balancing of production in the case of footwear industry. As regards

radio receivers, some existing units had been permitted to expand and, as a special case, a new unit had also been licensed.

54. *Thus it would be seen that no significant progress has been achieved so far in giving effect to the principle of common production programmes especially emphasised in both the Plans.*

55. *It was urged before the Committee that there should not be total reservation of certain spheres of production to small industries as such a step might hamper overall production. The Committee agree that while it may be desirable to have a system of common production programme by reserving certain spheres of production to small industries, the matter should be viewed from the standpoint of industrial economics and the benefits of such a programme should be not only in terms of employment provided or decentralisation achieved but also from the point of view of the best and most profitable utilisation of available resources.*

56. *The Committee feel that the programme of common production should be examined thoroughly before decisions are taken to reserve certain spheres of production to small industries. They, therefore, recommend that a Committee of technical experts be set up to go into the whole matter and to suggest the fields where a programme of common production would be practicable and economically feasible before further steps to reserve industries to the small scale sector are taken. The Committee further suggest that in those fields where the system of common production is introduced special steps should be taken to ensure that production does not lag behind and that the quality of production is maintained.*

INDUSTRIAL EXTENSION SERVICE

A. Service Institutes and Extension Centres

57. Following the recommendations made by the International Planning (The Ford Foundation) Team, four regional Small Industries Service Institutes were set up by the Government in 1954. These institutes formed the nucleus of the Industrial Extension Service. This service has since been expanded and thus, as pointed out earlier, there is at present a Service Institute for each State and in the Union Territory of Delhi, 69 Industrial Extension Centres and two Production Centres have also been sanctioned.

58. Besides, the National Small Industries Corporation is setting up two prototype production-cum-training centres and there is a proposal to set up two more such centres. The State Governments have also set up a number of common facility workshops, demonstration and training centres etc. The functions of these centres are given in Appendix IV. It would appear that *the functions of these Centres overlap to a certain extent. The Committee doubt if it is necessary to have such centres with more or less identical functions under different administrations. The Committee recommend that the functions and scope of work of these institutions should be demarcated in such a way as to avoid over-lapping.*

59. The Committee were given to understand that the number of service institutes and extension centres had been increased largely without consolidating the position of the existing ones; no survey was made to decide their most useful location and they were set up without proper buildings or equipment or adequate personnel*. The staff employed in these organisations was also not able to advise on all problems that were referred to them as they related to more than one type of industry and the advice tendered

*The Working Group on small scale industries in their evaluation report have stated that 'the staff position at the Institutes and Extension Centres shows that nearly 44 per cent of the sanctioned posts are still to be filled'.

From a statement furnished to the Committee it is seen that out of 1085 sanctioned posts (excluding class IV) as on 1st March, 1959 in the various Institutes and Extension Centres only 783 posts were filled.

At the time of factual verification the Committee were informed that the total number of posts in the Institutes and Extension Centres at the end of 1959 was 2058 (259 gazetted and 1799 non-gazetted including 593 class IV posts). It was stated that all the gazetted posts except about 20 were filled up and that there were very few vacancies in the other non-gazetted posts.

was more theoretical because the staff lacked practical experience. The Committee also formed the same impressions during their study tours. Many of these observations are borne out by the evaluation report of the Working Group on small scale industries.

60. In a note submitted to the Committee, the Ministry of Commerce and Industry also admitted that there was lack of confidence on the part of small industrialists in the technical advice rendered by the Extension Service. During his evidence, the Secretary of the Ministry stated that most of the Centres had since been properly manned and necessary machines and appliances had been supplied to them.

61. *The Committee feel that creation of agencies without proper building, staff or equipment would only result in wasteful expenditure. They, therefore, recommend that urgent attention may be given to organise and equip the existing institutes and centres for effective service and due consideration may be given to these aspects before creating new agencies in future.*

B. Body of Technical Experts

62. A suggestion was made to the Committee that to overcome the difficulty at present experienced by the Small Industries Service Institutes on account of the dearth of technically qualified staff, the Service Institutes at the State level should enlist the cooperation of technical experts in various fields of industry on an honorary basis. Panels of these experts on different sections of small industries could be formed to render guidance and assistance to the small industries on technical and other matters. *The Committee appreciate the suggestion and commend it for the consideration of the Government. They are aware that its implementation pre-supposes a spirit of public service among the technical experts which they are confident is available in abundant measure in the country.*

C. Delay in Construction

63. The Committee understand that out of the 69 Extension Centres sanctioned, only 39 Centres are working at present. Of the others, though 9 Extension Centres were sanctioned in 1956, 6 in 1957 and 7 in 1958, they have not yet started functioning. At certain places e.g., Dhanbad and Vaniam Kulam, although the buildings are stated to have been hired, the Centres have not gone into operation. In a certain case viz., Bhavnagar, although the building was hired in April, 1957, and the equipment has also been received, the Centre is not functioning for want of electric power. In a number of other cases there were considerable

delays, ranging from two to three years, in the functioning of the Centres after they were sanctioned. For example, the Extension Centre in Coimbatore which was sanctioned in October, 1956, started functioning in July, 1959 only.

64. The delay in setting up the Centres was mainly attributed to:—

- (i) Delay in land acquisition and construction of buildings due to procedural difficulties and non-availability of contractors.
- (ii) Non-availability of proper premises.

The Committee were informed by the Ministry of Commerce and Industry that certain enhanced powers were necessary to be delegated to the Ministry and the organisation of the Development Commissioner to obviate the delays due to protracted correspondence between the various authorities.

65. *The delay in starting the operation of the Extension Centres has resulted in wasteful expenditure owing to non-utilisation of staff appointed and equipment purchased etc. It is regrettable that procedural difficulties should have delayed the construction of Extension Centres to this extent. It is imperative that such difficulties should be overcome if further delay in completing the Centres is to be avoided. The Committee recommend that the practical difficulties experienced by the Department in this regard may be eliminated and arrangements made for quick execution of the programme.*

D. Economic Surveys

66. To assess the industrial potential of different areas the Investigation Team of Small Scale Industries Organisation is conducting the following types of surveys:—

- (i) Industrial Surveys;
- (ii) Area Surveys;
- (iii) State Bank Surveys; and
- (iv) Market Surveys.

It was represented to the Committee that the area survey reports were merely collection of some preliminary economic intelligence of the area surveyed without much apparent operational significance as they did not point out the opportunities which a particular industry offered to the small investors. This view seems to have been more or less confirmed by the observation made at the Seminar held at

Hyderabad in July, 1959 on the financing of small scale industries under the auspices of the Reserve Bank of India to the effect that the information available to the small enterprises regarding the area into which they can venture with reasonable chances of success, was not adequate and that there was scope to improve the quality and extent of such information. *The Committee attach great importance to the role of these surveys. They recommend that the collection of economic data and information for these surveys should be planned in such a way as to make the reports more informative and of real practical use. In this connection they invite reference to their recommendation in para. 38.*

67. *The Committee further suggest that the feasibility of the Service Institutes undertaking productivity studies of the small industries with a view to suggesting improvements in the productivity of labour and capital, on the lines the Productivity Centres of the Ministry of Labour are working, might also be examined.*

E. Mobile Demonstration Vans

68. The Committee understand that there are 47 Mobile Demonstration Vans in the various Service Institutes to demonstrate modern machinery and techniques for various operations and processes. These are fitted with up-to-date tools and small machines for trades like Blacksmithy, Carpentry, Shoe-making and Leather Goods, Sheet Metal Products, Electro-plating, Ceramics, Pottery, Glass Enamelling and general purposes. These vans are stated to have been used both for demonstration and short period training of the artisans in the operation of the machines and tools in the different centres visited by them. *In this connection the Committee understand that many of the State Governments also have mobile workshops and that in many cases both the Institutes and the State Governments operate mobile workshops for identical industries. The Committee recommend that such duplication should be avoided, and the work should be performed by one and the same agency.*

69. The Committee further understand that the demonstration and training given through the medium of the vans is not followed up to see to what extent they have been of practical use to the small industries. It is, difficult to assess the utility of these vans in introducing improved industrial techniques and modern machines in the areas of their operations and whether the results achieved are commensurate with the expenditure incurred. *The Committee, recommend that a review of the working of these vans may be undertaken to assess their utility. They further suggest*

that arrangements should be made to follow up the initial visits of the vans to assess the results of the earlier visits and also to render refresher training and further assistance, if need be.

