

**ESTIMATES COMMITTEE  
(1972-73)**

**FIFTH LOK SABHA**

**THIRTY-FIFTH REPORT**

**MINISTRY OF INDUSTRIAL DEVELOPMENT  
(DEPARTMENT OF INDUSTRIAL DEVELOPMENT)**

**SMALL SCALE INDUSTRIES**



सत्यमेव जयते

**LOK SABHA SECRETARIAT  
NEW DELHI**

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<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
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91	6.9	3	<u>Add</u> 'as'	before the word 'early'
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121	7.10		and	and

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**ESTIMATES COMMITTEE  
(1972-73)**

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## INTRODUCTION

1. The Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Thirty Fifth Report on the Ministry of Industrial Development (Department of Industrial Development)—Small Scale Industries.

2. The Committee took evidence of the representatives of the Ministries of Industrial Development (Department of Industrial Development); Foreign Trade; Finance (Department of Expenditure); (Department of Revenue and Insurance); (Department of Banking); State Trading Corporation of India, Directorate General of Supplies and Disposals; Minerals and Metals Trading Corporation of India and the Small Scale Industries Development Organisation on the 25th, 26th and 27th October, 1972 and the 4th November, 1972. The Committee wish to express their thanks to the officers of these Ministries, Departments and Organisations for placing before them the material and information which they desired in connection with the examination of the subject and for giving evidence before the Committee.

3. The Committee also wish to express their thanks to Shri Hem Chand Jain, Chairman of the All India Manufacturers' Organisation (Small Scale Industries Wing), New Delhi and Shri M. S. Parthasarathy, President of the Federation of Associations of Small Industries of India, New Delhi for furnishing memoranda to the Committee and also for giving evidence and making valuable suggestions.

4. The Committee also wish to express their thanks to all the Associations and individuals who furnished memoranda on the subject to the Committee.

5. The Report was considered and adopted by the Committee on the 22nd March, 1973.

6. A statement showing the analysis of recommendations/conclusions contained in the Report is also appended to the Report (Appendix—V).

KAMAL NATH TEWARI,  
*Chairman,*  
*Estimates Committee.*

NEW DELHI;  
March 27, 1973|Chaitra 6, 1895 (Saka).

## CHAPTER I

### INTRODUCTORY

1.1. The question of development of Small Scale Industries has been attracting the attention of Members of Parliament since long. The Estimates Committee of Lok Sabha took up for examination this subject in 1959-60 and again in 1965-66 and presented their 77th Report (Second Lok Sabha) and 105th, 106th and 107th Reports (Third Lok Sabha) on this subject. The action taken or proposed to be taken by Government on the recommendations contained in these Reports is given in their 150th Report (Second Lok Sabha), and 120th, 121st and 122nd Reports (Fourth Lok Sabha).

1.2. The Estimate Committee (1971-72) took up examination of (i) Industrial Licensing, (ii) Planning, Development, Production, Distribution etc., of Iron and Steel and Ferro-Alloys, (iii) Directorate General of Technical Development, (iv) Export Promotion Measures, Commercial Publicity, Exhibitions and Trade Fairs. While dealing with major issue involved in all these four subjects, the Committee had referred *inter alia* to the development of the Small Scale Industries in their Nineteenth Report (Fifth Lok Sabha) on the Ministry of Industrial Development (Department of Industrial Development)—Industrial Licensing; distribution of Iron and Steel etc. to Small Scale Sector in their Twentieth Report (Fifth Lok Sabha) on the Ministry of Industrial Development (Department of Industrial Development)—Industrial Licensing; distribution of Iron and Steel etc. to Small Scale Sector in their Twentieth Report (Fifth Lok Sabha) on the Ministry of Steel and Mines (Department of Steel)—Planning, Development, Production, Distribution etc., of Iron and Steel and Ferro-Alloys; industrial development of backward areas and rational distribution of industries to ensure balanced development of various regions of the country in their Seventeenth Report (Fifth Lok Sabha) on the Ministry of Industrial Development—Directorate General of Technical Development and Export Promotion measures in their Fourteenth Report (Fifth Lok Sabha) on the Ministry of Foreign Trade—Export Promotion Measures, Commercial Publicity, Exhibitions and Trade Fairs.

1.3. With a view to examine, in depth, the problems facing the Small Scale Industries and the factors coming in the way of their accelerated development, the Estimates Committee took up for examination this subject again during the year 1972-73. The various difficulties faced by the Small Scale Industries and the recommendations of the Committee in that regard are dealt with in this Report.



## CHAPTER II

### A. Role of Small Scale Industries in the National Economy

2.1. It has been observed in the First Five Year Plan that the Small industries derived part of their significance from their potential value for the employment of trained and educated persons. For those who had received some training and education, generally speaking, the most promising direction of activity appeared to be the development of the smaller industries. Programmes for small industries and handicrafts called for a comprehensive approach in which, on the one hand, there was adequate coordination with large scale industries and research institutions and, on the other, the State Governments ensured that the artisans were sufficiently organised to be able to avail of technical and financial assistance and to provide as far as may be possible co-operatively for their essential requirements. In the First Five Year Plan a provision of Rs. 15 crores was made for this purpose.

2.2. It has been observed in the Second Five Year Plan that the progress in the First Five Year Plan had been uneven both as between different industries and as between different regions and State..... The working definition adopted by the Small Scale Industries Board brought within the scope of the term 'small scale industries' all units or establishments having a capital investment of less than Rs. 5 lakhs and employing less than 50 persons when using power. For development, in this field, the principal needs were the imparting of training and technical advice regarding the adoption of improved tools, machines and new techniques, supply of raw materials and power at reasonable rates, supply of adequate finance on fair terms, facilities for importing or purchasing machines and assistance in the marketing of products. Problems of marketing were simplified to the extent that the small scale industries were developed as ancillaries of large industries. In the Second Five Year Plan a provision of Rs. 55 crores was made for the development of small scale industries.

2.3. It has been observed in the Third Five Year Plan that the village and Small industries had made a significant contribution in the First and Second Plans in realising the objectives of expanded employment, larger production and more equitable distribution. With the large dimensions of the tasks to be accomplished in the Third

Plan, their rule will be even more important. The objectives of the programme for these industries as set out in the Industrial Policy Resolution, 1956, and in the Second Plan were to create immediate and permanent employment on a large scale at relatively small capital cost, meet a substantial part of the increased demand for consumer goods and simple producers' goods, facilitate mobilisation of resources of capital and skill which might otherwise remain inadequately utilised and bring about integration of the development of these industries with the rural economy on the one hand and large-scale industry on the other. They also offered a method of ensuring more equitable distribution of the national income and avoiding some of the problems that unplanned urbanisation tended to create. With improvement in techniques and organisation, these industries offered possibilities of growing into an efficient and progressive decentralised sector of the economy providing opportunities of work and income all over the country. In the Third Five Year Plan a provision of Rs. 86.12 crores was made for the development of small scale industries.

