

# **ESTIMATES COMMITTEE 1959-60**

## **SEVENTY-NINTH REPORT**

**(SECOND LOK SABHA)**

**MINISTRY OF COMMERCE AND INDUSTRY**

**SMALL SCALE INDUSTRIES**

**PART II**

**(THE NATIONAL SMALL INDUSTRIES CORPORATION  
LTD., NEW DELHI)**



**LOK SABHA SECRETARIAT  
NEW DELHI**

***March, 1960/Chaitra, 1882 (Saka)***

***Price : 85 nP.***

CORRIGENDUM

Seventy-Ninth Report of the Estimates  
Committee on the Ministry of Commerce  
and Industry - Small Scale Industries -  
Part II (The National Small Industries  
Corporation Ltd.)

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Introduction, page iv, para 1, lines 6 & 7 For  
'ornisational' read 'organisational'

Page 1, para 2, line 13 : For 'organisation' read  
'organisations'

Page 2, para 5, line 8 : Delete 'the' between  
the words 'of' and 'Asso-'

Page 5, Footnote, line 2 : For '- intangible and'  
read 'minus'

Page 11, Footnote, line 1 : For 'contract' read  
'contracts'

Page 13, line 4 : Delete 'the' appearing before  
'negotiations'

Page 15, para 35, line 4 : For 'facilities'  
read 'facilitates'

Page 16, para 41, lines 1 & 4 : For 'pursuasion'  
read 'persuasion'

Page 18, Footnote, line 2 : For 'are' read 'were'

Page 19, Footnote : Insert '""' after the  
words 'that' in line 1 and 'respectively'  
at the end

Page 20, para 56, line 4 : For 'experts' read 'expert'

Page 21, Table, col. 3, Against 1956-57: For '1:7'  
read '1.7'

Page 26, line 12 : Insert 'and' between the words  
'Corporation' and 'Export'  
Heading

Page 26, line 13: For 'Reviewing' read 'Review'

Page 27, item iv, line 1 : For 'marketing' read  
'marking'

Page 31, line 7 from bottom : For the existing line  
read : '93. The scheme in respect of the  
Prototype Production-cum-Train'

Page 34, item (1) line 6 : For 'tender' read 'tenderer'

Page 48, S.No. 31, line 5 : For 'large' read 'larger range'

Page 49, line 8 : For 'decision' read 'decisions'; and

Item 35, line 1 : For 'Coporation' read 'Corporat'

Page 50, line 5 : Insert 'and' after the word 'Corporation'

Page 53, line 2 from bottom : For 'economics' read  
'economies'

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1959-60

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\*Elected with effect from 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-Ninth Report on the Ministry of Commerce and Industry—Small Scale Industries—Part II. The National Small Industries Corporation Ltd., New Delhi. The report embodies the conclusions of the Committee on the organisational set-up and working of the National Small Industries Corporation Ltd., New Delhi, and its subsidiaries.

2. A statement showing an analysis of the recommendations contained in this Report is also appended to the Report. (Appendix VIII)

3. 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 Associations of India, New Delhi, the All India Manufacturers' Organisation, Bombay, the Federation of Small and Medium Industries, Calcutta, the Andhra Pradesh Small Industries Association, Vijayawada, and the Iron and Steel Industrial Co-operative Society Ltd., Bangalore, for giving evidence and making valuable suggestions to the Committee.

NEW DELHI ;

*The 23rd March, 1960.*

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*Chaitra 3, 1882(S).*

H. C. DASAPPA,

*Chairman,  
Estimates Committee.*

## ORGANISATIONAL SET UP

### A. Origin

The Government of India, through the courtesy of the Ford Foundation, invited an international planning team in 1953 to study the problems of small scale industries in the country and to recommend a programme for their development. One of the recommendations of this team was for the organisation of small industries to undertake supplies against Government orders. In pursuance of this recommendation, the National Small Industries Corporation was set up as a Government company in February, 1955.

2. In their 77th Report, relating to the Organisation of Development Commissioner, Small Scale Industries, the Committee have dealt with in some detail the existence of multiplicity of organisations for development of small industries and have made the following recommendations:—

“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 organisation, 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.” (Para 17).

\*            \*            \*            \*            \*

“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”. (Para 19).

*The suggestions made in this report may be considered in the light of the decisions taken on those recommendations.*

## B. Functions

3. The original object of the Corporation was to help small industries in securing orders from Government purchasing departments. This could be secured either by arranging direct contracts between the Government purchasing organisations and small scale manufacturers or by the Corporation taking the main contract and issuing sub-contracts to the small scale industries. It was later decided by the Government of India that the Corporation should undertake other work and commercial ventures aimed at assisting and developing small scale industries. Thus new items of work such as marketing service, supply of machines on hire-purchase basis, construction of two Industrial Estates at Okhla and Naini, setting up and running of Prototype Production-cum-Training Centres have been entrusted to the Corporation.

4. Some of the functions entrusted to the Corporation are trading activities. Others are purely promotional. In their 77th Report, the Committee have pointed out that both the National Small Industries Corporation and the Development Commissioner, Small Scale Industries, are at present entrusted with the development and promotion of small scale industries. A view was expressed before the Committee that some of the promotional activities like Government purchase and development of ancillaries, now dealt with by the Corporation, should be transferred to the Development Commissioner. The Secretary of the Ministry was also of the view that the promotional activities should be transferred more and more to the Development Commissioner and the National Small Industries Corporation should be left with trading activities only. *The Committee feel that if the existing dual organisation is continued the functions of the Development Commissioner and the National Small Industries Corporation should be clearly demarcated so that the National Small Industries Corporation may devote itself more and more to trading activities.*

## C. Government Control

5. The Articles of Association of National Small Industries Corporation do not specify any limits on the powers of the Corporation for incurring capital expenditure and borrowing without approval of Government. It was stated that as the funds at the disposal of the Corporation were limited and since Government was the only source from where loans could be raised, all schemes involving capital expenditure and all proposals for borrowing were referred to the Ministry of Commerce and Industry. *Thus although the Articles of the Association of the National Small Industries Corporation do not embody any restrictions on its powers, in actual practice the powers of the Corporation are subject to full Government control. It is not consistent with the character of a Corporation to suffer from a disability to incur capital expenditure or a loan, however, small it may be, without the prior approval of the Government.*

6. The Articles of Association of other Government Companies like the Bharat Electronic Ltd. and the Hindustan Steel Ltd. lay down certain limits with regard to the powers of companies in such matters. *The Committee feel that it would be desirable to follow a uniform pattern in this regard and to lay down limits to the powers of the Corporation rather than vest it with hypothetical powers which are not expected to be exercised.*

#### **D. Setting up of Subsidiary Corporations and their re-conversion into Branches**

7. Three regional offices of the Corporation—one each at Bombay, Calcutta and Madras—were set up in the year 1956-57 in order to make the services of the Corporation available more directly and effectively to small units in the regions. It was felt that the opening of regional offices would accelerate the progress of the schemes of assistance to small scale units to secure Government contracts and to develop ancillary industries.

8. Later on, it was felt desirable to decentralise the functions of the Corporation, more particularly those relating to marketing assistance and hire-purchase schemes because the implementation of both these schemes required active cooperation of the State Directors of Industries and collaboration with the Small Industries Service Institutes. It was, therefore, decided early in 1957 to convert these branches into subsidiary corporations and also to set up a separate subsidiary corporation at Delhi. Thus the National Small Industries Corporation consists of a holding corporation at Delhi and four subsidiary corporations with headquarters at Delhi, Bombay, Calcutta and Madras.

9. The Committee were informed that after a year's working of the subsidiary corporations a committee was set up to assess the comparative advantages and disadvantages of carrying out the decentralised functions through autonomous bodies *vis-a-vis* branch organisations. As a result of the recommendations of the Committee it has since been decided to reconvert the subsidiary corporations into branches.

10. The representatives of the corporation, explaining the reasons for this last decision, stated that the Subsidiary Corporations were set up to secure speedier implementation of the various schemes of the Holding Corporation but in actual practice it was found that the Subsidiary Corporations had become another bottleneck. Thus within the brief period of three years the organisation of the Corporation has undergone two major changes.

11. *It would be obvious that an appropriate organisational pattern for the Corporation was not properly thought of at the beginning and major changes had to be made within a short period. The Committee feel that such an important matter should have been given full consideration at the beginning to obviate the necessity of frequent changes.*

## II

### ACCOUNTS AND FINANCE

#### A. Authorised Capital

12. The following table indicates the position of capital and borrowings of the National Small Industries Corporation Ltd., New Delhi, during the last 4 years:—

(Figures in lakhs of Rs.)

S. No.	Particulars	1955-56	1956-57	1957-58	1958-59
1.	Capital				
	(a) Authorised .	10	50	50	50
	(b) Paid-up .	10	20	40	40
2.	Loans taken from the Govt. of India .	.	67	177	277
3.	Ratio between paid-up capital & loans	..	1:3.3	1:4.4	1:6.9

13. The Committee were informed that a proposal to increase the capital of the Corporation to Rs. 3 crores which was once rejected had again been referred to Government for consideration.

14. It would be observed from the foregoing table that the ratio between paid-up capital and loans is about 1:7. The Secretary of the Ministry of Commerce and Industry, explaining the existing ratio of the paid-up capital to loans, stated that it was desirable that the Corporation should be operated on loan basis because it would help assessing its real position. *The Committee cannot help feeling that the ratio obtaining in the National Small Industries Corporation is somewhat high\*. If the raising of the loans had resulted in higher profits then at least it could have been justified. Here it is found that the borrowings have only added to the losses. The Committee recommend that the capital requirements of the Corporation may be reviewed and properly assessed.*

\*".....a ratio of total liabilities to tangible net worth (i.e. Paid up capital plus Reserves—intangible and fictitious assets, if any) in excess of 100.0 per cent is unusual. Rarely, if ever, should total liabilities of a commercial or industrial concern exceed the tangible net worth, as in such cases creditors have more at stake in a business enterprise than the stockholders or the owners."

(Source : Practical Financial Statement Analysis by Roy A. Foulke, 1957, pp. 250). Italics by the Committee.