F. Publicity

70. The Committee understand that sufficient publicity is not given to the work relating to the development of small scale industries and that there is no systematic and regular machinery to undertake this work. Most of the small scale industries are not aware of the various governmental agencies set up to assist them and also of the kind of assistance available to them. The various reports and publications brought out by these agencies do not reach their hands. *The Committee suggest that effective measures be taken to give wide publicity to the assistance offered by Government for the development of small scale industries and all modern media of publicity (particularly documentary films) should be employed for this purpose.. They further suggest that the reports, etc., brought out by the Small Industries Organisation should be published in local and regional languages and their wide circulation ensured. The feasibility of prominently displaying all information concerning governmental assistance in each Tehsil and Taluka office in local languages may also be examined. It is also desirable to equip the Institutes, Extension Centres and the State Directorate of Industries with a library where all the necessary technical and other literature on the subject may be available.*

VII

INDUSTRIAL ESTATES

A. Importance

71. One of the major difficulties experienced by small scale industries is to find suitable accommodation with adequate facilities of water and power. The programme of constructing industrial estates has been conceived primarily to overcome these difficulties. Their special functions in the scheme of development of small industries are set out in the report of the Sub-committee on Industrial Estates, which is reproduced below.

'The principal objective of the industrial estates is to provide factory accommodation to small industries at suitable sites with facilities of water, electricity, steam, transport, banks, post offices, canteens, watch and ward, and first aid, etc., and thereby to create the necessary atmosphere for advancement of industries. Besides, industrial estates bring a number of different industrial units together and thereby facilitate the establishment of common servicing centres, introduction of modern techniques, collective purchase of raw materials and sale of finished goods. Being located near one another the units in industrial estate are better able to use the goods and services of one another so that they become inter-dependent and complementary to one another. They also help shifting industries from congested areas'.

B. Progress

72. During the First Five Year Plan, out of the 10 industrial estates sanctioned, only one was partially constructed. The Second Plan envisages the construction of 97 industrial estates for which a provision of Rs. 11.12 crores has been made. The progress made up-to-date in this respect is as follows:—

1. Estates completed and started functioning	25
2. Estates completed and not started functioning	12
3. Estates under construction	19
4. Estates where land has been acquired , layout plans made and tenders invited	21

5. Estates where no substantial work has been done	16
6. Estates not approved	4

TOTAL	97

73. The Committee understand that as against the amount of Rs. 504 lakhs provided in the Plan for the years 1956-57 to 1958-59 for Industrial Estates the amount actually spent was Rs. 526.24 lakhs.

74. In this connection, the Committee note that while six States have spent larger amounts than those sanctioned by the Centre, the progress in 8 States, particularly Jammu and Kashmir, Rajasthan, Mysore and Madhya Pradesh has not been so encouraging. They were told that the slow progress in these States was mainly due to (i) slow acquisition proceedings, and (ii) delays caused by the Public Works Departments. *The Committee hope that effective measures would be taken to remove these bottlenecks and that all the industrial estates planned for would be completed and started by the end of the Plan period.*

C. Location

75. Regarding the location of industrial estates, the Second Plan stated as follows:—

“The Village and Small Scale Industries Committee expressed the view that industrial estates should be located in such a way that they do not encourage further concentration of population in large urban centres. In deciding the location of the estates especially the smaller estates, this consideration should be kept in view so that preferably they are developed in or near towns of comparatively small size”.

The Committee understand that in practice the following criteria have been followed in selecting places for establishing an industrial estate:—

- (1) Nearness to the market for consumer industries, to the equipment and machinery for the repair and service workshops and to the large scale and medium scale industries for the sub-contracting type of industries;
- (2) availability of technical know-how and skilled workers; and
- (3) availability of essential common facilities like transport, water, power etc.

76. The Committee were informed that out of the 97 Industrial Estates planned for construction during the Second Plan, only 20 had been planned as rural Industrial Estates and that the rest were situated in or around large towns, of which 31 had a population of over a lakh each. Even out of the 20 Estates planned for rural areas only one is stated to be functioning.

77. *It is obvious that the recommendations of the Village and Small Scale Industries Committee with regard to the location of industrial estates which were accepted and affirmed in the 2nd Five Year Plan have not been acted upon. Thus one of the major criteria for setting up the estates viz., decentralisation of industrial development remains unfulfilled. The Committee feel that the scheme of industrial estates could be an effective instrument for decentralisation and dispersal of industries and, therefore, they recommend that Government should make better use of it for the purpose. This however, does not mean that the utilisation of industrial estates as a means to develop small industries in large towns or cities should be a matter of no concern. In fact, they are the best instruments for the purpose whether in rural or urban areas—and as such should be fostered. In this connection the recommendations of the sub-committee on Industrial Estates regarding the distribution of the estates in the different areas villages and towns and cities of varying size seem to be a step in the right direction.*

D. Construction & Management

78. It was proposed in the Second Five Year Plan that 'the responsibility for construction and management should vest in the State Governments but that the Central Government should advance to State Governments the entire cost of the estates in the form of loans. State Governments will run the estates through corporations or such other agencies as they may decide to set up. Sites in the estates will be sold outright to industrial units or given to them on hire-purchase terms. In some cases, buildings will be erected on sites and let out on rental or a rent-cum-purchase basis or, if necessary, sold outright'.

79. *The Committee understand that with very few exceptions the construction and management of the estates have been undertaken directly by the States through their own departments. In effect such a practice goes against the set up envisaged in the plan.. The Committee feel that, as recommended by the sub-committee on Industrial Estates, in future Government should construct industrial estates on its own mainly in rural and backward areas. In other*

cases local bodies, cooperatives and other private agencies should be encouraged to construct them with safeguards against the small industries being exploited. The industrial estates built by such non-Government agencies should be subject to the same conditions as those built by Government agencies.