2.4. It has been observed in the Fourth Five Year Plan that the objectives of the programmes in the Fourth Plan would be to improve progressively the production technique of small industries so as to enable them to produce quality goods and to bring them to a viable level to promote decentralisation and dispersal of industries; and to promote agro-based industries. In order to achieve these aims, it would be necessary to improve skills and provide a combination of incentives and disincentives for securing decentralisation and dispersal of small industries. Fiscal and other measures were required to enable these industries to stand competition with large industries. The operation of the industrial licensing system had not been effective in preventing competition from the large industries and in providing the required degree of initial protection. Nor had it been possible to prevent concentration of industries in large cities and towns. Since a large number of industries was proposed to be delicensed during the Fourth Plan period, greater emphasis will have to be placed on a variety of positive measures of assistance including liberal credit facilities, adequate supply of scarce raw materials, provision of technical assistance and improved appliances, tax concessions and differential excise duties. It will be necessary to assist mechanised small scale industries to grow into larger and more viable units. In the Fourth Five Year Plan a provision of Rs. 104.25 crores for the development of the small scale industries and Rs. 19.08 for the industrial estates was made.

2.5. The Industrial Policy Resolution, 1948 recognised the role of cottage and small scale industries in the following words:—

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

2.6. The Industrial Policy Resolution, 1956 stressed the role of cottage, village and small industries in the development of the national economy as follows:—

“In relation to some of the problems that need urgent solution, they offer some distinct advantages. They provide immediate large scale employment; they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilised. Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country.”

2.7. The Committee have been informed by the Ministry of Industrial Development (Department of Industrial Development) that the growth of modern small scale industries in India during the last two decades had been no of the most rewarding experience of our planned development. The small scale industries, particularly in the Third and Fourth Five Year Plan periods had provided one of the most important tools for promoting decentralised and dispersed development of modern industries in rural and semi-urban areas on the one hand and for providing employment opportunities on the other. The progress of the small scale sector in terms of increase in the number of units and volume of output, contribution to the total industrial output, increase attained in productivity and the variety of new industrial products had been indeed impressive and was also indicative of its vast future potentialities in Indian economy. Stressing the role of small scale industries, the Government of India have stated, time and again that the small scale industries offer certain distinct advantages in that, these industries provide immediate large scale employment, ensure a more equitable distribution of national

income and they facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilised. Some of the problems that unplanned urbanisation tends to create were avoided by the establishment of small scale industries.

2.8. It may, thus be observed that in case suitable programme for development of small scale industries in rural and urban areas were taken up, it would be possible to generate employment opportunities of the order of atleast 10 lakhs to 12 lakhs directly in the small scale sector with a fixed investment of about Rs. 200 crores to Rs. 250 crores. In order to conserve scarce capital resources of the country and to promote employment opportunities on a dispersed basis in rural and semi-urban areas, it was high time that national policy for development of small scale industries was adopted and the needs of the sector were accorded priority in the matters such as provision of credit through banks and financial institutions and raw materials. Secondly, development of ancillaries and linking up of small factories with medium and large plants should form an integral part of the overall strategy for industrial development of our country.

2.9. During evidence, the Secretary, Ministry of Industrial Development (Department of Industrial Development) stated "Another problem of small scale industries is the need of modernisation. Many of the small scale industries are working on technology which is not up-to-date. At the moment, we are in favour of a programme of strengthening the Small Industries Service Institutes in the various States. Now types of technology have come into being like electronics. Many are not in a position and are not well equipped to give guidance in these modern lines of industries." He added "The role of small scale industries, as laid down in the Industrial Policy Resolutions, is very prominently in our mind in trying to make out our proposals for the Fifth Five Year Plan. Right now, there are a number of task forces which are working on preparing tentative Five Year Plan proposals in various sectors of development. For the small scale industries, there is a task force, which has been working this out at two or three meetings. We have discussed various aspects of the small scale industries sector in the Five Year Plan and we are not at the stage when, in one or two meetings, we shall be able to submit our recommendations to the Planning Commission, which will collate all the recommendations and decide how much weightage should be given to each sector. In making our recommendations for the next five year period, we are conscious of the fact that the small scale industries have to play a very vital role in the development of our economy, particularly in the present day socio economic thinking of our country, when we want

that the benefit of industries should be shared by a large number of people *i.e.*, by widely dispersed entrepreneurship. We want that backward areas should be developed as much as possible and we want maximum employment opportunities to be given to them. In particular, there are several schemes which we are already trying to operate for giving self-employment to technocrats, educationally qualified people and others, and these schemes are also going to get a great boost in the Fifth Plan period”

2.10. The Secretary further stated “we are trying to work out a reasonable figure, pragmatic figure, of additional employment to two million persons in the industry that we want to create and additional number of units, one lakh and fifty thousand, which we want to grow. The present figure is 2,80,000 which are registered small scale units with the Directors of Industries in the States.”

2.11. The Additional Secretary, however, added “Leaving aside purely cottage industries and the Khadi and Village industries, in the modern industrial sector, 38 per cent of the total industrial production is in the small scale industry—which is substantial. Then take employment—41 per cent of the employment in the industrial sector is in the small scale sector. Then, a World Bank reports has estimated that a little less than 50 per cent of the value added in our industrial production is in the small scale industry.”

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

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

2.14. Considering the vast potential of the small scale industries in solving the gigantic unemployment problem facing the country as well as the need for rapid development of backward areas to solve regional disparities, the Committee cannot too strongly stress the need for full utilisation of this potential efficiently by accelerating the development of small scale industries. What is required is a set of policies that would remove the existing constraints in the development of these industries like shortage of raw materials, inadequate credit facilities, marketing problems, etc., and would encourage efficiency of their operations.