### B. Financial Results of Working

15. The table below gives certain figures relating to the financial working of the National Small Industries Corporation for the years 1956-57 and 1957-58.

(Figures in lakhs of Rs.)

S. No.	Particulars	1956-57	1957-58		
<i>Holding Corporation</i>					
<i>Losses</i>					
1.	Net losses excluding interest on loans from Government and taxes . . . . .	7.74*	6.34		
2.	Interest and Taxes paid . . . . .	.31	2.68		
3.	Net losses including interest and taxes . . . . .	8.05†	9.02		
4.	Percentage of (3) to paid-up capital . . . . .	40	22.5		
<i>Subsidiary Corporations</i>					
S. No.	Particulars	1957-58			
		<i>Bombay</i>	<i>Calcutta</i>	<i>Delhi</i>	<i>Madras</i>
1.	Net losses . . . . .	2.15	1.96	1.89	1.44
2.	Percentage of Net Losses to Paid-up Capital . . . . .	86	78.4	75.6	57.6

16. *Losses.*—It will be observed that the Corporation has been working at a loss since its inception. The total net loss incurred by the Corporation (including the subsidiary Corporations) during the year 1957-58 was Rs. 16.4 lakhs that is 41 per cent of the present paid-up capital of the Corporation. These losses have been made good by the Government by means of grants. In this connection, the Directors of the Corporation have stated as follows in their Report for the year 1957-58:

‘Although the Corporation was registered as a limited company, its aims and objectives being purely promotional, it has very little scope to function as a self-sufficient

\* Inclusive of figures relating to Branch Offices which were subsequently converted into subsidiary corporations.

† In the Profit and Loss Account for the year 1957-58, contained in the Third Annual Report of the Corporation the net loss for the year 1956-57 carried over to the Balance Sheet is shown as Rs. 8.05 lakhs. At the time of factual verification it was stated that during 1956-57 the Corporation incurred a net loss of Rs. 4,39,957 only.

unit. The working deficit should, therefore, for all practical purposes be considered as Service Charges which have to be met by Government Grant from year to year.'

This statement does not appear to be totally correct. The Corporation was intended for certain trading functions and when it was set up it was envisaged to be self-supporting. Besides, all the functions of the Corporation are not purely promotional. Some like Government purchases, development of ancillaries are undoubtedly promotional but activities like hire-purchase of machinery and marketing are predominantly trading functions. *It should be possible for the latter functions to be operated on a profit basis. In any case, it is essential that there should be no loss on such activities.*

17. It was suggested to the Committee that if the Government wanted to subsidise small industries through the activities of the Corporation the subsidy should be taken into account in working out the results of the operation of the Corporation and shown clearly in the accounts as such. The Committee think that if the Government wish to subsidise an activity the subsidy should be given at a specific rate and accounted for accordingly instead of the total loss incurred being reimbursed. That would enable the element of subsidy to be distinguished from the trading loss incurred by the Corporation. *They, therefore, recommend that the rate and extent of subsidy payable to the Corporation for its promotional activities may be fixed and accounted for as such.*

### III GOVERNMENT PURCHASES

#### A. Background

18. As stated in para 1 above, the National Small Industries Corporation was set up mainly for purposes of servicing small industry in the field of Government purchases. It was stated by the Ford Foundation Team, which recommended the creation of the Corporation, that "the primary purpose of the Corporation is to provide the necessary incentive and help small industry to improve its technique of production and management by working on assured orders; and to assure small industry of its due place and share in India's expanding economy. Its whole effect would be to move small industry forward. Its basic function would be procurement, with power to pre-empt at least 25 per cent of Government indents at prices substantially equal to those offered by the general business community".

#### B. Government Purchase—Original Scheme

19. The Ford Foundation Team visualised that "such a corporation can and should succeed in India as it did in other countries . . . . . Its loan business can and should operate at a profit." At the time of setting up of the corporation it was, therefore, envisaged that there would be a margin between the rate obtained by the Corporation from the Government purchasing departments and the procurement price payable to small scale units, thus enabling the Corporation to earn profits to pay for its establishment and become a self-sufficient unit. In actual practice, however, this did not work. It was explained that the Corporation could not be given the place of a parallel organisation for Government Purchases. The Corporation did not receive any preference over the quotations of other small industrial units because the Corporation was considered as one of the many companies operating in the field of Government contracts. The scheme did not, therefore, materialise.

#### *A scheme never tried*

20. The Committee are surprised that while the Corporation was set up for the specific purpose of operating the scheme of Government purchases as a trading scheme, it should not have been even given a fair trial.† They consider that the scheme suggested by the Ford Foundation Team was a good one. Though there might have been certain

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† At the time of factual verification it was pointed out that the Corporation had obtained two prime contracts in the years 1956 and 1958 respectively in its own name and had issued sub-contracts to small scale units for supply of about one lakh numbers of cotton vests. The contracts had not yet been fulfilled and the delivery dates had to be extended from time to time as the Sub-contractors could not make supplies according to the specifications in time. Thus, it may be stated that an experiment was made which was, however, not very successful.

difficulties in implementing the scheme, they feel that it might have been tried by making suitable modifications, if necessary. *The Committee suggest that the feasibility of reviving the original scheme be considered at the highest level.*

### **C. Government Purchase—New Scheme**

21. After the idea of trading scheme was given up, a new scheme was evolved. Under the new scheme the Corporation functions as a liaison agency between the D.G.S. & D. and small scale units and assists the latter in securing Government contracts directly from the former. For this purpose the Corporation has a Government Purchase Division at its headquarters and four Regional Liaison Officers posted at New Delhi, Bombay, Madras and Calcutta. The procedure followed under this scheme is given at Appendix 'I'.

### D. Progress of the Scheme

22. The following table indicates the impact of the Government Purchase Scheme during the last 3 years:—  
(In lakhs of Rupees)

Year	Value of contracts placed by DGS&D with large units and small units	Value of contracts placed by DGS&D with small units (excluding khadi)	Percentage of Col. 3 to 2	Value of contracts placed on small scale units with the assistance of NSIC out of Col. 3	Percentage of Col. 5 to 3	Expenses incurred by the NSIC on the Govt. Purchase Division
1	2	3	4	5	6	7
1956-57	10896	180.7	1.6	1.19	.66	1.4
1957-58	15825	196.5	1.2	62.14	31.6	2.90
1958-59	16135	453	2.8	256.2	56.5	..

23. *While the Committee note with some amount of satisfaction that the volume of Government purchase made from the small industries has been rising, they feel that it is still not significant enough and leaves much scope for improvement.*

24. The representatives of the Corporation claimed during their evidence that the increase in the volume of purchases from the small scale units made by the DGS&D was due to the efforts of the Corporation. It would be evident from the foregoing statement that the value of Government contracts placed with the assistance of the Corporation on the small industries in 1958-59 was only 56·5 per cent of the total purchases made from small scale units. Further, the break up of the purchases made by the DGS&D from the Small Units according to the Groups II, III and IV, referred to in Appendix 'T', was not available to the Committee. *The Committee are, therefore, unable to assess to what extent the rise in percentage of purchase for small industries is due to the assistance rendered by the National Small Industries Corporation and to what extent it is due to the reservation of stores under Group-IV.*

25. It is further observed that the percentage of value of contracts placed by the DGS&D through the National Small Industries Corporation to total purchases made from small units which was about 31·6 in 1957-58 rose to 56·5 the next year. *Though in terms of value the purchases during 1958-59 recorded a perceptible increase over the previous years yet the Committee feel that there is considerable room for improvement.\**

26. As stated in Appendix 'T', all indents received by DGS&D from the various departments of Government are categorised under the following four groups:—

- I. Items which are of no interest to small scale units and can be produced only in the large scale sector.
- II. Items which by their very nature require large scale firms as prime contractors, but permit substantial scope to the large scale contractors to purchase components and parts from small scale units.
- III. Residuary items which firms both in the large scale as well as in the small scale sectors can supply.
- IV. Items which could be reserved for procurement from small scale units only.

The position with respect to Government purchases from small units of stores falling under Groups II, III and IV referred to above is as follows:—

(i) *GROUP II—Sub-contracting*

The Committee were informed that the large scale contractors were not inclined to farm out orders for components etc. to the small

\*In U.S.A., the military prime contract awarded to small business in the first 11 months of fiscal years 1957 and 1958 totalled \$3175 million and \$2770 million and constituted 18·9 per cent and 16·2 per cent of the net value of all military prime contracts awarded during those periods respectively.

scale units. A Committee was, therefore, appointed by the Small Scale Industries Board to advise on the steps to be taken to encourage the growth of sub-contracting system in 1958. This Committee recommended that a price preference of 10% of the actual value of components and parts purchased from small scale units should be allowed to the large scale units. This and other recommendations of the Committee were stated to be still under consideration of Government. *The Committee regret that though more than a year has elapsed since the submission of the Report by the Committee, the Government have not been able to reach any conclusion over its recommendations. They suggest that Government's decision in this matter be expedited.*

(ii) *GROUP III—Fields in which Small Units compete with Large Units*

To enable the small units to quote competitively with the large scale units, a price preference upto 15% over the acceptable tenders received from the large scale units is given by the DGS&D on the merits of individual cases. It was represented to the Committee that though the policy of price preference had helped the Small Units, only 10% of the total purchases were made on that basis.\* *The Committee suggest that the scheme of giving a price preference to the small industries be reviewed to assess the results achieved so far and to devise ways and means for the scheme being fully utilised by small industries.*

(iii) *GROUP IV—Items reserved for Government procurement from Small Scale Units*

At present 27 items have been reserved by the DGS&D for procurement exclusively from the small scale units. In evidence it was stated that the list of such items was now being expanded to include about 59 items and that the matter was under consideration. *The Committee suggest that an early decision may be reached with regard to the items under consideration and further steps taken to enlarge the number of such items to be included under this group. In this connection, they invite reference to their recommendation in para 55 of the 77th Report relating to the Development Commissioner, Small Scale Industries.*

27. *The Committee suggest that in order that a proper appreciation of the extent to which purchase policy of the Government governing each group has been successful may be possible, statistics showing the volume of purchases made under each group should be maintained.*