E. Allotment

80. The Committee were told that sheds in the Industrial Estates had generally been allotted to people who already owned factories outside and people had gone there because they could get raw materials, power etc. easily. Most of them were not working in their units and were not making use of all the raw material given to them for production in the Estates, which was either utilised in factories outside the Estate or sold in black market. It was also stated that opportunity had not been given to new entrepreneurs and that the industrial units in the estates were not integrated and co-ordinated with each other. In this connection, the Development Commissioner informed the Committee that the idea underlying the allotment of sheds in the Industrial Estates was that they should by and large be allotted to new units and not to existing ones. *The Committee, however, understand that no general guiding principles have so far been laid down by the Government for allotment of sheds in the Industrial Estates.*

81. *The Committee would suggest that in case old units are allotted sheds, the terms of allotment should specifically stipulate that they have to close down their existing establishments in the city, so that to that extent at least the unhygienic conditions created by them in the city are removed.*

F. Houses for workers

82. During their study visit to the Industrial Estate at Okhla, it was represented to the Committee that houses for workers had not been built near the estate with the result that the workers had to come from long distances. The representatives of the National Small Industries Corporation stated that a plan for providing houses for workers had been prepared and was under consideration. *The Committee feel that it will be an extremely desirable measure to provide as far as possible housing facilities for labour employed by the industries in the Industrial Estates, in adjacent areas. They suggest that the feasibility of correlating industrial housing schemes with Industrial Estates may be examined.*

VIII

OTHER MATTERS

A. Credit

83. The Small scale industries usually require different types of capital *viz.* venture or risk capital, long-term loans and short-term loans or working capital. The need for making adequate arrangements for supply of credit to small scale units was recognised in the Second Five Year Plan and it laid stress on a co-ordinated policy based on close collaboration between the Reserve Bank, the State Bank, the State Financial Corporations and the Central Cooperative Banks. It was envisaged that the provision for working capital would be made by Government in the initial years of the Plan till satisfactory arrangements for supply through normal banking channels become available.

Long-term and short-term loans

84. At present, the agencies that cater to the long and short-term credit requirements of small scale industries are the State Governments, the State Financial Corporations, the State Bank of India, Cooperative and Commercial Banks. They are operating on varying terms and the amount of finance lent to small scale industries has been as under:—

- | | |
|---|---|
| (i) By State Directorates of Industries (Under the State Aid to Industries Acts/Rules). | Rs. 728·04 lakhs (during the financial years 1956-57, 1957-58 and 1958-59). |
| (ii) By State Financial Corporations of Bombay, Andhra Pradesh, U.P. and Coop. Banks in Mysore acting as Government agents. | Rs. 98·40 lakhs (as on 31-3-59). |
| (iii) By State Financial Corporations. | Rs. 3·37 crores (upto end of June, 1959). |
| (iv) By State Bank of India | Rs. 3·76 crores (upto end of November, 1959). only in intensive centres. |
| (v) By Co-operative Banks | Rs. 2·00 crores (lent to industrial co-op. societies other than weavers' co-ops. by end of June, 1958). |

85. The conditions under which loans can be obtained from the State Directorates of Industries, under the State Aid to Industries Acts|Rules, have been considerably liberalised and this has helped larger utilisation of this source of assistance. It was, however, represented to the Committee that adequate financial help was not available to the needy concerns at the right time and inordinate delays occurred in the investigation and processing of loan applications. The Committee recommend that suitable steps should be taken to streamline the procedure and avoid delays.

Credit Guarantee Scheme

86. The Committee are glad to note that to enlarge bank lending facilities to small scale industrial units, a credit guarantee scheme is being introduced on pilot basis shortly. The scheme, to be operated by the Reserve Bank of India, will be introduced in 21 selected districts in the first instance. The Committee hope that the guarantee system proposed to be introduced would considerably ease the situation. They note that the scheme does not indicate the extent to which the terms and conditions of loans covered by the guarantee would be liberalised. The Committee are of the opinion that the success of the scheme will largely depend on the rates of interest and the terms relating to the security allowed by the credit institutions being placed on a parity with the terms under which loans are given by Government.

Venture Capital

87. At present the provision of venture capital is not a function of the existing institutions lending money to small scale industries. Although the Shroff Committee in their report on finance for the private sector (1954) recommended *inter-alia* the setting up of a Special Development Corporation charged with the business of investment in equity capital of small industrial concerns, purchase of preference shares and debentures and guaranteeing of loans given to small units by commercial banks etc., no such corporation was constituted. The Ford Foundation Team also recommended that it was necessary to provide venture capital to small industry by certain measure.

88. It was represented to the Committee that some scheme of Government participation or aid to participating institutions needed to be formulated. In this connection, the Committee's attention was drawn to the United States' Small Business Investment Act of 1958 enacted with the object of establishing a programme to stimulate the flow of private equity capital and long-term loans to small business concerns. A view was expressed that in principle there

was nothing wrong in the Government subscribing to the equity capital of a business but the difficulty was about the proper management of such concerns. Government could participate in equity provided its share did not exceed 50 per cent of the total and it had a means of exercising some control over such enterprises to safeguard Government interest.

89. The Committee were informed by the representative of the N.S.I.C. that the results of experiments in Orissa, where the State Government had participated in the equity capital of certain small units, had not been very encouraging. He, however, agreed that for industrial cooperatives this would be a desirable line of development. The Secretary of the Ministry, however, stated that the Government participation in the equity capital of small industries was wrong in policy.

90. Having considered the various views noted above, the Committee are of the opinion that it is necessary to evolve a scheme for making equity capital available to small industries—either in the form of share capital or at least in the form of loans—as a result of which the flow of private capital to this sector may be stimulated; What is more, the enterprising among the technically educated unemployed persons of small means may be prompted to form industrial cooperatives especially in the under-developed areas.

B. Raw Materials

91. The non-availability of raw materials, both indigenous and imported at fair prices and the accumulation of the considerable idle capacity as a consequence is one of the major handicaps of small scale industries. The Central Government had taken certain measures to assist the small entrepreneurs in this regard by increasing the small industries quota for iron and steel placed at the disposal of State Governments, liberalisation of import policy and opening up of a raw material depot at Ludhiana, the only one of its kind set up by the Government of India.

92. The Committee understand that although the demand and allocation of steel under small industries quota had progressively increased, the quantity actually made available has not improved due to the difficulties experienced by State Directorates of Industries in securing deliveries

against the quota which is accorded low priority. This would be evident from the following:—

(In Tons)

Year	Demand	Allocation	Quantity actually made available	% age of (4) to (2)
1	2	3	4	5
1957-58 .	2,09,268	52,700	42,823	20%
1958-59 .	2,52,635	1,07,950	48,014	19
1959-60	3,48,629	2,75,500	13,344 (upto Dec. 59)	4

93. It is evident from the foregoing statement that the quantity of raw materials allocated is short of the demand therefor and the quantity made available against the allocation is much shorter. This has naturally caused much difficulty to the small industries.

94. The Committee note that though there is general scarcity of certain types of raw materials particularly ferrous and non-ferrous metals, there are also several other factors contributing to this unhappy state of affairs. In this connection it was represented to the Committee that the small scale units were not treated on par with large scale units. As regards supplies of controlled raw materials, quotas had been issued but materials were often not available with the stockholders. Further Government was not in a position to anticipate requirements of small units for want of statistics. It was also submitted that the existing system of issuing quota-certificates and import licences to the old traditional holders without any check on the proper utilisation of materials supplied to them had given rise to various malpractices. The procedure followed by the State Directorates of Industries in making investigations and issuing essentiality certificates etc. tended to be erratic and unduly long time is taken by the Import Control Authorities in issuing the import licences.

95. The Committee understand that despite the controls on distribution of raw materials, such controlled materials were available in the open market in considerable quantities though at very higher prices. The small industries

which cannot get their supplies through the controlled channels had necessarily to resort to the 'open' market and depend on the supplies from that source for their very existence. The prices obtaining in that market being naturally very high, it has undoubtedly placed the small industries in a very unfavourable position.