2.15. The Committee would therefore like the Government to formulate the proposal for the 5th Five Year Plan keeping those aspects prominently in view. The schemes to be included in the 5th Five Year Plan should, inter alia, aim at providing employment opportunities to a larger number of people, particularly to the educated unemployed. In this connection, it would be of advantage if a package programme to provide assistance to the educated unemployed in setting up their own small scale units is formulated and implemented by keeping a continuous watch on the progress made in this regard.

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

#### **B. Development of Small Scale Industries**

2.17. The Department of Industrial Development informed the Committee "The main aim of development programme for Small Scale Industries during the Fourth Five Year Plan is fuller utilisation of the capacity already established, intensive development of

selected industries including ancillaries and industries in semi-urban, rural and backward areas. In order to implement the programme of small scale industries following schemes have been provided under the Central Section:—

- (a) Strengthening of Small Scale Industries Development Organisation (SSIDO);
- (b) Export promotion and marketing;
- (c) Scheme for the training of engineer-entrepreneurs;
- (d) Tool rooms with U.N. Assistance;
- (e) Other schemes under the Small Scale Industries Development Organisation;
- (f) National Small Industries Corporation's hire-purchase scheme;
- (g) Prototype training Centres;
- (h) Small Industries Extension Training Institute;
- (i) Credit guarantee Scheme;
- (j) Industrial Corporations;
- (k) Collection of statistics;
- (l) Credit guarantee to Banks for loans to engineer entrepreneurs.

Total allocation made for the above schemes was Rs. 37.65 crores; of this, schemes under SSIDO from Sl. No. (a) to Sl. No. (e) have been allocated Rs. 10.84 crores. Small Scale Industries Development Organisation has got special responsibility and role to play in implementing the various programmes under the Central Section ..... During the year 1971-72, mid-term appraisal of the Fourth Plan was made by the Planning Commission. The revised outlay of Central and Centrally sponsored Schemes of village and small industries was Rs. 153.93 crores as against Rs. 153.75 crores envisaged earlier in the Fourth Plan. The revised outlay on schemes under States and Union Territories was the same. Rs. 66.60 crores were provided in State sector for development of Small Scale Industries and Rs. 19.08 crores for Industrial Estates ..... Programme of implementation suffered due to delay in getting sanction from government in respect of the Schemes of setting up of Testing Centre and Trade Centres under the SSIDO. The schemes contemplated during the Fifth Five Year Plan are under preparation. However, stress has been laid on the following two points:—

- (a) In recent years special emphasis has been laid on regional

imbalances. It is proposed to take up 50 new projects in new Rural Industries Projects in the Fifth Five Year Plan. These projects would be located in backward areas/districts identified by the Planning Commission.

- (b) In the Fifth Plan it is proposed to lay emphasis on the employment oriented schemes, exports promotion, intensive development of selected industries such as Electricals, Electronics, Rubber, Plastics, Leather etc., and modernisation of selected industries."

2.18. The Department of Industrial Development have further informed the Committee "As a first step in this direction, the Government have recently strengthened the SSIDO by providing additional 247 technical posts. Efforts are continuing to fill up these posts by suitable personnel."

2.19. During evidence, the Development Commissioner, Small Scale Industries stated "It is a fact that barring four or five States in India, the rest do not attach that much priority to small scale industries. In some States they provide small budget and naturally there cannot be any development. The sufficient amount is not available to carry on the programme. But even then, periodically, we have requested all the Directors of Industries to take more interest. Last year, our Secretary and our Deputy Minister had discussions in this regard with the Ministers of Industries in the various States and we requested them to give more importance and allocate more funds to small scale industries. As far as the Centre is concerned, during the last year alone, we have opened something like 5 Branch Institutes. In these days, to open a new branch Institute is a very difficult task. . . . . We are also strengthening our branch Institutes and other institutes with more officers particularly in the backward areas. Some States are doing better in the field of small scale industries and others are lagging behind. In some States, they are diverting the funds meant for small scale industries."

2.20. The Secretary, Department of Industrial Development, explaining the position further, stated "The fact of the matter is that, under the Constitution, that we have, the States have a definite responsibility in respect of several spheres of administration. Now, if a State Government which is an elected Government, representing the people of the State, wants to allocate a certain amount to a certain sphere of development and consider it to be more important than others, and if it feels that sphere requires more allocation of funds, I do not think the Centre can force them to do otherwise. . . . This system has to be worked by persuasion when the States



come to the Centre for drawing up annual plans. Even after the Plans are drawn up, there is scope for the State Governments to divert the funds which are allotted after discussion, for some other purpose which they consider to be more important." He added "The National Small Industries Corporation has taken a specific decision to give priority to applications coming from the industrially backward States. We are also going to strengthen the Small Industries Service Institutes. Not only we are going to strengthen them but we are going to open more branches, more offices and they are largely concentrated in the industrially backward States ..... Also, in various other ways we are trying to see if we can take up some plans or schemes in the centrally sponsored sector which is completely under our control, then there is no question of diversion of funds." The Secretary further stated "We have sanctioned recently new branches of the Small Industries Service Institutes in Imphal, Solan, Silchar, Dimapur, Agartala and Shillong. These are all backward areas. We are also opening branches in Ranchi, Faizabad, Pasighat, Bhiwani, Chandigarh, Durgapur and Siliguri. In regard to Madhya Pradesh, Orissa, Bihar and Rajasthan which are not yet at that stage, this is under active consideration. As far as our extension service or Small Industries Service Institutes is concerned, there again we are trying to encourage the backward States to take up more programme by opening more branches of SISI. In all the backward States, we have a programme to conduct surveys about the possibility of small scale industries and other types of industries. This is being organised by the Industrial Development Bank which is a subsidiary of the Reserve Bank. All the financial institutions like the IFC or the ICICI are also cooperating in it."

2.21. With a view to help the small scale industries, the Secretary stated "Marketing of the products is also a problem for the small scale industries..... We on our part are helping them by reserving a large number of items for purchase exclusively through the small industries. We have about 200 items reserved for them and we are constantly reviewing the position ..... There was a scheme for giving 10 per cent subsidy on the capital invested upto Rs. 50 lakhs in certain backward districts. The Planning Commission and the Government of India have recently decided that the number of districts in which this scheme should operate should be multiplied by three, thus, there will be 6 districts in each backward State in which this scheme of 10 per cent subsidy will be applicable..... There are various other facilities that we think of all the time and have been giving and improving upon."