**E. Extension of the scheme to other Central Government Departments/ State Governments etc.**

(i) *Purchases made by other Departments of Central Government*

28. The existing scheme of the Corporation to assist the small scale units in securing contracts is at present confined to the purchases

\* At the time of factual verification it was stated that where small units had competed successfully with large units in the past no preference was generally given.

made by the DGS&D only. Purchases made by other departments of the Central Government e.g., Railways, Posts and Telegraphs and Defence Services, otherwise than through DGS&D, are not covered by it. The Committee were informed that the negotiations were going on with the Ministries of Railways and Defence in this respect. As regards other departments, negotiations have not yet been started. *The Committee are surprised that though the Government purchase scheme was entrusted to the Corporation about four years ago, the extension of the scheme to the Railways and the Ministry of Defence should not have been completed till now and that not even a beginning should have been made to extend it to departments like the Posts and Telegraphs. They suggest that urgent steps be taken to extend the scheme without further delay to all the departments of the Government of India at present not covered by it.*

#### (ii) *Purchases made by State Governments*

29. As regards the purchases by the State Governments the Committee understand that the Small Scale Industries Board recently recommended and requested all the State Governments to adopt a procedure similar to that of the Centre for making purchases from the small industries and the Corporation has placed its experience at the disposal of the State Governments in formulating their schemes. *The Committee feel that pending the adoption of the procedure recommended by the Small Scale Industries Board, the National Small Industries Corporation may extend its assistance to the small industries in securing contracts from State Governments also.*

#### F. Need for special steps

30. It would thus be observed from the foregoing paragraphs that the scope of the present scheme of Government purchase through the National Small Industries Corporation is restricted to DGS&D only. Further, the role of the Corporation, as would be seen from the procedure (Appendix 'I') followed in working the scheme, is limited to association with the Committees set up in the offices of the DGS&D for classification of indents, distribution of tender papers to small industries on the list prepared by the Small Industries Service Institutes and enabling the small industries to get loans from the State Bank of India upto 100% of the value of raw materials as against 75% of the value normally allowed. The work of the Corporation is linked with that of one or the other agency at each stage. The results of such an arrangement have not been very substantial as already noticed. *The Committee consider that some special efforts are required to make the scheme yield better results.*

## IV FINANCIAL ASSISTANCE

### A. Credit Guarantee Scheme

31. Following the recommendations made by the Small Scale Industries Board in their meeting held in September, 1955, the National Small Industries Corporation entered into a credit guarantee arrangement with the State Bank of India. Under this Scheme the Bank advances, on the guarantee of the Corporation, loans to small scale units against the security of raw materials upto 100% of the value required for the execution of Central Government contracts obtained through the assistance of the Corporation.

32. This scheme is subject to the following limitations:—

- (i) It applies only to State Bank of India and not to other commercial Banks.
- (ii) Loans are given against the security of raw materials required for Government contracts secured through the National Small Industries Corporation Ltd.
- (iii) A surcharge of half per cent on the amount of loan is realised by the Bank and credited to the account of National Small Industries Corporation in addition to the normal rate of interest of 6% charged by the Bank.
- (iv) Guarantee of the Corporation is limited to a maximum sum of Rs. 25,000/- in each case.
- (v) The total liability of the Corporation under the arrangement is not to exceed Rs. 30 lakhs at any one time.

### B. Progress of the Scheme

33. The Scheme was introduced in January, 1959. The total amount of loans sanctioned by the State Bank of India to small scale units under the scheme amounted to about Rs. 2.15 lakhs only upto January, 1960.

34. *It is thus evident that the scope of the guarantee scheme is limited and considering the amount of advances made under the scheme it is obvious that it has not been availed of to any appreciable extent.*

## V

### DEVELOPMENT OF ANCILLARIES

#### A. Importance

35. The importance of developing small units as ancillary to large scale industry by co-ordinated production has been recognised for long in all quarters. Such an arrangement, besides helping to create more employment opportunities, facilitates the de-centralisation of industries and production of components and accessories at comparatively lower costs. The modern tendency in the more industrially advanced countries like Japan and U.S.A. is also to utilise ancillaries to the fullest extent possible.

#### B. Agency for development

36. The work relating to the development of small scale units as ancillaries was entrusted to the Corporation in 1955. The Committee were informed that at present both the organisation of the Development Commissioner, Small Scale Industries and the National Small Industries Corporation were engaged in the development of ancillaries but the primary responsibility was that of the Corporation. While the Small Industries Service Institutes were responsible for locating small units which were competent to supply components etc. of requisite standard to large units and were fit to be associated as ancillaries, the National Small Industries Corporation was responsible for bringing about an understanding between the large and the small units concerned by negotiation.

37. As to the reason for dual responsibility for the development of ancillaries, the representative of the Corporation stated during evidence that the Development Commissioner could not undertake negotiations with large units on behalf of small units because his organisation was advocating their cause. The National Small Industries Corporation also exists for the same purpose. *The Committee are not satisfied with the divided responsibility for development of ancillaries. They recommend that it may be reviewed in the light of the decision to be taken on the recommendation of the Committee contained in para 4.*

#### C. Progress of the Scheme

38. Development of ancillary industries is being attempted by the National Small Industries Corporation by obtaining voluntary agreements from large scale units. For the sake of convenience, the work has been divided into two categories. First, the Corporation is

attempting in collaboration with Small Industries Service Institute concerned, to obtain voluntary agreements of the large scale units in the public and private sectors for promotion of ancillary units as perpetual feeders of components and parts. The Corporation is stated to have approached a number of large scale units in both the sectors for the purpose. Schemes for setting up ancillaries are stated to have been finalised in three cases. Secondly, efforts are being made to secure agreements of as many large units as possible for obtaining their requirements of components and parts from the small units in accordance with a procedure laid down for the purpose. The progress achieved in this respect has not been intimated.

39. In their evidence before the Committee, both the representatives of the Corporation and the Ministry admitted that the progress achieved so far in the setting up of ancillaries had been very negligible.

40. The Standing Committee of the Small Scale Industries Board set up a Committee in August, 1958, to examine the ways and means of development of small scale units as ancillaries to large industries. *That Committee made several recommendations (given in Appendix II) which are stated to be under consideration of Government. The Committee have already dealt with the matter in para 26 (i) of their report.*

41. So far, the Corporation has adopted the method of persuasion by negotiation for development of ancillaries. It is evident that this method has not been attended with any appreciable success. It is therefore apparent that besides persuasion certain positive measures are called for. *Though the necessity of such measures has been recognised by the Government no steps seem to have been taken so far in that direction.*

42. *The Committee consider it disappointing that while the Government are wedded to a policy of de-centralisation of industries and development of ancillaries even public undertakings have not taken adequate steps to implement this policy despite recommendations made by the Committee to that effect in their earlier reports relating to the Bharat Electronics Ltd., Hindustan Aircraft Ltd. etc. They feel that Public Undertakings should take a lead in this respect and set an example to the private sector. They, therefore, consider that the issue of a directive to all the Public Undertakings to encourage small industries, as recommended by the Sub-Committee on ancillaries, should be the first essential positive measure to be taken by Government for development of ancillaries.*

## VI

### HIRE PURCHASE DIVISION

#### A. Background

43. The Ford Foundation Team observed that there was an overall lack of risk capital within small industry in India and that it seemed necessary to provide such capital by certain measures. They recommended that loans should be granted to persons and enterprises for buildings, workshops and buying machines, equipment, the security consisting primarily or entirely of mortgage on the real estate and machinery. In this connection, the Team also envisaged that as an alternative the Government Organisation set up for providing Government loans to small industries could buy suitable machinery in bulk and rent them to the craftsman with arrangements for eventual purchase of such machinery by the borrower. Accordingly, the Corporation has undertaken a scheme of supplying industrial machinery and machine tools on hire purchase to small industries from 1956.

#### B. Progress of the Scheme

44. The progress of the scheme is shown below:

Applications finally accepted				Position as on 31-5-1959
No. of applications	.	.	.	1558
No. of machines	.	.	.	5679
Value	.	.	.	Rs. 497.6 lakhs
<i>Orders placed :</i>				
No. of machines	.	.	.	3,867
Value	.	.	.	Rs. 360.9 lakhs
<i>Machines delivered :</i>				
No. of Machines	.	.	.	2,484
Value	.	.	.	Rs. 210.1 lakhs
<i>Machines supplied :</i>				
Year			No. of Units	No. of Machines
1956-57	.	.	96	191
1957-58	.	.	225	787
1958-59	.	.	371	1256
1-4-59 to 31-8-59	.	.	204	665
TOTAL			896	2899

45. The Committee were informed that bulk of the demand was in respect of machinery which had to be imported and such machines accounted for approximately 70% of the total value of machines supplied.

46. *It will be observed that while the number of machines supplied is increasing only 50% of the number applied for has been supplied. While this may be partly due to the fact that bulk of the demand is for imported machinery and the imports take time, it appears also to be due partly to the time taken in processing the applications.*

47. The Committee heard several complaints of delay in the procedure of supplying the machines. Complaints in that respect were also made in the Lok Sabha during the debate on the annual report and accounts of the National Small Industries Corporation held on the 29th August, 1959. The present procedure, which is stated to have been very much simplified, is given in Appendix III. The representative of the Corporation stated at the time of evidence that the delay was not due to procedural delays by the Corporation but due to the time taken in processing the applications through the Directors of Industries who had to issue essentiality certificates\* for supply of raw materials before the small industries could place orders for plant and machinery on the Corporation. Besides the small units frequently changed their demand with regard to the types of machines required and their specifications and it took much time in getting clarification from them.

48. *The Committee consider that the procedure prescribed for the supply of machinery is still complicated and there is room for further simplification. They also feel that the Present arrangement by which all applications have to come to the Holding Corporation can be decentralised by delegation of powers to the subsidiary corporations/branch offices to some extent. The Committee, therefore, recommend that the feasibility of further simplifying the procedure may be considered.*

49. It will also be seen from the foregoing table that the total number of units is 896, while the total number of machines supplied to them is 2899—which means that each unit on an average had more than 3 machines. This coupled with the fact that bulk of the demand is for imported machinery suggests that the machines have been supplied to fairly larger units instead of to the really small units. *The Committee suggest that the working of the scheme may be reviewed with a view to assess to what extent it has benefited the smaller units.*

50. *The Committee also recommend that the scheme may be utilised to encourage the use of indigenous machinery and machine tools as far as possible.*

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\* At the time of factual verification it was pointed out that the State Directorates of Industries are not required to issue essentiality certificates for supply of raw materials before forwarding Hire Purchase applications to the Corporation.