96. *The Committee consider that the steps so far taken by Government for the supply of controlled raw materials to small scale units have not been very successful. So far as supplies of iron and steel are concerned, they feel that the position should now considerably ease with the commissioning of steel plants in the Public Sector. In view of the vital role envisaged for these industries in the national economy their requirements should be accorded due recognition and priority, and it should be ensured that the actual supply does not lag behind the allocation. The shortage of non-ferrous metals should be met by larger imports as a short-term measure and intensified geological surveys on a long-term basis to find out new sources in the country. The licenses for imported raw materials should be given as far as possible to actual users only after careful scrutiny.*

97. *The Committee are further of the opinion that to ensure continuous supply of scarce raw materials to small scale sector, it is necessary to build up buffer stocks of iron and steel, chemicals and other raw materials in each State. In this connection, they understand that the Small Scale Industries Board has already suggested to State Governments to set up raw material depots but there has been no perceptible progress in this regard so far. The Committee were informed that an association of small and medium industries in West Bengal had a scheme for regular supply of raw materials to its constituents. Under the scheme the association ascertained the requirements of raw materials of its members, consolidated the demand and placed it with the department concerned. On receipt of supplies the stocks were kept in godowns and were released to members against delivery orders issued by the association. The Committee feel this to be a good scheme and commend its examination for adoption in other areas as well.*

C. Industrial Co-operatives

98. The Industrial Policy Resolutions of 1948 and 1956 laid great stress on the role of co-operatives in the development of village and small scale industries. The Industrial Policy Resolution of 1956 states that "many of the activities relating to small scale production will be greatly helped by

the organisation of industrial co-operatives. Such co-operatives should be encouraged in every way and the State should give constant attention to the development of cottage and village and small scale industry". The report on the small industries in India by the Ford Foundation Team high-lighted the importance of industrial co-operatives. The Karve Committee also considered the organisation of industrial co-operatives as one of the basic objectives in the development of village and small scale industries. The Second Five Year Plan envisaged that "In organising co-operatives for the various village and small industries it will be desirable to have targets to be attained during the plan period".

99. The Committee were informed that the Government of India were extending various facilities for the development of industrial co-operatives. These facilities are in the form of concessional rate of interest on loans advanced to these co-operatives, marketing assistance, technical guidance and other assistance in organising these industrial co-operatives. It was also stated that in almost every state six industrial co-operative societies had been selected for intensive development.

100. The Committee understand that the total number of industrial co-operative societies in India (other than weavers) as on 30.6.58 was 10,117. Separate statistics of the co-operatives for small scale industries were not made available. They understand from the various non-official witnesses who appeared before them that the progress in the setting up of industrial co-operatives for small scale industries has not been satisfactory. The Working Group on small scale industries also observed in their evaluation report that very little information was available with regard to administrative set up for industrial co-operatives and that with few exceptions, this programme had not generally recorded any significant progress. It was represented to the Committee by non-officials that the slow progress was generally due to the defects in the organisation and management of co-operatives. Further it was submitted that as per doctrinaire concept of an industrial co-operative, even the service co-operatives of industrial entrepreneurs were not eligible for concessions available to co-operative societies. In this connection, the Committee were informed by the official witnesses that about six months ago, a decision had been taken that the facilities given to the industrial co-operatives of artisans would also be given to the service co-operatives.

101. *The Committee attach great importance to the part that should be played by the industrial co-operatives in fostering the growth of small scale industries, particularly in semi-urban and rural areas and suggest that special efforts should be made to encourage them. It is also necessary that co-operative workers should be given proper training with industrial bias so that the co-operatives could be organised on sound footing. The Acts and Regulations relating to industrial co-operatives may be liberalised wherever necessary to encourage the formation of co-operatives not only by artisans but also by small entrepreneurs.*

102. The Committee were informed during evidence that Central and State Governments had set up 3 or 4 pilot units which would be worked for 2 or 3 years and would then be handed over to industrial co-operatives. *The Committee consider that this is a step in the right direction to foster the rapid growth of industrial co-operatives and hope that this scheme would prove successful.*

D. Trade Associations

103. The Ford Foundation Team, in their Report in 1954, stressed the importance of trade associations in the economic life and industrial growth of a country and considered them to be an indispensable part of a democratic society. They observed that in the field of village and small industries in India, there were very few representative local associations and that it would take a long time before individual activity in this field could be expected. The team recommended that the existing local, state and national associations be strengthened and developed and that the Central and State Governments should take initiative in organising and promoting them. The Second Five Year Plan also emphasised the role of trade associations in the development of village and small industries.

104. The Committee were informed that at present there was absence of well organised associations of small industries in the country. Government had afforded many facilities to small industries but these could not be availed of by them for want of proper organisation. It was stated that the small industries should make a joint endeavour to solve their difficulties and that Government should render assistance to enable these industries to organise themselves and strengthen their associations.

105. In his evidence the Secretary of the Ministry stated that besides the Federation of Small Industries Association which had recently been formed, there were about 200

associations functioning in the country which were formed largely under the guidance of Government.

106. *The Committee feel that the organisation of trade association is a very effective instrument of self-help for the improvement and development of any industry, particularly the small scale industry.* They understand that trade associations are playing a leading role in providing various kinds of services to their members in the highly advanced countries like U.K., U.S.A. and Germany. In Japan voluntary associations of manufacturers have been organised for each industry by areas and then federated industry-wise. These associations are understood to be highly developed and are rendering active service to small industries. *The Committee are of opinion that there is considerable room to develop such associations in this country and recommend that suitable steps may be taken to encourage the formation of such associations.*

E. Power Supply

107. One of the major handicaps of the small scale industries especially in rural areas is non-availability of power at reasonable rates. The Government of India suggested at the beginning of the Second Plan to the State Governments revision of electricity tariff rates so as to enable the small units to get power at not more than 9 nP. per unit; the subsidy on this account was to be shared by the Central and State Governments in equal proportions. The Committee understand that this suggestion has not yet been acted upon by most of the State Governments.

108. Regarding the supply of electric power to rural areas, the Secretary of the Ministry stated during evidence that "the transmission of power to rural areas would be uneconomic unless the demand was concentrated".

109. *The Committee consider that for the successful implementation of the programme for development of small scale industries, which is to be more rural based, greater attention has to be paid to rural electrification. They recommend that in areas where power supply from grid lines is not available but other facilities for setting up small industries exist local generating sets may be established to help the development of small industries.*

F. Need for a comprehensive legislation for development of small scale industries

110. It is the declared policy of Government that the growth and development of small scale industries is essential for building up a sound national economy. The Govern-

ment of India had from time to time invited teams of experts or delegations from foreign countries or sent Indian teams/delegations abroad to advise it on the steps necessary for proper development of these industries. The recommendations made by these teams or delegations had been implemented piece-meal. The result is that the various development schemes are not co-ordinated enough to make for an integrated programme. Apart from this, the programme for development of these industries is also not linked up with the overall programme of industrialisation of the country.

111. The Committee understand that, to establish a proper system of industrial organisation, the highly industrialised countries like U.S.A. and Japan have taken various legislative measures* to regulate matters affecting small industries.