2.22. The Minister of Industrial Development and Science and Technology, while addressing the Conference of State Ministers of Industries at New Delhi, on the 19th September, 1972 stated "The Principal concern all over the country today is the continued slow rate of growth in Industry and the attendant problems of unemployment and inflation..... However, it is quite clear that over the Fourth Plan period as a whole industrial production will be significantly short of the Plan target of 8 to 9 per cent per annum. The prime need, therefore, is for more production. We need production all around and particularly, in basic sectors such as steel, fertilisers, non-ferrous metals and machinery. We need it most in sectors which generate employment. We need more investment in the backward areas of the country. We particularly need larger production and lower prices in respect of the basic minimum needs of the people. In Planning investment and production, we need to encourage new entrepreneurs, medium entrepreneurs and technocrats. While we wish to harness the financial and managerial resources of the large houses for the welfare of society, we have to prevent any growth to the concentration of wealth and economic power to the detriment of the common good ..... In the short run it is obvious that increased production can come about only from the fullest utilisation of the capacity that already exists in the country. Beginning from the Mid-Term Appraisal of the Fourth Plan last December, we have done a considerable amount of work in indentifying and initiating steps to rectify the various impediments that stand in the way of fuller utilisation of industrial capacity..... These bottlenecks are raw material shortages, power shortages and interruptions, transport bottlenecks, poor maintenance and industrial relations..... Once a letter of intent is issued, ever assistance should be willingly extended by Government and financing institutions to the prospective investor so that he can get all the other clearances. A letter of intent or a licence should not be just the first low hurdle in an obstacle race but the master key which can open all intervening locks to the ultimate goal of establishing production." He further stated "This is the second year in which we are implementing the special scheme for increasing employment among engineers. The scheme comprises of direct financial assistance to young engineers to set up their own industries, arrangements to give them training in Small Industries Service Institutions and other institutions and provision for an interest subsidy on loans from financial institutions. I would like to make three points about this scheme:—

- (1) Firstly, we are keen on ensuring that the total allocation of Rs. 9.5 crores for the scheme is fully utilised. It is not

enough for sanctions to be made in favour of States and for them in turn to issue sanctions. Unless the amounts are actually utilised, there is no real performance;

- (ii) Secondly, we are not just interested in all-India targets of expenditure being met but in each and every State, especially the so-called backward ones, fulfilling their targets. Accordingly to our information, there were substantial short-falls even in sanctions in a few States in 1971-72. I hope that with greater preparation and experience, every State will be able to fully utilise the amount allocated to it in the current year so that we can make out a convincing case for expanding the scheme in 1973-74;
- (iii) Thirdly, we should take particular care to ensure that the benefits of the scheme reach the young unemployed engineers to whom it is intended. . . . . It is directed at making the raw graduate, who is unemployed or faces unemployment, fit for running a unit on his own by giving him practical training and financial assistance. I would urge the States to show devise their detailed arrangements that this basic purpose does not get thwarted but is fulfilled in letter and spirit."

2.23. The Minister of Industrial Development and Science and Technology further stated "You will agree that the task of attracting industries to backward areas is not an easy one. It calls for hard, well-planned and sustained efforts in several directions. . . . . We cannot merely scatter the seeds of industry and hope that they will germinate and flourish. We can succeed in bringing industries to backward areas only if we also create the necessary infra-structure and the backward and forward linkages of raw materials base and steady demand. It is, therefore, imperative that we should choose a few focal points of growth in the selected districts and mount an intensive and integrated programme in them. It will be necessary to adopt a strategy which, without ruling out the possibilities of locating big industries in backward areas, would lay greater emphasis on the development of medium and small industries in these selected districts."

2.24. The Committee regret to note that barring four or five States, other States do not attach that much priority to small scale industries as they deserve. It is unfortunate that in some States, funds allocated for small scale industries, are diverted to some

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

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

2.26. The Committee further note that Government have started a scheme for giving 10 per cent subsidy on the capital invested upto Rs. 50 lakhs in certain backward districts and that the number of such districts has now been increased to 6 districts in each backward State in which this scheme would be applicable. The Committee would like to point out that development of industries in backward areas is not easy. It calls for well-planned and sustained efforts in several directions, particularly in the creation of necessary infra structure facilities in those areas and steady supply of raw materials and arrangements for marketing of the products. It is therefore necessary that instead of dispersing efforts over wide areas, a few focal points of growth in selected districts in the backward States are chosen and intensive and integrated pro-

grammes are mounted to implement the scheme, in these focal points of growth so that viable small scale industries are developed in these districts. The Committee would like to emphasise that a constant watch on the progress made in this regard should be maintained by monitoring information and evaluating the same periodically to enable necessary changes to be made therein with reference to the problems encountered in the implementation of the scheme as the best of schemes can go wrong for lack of effective implementation.

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

#### C. Data and Registration—need for survey.

2.28. The Estimates Committee (1959-60) had made, in paras 38 and 39 of their Seventy-Seventh Report (Second Lok Sabha), the following recommendation:—

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

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

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

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

2.29. In their reply, the Government informed the Committee as follows:—

"While the Committee's recommendation that there should be area-wise and industry-wise survey of existing as well as potential small scale industries in the whole country to determine the fields and areas where their further development is possible or called for may be useful so far as it relates to the collection of statistical data on such items of interest as employment production, etc., it would be difficult to plan centrally and complete an area-wise and industry-wise survey as suggested because of many obvious difficulties. First, the 350 odd districts in the country if the district is to be taken as an area—will be having a large number of industries of various types. A certain industry like the bell-metal utensil industry may be important in half-a-dozen districts whereas the steel trunk making industry may be important in a dozen others, and carved furniture making may be confined to a few districts and so on. To plan a comprehensive sur-

ve/ of all possible industries in the small scale sector, one has to know what are the relevant industries in each area, the areas common for such industries, so that a sample can be drawn to bring out certain results. They may be many such samples and with a number of them in hand, it would be difficult to decide on or launch a scientific survey without knowing the exact level or population of the units in each of the industrial fields.

Such a task becomes more complicated if the surveys were also to include potential small scale units in the entire country as suggested by the Committee. It is because of these difficulties that instead of an all-India survey of small scale industries (existing or potential), surveys of each industry have been planned and organised separately under the Central Small Scale Industries Organisation. Thus regional industry surveys cover industries of purely local or regional significance, whereas all-India industry surveys are made for industries having a country-wide importance. To survey each and every industry from the regional and all India angles is doubtless desirable but it is not feasible just at present in view of several limitations.