### C. Losses in the operation of Scheme

51. The sales turnover and the financial results of the scheme since 1956-57 are given below:—

(figures in lakhs of Rs.)

Year	Minimum Sales Targets	Sales Turnover	Losses Incurred
1956-57	..	12.28	3.01
1957-58	100	76.40	3.85
1958-59	100	144.24	2.54

52. It will be seen from the above table that the scheme has been running at a loss from the beginning. The Committee were informed that the scheme was financed by obtaining loans from the Government at  $4\frac{1}{2}\%$  per annum and the prices at which machines were sold under the scheme did not leave any margin to cover the establishment and trading expenses. The Corporation had decided to charge interest at 6% from individuals and 5% from industrial co-operative in respect of machinery supplied on the hire purchase basis but at the instance of the Government the interest rates were reduced to  $4\frac{1}{2}\%$  and  $3\frac{1}{2}\%$  respectively while the market rate of interest for such operations was about 12%\*. The Corporation could not, therefore, be self-sufficient in the business.

53. The idea that the Corporation should not suffer any loss in the hire-purchase business found support from a number of witnesses. The Corporation could raise its rates of interest in order to cover its costs without detriment to the industries. The Secretary of the Ministry stated that in the initial stages it was necessary to bear some loss in order to popularise the scheme. He agreed that the scheme had attracted adequate public attention and the corporation could now raise its interest rates.

54. *The Committee feel that this scheme should be operated on a no loss basis, if not on a profit basis. In case the Government consider it necessary to subsidise the scheme, the rate and extent of the subsidy should be clearly specified and accounted for separately as suggested in para 17.*

\*At the time of factual verification it was pointed out that an interest of  $4\frac{1}{2}\%$  per year is charged provided the Hire Purchase value of machine or machines for which Hire Purchase Agreement/Agreements has/have been executed and are in force, does not exceed Rs. 15,000. For a machine or machines supplied subsequently, which raises the total value of machines supplied to the applicant (and for which Hire Purchase Agreement (s) are in force) above Rs. 15,000, the rate of interest will be 6% per year. For Industrial Co-operatives, the rate of interest in these cases will be  $3\frac{1}{2}\%$  and 5% respectively.

## VII MARKETING OPERATIONS

### A. Background

55. The Ford Foundation Team recommended that the Central Government might establish an autonomous marketing service corporation for rendering marketing assistance to small units. The relevant extracts of the report are given in Appendix IV. The Government of India accepted this recommendation and decided to set up a marketing service corporation in addition to a small industries corporation. But this decision was not implemented. In a note furnished to the Committee it was stated that it was not considered necessary to have multiplicity of agencies for marketing and therefore the National Small Industries Corporation was made responsible for the following marketing functions:—

- (i) to determine consumer demand through surveys, encourage producers to meet this demand and to secure and process orders from whole-salers and retailers at least on an initial basis; and
- (ii) to set up a marketing news service, to establish contacts and reporting liaison with all principal foreign and domestic markets.

But here also the decision was not implemented and the Corporation did not undertake these functions. Instead, a separate marketing scheme was adopted as indicated below.

### B. Mobile Sales Vans

56. The Government secured the services of a marketing expert for studying the problems of marketing facing the small scale units and to suggest the lines to be adopted by the Corporation. The marketing experts recommended operation of mobile shops which could perform the three functions of distribution, namely, wholesaling, physical movement and retailing in a single operation. He proposed a fleet of five vans each operating from four bases namely, Delhi, Bombay, Madras and Calcutta. In pursuance of this recommendation, the Corporation started the scheme with three mobile vans based in Delhi. It was subsequently extended to other centres also.

57. The Mobile Sales Vans were operated for four years at the end of which the scheme was reviewed. It was felt that an effective programme of marketing assistance and research could not depend upon the mobile sales vans alone as its individual effectiveness to do the job was limited. It was decided to give up the scheme with effect from

the 1st April 1959 and to draw up a more comprehensive scheme of marketing products of small scale industries. Nine out of the twelve mobile sales vans together with some of the stores of the various subsidiary corporations were also disposed of. The results of the operation of the sales vans are as follows:—

(Rupees in lakhs)

Year	Sales	Losses	Percentage of losses to Sales Turnover
1955-56 . . . . .	·10	·17	170
1956-57 . . . . .	·7	1·7	229
1957-58 . . . . .	3·24	3·7	115
1958-59 . . . . .	2·09	3·10	150

58. It will be observed from the foregoing table that the operations of the sales vans have resulted in a total loss of about Rs. 8.67 lakhs. Besides, the disposal of 9 vans resulted in a capital loss of over Rs. 2 lakhs.\* *The Committee consider that the losses incurred in the scheme are due to defective planning and execution. Besides, the Committee are surprised that it was necessary for the Corporation to operate the scheme for four years to realise its ineffectiveness when it was incurring heavy losses every year since its inception. They urge that the Corporation should work in a more businesslike manner in dealing with such matters.*

### C. Wholesale Depots

59. The Corporation has also set up the following wholesale depots to overcome the three main shortcomings in marketing the products of small scale units, namely:—

- (i) lack of standardisation;
- (ii) lack of trade names that would assure quality;
- (iii) lack of contact with a wider market.

The depots are:

- (i) Agra Depot (for leather footwear)
- (ii) Khurja Depot (for pottery)
- (iii) Calcutta Depot (for cotton hosiery)
- (iv) Bombay Depot (for paints and varnishes)
- (v) Renigunta Depot (for glass beads)
- (vi) Ludhiana Depot (for woollen hosiery)
- (vii) Aligarh Depot (for locks and builder's hardware)

\*Inclusive of depreciation.

The depots are said to have been opened at places where there is concentration of small scale units engaged in the particular lines of industry concerned. The depots lay down specifications for the products marketed through them and establish inspection arrangements for checking quality. The products handled by the wholesale depots are sold under the trade name "Jansevak".

60. The wholesale depot set up at Aligarh for lock and builder's hardware has since been closed because the traders concerned represented that they did not need any such marketing assistance.

61. The results of operation of the wholesale depots for the last three years are as follows:—

Year	Sales Turnover	Loss	Percentage of loss to sales
(Rupees in lakhs)			
1956-57	1.28	1.17	90
1957-58	6.74	2.12	31½
1958-59	24.39	2.29	9

The results of operations of each of the depots for the period 1st April 1958 to 31st March 1959 are given in Appendix V.

62. It will be observed from the above table and the Appendix V that the depots have been running at loss. Though the total amount of loss incurred by the Corporation has been rising, the Committee are glad to note that the total value of sales has been moving at a rapid rate and that the percentage of loss to sales has fallen substantially. But, the net result being still a loss there is no room for complacency. *The Committee recommend that suitable steps may be taken to improve the results of operation of the wholesale depots. Judging from the rate of progress shown, there should be no difficulty in eliminating the losses altogether and earning some profits.*

63. It also appears from the Appendix V that the expenses of the depots excluding the trading expenses are somewhat on the high side as compared to sales, for instance, the expenses incurred by the Renigunta depot come to about 55% of the sales and the expenses incurred by Calcutta depot come to about 35% and in other cases the percentage of expenses to sales comes to about 10 per cent.

64. The Committee were informed that the depots had been provided with minimum establishment and there was no scope for reducing the overhead expenses. The average expenditure of a depot was estimated to be Rs. 3,000 per month and that there should be a sales turnover of at least Rs. 50,000 per month to enable the depot to attain self-sufficiency. It appears that none of the depots excepting the Ludhiana

depot has achieved the target of sales turnover envisaged. In one case the sales turnover for a year was a little over the target for a month. The Committee were, however, informed that the sales in all the depots were progressively on the increase and it was expected that the depots would achieve the targets in the near future. *The Committee hope that suitable steps would be taken to ensure that the targets are achieved quickly. They recommend that the incidence of the overheads should be spread over a larger range of activities. To this end the Corporation may consider the feasibility of entrusting one or more products for trade to the wholesale depots.*

## D. Exports

### (i) Export of Shoes

65. At present, the National Small Industries Corporation exports shoes to Russia, Poland and East Germany, through the State Trading Corporation Ltd. which negotiates orders with buyers in foreign countries and places orders with the former for execution.

66. The Corporation has no manufacturing programme of its own; it obtains all supplies of shoes from the small scale units and cottage workers. The procurement price is fixed by its Technical Officers after taking into account the cost of leather, other materials and labour and profit element of  $12\frac{1}{2}\%$  for the fabricators. A margin is added by the Corporation in fixing F.O.B. prices in order to cover overhead expenses and other trading charges connected with the storage, packing, transportation etc. A small margin of profit is also left to the Corporation.

### (a) Sales Turnover

67. The National Small Industries Corporation has executed the following orders so far:—

#### *Russian Orders :*

1st Oct., 1956	.	.	.	.	2.5 lakh pairs
2nd Oct., 1957	.	.	.	.	65000 pairs
3rd Oct., 1958	.	.	.	.	52000 pairs
4th Dec., 1958	.	.	.	.	50000 pairs
5th Feb., 1959	.	.	.	.	46000 pairs

#### *Poland :*

1st July, 1957	.	.	.	.	54000 pairs†
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#### *German Democratic Republic:*

1st March, 1959	.	.	.	.	60000 pairs
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†At the time of factual verification it was stated that against this order, only 21061 pairs of shoes were shipped.

68. The sales turnover and the profit earned on the export of shoes are as follows:

Year	Sales turnover	Profit
1956-57	Rs. 28.48 lakhs	Rs. 2.79 lakhs
1957-58	Rs. 35.65 lakhs	Rs. 2.215
1958-59	Rs. 36.94 lakhs	Rs. 0.74 lakhs

69. It will be seen that though the total sales turnover has been increasing from year to year, the profits have been falling. This has been attributed to the opening and maintenance of 7 export cells\* of the Corporation in different parts of the country in anticipation of bulk orders during the years 1956-57 and 1957-58.