112. *The Committee feel that if a comprehensive legislative measure were to be introduced to regulate the development of small scale industries in India, it would also incidentally help laying down the broad policies conducive to their accelerated growth. They, therefore, recommend that the advisability of introducing requisite legislative measures on various matters relating to small scale industries e.g. the development of small scale industries in rural and backward areas, regulation of relationship between the large and small scale sectors, organisation of industrial co-operatives and the organisational set-up of agencies entrusted with the development of these industries at the Centre and State levels and regulating their relationship may be considered.*

G. Third Plan

113. The Committee discussed with the various non-officials and officials, who gave evidence before them, the question regarding the resources which should be made

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- * (i) In Japan there are various laws enacted to set up special machinery, procedures and regulations to assist the small scale industries such as Smaller Enterprise Stabilisation Law, 1958, Smaller Enterprise Credit Insurance Law of 1950, Anti-Monopoly Law of 1947 and Law for the Prevention of Delayed Payments to Sub-Contractors, etc.
 - (ii) In U.S.A. also a number of legislative measures have been enacted for aiding the small business e.g. Small Business Act of 1953 and Small Business Investment Act of 1958 etc.
 - (iii) In U.K. the Distribution of Industry Act, 1945 provides for the development of certain areas and for controlling the provision of industrial premises with a view to securing the proper distribution of industry.

available for the development of small scale industries in the Third Plan. The consensus of opinion was that since the tempo of development would be much greater during the Third Plan period, it was necessary that the funds for development of these industries should be considerably augmented. *The small industries sector has as yet not been playing the part it has to as it is doing in industrially advanced countries. The Comimittee are fully alive to the need for developing heavy industries. That very fact, which necessitates the development of a large number of ancillaries as well as the need to catch up with the position it has to secure in the industries as a whole makes it imperative to augment the allocation suitably in the years to come. They lay equal emphasis on the need to ensure the full and proper utilisation of the plan provision.*

NEW DELHI;

The 18th March, 1960.

Phalguna 28, 1881 (Saka).

H. C. DASAPPA,

Chairman,

Estimates Committee.

APPENDIX I

(Vide Para 5)

COMPOSITION OF THE SMALL SCALE INDUSTRIES BOARD

CHAIRMAN

Shri Manubhai Shah, Minister for Industries, Ministry of Commerce and Industry.

MEMBERS

1. The Joint Secretary Incharge of Small Scale Industries in the Ministry of Commerce and Industry.
2. The Development Commissioner for Small Scale Industries.
3. The Deputy Secretary dealing with Small Scale Industries in the Ministry of Commerce and Industry.
4. The Deputy Secretary dealing with Khadi and Village Industries in the Ministry of Commerce and Industry.
5. The Deputy Secretary Incharge Finance in the Ministry of Commerce and Industry.
6. The Assistant Chief Small Scale Industries in the Planning Commission.
7. The Joint Secretary in the Ministry of Home Affairs to represent the Union Territories.
8. The Director (Industries) in the Ministry of Community Development.
9. The Director General of Resettlement and Employment, Ministry of Labour and Employment.
10. The Director (Coordination and Statistics) DGS&D.
11. The Managing Director, National Small Industries Corporation Ltd.
12. The Managing Director, The Indian Handicrafts Development Corporation (Private) Limited.
13. The Director of Industries, Andhra Pradesh, Hyderabad.
14. The Director of Industries, Assam, Shillong.
15. The Additional Director of Industries, Bihar, Patna.
16. The Director of Industries, Bombay.
17. The Director of Industries and Labour, Delhi.
18. The Director of Industries, Jammu & Kashmir, Srinagar.
19. The Director of Industries & Commerce, Kerala, Trivandrum.

20. The Director of Industries, Madhya Pradesh, Indore.
21. The Director of Industries and Commerce, Madras.
22. The Director of Rural Industrialisation and Cottage Industries, Mysore, Bangalore.
23. The Director of Industries, Orissa, Cuttack.
24. The Director of Industries, Punjab, Chandigarh.
25. The Director of Industries, U.P., Kanpur.
26. The Director of Industries, Rajasthan, Jaipur.
27. The Director of Industries, West Bengal, Calcutta.
28. A representative of Reserve Bank of India, Bombay.
29. A representative of the State Bank of India, Bombay.
30. A representative of State Financial Corporations nominated by the Reserve Bank of India, Bombay.
- 31—44. One elected representative each of the State Small Scale Industries Boards (14 members).
45. Dr. P. S. Lokanathan, Director General, the National Council of Applied Economic Research, New Delhi.
46. Shri P. B. Advani, Honorary Treasurer, The All India Manufacturers' Organisation, Industrial Assurance Building, Churchgate, Fort, Bombay.
47. Shri G. L. Bansal, Secretary General of the Federation of Indian Chambers of Commerce and Industry, 28, Ferozeshah Road, New Delhi.
48. Shri H. C. Mathur, M.P., 216, North Avenue, New Delhi.
49. Professor C. N. Vakil, Director, UNESCO Research Centre, P.B. No. 242, Calcutta.
50. Shri M. S. Thacker, Secretary, Ministry of S. R. & C. A., New Delhi.
51. Shri Jaspat Ray Kapur, M.P., 12-D, Ferozeshah Road, New Delhi.
52. Shri L. N. Renu, Development Officer, Office of the Development Commissioner for Small Scale Industries (Ex-officio Secretary of the Board).

APPENDIX II

(Vide para 31)

Statement showing the State-wise allocations and expenditure during the Financial Years 1956-57 to 1958-59

State	(Rupees in Lakhs)		Percentage
	Amount provided	Amount spent upto March, 1959	
Andhra Pradesh	157·01	117·66	75
Assam	69·81	37·89	54
Bihar	150·32	128·95	86
Bombay	175·76	71·95	41
Jammu and Kashmir	44·83	37·20*	83
Kerala	86·37	60·63*	70
Madhya Pradesh	145·89	57·96	40
Madras	214·15	232·80	109
Mysore	81·57	65·01	80
Orissa	80·05	67·70	85
Punjab	161·86	135·14	83
Rajasthan	89·13	69·59	78
Uttar Pradesh	208·52	191·92	92
West Bengal	144·78	96·11	66
Union Territory & Pondicherry	112·23	74·90	67
TOTAL	1912·38	1445·41	76

*Figures for J. & K. and Kerala are estimated for the last quarter.

APPENDIX III

(Vide para 46)

RURAL INDUSTRIALISATION SCHEME

By DR. M. VISVESVARAYA

The principal objects of the scheme on Rural Industrialisation, sponsored by Dr. M. Visvesvaraya in Mysore, are:

- (1) to increase production and income from industries in every village group area into which it is introduced;
- (2) to increase gainful occupations and thereby spread special working habits, self-help and collective effort among the rural population and make each village group unit a self-administering and self improving community so far as its economic activities are concerned.

This scheme is designed to serve the interests of the people in rural areas. Industries are divided into two classes, heavy and large-scale and small scale or minor industries. The former are treated as urban and the latter as rural. Even if there are heavy and large scale industries in rural areas they may be regarded as rural because they will give employment to the village population and help to promote its prosperity.