Nevertheless, All India Industries Surveys have been completed in respect of the following fifteen Industries:—

1. Automobile Batteries.
2. Automobile leaf spring.
3. Boot Polish.
4. Brass electric lamp holders.
5. Brushware.
6. Cotton textile Machinery spare parts.
7. Domestic wireless receiver sets and components.
8. Electric fans.
9. Fruit and Vegetable preservation and canning industry.
10. Hosiery.
11. Machine tools.
12. Paints, varnishes and lacquers.
13. Surgical instruments.
14. Scientific instruments.
15. Umbrella Ribs.

Gradually, more industries will be covered. It is proposed to take up 30 more such surveys during the Third Plan period on an average of six surveys per year.

39. Noted."

2.30. The Committee in para 3, Chapter-I of their Hundred and Fiftieth Report (1961-62), while reiterating their earlier recommendations, observed as follows:—

"3. In para 38 of the Report, the Committee *inter alia* had suggested that a comprehensive area-wise and industry-wise surveys of the existing as well as the potential small scale industries in the whole country should be undertaken to determine the fields and areas where their further development was possible or called for. In reply, Government have stated that though such a survey was doubtless desirable, it is not feasible just at present in view of several limitations. While the Committee appreciate the difficulties in the way of conducting a country-wide survey, they feel that it is an essential pre-requisite for proper and scientific planning and should, therefore, be undertaken. Even if such a survey does not result in being fully comprehensive or correct in all respects still the Committee feel that it will serve very useful purpose in so far as it will give a good enough picture of the possibilities in every State."

2.31. The Estimates Committee (1965-66) in para 11 of their Hundred and Fifth Report (Third Lok Sabha) had made the following recommendations:—

"The Committee cannot too strongly emphasise that the collection of reliable statistics about all the important aspects of the small scale sector is an essential pre-requisite for the planned development of small scale industries. They regret to note that although the recommendations made by them in this behalf in their 77th Report (Second Lok Sabha) were accepted by the Government, no real progress has been made in implementing them and a large part of the small scale industries functioning in the country still continues to remain out of the purview of industrial statistics.

The Committee urge that the Ministry should, with the utmost expedition, enlist the cooperation of the Central



Statistical Organisation and the State Directorates of Industries for the collection and tabulation of essential data on a uniform basis regarding the small scale sector, particularly the type of end-products made, components and raw materials required, employment, investment, installed capacity and its utilisation, labour condition etc. In this connection, the Committee would like to commend the method and the procedures adopted by the Small Industries Service Institute, Kanpur for conducting the unit to unit survey in all districts of Uttar Pradesh during the years 1961—63 and for maintaining this record up-to-date. Any legislative measures required for the purpose should also be speedily devised and initiated.

The Committee feel that for the regular collection of data in respect of the small scale sector it is essential to have a system of compulsory registration of all small scale units. The procedure for registration should be shorn of all unnecessary formalities and made simple and businesslike so that the units do not feel any difficulty or hesitation in complying with the requirements. The Committee feel that the District Industries Officers and the Industrial Extension Officers can greatly facilitate the work of registration for they have already got the requisite field staff; this should also incidentally make for substantial reduction in the administrative cost of enforcing registration of small scale industries.

The data thus collected may be integrated and tabulated at the State level and might be periodically checked by the Central Statistical Organisation on a sample basis.

As the introduction of compulsory registration might take some time, the Committee would like to suggest that as an interim measure requisite information about the new units coming into the small scale sector may be systematically collected through the good offices of the State electricity boards or any other authority supplying power to whom such units are bound to apply for power. Standard proforma in this behalf may be prescribed to facilitate collection of information on uniform basis."

2.32. In reply, the Government informed the Committee as follows:—

"The Committee's recommendation has been noted. The

matter has been under constant consideration in consultation with the CSO. Estimates of cost of collection of data have been prepared and in view of the high costs the scheme is getting postponed from time to time (it has been estimated that to cover completely 17 industries in the factory sector alone, an amount of Rs. 60 lakhs would be required during the Fourth Plan period). The matter is being actively pursued, however, through the Central Statistical Organisation. The State Governments have been asked to implement the recommendation and take up the matter immediately with the State Electricity Boards. A standard proforma for collection of information has also been suggested to them."

2.33. The Committee (1967-68) had in their Twentieth Report (Fourth Lok Sabha) observed that the Committee would like that the progress made in the regular collection of data may be furnished to them, in due course.

2.34. The Department of Industrial Development have informed the Committee "The number of small scale units registered with State Directors of Industries have increased from 35,728 in 1961 to nearly 2,42,000 in 1971-72 as may be seen from the table given below:—

Year	Number of units
1961	35,728
1965	1,00,557
1967	1,24,586
1969	1,78,000
1971-72	2,42,000

It is evident that within a decade, the number of registered small scale units have increased almost seven-fold inspite of heavy odds like non-availability of scarce raw-materials, import restrictions, etc. Although details about the unregistered sector are not available, yet it is estimated by Government that the total number of modern small scale units in both organised and unorganised sectors is estimated at about 300,000."

2.35. The Committee have been informed by the Department of Industrial Development "One of the major obstacles in the way of

small scale industries getting their imported raw materials on the basis of their assessed requirement has been the absence of scientific and reliable data on production and assessed capacity. Although an attempt has been made in the recent years to collect data relating to the requirement of various scarce non-ferrous materials and the chemicals items, the result revealed by the surveys have been very much on the higher side and have, therefore, not been accepted by the allocating authorities for the purpose of allocation."

2.36. The Development Commissioner, Small Scale Industries informed the Committee, during evidence "There is no Act for compulsory registration of Small Scale Industries. In 1960, the All India Small Scale Industries Board took a decision that even though there is no licence, at least registration must be done so that we will know the number of persons employed and what types of articles are made. Then the Central Government sent a circular saying that if a party has come for getting it registered that should be given a registration number. It is just a formality. In regard to time taken for registration, it is done, by and large, within a month or two." With a view to reduce this period of two months time, the Secretary, Department of Industrial Development stated "I will send a circular, under my signature, to all Secretaries of Industries in the States drawing their attention that in some States a certain amount of time is taken and it is necessary in the interest of developing Small Scale Industries quickly that this time should be reduced. Genuine and necessary enquiries should be made to ascertain whether a particular unit actually exists or not, but unnecessary delay in carrying out such enquiries should be reduced." He, however, added that to avoid inconvenience and delay in the case of a genuine entrepreneur, he would suggest that a provisional registration should be made as soon as a man applied for it."