70. Besides, in the first Russian order one flat selling price was agreed to for all varieties of shoes supplied whereas the procurement price was different for each variety. The varieties whose procurement prices were low were shipped in larger quantities at the beginning and the larger profit earned was reflected in the accounts of 1956-57.

71. Explaining the fall in the profits during 1957-58, it was stated that it was mainly due to two factors, namely, (i) the total expenses incurred during the year for running three export cells were more than the total expenditure incurred during 1956-57, and (ii) the amount of gross profit earned in respect of each pair of shoes declined considerably as comparatively lower rates had to be agreed upon in respect of the orders executed.

72. *The Committee feel that the export market for shoes is not yet established and therefore is not steady. The Committee doubt whether it was essential to have set up the export cells. Further they observe that the Corporation had branch offices and/or wholesale depots at five places where the cells were set up. The work of the Cells could perhaps have been done by the existing agencies till the business became stabilised. The Committee are of the view that the decisions to set up export cells and having set them up to close them down soon after were not businesslike. They recommend that as the expenses incurred on these cells are stated to have contributed largely to the fall in the profits earned by the Corporation, the feasibility of merging the present export cells at Agra and Bombay with the wholesale depots at these places may be considered.*

#### (b) Rejections

73. The Committee were informed that so far claims for defective supplies of shoes had been received by the Corporation in respect of

\*Cells were established at Agra, Delhi, Bombay, Calcutta, Bangalore, Madras and Hyderabad. The last four were closed down at the end of 1957-58.

first, second and third Russian Orders only and amounted to approximately 1.18% of the F.O.B. Contract Value. As regards the supplies made to East Germany, the Committee were informed that that Government was not very much satisfied with the quality of shoes exported to them. The representative of the Corporation in his evidence confirmed it but stated that it was so because the upper leather available in the country was not of the quality required. The Committee understand that to overcome this difficulty, the Corporation had made arrangements with certain Tanneries at Calcutta for the supply of good upper leather. *They hope that with the steps taken the incidence of rejection will be reduced. They suggest that a very careful watch should be kept over the rejections because the security of the market would largely depend on that factor.*

#### (c) Fabrication of Surplus Shoes

74. During their on-the-spot study visit to the Export Cell at Agra the Committee found that about 54,000 pairs of shoes costing Rs. 8.49 lakhs which were got fabricated during the execution of first Russian order were lying undisposed of. They were informed that an assurance had been given informally both by the State Trading Corporation and the Russian Government that these would be included in the next repeat order. The repeat order when received subsequently, did not, include the varieties of shoes in stock as a result of which these were rendered surplus. The Corporation has not been able to dispose of the surplus shoes. It is estimated that the Corporation is likely to suffer a loss of about Rs. 4 lakhs on this account and it has been decided that the loss should be borne by the State Trading Corporation.

75. The Committee do not wish to make any comment on the transaction because it may be viewed as a normal incidence of business of this nature. They understand that the shoes are of very good quality. *They suggest that suitable steps may be taken to minimise the loss on this account if necessary by selling them in retail.*

#### (d) Continuity of Orders

76. The Committee were informed by the Shoe Manufacturers' Association at Agra that there was no continuity of orders from National Small Industries Corporation for hand welted shoes for export with the result that labour had to remain idle when there were no orders. They, therefore, represented that regular orders might be ensured. *The Committee suggest that the Corporation may examine the feasibility of co-ordinating the production programme of shoes for exports as well as for internal consumption in such a way that the shoe makers may have continuous orders.*

#### (ii) Export of other items

77. The export business of the Corporation has been largely confined to shoe trade so far. As to other items which were proposed to be exported by the National Small Industries Corporation, the Committee were informed that the Corporation was participating in a number

of Fairs and following up enquiries if any received from abroad. Certain trial orders for stockinette, hockey sticks, etc. were also stated to have been received by the Corporation from Australia. The Committee feel that the scope of export of the products of Small Industries can be increased to include other items like nuts and bolts for which they understand, there is good demand abroad. *They therefore suggest that a comprehensive list of items which have a market abroad should be prepared by the National Small Industries Corporation. Towards this end the Committee recommend that a survey of export possibilities of various items produced by small units may be conducted immediately in co-ordination with other organisations like the State Trading Corporation Export Promotion Councils.*

### **E. Reviewing of Marketing Assistance Programme**

78. The foregoing paragraphs go to show that the Corporation has not so far worked out an integrated marketing assistance programme for small scale industries. The Ford Foundation Team and the Marketing Expert referred to in para 56 above gave certain schemes which the Corporation did not adopt wholly. The modified scheme taken up by the Corporation has not achieved any significant success. In this connection, the seminar of the senior officers of the Small Industries Organisation held at Bangalore in July 1959 observed as follows:—

“The Seminar was of the view that while considerable progress had been made by the Corporation in marketing certain small scale industries products outside the country, no appreciable progress had been made in affording market service to small scale units in the internal market. The efforts so far made by the Corporation had not made any impact on the programme of market assistance and it was recognised that in a seller's market the small scale units were not anxious to avail themselves of the market assistance offered by the Corporation. It was, however, felt that more positive steps should be taken by the Corporation to provide effective market services wherever there was a felt need for such service”.

79. The Committee were informed by the Chairman of the National Small Industries Corporation during her evidence that the marketing programme of the Corporation was being reviewed and that it would be finalised within a few months. *In this connection, the Committee suggest that the following points may be kept in view:—*

- (i) *While reviewing the marketing programme the pattern of marketing assistance suggested by the Ford Foundation Team might be taken into consideration.*
- (ii) *More wholesale depots may be opened at centres where there is a definite need for them.*

- (iii) *Sales Emporia should be opened as early as possible in States where they have not already been opened. In these Emporia the products of small industries in other States should also be displayed on a reciprocal basis. Exhibitions may also be held in different parts of the country in which the State Governments may participate.*
- (iv) *Quality marketing of the products of small scale industries should be gradually introduced. Since quality control plays an important part in promoting exports, the advisability of enforcing compulsory inspection and quality control of products for export may be considered.*

## VIII

### INDUSTRIAL ESTATES

#### A. Responsibility of National Small Industries Corporation for the construction of Estates at Okhla and Naini

80. Though the responsibility for setting up the Industrial Estates rests with the State Governments, the Corporation was entrusted with the construction of two Estates one at Okhla (Delhi) and the other at Naini (Allahabad). It was visualised that after the completion of the estates they would be handed over to the respective State Governments. The first phase of the construction of the Okhla Industrial Estate having been completed, it has already been transferred to the Delhi Administration. Negotiations are afoot to transfer the Naini estate also to the U.P. Government. It is thus obvious that the Corporation was responsible only for the construction of the Estates.

81. Asked for the reasons for entrusting the construction of the estates to the National Small Industries Corporation the Committee were informed that it was done with a view to expedite the construction of the estates. The Corporation, not being an engineering organisation, had no experience whatsoever of constructional work. *The Committee are unable to appreciate how it was expected that the Corporation would be able to complete the construction expeditiously.*

82. In fact, there was, as will be pointed out later, considerable delay in the construction of the estates. In this connection, it is noteworthy that the Corporation has been constructing the second phase of the Okhla Estate through the agency of the C.P.W.D. *In the circumstance, the Committee doubt whether any useful purpose was served in entrusting the work of construction of the industrial estates to the National Small Industrial Corporation. They feel that by entrusting such items of work to the Corporation, its energies were diverted unnecessarily from more useful lines of activity.*

#### B. Location of Estates

83. The Ministry of Commerce and Industry is stated\* to have laid down the following criteria for location of an industrial estate:

- (i) Relieving existing congestion in industrial areas and big towns.

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\* Report of the Sub-Committee on Industrial Estate—page 4.

- (ii) Stimulating the growth of small industries in and around new townships of some major industrial plants.
- (iii) Decentralisation involving suitable patterns of industrial development in small towns and large villages.
- (iv) To meet the special requirements of certain areas, if any.

84. In reply to a question as to what factors were taken into account in determining the location of the estates at Okhla and Naini, the Committee were informed that following factors were taken into account:

- (i) Good soil and surface drainage;
- (ii) Accessibility to main road;
- (iii) Proximity to a Railway Station;
- (iv) Availability of sufficient area for present requirement and future expansion; and
- (v) Availability of services like water, power and sewage disposal.

During their evidence the representatives of the Corporation, however, stated that the industrial estate at Okhla was built as part of the slum clearance programme of Delhi. The Committee were informed in reply to another question that out of the 33 industrial units located in the estate only 10 had shifted from their original location in Delhi City and the rest were either new or had dual establishments. The slum clearance programme had, therefore, not been fulfilled. *In the circumstances the Committee are doubtful whether the selection of these two sites justifies fully the criteria laid down by the Ministry of Commerce and Industry.*

### C. Construction of the Estates

85. Though the construction of the Industrial Estates at Okhla and Naini were sanctioned in October, 1955 and April, 1956, the actual construction was started in February and November, 1956 and was completed in March and October, 1958, respectively. The construction of factory sheds in the expansion scheme of the Okhla Estate was also entrusted to the Corporation in April, 1959.

86. *The Committee feel that unduly long time has been taken in the construction of these estates.*

### D. Management of the Industrial Estates

87. The financial results of the management of the Industrial Estates at Okhla and Naini during the years 1957-58 and 1958-59 are shown below:

(In lakhs of Rs.)