In this scheme a district will be treated as a standard unit for the whole country. The rural areas in each district will be divided into about 40 to 60 groups of villages which will be named group circles. Cities and towns are excluded. Each group will consist of 15 to 25 villages with a combined population ranging from 10,000 to 25,000. Each group circle will have its own committee to manage its affairs. The reason why a number of villages are grouped together into a unit under the scheme is that a single village would be too small a unit. The taluk or sub-district into which villages are grouped for administrative purposes is much too large. A Development Committee consisting of 7 to 12 persons chosen from among the residents of the village group itself is to be appointed to maintain the organisation and to help the village families to carry on industries on the lines laid down in the scheme. Although the group circle will be under the supervision of the Government staff, its working establishment will be maintained by its own staff paid from its own funds. So far as industries are concerned residents of a village group circle will select their own industries. To begin with, each working family will choose its industry and work in cooperation with the members of the family and in special cases in cooperation with one or more of other fellow residents. The Development Committee will be responsible for the industrial development of the area and for all improvements connected with industries which require collective effort on the part of the local population. It will carry on an intensive drive to persuade the population of the village group

to start small scale industries either by individual effort or in partnership with two or more persons or in the shape of joint-stock companies. There will be an Inspector one for each group circle to assist the committee. The Inspector is to be chosen by the people of the group circle themselves and given training before he is appointed in an Instruction camp organised by the district officer or Director. The Inspector, who must be a young man, will help in the choice of new industries and in the working of the existing ones. For the first two or three years the activities of the committee and of the village population under the scheme will be chiefly confined to industries which will demand their exclusive attention. The Development Committee will be constantly engaged in collecting and maintaining working details of particular industries, chiefly where raw materials are to be obtained from and where finished products could be sold with advantage. A responsible officer preferably of the I.A.S. grade should be appointed to organise and control Rural Industrialisation scheme in a district. In addition to this officer there may be according to the size of the district one assistant, designated as Superintendent, and three to four supervisors to form a link between the establishment employed in the group circles and the special officer and Director. The entire staff within each district will be technically and administratively controlled direct by the Superintendent. There will be, in addition, a Representative Board of 25 to 30 leading men in each district. This Board should meet periodically under the chairmanship of the Deputy Commissioner for consultation and review of operations under the scheme.

There should be frequent meetings held in the group circle for purposes of administration, organisation and propaganda. Each group circle will select a central village for its headquarters which will be provided with accommodation of a modest character for members visiting the central village for business meetings. The people of all the villages of a group circle should accustom themselves to consult one another and produce article for local consumption or for export to other parts of the district or outside the district for sale. Men, money, raw materials, machinery, motive power, manufacture and marketing represent most of the requirements of a rural industry of appreciable size.

An exhaustive list of industries that have possibilities of development in rural areas is given at the end of this note (not reproduced). A dozen or two of them can certainly be easily promoted in rural areas without any difficulty. At the commencement, the villagers may be persuaded to take up an industry which is practised with success in their neighbourhood or with which they are otherwise acquainted. Besides, every individual or family starting an industry should maintain his or its previous occupation or profession and keep on working on both the old occupation as well as new industry or industries at least for some time. A beginning may be made with an industrial occupation if not a complete industry at the outset. If no new industries are handy they may in the first instance take up those which relate to food, clothing and some work connected with house building or furniture which are all primary necessities of life.

Regular accounts should be maintained from day-to-day and month-to-month and aggregate expenditure and receipts every quarter and year should be available. Measuring the work done or value of products manufactured should be taught to and practised by industrialists in villages. The group circle Development Committee should submit to the District authority both for every quarter and year a report of progress accompanied by statistical tables of results.

For expenditure in a group circle, the Development Committee should collect a fund not exceeding Rs. 3000/- per annum. An equivalent sum will be given by the Government. About Rs. 1200/- will be spent on the Inspector and office expenses and the balance of about Rs. 4800/- in each group circle is treated as capital available for loaning to group circle industrialists and entrepreneurs. Thus the scheme provides for an arrangement under which the Government and the people of a group circle or region may jointly provide working capital in equal proportions. The total amount for about 40 group circles in a district will be Rs. 1.92 lakhs or Rs. 2 lakhs approximately. This amount is to be deposited for each group circle in a cooperative Finance Bank. Villagers are also expected to take shares in the cooperative Rural Industrial Financing Bank which has to be established to facilitate lending of money to persons carrying on industries in the same region. All the money collected in group circle is to be deposited as shares or in some other approved form in this bank for future use.

APPENDIX IV

(Vide para 58)

Statement showing the functions of the Industrial Extension Centres, Production Centres, Prototype Production-cum-training Centres under the Central Government and Common Facility Workshops and demonstration/training centres under the State Governments.

A. Industrial Extension Centres.—The functions of the Industrial Extension Centres are as under:—

- (1) Demonstration of improved methods, techniques and processes of production on modern machines;
- (2) training of workers who are already employed in small scale units; and
- (3) development of designs, production of prototypes and common facility service including production for small scale units in the neighbourhood.

B. Production Centres.—The functions of the Production Centres are to impart in-plant training to educated unemployed persons, sponsored by the Director General of Resettlement and Employment, with the ultimate object of employing them in the Centres:

C. Prototype Production-cum-training Centres.—The functions of the prototype production-cum-training centres are as under:—

- (1) To design, develop and manufacture proto-types of small machines for commercial exploitation by small scale units.
- (2) To demonstrate modern types of machines for the manufacture of quality consumer goods in larger quantities in the country.
- (3) To provide common facility service to small scale industries located near an industrial estate.
- (4) To train small industrialists in modern techniques of production.

D. Common facility workshops and demonstration/training centres under the State Governments.—The State Government Schemes for which they get financial assistance from Centre include the Service including training schemes and Common Service Facility Schemes.

Under the "Service" Schemes come the training centres (peripatetic and stationery), production-cum-training centres and demonstration centres. The main object of all such schemes is to provide training facilities and are meant for artisans.

The Common Facility Workshops are meant to provide to the small units the benefits of such operations which are not possible with the equipment they can afford with their own resources. Heat treatment, firing of green potteries in a Central Furnace, use of hydraulic press and finishing machinery for foot-wear industry etc. come under such schemes.

APPENDIX V

Summary of Conclusions/Recommendations

Serial No.	Ref. para No. of the Report	Summary of conclusions/recommendations.
1	2	3

1	6	The Committee recommend that the feasibility of re-organising the Small Scale Industries Board so as to provide for adequate representation to the small scale industries may be considered. The Committee suggested that where representation is to be given to small industrialists it would be better to call upon recognised associations to nominate their representatives to the Central Board.
2	12	The Committee find that the functions of the Development Commissioner, Small Scale Industries and the National Small Industries Corporation Ltd. do not appear to have been as yet clearly demarcated and a certain amount of fluidity of functions exists. It is possible that such a relationship may not be conducive to smooth and harmonious relationship and may cause also delays which are avoidable. If the two organisations can be amalgamated, there will be the additional advantage of economy.
3	17	The Committee have considered the existing set up of the organisations relating to small scale industries both at the Central and the State levels and their functioning and recommend that a Committee consisting of representatives of Central and State Governments and of small industries may be constituted to review their working and make suitable recommendations with a view to reduce the multiplicity of organisations, eliminate overlapping of functions by clearly demarcating the duties as between them, avoid delays, procedural and otherwise, and provide as far as possible unified service. The Committee feel that such a reorganisation will also result in administrative economy.

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- 4 19 The Committee suggest that the State Small Industries Corporations, if and when they come into being, should take over many of the functions at present carried out in a State by other agencies so as to render a unified service which would make for efficiency and expedition.
- 5 20 Whatever be the future set up of the organisation dealing with the development of small scale industries, the Committee suggest that the Central Government should continue to take direct part in the development of small industries in the backward areas.
- 6 22 The Committee feel that the implication of the term 'capital' should be restricted to the gross value of all fixed assets so that the risk of larger industries taking advantage of Government aid meant for the smaller units is avoided.
- 7 25 The Committee are of the opinion that if 'capital' is restricted to gross and not to net fixed assets, the present limit would be quite a fair compromise. They, however, feel that there is a real necessity to ensure that Government aid for development of small industries goes also to the smaller units and is not monopolised by units with capital nearer the ceiling. The Committee, therefore, recommend that in administering Government aid special steps be taken to ensure that the benefit at least goes equally, if not more, to the development of really small units.
- 8 29 Executive action even in the Second Plan is limited to certain specific activities such as construction of industrial estates, provision of technical advice, training, supply of plant and machinery on hire purchase basis etc. There is no coordinated industry-wise programme for development of small industries in the plan.
- 9 33 The Committee are well aware of the fact that the success in the important sector of small industries depends on the full cooperation of the State Governments and their proper implementation of the schemes, apart from the assistance rendered by the Centre and its own efficient functioning. Nevertheless the reasons given cannot be deemed to explain the slow progress. Some of them are procedural in character and were avoidable. One of the first things to be done is to
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gear up the implementation procedure and machinery to the plan programme at the earliest and then see that by frequent periodical reviews and assessment of progress, the time schedule of the schemes is maintained.