2.37. The Joint Secretary, Department of Industrial Development, however, added "Until and unless we have a total survey of small scale industries done, we will not be in a position to say how many industries are there and where they are working. Secondly, we must get returns from these industries so that we know how much of what varieties of things they have produced. Once we start getting the type of 'G' returns which we now get from the organised industries for DGTD, we will have same control over the situation. We have decided that certain agencies must undertake periodic inspections. The State Governments have got to do it. We want to see that the ghost units are eliminated so that they may not get scarce raw materials. Thirdly, whenever a particular

unit is accepted to be put on the books of registration, it will be responsibility of the Assistant Director of that particular region to remain continuously in touch with the Small Industries Service Institute."

2.38. It was further added, "A detailed survey for the entire small scale industries is going to be organised by us in about a year. For doing this we propose to treat each State as a unit and in each State 50 per cent of the enumerators are proposed to be drawn from the Director of Statistics of that local State and the rest recruited from out of the new engineers and other educated boys who are available today and who could be given a brief training as to how to conduct the survey. In this way, we can go on with a country wide programme. The idea is that when once the survey reports are available to us, we will be able to draw several advantages from them. Firstly we would be knowing the capacity of the small units which is at present not known and so was as a handicap to the Small Scale Sector vis-a-vis the larger units. Secondly, we would be able to know the production that has been reached in a particular sector. Thirdly, we will also be able to eliminate such of the units which cease to be in existence i.e., Ghost Units. Fourthly, we shall be able to identify capacities, with reference to their production and linked these excess capacities whenever possible as ancillaries to bigger units."

2.39. The Department of Industrial Development have, subsequently, in a written note, informed the Committee "The compulsory registration of small scale units with State Directors of Industries is possible only when legislation to this effect is enacted by Parliament. In order to study this question a legislation committee was constituted under the Chairmanship of Shri A. R. Bhatt by the Ministry of Industrial Development, Government of India recently. This Committee has submitted its report in which it has recommended compulsory registration of small scale units and their submission of statistical returns. The report is being considered by the Government in consultation with State Government."

2.40. The Committee note that there is no reliable data regarding the number of small scale industries in the country. According to Government, one of the major obstacles in the way of small scale industries getting their imported raw materials on the basis of their assessed requirements, has been the absence of scientific and reliable data of production and assessed capacity. In the absence of reliable statistical data, neither the number and location of the small scale industries is known nor their production capacity and

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

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

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

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

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

**D. National Small Industries Corporation Supply of machinery on hire-purchase basis.**

2.45. The Department of Industrial Development have informed the Committee "The National Small Industries Corporation (NSIC) has been operating a scheme to supply machinery on hire-purchase basis to small scale industries since March, 1956. It was intended to supply modern machines and tools to small scale entrepreneurs on hire-purchase basis so that they could quickly modernise their units without straining their capital resources. These machines were also meant to be supplied to new enterprises. The scheme has become very popular and since its inception, machines worth Rs 457.55 million have been delivered upto March 31st, 1971."

2.46. A non-official organisation has informed the Committee, in a written memorandum, "The National Small Industries Corporation have rendered yeoman's service to the small scale sector by providing the machinery on hire purchase. It is understood that the NSIC is in serious difficulty due to slow recoveries of the instalments. The causes of inability of the hirer to pay the instalments on due dates need to be studied in depth. . . . . In order to creat proper impact of this scheme in promoting small industries, there is need to establish adequate coordination between various agencies so that all necessary inputs, including the machinery, are made available to the entrepreneur simultaneously."

2.47. Another non-official organisation has informed the Committee, in a written memorandum, "A stage has reached today where, instead of gladly accepting the orders, the NSIC is sending out courteous letters to applicants advising them to withdraw the earnest money as they would not be able to supply the machines on hire-purchase. . . . . A short term measure would be to make an *ad hoc* allocation of funds to NSIC so that it may honour all the orders pending with it. . . . . There is another notable feature of our hire-purchase scheme which makes it a rather prickly nettle to grasp.

This refers to the loss through bad debts, which is disconcertingly large. . . . . The situation is no doubt alarming. However, the solution can be found by taking strict legal measures and also by negotiations. For legal measures, if the present legal powers do not ensure full recovery, the rules may be amended so as to make it obligatory on the applicants to pay the dues."

2.48. The Secretary, Department of Industrial Development, informed the Committee during evidence "The amount of equipment and machinery which the NSIC has been giving out on instalments to small scale entrepreneurs has been increasing from year to year. Every year their turn-over and amount of machinery which they are making available is increasing. But I would again submit that the demand is very, very large. Now, we are unable, from out of our Plan resources etc. to provide all the money needed for the NSIC to be able to meet the full demand. . . . . But one difficulty is that last year we came across was in regard to the operation of the NSIC. What is happening is that quite a number of parties to whom we are giving these machines, pay initially 10 per cent and are to pay the rest in annual instalments till they complete the total price of the machinery. There had been large defaults by the borrowers who have been taking the machinery, with the result that a large amount of money to the tune of Rs. 6 crores of the NSIC is locked up and is not coming back in the shape of instalments." He added "So, we are seriously thinking of making the NSIC into a statutory Corporation, so that its dues can be recovered as arrears of land revenue." He further stated "Recently we have been able to induce the Finance Ministry to release some more money for the NSIC and we shall be able to give, through them, some machinery on instalments this year itself. In the next Plan period we shall try to make more contribution to the development of resources etc. so that this work can go on at an increasing pace." The Committee have also been informed by the Secretary, during evidence, "In the last four or five months, we have given them some financial assistance. We have given Rs. 1.68 crores on account of devaluation losses; Rs. 28 lakhs on another account; Rs. 1.50 crores have been provided in the current year's budget. About Rs. 3.46 crores have been realised in the last few months. In addition, we have also gone for the concurrence of Ministry of Finance giving a guarantee of Rs. 5 crores in respect of borrowing money from the bank and the Ministry of Finance have agreed that NSIC can borrow Rs. 3 crores. Thus Rs. 3 crores plus Rs. 3.4 crores, we have provided, will be at their disposal. We have certainly the problem before us."