Year	Total cost of construction.	Yield (Rent etc.)	Expenditure	Losses
1957-58	*55	1.30	2.36	1.06
1958-59	*68	3.67	6.76	3.09

88. It would appear from the above statement that the Corporation incurred losses in both the years equivalent to nearly 100% of the income during the respective years. *The Committee feel that the Industrial Estates should be run on no-loss basis and recommend that suitable steps be taken to that end.*

### E. Transfer of the Estates

89. Though the completed portion of the industrial estates at Okhla was transferred to the Delhi State Administration on 1st April, 1959, the value of the estate has, however, not yet been realised. As the Corporation is short of funds and has already borrowed a large amount of money, *the Committee suggest that the Corporation may take suitable steps to recover the amount due from the Delhi Administration quickly so that it may be available to reduce its liabilities or to strengthen its working capital.*

90. The Committee were informed that the question of transfer of the Naini estate to U.P. Government was discussed between the Ministry of Commerce and Industry and the representative of the U.P. Government in May, 1959 and that the queries raised by the U.P. Government had all been answered. The matter is stated to be still under consideration of the U.P. Government. *The Committee are of the opinion that such delay in decision is not congenial to the efficient working of the Industrial Estate and urge that a decision in the matter be taken early.*

\*This excludes the cost of land (Cost of land not available).

## IX

### PROTOTYPE PRODUCTION-CUM-TRAINING CENTRES

#### A. Background

91. The Ford Foundation Team recommended in their report on small industries in India that a plant or plants should be set up for production and training workers and small producers in the proper use of modern equipment. The Committee were not informed of the action taken on this recommendation. However, they note that the Government of India invited another team of experts from West Germany in 1956, who, after an extensive survey, recommended top priority for re-equipment and re-tooling of small scale industries. As a result the Government took a decision to set up as many prototype production-cum-training centres as possible in different parts of the country where prototypes of machine tools, specially those which were being imported from abroad could be developed and where training to the skilled workers and high executives from small scale units could be imparted. Schemes in respect of two such centres to be established at Okhla and Rajkot have been finalised. These have been entrusted to the National Small Industries Corporation. *It is not clear whether the Government have worked out any comprehensive scheme as to the total number of such centres that may be set up, the nature of machines and machine-tools to be produced by them, their location, administration etc. In this connection the Committee would invite a reference to the recommendation made in para 57 of their 77th Report relating to the Development Commissioner, Small Scale Industries.*

#### B. Construction of the Centres at Okhla and Rajkot

92. As stated earlier, the Government of India entrusted the work connected with the implementation of two prototype-cum-production schemes to the Corporation in 1957. The Corporation has accordingly taken up the setting up of the prototype production and training centres at Okhla and Rajkot.

92. As stated earlier, the Government of India entrusted the working centres at Okhla and Rajkot have been prepared in collaboration with the Government of West Germany and the Technical Co-operation Mission in India of the USA. The Government have entered into agreements with the collaborators whereby they are to get certain equipment and technical advice from them. The salient features of the agreements are given in Appendix VI.

(i) *Centre at Okhla*

94. The agreement with the Government of the Federal Republic of West Germany, for setting up a prototype production-cum-training centre at Okhla was signed on 25-10-58. During their visit to the Centre at Okhla, the Committee were informed that though according to the original schedule the prototype production-cum-training centre was to start functioning in full swing towards the end of 1959, it would be delayed by about eight months. The delay was stated to be due primarily to some misunderstanding between the Government of India and the Government of West Germany about the interpretation of the term 'detailed drawings' of the project. The misunderstanding is stated to have been since resolved. *The Committee regret that there should have been room for such misunderstanding resulting in delay in execution of the project. Care should be taken to subject every such agreement to a thorough examination before finalisation.*

(ii) *Centre at Rajkot*

95. The agreement for setting up the Centre at Rajkot was signed with Technical Cooperation Mission, USA on 28-4-56. According to the original Programme, the Centre was to be started in a few hired buildings in the Industrial Estate at Rajkot and the additional buildings necessary were to be constructed adjacent to them. Accordingly five sheds were hired in 1957 at a rental of Rs. 2,500 per month in the Industrial Estate to locate the centre. Bulk of the machinery has already arrived at the centre and some of it has also been installed. The Centre is stated to have commenced functioning partially late in 1959. Thus there was a time lag of about three years between hiring of the sheds for the centre and its functioning.

96. The Committee are informed that the question of locating the centre in the Industrial Estate was re-examined in detail and it was felt that as the factory sheds were not suitable for the purpose, the entire centre should be planned on modern lines. Accordingly it has been decided that the centre should be located on an independent plot adjacent to the Estate. A part of the land has already been acquired and action is stated to be in hand for acquiring the rest. It is proposed to instal the new sections in the workshop buildings to be constructed in the area. The existing sections put up in the sheds will be shifted to the new site later on.

97. *The Committee feel that the planning of this production-cum-training centre has been defective and there would be considerable infructuous expenditure by way of installation, dismantling and reinstallation of machinery etc. They urge that suitable measures should be taken so that such defective planning and infructuous expenditure does not occur in the case of other production centres to be set up.*

NEW DELHI;  
The 23rd March, 1960  
Chaitra 3, 1882 (S).

H. C. DASAPPA,  
Chairman,  
Estimates Committee.

## APPENDIX I

[Vide para 21]

### *Procedure followed regarding Government purchases*

Under the new procedure all indents received by DGS&D from the various departments of Government are categorised into the following four groups:

- I. Items which are of no interest to small scale units and can be produced only in the large scale sector.
- II. Items which by their very nature require large scale firms as prime contractors, but permit substantial scope to the large scale contractors to purchase components and parts from small scale units.
- III. Residuary items which firms, both in the large scale as well as in the small scale sectors, can supply.
- IV. Items which could be reserved for procurement from small scale units only.

2. Committees have been set up in the office of the DGS&D and its Regional Offices consisting of the Liaison Officers of the Corporation of the Region concerned and an Officer deputed by the DGS&D to scrutinise the indents and place them under the various groups.

3. In order to locate the small scale units for the purpose of encouraging them to participate in the Government Purchase Programme a system of registration has been started. The Small Industries Service Institutes register the units which are considered capable of executing Government contracts.

4. The tender papers are supplied free to the small units on the approved list through the Regional Liaison Officers of the Corporation. The tenders submitted by the firms to whom the tender papers are issued by the R.L.O. are accepted by the DGS&D without security deposit even if they are not registered with him. In certain cases the DGS&D requires a certificate of competency to the effect that the small unit would be able to produce and supply the store according to the specifications and within the time stipulated in the tender. The liaison officers issue certificates in consultation with the Small Industries Service Institute. The Corporation has also entered into an agreement with the State Bank of India whereby the latter has agreed to advance loans against security of raw materials and guarantee of the Corporation upto 100% of their value for the execution of the contracts secured with the help of the Corporation.

## APPENDIX II

[Vide para 40]

### *Important recommendations made by the Sub-Committee set up by Small Industries Board on Development of Ancillaries*

- (i) At the time of evaluation of tenders and award of the contract preference should be given to the tenderer who proposes to place the maximum value of contracts on small ancillary units for the execution of the main contract and a price preference of 10% may be given to the tender on the total value of components and parts proposed to be purchased. In the contract the quantity and value of components that the large scale contractor proposes to purchase from unaffiliated small scale units as well as the quantum of price preference given for it should be made clear.
- (ii) For a rapid progress in this field of developing ancillary units there should be a greater liaison than at present between the Development Commissioner's Organisation and the National Small Industries Corporation on the one hand and the Development Wing of the Ministry of Commerce and Industry on the other.
- (iii) The Development Commissioner for Small Scale Industries should take active steps for setting up new capacity in the small scale sector where it is not possible to meet the requirements of components and parts of any particular large scale unit from any of the existing small scale units in the region provided that the anticipated requirements are sufficient to enable the new units to function economically.
- (iv) Government should issue clear directives to the State undertakings to purchase their requirements of components and stores from small units recommended by the Small Industries Service Institute in the area.
- (v) Applicants for licences either for substantial expansion or for establishment of new large units should also forward a separate copy of the application to Small Industries Service Institute in the State. The Director of the Small Industries Service Institute and the State Director of Industries should then examine the scheme and submit a joint report indicating the components and parts which the applicant can in their opinion obtain from small scale

ancillary units without making arrangements for producing the same itself in its own factory and this recommendation may be considered by the Licensing Committee before licence is issued to the party.

- (vi) A specific condition should be imposed in a licence granted for establishing a new large scale unit or for expanding an existing one that it will obtain its requirements of specified parts and components from small scale units not affiliated to or controlled by it.

### APPENDIX III

[Vide para 47]

#### *Procedure for the supply of machines on hire-purchase*

(i) Application forms (in quadruplicate) after completion are required to be submitted to the Director of Industries of the State/Administration concerned.

(ii) The Director of Industries, after the necessary scrutiny of the application forwards the original and duplicate copies of the application with his recommendations to the National Small Industries Corporation (Holding Corporation) at New Delhi; simultaneously, the triplicate copy of the application is forwarded by the Director of Industries to the Regional Office of the National Small Industries Corporation. The Director of Industries *inter-alia* certifies the following:—

(a) That the applicant is a bona fide small scale entrepreneur and deserves encouragement.

(b) That the estimated requirements of raw material as given in application form has been checked and found reasonable.

(iii) The Holding Corporation scrutinises the application particularly from the point of view of (i) availability of raw material for running the machine; and (ii) marketability of the finished products. Secondly, if the application is for foreign machines required to be imported, a scrutiny is made as to whether similar machines are available indigenously.

(iv) The Corporation then communicates its acceptance of the application.

(v) After the application is accepted, the Corporation invites competitive quotations from probable sources of supply, in case the machines asked for are not available from ready stocks.

(vi) These quotations when received are referred to the hirers for final selection of machines (The ultimate selection of machines entirely rests with the hirers. They are free to select even a higher priced machine to suit their purpose).

(vii) Immediately after the selection of machines, applicants are required to remit earnest money at rates indicated in the Terms and Conditions of Hire-Purchase.

(viii) Orders for machines with suppliers are placed after receipt of earnest money and intimation about the selection of machines by the hirers.

(ix) Machines or documents pertaining to machines are delivered to the hirers against execution of Hire-Purchase Agreement and completion of other attendant formalities.

## APPENDIX IV

[Vide para 55]

*Important observations and recommendations made by the International Planning Team (The Ford Foundation) relating to Marketing and distribution of Products of Small Industries.*

Efficient marketing of products of industry is an essential step that industry must take, if it follows the course to which it is committed—greater industrialization and welfare of its people.