- 10 34 While the Committee hope that the financial targets under Plan programme would be achieved, they trust that, in the attempt to do so, there should be no undue haste in spending—a feature which is not uncommon in such situations.
- 11 36 The Committee feel that in the absence of a proper assessment it appears to be an over-simplification of the problem to say that there was no technological unemployment in the country except in cases where there was lack of mobility.
- 12 36 There is no proper data to assess the increase in employment and the claim made in regard to additional employment in this sector is purely hypothetical. The Committee recommend that arrangements may be made to maintain and collect the statistics of employment provided by small industries so that the increased employment provided by their development could be periodically assessed.
- 13 37 It would be seen that with regard to the actual extent of achievement of the objectives set forth in the Plan adequate information is not available or the progress has not been appreciable considering the size and population of the country. The Committee are, however, glad to note that the tempo of activity in the small industries sector has been rising but whether it is in accordance with the objectives of the Plan they are unable to assess.
- 14 38-39 In the opinion of the Committee the essential pre-requisites for planned development of the small industries are as follows :—
- (i) There should be an area-wise and industry-wise survey of the existing as well as the potential small scale industries for the whole country to determine the fields and areas where their further development is possible or called for. The Small Scae Industries Organisation is at present carrying out certain selected industry-wise, area-wise and marketing surveys etc. but the
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Committee feel that a comprehensive survey should be centrally planned, directed and completed within a given period.

- (ii) Basic data needed for carrying out the objectives envisaged for the small industries should be collected, as for instance the nature and extent of technological unemployment, the number of persons who seek employment through small industries, the fields in which small industries can operate etc.
- (iii) Development schemes should be prepared on the basis of the data thus collected. They should be directly related to and aimed at the achievement of the specific objectives laid down in the plan.
- (iv) Targets should be prescribed scheme-wise as well as industry-wise and there should be an arrangement to watch the progress of the schemes with reference to the targets. Where industry-wise targets are not feasible the targets may be fixed for classified groups of industries.

The Committee are conscious of the fact that the implementation of the above suggestions would entail considerable labour but it is necessary for proper planning. They recommend that adequate steps may be taken towards this end.

- 15 40 The Committee feel that it is essential to have a system of registration of all functioning units which fall within the definition of small scale industries so that it would be possible to assess accurately the problem of these industries and to plan accordingly.
- 16 44 The Committee feel that beyond enunciating the principle of decentralised pattern of economy little else has been done to translate it into practice. Though it is one of the three basic objectives of the Plan programme there has been no conscious effort to fulfil the objective.
- 17 45 The Committee think that special efforts are required to achieve the objective of decentralised pattern of economy. They recommend that the programme for the development of small scale industries should be made largely rural-oriented so as to concentrate

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| | | efforts towards developing industries in the rural areas as distinct from urban localities where the efforts have been primarily directed so far. |
| 18 | 46 | The pattern of small industries development in the rural areas may be different from that of urban areas since the conditions there are not the same. In this connection, the Committee would commend to the Government's consideration the scheme prepared by Dr. M. Visvesvaraya for rural industrialisation which has been adopted by Mysore Government. |
| 19 | 54—55 | No significant progress has been achieved so far in giving effect to the principle of common production programmes especially emphasised in both the Plans. The Committee consider that while it may be desirable to have a system of common production programme by reserving certain spheres of production to small industries the matter should be viewed from the stand point of industrial economics and the benefits of such a programme should be not only in terms of employment provided or decentralisation achieved but also from the point of view of the best and most profitable utilisation of available resources. |
| 20 | 56 | The Committee feel that the programme of common production should be examined thoroughly before decisions are taken to reserve certain spheres of production to small industries. They, therefore, recommend that a Committee of technical experts be set up to go into the whole matter and to suggest the fields where a programme of common production would be practicable and economically feasible before further steps to reserve industries to the small scale sector are taken. The Committee further suggest that in those fields where the system of common production is introduced special steps should be taken to ensure that production does not lag behind and that the quality of production is maintained. |
| 21 | 58 | The functions of the Industrial Extension Centres, Production Centres, Prototype Production-cum-training Centres and Common Facility workshops etc. overlap to a certain extent. The Committee doubt if it is necessary to have such Centres with more or less identical functions under different administrations. The Committee recommend that |

the functions and scope of work of these institutions should be demarcated in such a way as to avoid overlapping.

- 22 61 The Committee feel that creation of agencies without proper building, staff or equipment would only result in wasteful expenditure. They, therefore, recommend that urgent attention may be given to organise and equip the existing service institutes and extension centres for effective service and due consideration may be given to these aspects before creating new agencies in future.
- 23 62 The Committee appreciate the suggestion of enlisting the cooperation of technical experts in various fields of industry on an honorary basis and commend it for the consideration of the Government. They are aware that its implementation pre-supposes a spirit of public service among the technical experts, which they are confident is available in abundant measure in the country.
- 24 65 The delay in starting the operation of the extension centres has resulted in wasteful expenditure owing to non-utilisation of staff appointed and equipment purchased etc. It is regrettable that procedural difficulties should have delayed the construction of extension centres to this extent. It is imperative that such difficulties should be overcome if further delay in completing the centres is to be avoided. The Committee recommend that the practical difficulties experienced by the department in this regard may be eliminated and arrangements made for quick execution of the programme.
- 25 66 The Committee attach great importance to the role of economic surveys. They recommend that the collection of economic data and information for these surveys should be planned in such a way as to make the reports more informative and of real practical use.
- 26 67 The Committee further suggest that the feasibility of the service institutes undertaking productivity studies of the small industries with a view to suggesting improvements in the productivity of labour and capital, on the lines the productivity centres of the Ministry of Labour are working, might also be examined.
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27	68	The Committee understand that many of the State Governments also have mobile workshops and that in many cases both the Institutes and the State Governments operate mobile workshops for identical industries. The Committee recommend that such duplication should be avoided, and the work should be performed by one and the same agency.
28	69	The Committee recommend that a review of the working of these vans may be undertaken to assess their utility. They further suggest that arrangements should be made to follow up the initial visits of the vans to assess the results of the earlier visits and also to render refresher training and further assistance, if need be.
29	70	The Committee suggest that effective measures be taken to give wide publicity to the assistance offered by Government for the development of small scale industries and all modern media of publicity (particularly documentary films) should be employed for this purpose. They further suggest that the reports etc., brought out by the Small Industries Organisation should be published in local and regional languages and their wide circulation ensured. The feasibility of prominently displaying all information concerning Governmental assistance in each Tehsil and Taluka office in local languages may also be examined. It is also desirable to equip the Institutes, Extension Centres and the State Directorate of Industries with a library where all the necessary technical and other literature on the subject may be available.
30	74	The Committee hope that effective measures would be taken to remove the bottlenecks and that all the industrial estates planned for would be completed and started by the end of the Plan period.
31	77	It is obvious that the recommendations of the Village and Small Scale Industries Committee with regard to the location of industrial estates which were accepted and affirmed in the Second Five Year Plan have not been acted upon. Thus one of the major criteria for setting up the estates <i>viz.</i> , decentralisation of industrial development remains unfulfilled. The Committee feel that the scheme of industrial estates should be an effective instrument for decentralisation and dispersal of industries and, therefore, they recommend that Government should make better use of it for that purpose. This, however, does not mean that the

utilisation of industrial estates as a means to develop small industries in large towns or cities should be a matter of no-concern. In fact, they are the best instruments for the purpose whether in rural or urban areas and as such should be fostered. In this connection, the recommendations of the Sub-Committee on Industrial Estates regarding the distribution of the estates in the different areas, villages and towns and cities of varying size seem to be a step in the right direction.