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

2.50. The Committee are greatly concerned that the Corporation have not been able to recover as much as about Rs. 3 crores from the small scale units for machinery and equipment which had been earlier supplied on deferred payment basis. The Committee feel that in the larger interest, Government should leave no stone unturned to recover this amount from these units. The Committee need hardly point out that the small scale units look to the Government in innumerable ways for help and assistance and they see no reason why these contacts cannot be put to use for making good outstanding Government dues. The Committee would like the Corporation and the Small Scale Industries Organisation to work in close coordination and take the assistance of the Industrial Development Organisations at the state level to work out a detailed plan of action for making good the amount from each small scale unit from whom it is outstanding. If necessary, Government may constitute a task force to work out a plan of action. The Committee would like to be informed within three months of the concrete measures which have been taken or proposed to be taken by Government to recover outstanding amounts from the small scale units. In any case, the Committee can see no reason as to why there should be any lacuna in the agreements with small scale units for taking legal action against the recalcitrant parties. They need hardly stress that the lacuna, if any, should be remedied without delay and that responsibility for the deficiency noticed in the agreements executed earlier fixed.

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

2.52. The Committee note that with a view to enable NSIC to give some machinery on instalments, the Government have given



**Rs. 3.4 crores to NSIC—Rs. 1.68 crores on account of devaluation losses, Rs. 28 lakhs on another account and Rs. 115 crores in the current year's budget. In addition, NSIC have been allowed to borrow Rs. 3 crores from bank. Thus about Rs. 6.4 crores have been placed at the disposal of NSIC. The Committee hope that the NSIC would now expedite supply of machines on hire-purchase basis to deserving small scale entrepreneurs and render assistance to new entrepreneurs to set up industries giving priority to backward areas|States.**

#### **E. Modernisation of Small Scale Industries.**

2.53. It was brought to the notice of the Committee that the most important measure adopted by the Japanese Government for the growth and development of small industries was equipment modernisation. Maximum emphasis was put on this programme as it was considered absolutely indispensable not only for sustained growth but even for survival. In order to accelerate modernisation of equipment by small industries, the Government offered necessary funds by means of loans either through the local Governments or through Government affiliated financial institutions.

2.54. A non-official organisation has informed the Committee "The industry (Scientific instruments) has grown purely on indigenous skill and talent, without any foreign know-how or collaboration and has created a name for itself in this particular field not only in the country but also in the export market.....However, barring a few units, most of the other concerns are passing through phase of stalemate if not actual depression, due to dwindling demand.....Scientific instruments have been considered a priority industry by the Government of India. It is estimated that we are still far from self sufficient in this field. It is, therefore, a contradiction of events that while most of the units are suffering from under utilisation of capacity, the country as such still needs to import large number of Scientific instruments. This is mainly due to the fact that the units are still engaged in the production of traditional instruments for science teaching and have not been able to shift their activities to more sophisticated items because of lack of proper guidance, know-how and knowledge of actual demand."

2.55. The Secretary, Department of Industrial Development stated during evidence "Many of the small scale industries are working on technology which is not up to date. At the moment, we are in favour of a programme of strengthening the Small Industries Service Institutes in the various States. Now, new types

of technology have come up into being like electronics. Many of our Small Industries Service Institutes in the States are not in a position and are not well-equipped to give guidance in these modern lines of industries. So, we are introducing these modern lines in our SISIs' by strengthening their Staff and opening more branches and Sub-branches in the States so that they may give guidance to the small entrepreneurs on a wider scale. We are also trying to modernise the equipment which is available for display or for instructional purposes in our SISIs'. Then, the National Small Industries Corporation supplies machinery on instalment basis. We are trying to provide more funds for the National Small Industries Corporation so that its coverage can be wider and it can be of greater assistance to Small Scale entrepreneurs in setting up industries."

2.56. The Department of Industrial Development have informed the Committee, in a written note "The Government of India is aware of the need for modernisation. A Committee was set up by the Small Scale Industries Board under the Chairmanship of Shri G. B. Newalkar to go into this question. The Committee studied the obsolescence of machinery in the small scale sector and recommended that 5 industries should be taken in the first instance and thereafter the area may be increased. The recommendation has been accepted. The SSIDO has been strengthened for the purpose. In a meeting of representatives of different departments, held recently, a comprehensive plan of action was worked out. It consists of eight different teams in the country to be set up for surveying units in need of modernisation and of motivating small scale units to switch over to modern equipment and practices.

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

2.58. The Committee note that Government have now become aware of the need of modernisation and that they have appointed a Committee to go into this question. A comprehensive plan of action is stated to have been worked out by Government to survey units in need of modernisation. The Committee consider that urgent action is called for to undertake survey of the machinery and technology in the small scale sector covering all industries. For carrying out the survey, first priority should be given to those industries where modernisation is imperative and urgently required. At the same time, Government should prepare a phased programme of action to cover other industries also, according to a time bound programme, so that all the industries are surveyed within a specified period of time.

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

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

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

#### **F. Reservation of items**

2.61. The Department of Industrial Development have informed the Committee that there are 128 items which have been reserved for exclusive manufacture in the small scale sector (Appendix-I).

2.62. A non-official organisation has informed the Committee, in a written memorandum "In order to encourage technician entrepreneurs to set up small scale units both sophisticated and un-sophisticated products, which are economically, technically, and financially feasible within the small scale should be reserved for this sector. Further, adequate safe-guards should also be taken to ensure that the new licensing policy would not imperil the development of small industries. So far only 128 items have been reserved for exclusive production in the small scale sector, most of which are of traditional and simple nature. The small industries have shown competence in the manufacture of a number of sophisticated items. The list of reserved items should, therefore, be expanded."

2.63. During evidence, the Secretary, Department of Industrial Development stated "The policy of the Government has been progressively to reserve more and more industries for the small scale sector. At the present, 128 items are reserved for this sector. They are being enlarged. We are examining a large number of other industries with a view to seeing whether they can be reserved for the small scale sector, with a view to include some more items in the list of reserved items. There, we have to take into account the extent of technology which is available in the Small Scale Sector and the type of machinery needed for small scale industries of that type and also the comparative economics of cost."

2.64. The Department of Industrial Development have informed the Committee, in a written note, "(a) The criteria presently followed for consideration of an item to be earmarked for exclusive manufacture by the small scale industrial units are given below:—

- (i) Where the small scale units have already established their competence, both technical and economic, of producing an item|line of production in sufficient quantity so as to meet the demand both in quantity and quality;

(ii) As observed by the Planning Commission in its approach to the Fourth Five Year Plan (May, 1968) "Industries where size has not pronounced impact on economics, are not many. While, in these industries, technological considerations will predominate, in all other industries, the widest possible dispersal, in terms of ownership and region, should be aimed at. A variety of consumer industries and agro-based industries can thus be developed on dispersed basis".