India has markets of staggering possibilities, if they are properly developed. Village self-sufficiency is waning; rural purchasing power is rising; cash rather than barter has more and more become the villagers' medium of purchase; women can and will become an increasing consumer factor. Present marketing methods however are anchored in the past.

Basic development of marketing must take place on these general lines: Firstly, that "made-in-India" products must be good and of uniform quality, and to this end, industry cannot rely wholly on Government but must police itself. Secondly, products must be geared to meet consumers' felt needs, and be so designed and so marketed that they awaken latent needs. Thirdly, aggressive efforts must be made to reach and stimulate the huge potential market of the villages as yet barely touched. This effort should be accompanied by a genuine attempt to provide service as well as sales. Provision for sound service at reasonable cost to the customer is an essential basis of industrial selling.

With these principles in mind, the team feels that it may be advisable:

- (1) For the Central Government to establish an autonomous Marketing Service Corporation starting immediately on a moderate scale, which can determine consumer demands through surveys, encourage producers to meet these demands, and secure and process orders from wholesalers and retailers, at least on an initial basis. It is a paramount requirement that the Corporation operate as a profit business. Once the industrial process starts working, this Corporation would be integrated as a marketing news service within the proposed multipurpose Institutes, and its functions become purely service and advisory.
- (2) To set up as an integral part of the Marketing Service Corporation a marketing news service, establishing

contacts and reporting liaison with all principal foreign and domestic markets. The multi-purpose Institutes should take a leading part in conducting this service, with the view toward later integrating the service into the Institutes.

- (3) That immediate industry-wide conferences in each major export commodity—such as lac and mica—be held for appraisal of available scientific research on new uses for the commodities in both domestic and foreign markets; and further finance their own organization to work with purchases and laboratories abroad to keep abreast of foreign market demands and developments.
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# APPENDIX V

[Vide, para 61]

## THE NATIONAL SMALL INDUSTRIES CORPORATION LIMITED, NEW DELHI

Statement showing operation results of marketing depots for the period: 1-4-58 to 31-3-59.

Location of the Depots	Products sold	Total Sales during the year	Gross Profit earned (Before deducting Trading expenses)	Other Misc. Receipts if any	Total Receipts (Column 4 plus 5)	Running expenses of the depots		Overhead Expenses	Total expenses (Totals of Cols. 7, 8 & 9)	NET PROFIT OR NET LOSS
						Trading expenses, e.g. Carriage, Freight, etc., etc.	Other Expenses (Salary of Staff, Depot Rent, etc.			
BOMBAY	Paints	3,59,531	13,673	1,225	14,898	5,374	14,305	10,920	30,599	(LOSS) 15,701
MADRAS LILIPUT	Various Products of Small Industries	2,58,766	28,086		28,086	5,945	19,371	11,347	36,663	8,577
MADRAS RENIGUNTA	Glass Beads	56,098	4,708	..	4,708	3,296	24,144	6,768	34,208	29,500
CALCUTTA	Hosiery	1,74,858	23,431	905	24,336	7,406	43,379	18,661	69,446	45,110
AGRA	Footwear	3,64,392	54,811		54,811	46,893	36,803	11,699	95,395	40,584
LUDHIANA	Raw Matls., Pig. Iron & Steel	7,77,851	36,074		36,074	12,919	38,225	20,472	71,616	35,542
KHURJA	Potteries	2,26,385	14,636		14,636	5,611	16,029	5,849	27,489	12,853
ALIGARH	Locks	3,52,473	8,386	..	8,386	2,728	28,321	8,774	39,823	31,437

## APPENDIX VI

[Vide para 93]

**A. Salient Features of the agreement signed by the Government of West Germany and the Government of India on the 25th October, 1958, for the setting up of Prototype Production cum Training Centre at Okhla.**

1. The Government of Federal Republic Germany shall provide free of charge for the centre:

- (a) the necessary training aids, machinery and equipment as well as tools and spare parts;
- (b) the Directors and the necessary German staff of Instructors and experts for a period of three years; and
- (c) services of a German Consultant Architect.

2. The Government of India shall provide at their expense for the centre;

- (a) the land and buildings required;
- (b) suitable furnished accommodation for German staff;
- (c) any other expenditure necessary for the installation of machinery and equipment for operation and maintenance such as raw materials, replacement of tools and spare parts and;
- (d) an Indian Director and the necessary technical and administrative staff.

3. The Government of Federal Republic of Germany would, in special cases, arrange for the training of Indian technical instructors in the Federal Republic of Germany for purposes of the centre at their expense.

According to the scheme, the centre will serve the following objects:—

- (a) practical and theoretical training of skilled workers and technicians for small scale industrial enterprises and the small Industries Service Institutes;
- (b) development of special types of machines and equipment for Indian small scale Industry;
- (c) development and construction of prototypes of such machines, implements, component parts and the like as are suitable for production by small scale industrial units; and

- (d) execution of job orders covering such phases of manufacture as cannot be carried out by Small Scale Industrial Units.

**B. Salient Features of the agreement signed by the Technical Co-operation Mission, U.S.A. and Government of India for the setting up of a Prototype Production-cum-Training Centre at Rajkot.**

1. The Technical Co-operation Mission will make available \$448,400 of technical assistance funds to procure various items of basic machinery and equipment. The project will include a Central workshop and number of small manufacturing plants. The Mission will further make available \$360,000 to provide one Production Engineer to advise on the planning layout and equipment as well as five production engineers to advise on and assist in the development of plans, programmes, construction specifications etc., necessary for the establishment and initial operations.

2. The Government of India would provide erection and installation costs, required buildings and land, as well as transportation, office space, clerical and interpreter services for the foreign technicians, inland transportation and handling of the imported equipment, other local costs and expenses of the centre.

The objectives of the scheme are:

- (a) to design, develop and manufacture prototype of small machines and pass them on to the small scale industries for manufacture on commercial lines;
- (b) to demonstrate modern types of machines for the manufacture of quality consumer goods in large quantities in the country;
- (c) to set up a common facility service workshop near the industrial estate for the benefit of small scale industries located there; and
- (d) to train limited number of apprentices.

## APPENDIX VII

### *Summary of Conclusions/Recommendations*

S. No.	Ref. to the para No. of the Report	Summary of conclusions/recommendations
1	2	3
1	2	In their 77th Report, the Committee have dealt with in some detail the existence of multiplicity of organisations for development of small scale industries and have made certain recommendations in paras 17 & 19 thereof. The suggestions made in this report may be considered in the light of the decisions taken on those recommendations.
2	4	The Committee feel that if the existing dual organisation is continued the functions of the Development Commissioner and the National Small Industries Corporation should be clearly demarcated so that the National Small Industries Corporation may devote itself more and more to trading activities.
3	5	Although the Articles of Association of the National Small Industries Corporation do not embody any restrictions on its powers, in actual practice the powers of the Corporation are subject to full Government control. It is not consistent with the character of the corporation to suffer from a disability to incur capital expenditure or a loan, however small it may be, without the prior approval of the Government.
4	6	The Committee feel that it would be desirable to follow a uniform pattern in matters of making provision in the Articles of Association of all Government Companies regarding powers for capital expenditure and borrowings and to lay down limits to the powers of the National Small Industries Corporation rather than vest it with hypothetical powers which are not expected to be exercised.

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An appropriate organisational pattern for the National Small Industries Corporation was not properly thought of at the beginning and major changes had to be made within a short period. The Committee feel that such an important matter should have been given full consideration at the beginning to obviate the necessity of frequent changes.

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[The Committee cannot help feeling that the ratio between paid up capital and loans of the National Small Industries Corporation is somewhat high. If the raising of the loans had resulted in higher profits, then at least it could have been justified. Here it is found that the borrowings have only added to the losses. The Committee recommend that the capital requirements of the Corporation may be reviewed and properly assessed.]

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It should be possible for the trading functions of the Corporation to be operated on a profit basis. In any case, it is essential that there should be no loss on such activities.

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If the Government wish to subsidise an activity, the subsidy should be given at a specific rate and accounted for accordingly instead of the total loss incurred being reimbursed. That would enable the element of subsidy to be distinguished from the trading loss incurred by the Corporation. The Committee recommend that the rate and extent of subsidy payable to the Corporation for its promotional activities may be fixed and accounted for as such.

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[The Committee are surprised that while the Corporation was set up for the specific purpose of operating the scheme of Government purchases as a trading scheme, it should not have been even

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given a fair trial. ] They consider that the scheme suggested by the Ford Foundation Team was a good one. Though there might have been certain difficulties in implementing the scheme, they feel that it might have been tried by making suitable modifications, if necessary. The Committee suggest that the feasibility of reviving the original scheme be considered at the highest level.

- 10      23      While the Committee note with some amount of satisfaction that the volume of Government purchases made from the small industries has been rising, they feel that it is still not significant enough and leaves much scope for improvement.
- 11      24      [ The Committee are unable to assess to what extent the rise in percentage of purchases from small industries is due to the assistance rendered by the National Small Industries Corporation and to what extent it is due to the reservation of stores for procurement from Small Units. ]
- 12      25      Though in terms of value, Government purchases from Small Units during 1958-59 recorded a perceptible increase over the previous years yet the Committee feel that there is considerable room for improvement.
- 13      26(i)      The Committee regret that though more than a year has elapsed since the submission of the Report by the Committee set up by Small Industries Board on the development of Ancillaries, the Government have not been able to reach any conclusion over its recommendations. They suggest that Government's decision in this matter be expedited.
- 14      26(ii)      The Committee suggest that the scheme of giving a price preference to the small industries be reviewed to assess the results achieved so far and to devise ways and means for the scheme being fully utilised by small industries.
- 15      26(iii)      The Committee suggest that an early decision may be reached with regard to the items proposed to be reserved for procurement exclusively from the small scale units and further steps taken to enlarge the number of such items to be included under

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this group. In this connection, they invite reference to their recommendation in para 55 of the 77th Report.