- 32 79 The Committee understand that with very few exceptions the construction and management of the estates have been undertaken directly by the States through their own departments. In effect such a practice goes against the set up envisaged in the plan. The Committee feel that, as recommended by the Sub-Committee on Industrial Estates, in future Government should construct industrial estates on its own mainly in rural and backward areas. In other cases local bodies, cooperatives and other private agencies should be encouraged to construct them with safeguards against the small industries being exploited. The industrial estates built by such non-Government agencies should be subject to the same conditions as those built by Government agencies.
- 33 80—81 The Committee understand that no general guiding principles have so far been laid down by the Government for allotment of sheds in the industrial estates. They would suggest that in case old units are allotted sheds, the terms of allotment should specifically stipulate that they have to close down their existing establishments in the city, so that to that extent at least the unhygienic conditions created by them in the city are removed.
- 34 82 The Committee feel that it will be an extremely desirable measure to provide as far as possible housing facilities for labour employed by the industries in the industrial estates, in adjacent areas. They suggest that the feasibility of correlating industrial housing schemes with industrial estates may be examined.
- 35 85 Adequate financial help was not available to the needy concerns at the right time and inordinate delays occurred in the investigation and processing of loan

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applications. The Committee recommend that suitable steps should be taken to streamline the procedure and avoid delays.

- 36 86 The Committee are glad to note that to enlarge bank lending facilities to small scale industrial units, a credit guarantee scheme is being introduced shortly. They hope that the guarantee system would considerably ease the situation. They note that the scheme does not indicate the extent to which the terms and conditions of loans covered by the guarantee would be liberalised. The Committee are of the opinion that the success of the scheme will largely depend on the rates of the interest and the terms relating to the security allowed by the credit institutions being placed on a parity with the terms under which loans are given by Government.
- 37 90 The Committee are of the opinion that it is necessary to evolve a scheme for making equity capital available to small industries either in the form of share capital or at least in the form of loans as a result of which the flow of private capital to this sector may be stimulated; what is more, the enterprising among the technically educated unemployed persons of small means may be prompted to form industrial cooperatives especially in the underdeveloped areas.
- 38 96 The Committee consider that the steps so far taken by Government for the supply of controlled raw materials to small scale units have not been very successful. So far as supplies of iron and steel are concerned, they feel that the position should now considerably ease with the commissioning of steel plants in the Public Sector. In view of the vital role envisaged for these industries in the national economy their requirements should be accorded due recognition and priority, and it should be ensured that the actual supply does not lag behind the allocation. The shortage of non-ferrous metals should be met by larger imports as a short-term measure and intensified geological surveys on a long-term basis to find out new sources in the country. The licenses for imported raw materials should be given as far as possible to actual users only after careful scrutiny.
- 39 97 The Committee are further of the opinion that to ensure continuous supply of scarce raw materials to small scale sector, it is necessary to build up buffer stocks of
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iron and steel, chemicals and other raw materials in each State. They feel that the scheme of the association of small and medium industries in West Bengal for supply of raw materials to its constituents is a good one and commend its examination for adoption in other areas as well.

- 40 101 The Committee attach great importance to the part that should be played by the industrial cooperatives in fostering the growth of small scale industries, particularly in semi-urban and rural areas and suggest that special efforts should be made to encourage them. It is also necessary that cooperative workers should be given proper training with industrial bias so that the cooperatives could be organised on sound footing. The Acts and Regulations relating to industrial cooperatives may be liberalised wherever necessary to encourage the formation of co-operatives not only by artisans but also by small entrepreneurs.
- 41 102 The Committee consider that the setting up of pilot units is a step in the right direction to foster the rapid growth of industrial cooperatives and hope that this scheme would prove successful.
- 42 106 The Committee feel that the organisation of trade associations is a very effective instrument of self-help for the improvement and development of any industry, particularly the small scale industry. They are of opinion that there is considerable room to develop trade associations in this country and recommend that suitable steps may be taken to encourage their formation.
- 43 109 The Committee consider that for the successful implementation of the programme for development of small scale industries, which is to be more rural based, greater attention has to be paid to rural electrification. They recommend that in areas where power supply from grid lines is not available but other facilities for setting up small industries exist local generating sets may be established to help the development of small industries.
- 44 112 The Committee feel that if a comprehensive legislative measure were to be introduced to regulate the development of small scale industries in India, it would also
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incidentally help laying down the broad policies conducive to their accelerated growth. They, therefore, recommend that the advisability of introducing requisite legislative measures on various matters relating to small scale industries *e.g.* the development of small scale industries in rural and backward areas, regulation of relationship between the large and small scale sectors, organisation of industrial co-operatives and the organisational set-up of agencies entrusted with the development of these industries at the Centre and State levels and regulating their relationship may be considered.

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The small industries sector has as yet not been playing the part it has to as it is doing in industrially advanced countries. The Committee are fully alive to the need for developing heavy industries. That very fact, which necessitates the development of a large number of ancillaries as well as the need to catch up with the position it has to secure in the industries as a whole makes it imperative to augment the allocation suitably in the years to come. They lay equal emphasis on the need to ensure the full and proper utilisation of the plan provision.

APPENDIX VI

(Vide Introduction)

Analysis of the recommendations contained in the Report

I. Classification of recommendations

A.—Recommendations for improving the Organisation and working:

S. Nos. 1, 9, 23, 28, 29, 30, 35, 44.

B.—Recommendations regarding development programme :

S. Nos. 6, 7, 12, 14, 15, 17, 18, 19, 20, 25, 26, 31, 32, 36, 37, 38, 39, 40, 42, 43, 45.

C.—Recommendations for effecting economy :

S. Nos. 2, 3, 4, 21, 22, 24, 27.

D.—Miscellaneous :

S. Nos. 5, 8, 10, 11, 13, 16, 33, 34, 41.

II. Analysis of the recommendations directed towards economy.

S. No.	No. as per summary of recommendations	Particulars
1	2	For amalgamation of the Organisation of the Development Commissioner, Small Scale Industries and the National Small Industries Corporation Ltd.
2	3	For reviewing the working of the existing agencies entrusted with the development of small scale industries at the State level with a view to reduce their multiplicity and avoid overlapping of functions etc.
3	4	For State Small Industries Corporation to take over many of the functions at present carried out by other agencies at the State level.

S. No.	No. as per summary of recom- mendations	Particulars
4	21	For avoiding overlapping of functions among the various Centres.
5	22	For organising and equipping the Service Institutes and Extension Centres for effective service so as to avoid wasteful expenditure.
6	24	For eliminating procedural difficulties in the way of quick execution of programme and thereby avoid any wasteful expenditure.
7	27	For doing away with the duplication in operation of mobile demonstration workshops.

III.—*Monetary value of Economy*

It is not possible to calculate the monetary value of the economies which might be effected as a result of implementation of the recommendations cited above.