- 16      27      The Committee suggest that in order that a proper appreciation of the extent to which purchase policy of the Government governing each group of the present Government Purchase Scheme has been successful may be possible, statistics showing the volume of purchases made under each group should be maintained.
- 17      28      The Committee are surprised that though the Government purchase scheme was entrusted to the Corporation about four years ago, the extension of the scheme to the Railways and the Ministry of Defence should not have been completed till now and that not even a beginning should have been made to extend it to departments like the Posts and Telegraphs. They suggest that urgent steps be taken to extend the scheme without further delay to all the departments of the Government of India, at present, not covered by it.
- 18      29      The Committee feel that pending the adoption of the procedure by State Governments for making their purchases from Small Units, recommended by the Small Scale Industries Board, the National Small Industries Corporation may extend its assistance to the small industries in securing contracts from State Governments also.
- 19      30      The Committee consider that some special efforts are required to make the present Government Purchase Scheme yield better results.
- 20      34      [The scope of the credit guarantee scheme of the National Small Industries Corporation is limited and considering the amount of advances made under the scheme it is obvious that it has not been availed of to any appreciable extent.]
- 21      36-37      At present both the Organisation of the Development Commissioner, Small Scale Industries and the National Small Industries Corporation are engaged in the development of ancillaries but the primary responsibility is that of the Corporation. The Committee are not satisfied with the divided responsibility for development of ancillaries.

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They recommend that it may be reviewed in the light of the decision to be taken on the recommendation of the Committee contained in para 4.

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The method of persuasion by negotiation for development of ancillaries has not been attended with any appreciable success. It is therefore apparent that besides persuasion certain positive measures are called for. Though the necessity of such measures has been recognised by the Government no steps seem to have been taken so far in that direction.

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[ The Committee consider it disappointing that while the Government are wedded to a policy of decentralisation of industries and development of ancillaries even public undertakings have not taken adequate steps to implement this policy despite recommendations made by the Committee to that effect in their earlier reports relating to the, Bharat Electronics Ltd., Hindustan Aircraft Ltd. etc. They feel that Public Undertakings should take a lead in this respect and set an example to the private sector. They, therefore, consider that the issue of a directive to all the Public Undertakings to encourage small industries, as recommended by the Sub-Committee on Ancillaries, should be the first essential positive measure to be taken by Government for development of ancillaries.]

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While the number of machines supplied is increasing only 50% of the number applied for has been supplied. While this may be partly due to the fact that bulk of the demand is for imported machinery and the imports take time, it appears also to be due partly to the time taken in processing the applications.

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[ The Committee consider that the procedure prescribed for the supply of machinery on hire-purchase is still complicated and there is room for further simplification. They also feel that the present arrangement by which all applications have to come to the Holding Corporation can be decentralised by delegation of powers to the subsidiary corporations/branch offices to some extent. The Committee, therefore, recommend that the feasibility of further simplifying the procedure may be considered.]

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| 26 | 49 | The Committee suggest that the working of the scheme for the supply of machines on hire-purchase may be reviewed with a view to assess to what extent it has benefited the smaller units.  |
| 27 | 50 | The Committee recommend that the scheme for the supply of machines on hire-purchase basis may be utilised to encourage the use of indigenous machinery and machine tools as far as possible.   |
| 28 | 54 | The Committee feel that the scheme for supply of machines on hire-purchase basis should be operated on a no loss basis, if not on a profit basis. In case the Government consider it necessary to subsidise the scheme, the rate and extent of the subsidy should be clearly specified and accounted for separately as suggested in para 17.   |
| 29 | 58 | The Committee consider that the losses incurred in the mobile sales vans scheme are due to defective planning and execution. Besides, the Committee are surprised that it was necessary for the Corporation to operate the scheme for four years to realise its ineffectiveness when it was incurring heavy losses every year since its inception. They urge that the Corporation should work in a more business like manner in dealing with such matters. |
| 30 | 62 | The Committee recommend that suitable steps may be taken to improve the results of operation of the whole sale depots. Judging from the rate of progress shown, there should be no difficulty in eliminating the losses altogether and earning some profits.   |
| 31 | 64 | The Committee hope that suitable steps would be taken to ensure tht the targets of sales laid down for the whole sale depots are achieved quickly. They also recommend that the incidence of the overheads should be spread over a large of activities. To this end the Corporation may consider the feasibility of entrusting one or more products for trade to the wholesale depots.   |
| 32 | 72 | The Committee feel that the export market for shoes is not yet established and, therefore, is not steady. They doubt whether it was essential to   |
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have set up the seven export cells in the country. Further they observe that the Corporation had branch offices and/or wholesale depots at five places where the cells were set up. The work of the Cells could perhaps have been done by the existing agencies till the business became stabilised.

The Committee, are of the view that the decision to set up export cells and having set them up to close them down soon after were not business-like. They recommend that as the expenses incurred on these cells are stated to have contributed largely to the fall in the profits earned by the Corporation, the feasibility of merging the present export cells at Agra and Bombay with the wholesale depots at these places may be considered.

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| 33 | 73 | The Committee understand that to overcome the difficulty of getting good quality upper leather the Corporation had made arrangements with certain Tanneries at Calcutta for the supply of good upper leather. They hope that with the steps taken the incidence of rejection in the supply of shoes will be reduced. They suggest that a very careful watch should be kept over the rejections because the security of the market would largely depend on that factor. |
| 34 | 75 | The Committee understand that the 54,000 pairs of shoes lying undisposed of at Agra which were got fabricated during the execution of first Russian Order are of very good quality. They suggest that suitable steps may be taken to minimise the loss on this account, if necessary, by selling them in retail.   |
| 35 | 76 | The Committee suggest that the Corporation may examine the feasibility of co-ordinating the production programme of shoes for exports as well as for internal consumption in such a way that the shoe makers may have continuous orders.   |
| 36 | 77 | The Committee suggest that a comprehensive list of items produced by small units which have a market abroad should be prepared by the National Small Industries Corporation. Towards this end  |
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they recommend that a survey of export possibilities of various items produced by small units may be conducted immediately in co-ordination with other organisations like the State Trading Corporation, Export Promotion Councils.

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The Committee suggest that the following points may be kept in view while reviewing the marketing programme of the Corporation:—

- (i) The pattern of marketing assistance suggested by the Ford Foundation Team might be taken into consideration.
- (ii) More wholesale depots may be opened at centres where there is a definite need for them.
- (iii) Sales emporia should be opened as early as possible in States where they have not already been opened. In these Emporia the products of small industries of other States should also be displayed on a reciprocal basis. Exhibitions may also be held in different parts of the country in which the State Governments may participate.
- (iv) Quality marking of the products of small scale industries should be gradually introduced. Since quality control plays an important part in promoting exports, the advisability of enforcing compulsory inspection and quality control of products for export may be considered.

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[The Corporation, not being an engineering organisation, had no experience whatsoever of constructional work. The Committee are unable to appreciate how it was expected that the Corporation would be able to complete the construction of the Industrial Estates at Okhla and Naini expeditiously.]

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[The Committee doubt whether any useful purpose was served in entrusting the work of construction of the industrial estates at Okhla and Naini to the National Small Industries Corporation. They feel that by entrusting such items of work to the Corporation, its energies were diverted unnecessarily from more useful lines of activity.]

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- 40      84      [The Committee are doubtful whether the selection of the two sites for locating Industrial Estates at Okhla and Naini justifies fully the criteria laid down by the Ministry of Commerce and Industry.]
- 41      86      [The Committee feel that unduly long time has been taken in the construction of the Industrial Estates at Okhla and Naini.]
- 42      88      The Committee feel that the Industrial Estates should be run on no-loss basis and recommend that suitable steps be taken to that end.
- 43      89      As the Corporation is short of funds and has already borrowed a large amount of money the Committee suggest that the Corporation may take suitable steps to recover the amount due from the Delhi Administration quickly so that it may be available to reduce its liabilities or to strengthen its working capital.
- 44      90      The matter relating to the transfer of Industrial Estate at Naini is stated to be still under consideration of the U.P. Government. The Committee are of the opinion that such delay in decision is not congenial to the efficient working of the Estates and urge that a decision in the matter be taken early.
- 45      91      It is not clear whether the Government have worked out any comprehensive scheme as to the total number of Prototype Production-cum-Training Centres that may be set up, the nature of machines and machine-tools to be produced by them, their location, administration etc. In this connection, the Committee would invite reference to their recommendation made in para 57 of the 77th Report.
- 46      94      [The Committee regret that there should have been room for misunderstanding between the Government of India and Government of West Germany about the interpretation of the term 'detailed drawings' of the project resulting in delay in execution of the Prototype Production-cum-Training Centre at Okhla. Care should be taken to subject every such agreement to a thorough examination before finalisation.]
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[The Committee feel that the planning of the production-cum-training centre at Rajkot has been defective and there would be considerable infructuous expenditure by way of installation, dismantling and reinstallation of machinery etc. They urge that suitable measures should be taken so that such defective planning and infructuous expenditure does not occur in the case of other production centres to be set up.]

## APPENDIX VIII

### *Analysis of Recommendations contained in the Report and the estimated economy likely to result from their implementation*

#### I. *Classification of Recommendations* the

A. Recommendations for improving the organisation and working of the National Small Industries Corporation— (S. Nos. 1-3, 6, 9, 10-12, 18, 21, 25, 26, 27, 29, 35, 36, 37 and 43 of the summary of recommendations) . . . . .		18
B. Recommendations for effecting economy— (S. Nos. 7, 28, 30-32, 34, 42 and 47 of the summary of Recommendations) . . . . .		8
C. Miscellaneous— (S. Nos. 4, 5, 8, 13-17, 19, 20, 22-24, 33, 38-41, and 44-46 of the summary of Recommendations) . . . . .		21
TOTAL . . . . .		47

#### II. *Analysis of more important Recommendations directed towards economy*

S. No.	No. as per summary of Recommendation	Particulars
1	7	For operating the trading functions of the Corporation on a profit basis.
2	28	For operating the scheme of supply of machines on hire-purchase on a no-loss basis.
3	30 & 31	For (i) improving the results of operations of the whole-sale depots ; and (ii) spreading the overhead over a large range of activities.
4	32	For merging the Export cells at Agra and Bombay with the whole-sale depots at these places.
5	42	For running the Industrial Estates on a no-loss basis.

#### III. *Economy*

It is not possible to calculate the money value of the economics suggested in the report.