(b) In order to ensure that the items reserved in the small scale sector justify such preferential treatment, the efforts are being made to ensure that supplies of essential inputs particularly the imported raw materials|indigenous scarce raw materials and imported equipment, is necessary, so that the real advantage of this policy goes to the small scale sector. The Bhatt Committee in the draft Bill on the subject has also made suggestions on similar lines. They have further gone to the extent that no unit in the medium and large sector be allowed to enter the field of reserved industries. The Government has also issued standing instructions to the Licensing Committee and various other similar bodies to be vigilant against any attempt which might be made by the large or medium scale unit to enter the field of reserved industries.

(c) Reservation of items|lines of production for exclusive manufacture by the small scale units, is a continuous process and Government will consider, from time to time, in consultation with the Departments concerned selection of suitable items for such reservation.

Equally the Government is keeping a close watch on the performance of small scale industrial units in these lines so that ultimately the consumer does not suffer either by way of shortage or quality. As such, there is a proposal that this list may be reviewed after every 5 years for taking the corrective measures, if necessary, by the Government in this regard."

**2.65. The Committee note that at present 128 items are reserved for exclusive manufacture in the small scale sector. They consider that in view of the rapid growth of small scale industries and their competence to manufacture a variety of items, including sophisticated items, there is need for a continuous review to expand the list of reserved items. The Committee would therefore like the Government to undertake such a review annually in consultation with**

the Departments concerned, to select suitable items of production for exclusive manufacture by the small scale units with a view to encourage the development of these units.

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

## CHAPTER III

### DEVELOPMENT OF SMALL SCALE INDUSTRIES IN THE BACKWARD AREAS

3.1. The Department of Industrial Development informed the Committee, in a written note "From the view point of developmental policy, the backward areas in the country are categorised into:—

- (i) Low-income agricultural areas suffering from over-population;
- (ii) Backward small agricultural areas;
- (iii) Special depressed areas; and
- (iv) New problem areas suffering from structural mal-adjustments.

Based upon the above criteria the Government of India has evolved a number of strategies for the development of backward areas and these have been in the form of—

- (i) Rural Industries Projects;
- (ii) Promotion of Agro-based Industries;
- (iii) Development of Growth Centres; and
- (iv) Large scale Industries in rural areas.

The Planning Commission in consultation with various State Governments have selected backward districts|areas in various States. These backward districts|areas are eligible for various financial incentives for starting industries including small scale industries. The Government of India would provide an outright grant or subsidy amounting to 1|10th of the fixed capital investment in new units having total fixed capital of not more than Rs. 50 lakhs in 37 selected backward districts|areas. In case of units having total fixed capital investment exceeding Rs. 50 lakhs the same may be considered on merits. The other concessions briefly include:

- (i) Lower rates of interest @ 7 per cent for starting small scale units;

- (ii) Extension of the period of repayment of the first instalment of the loan from the present three years to five years;
- (iii) Longer period for the repayment of the Loans i.e. 15 to 20 years as against 10 to 12 years normally stipulated; and
- (iv) 50 per cent reduction on the normal service charges.

These areas are also eligible for special concessions for import of machinery and raw materials besides transport subsidy for starting industries in remote areas of certain States and Union Territories like Jammu & Kashmir, Assam, Meghalaya, Tripura, Arunachal (NEFA) etc.”

3.2. In another written note, the Department of Industrial Development informed the Committee “The Government of India appointed a Committee in 1968, under the Chairmanship of Shri N. N. Wanchoo, to suggest Fiscal and Financial incentives for starting industries in Backward Areas. The report of this Working Group was considered at a meeting of the Committee of National Development Council held in September, 1969. The conclusions reached at the meeting were as under:—

- (i) Concessions to be offered by Financial Institutions for financing industries in Backward Areas should be available to Selected Backward Areas in all the States and Union Territories.
- (ii) The Central Government may give an outright grant or subsidy amounting to one tenth of the fixed capital investment of new and existing units (for expansion only) in two selected districts in each of the 9 States identified as industrially backward by the Pandey Committee (viz., Andhra Pradesh, Assam, Bihar, Jammu & Kashmir, Madhya Pradesh, Nagaland, Orissa, Rajasthan and Uttar Pradesh) and in one district each of the other States and Union Territories.

In pursuance of the decision referred to in (i) above, three all India Financial Institutions viz., IDBI, IFC & ICICI have announced schemes to extent financial assistance on concessional terms to industries in selected Backward Areas. For this purpose Planning Commission in consultation with the State Government has declared 225 districts|areas including 7 Union Territories (as on 30.4.72) as backward. A list of these Backward Districts|Areas is given in Appendix II.



The concessional terms of financial assistance mainly consist of reduction in rate of interest from 8-1/2 per cent to 7 per cent, increase in amortization period for repayment of loans, participation in risk capital and reduction in margin on security, etc.

With a view to providing a flow of viable proposals, the IDBI has also initiated regional surveys in collaboration with RBI, IFC and ICICI.

In pursuance of the decision referred to in item (ii) above, the Union Government have announced in 1971 a scheme for paying an outright grant or subsidy to the extent of 10 per cent of fixed investment of new and existing units (for expansion only) in selected 44 districts out of 225 Backward Districts. The scheme is applicable to all industrial undertakings whose fixed capital investment is less than Rs. 50 lakhs; Projects of more than Rs. 50 lakhs will also be considered by Central Government on merit basis. Details of the 10 per cent subsidy scheme and areas eligible for the scheme are given in Appendix III. Wanchoo Committee also recommended that performance should be given to industries to be located in Backward Areas in the allocation of scarce and imported raw materials and supply of machinery on Hire Purchase basis by NSIC. Accordingly, the Ministry of Foreign Trade *vide* their public notice No. 120ITC (PN) |71 dated 17.9.71 now offers liberal treatment to the applications of Small Scale Units for import of raw materials, components and spares in the 44 districts selected for Central subsidy. Applications of small scale industries located in the districts selected for 10 per cent Central subsidy are being treated on a priority basis by the N.S.I.C. for the supply of machinery on hire-purchase.

In addition, the Central Government also offers Transport Subsidy as recommended by Wanchoo Committee, Page No. 17 (f) equivalent to 50 per cent of the transport cost of both raw materials and finished products for all new units to be set up in the States of Jammu & Kashmir, Assam, Manipur, Meghalaya, Nagaland and Tripura and the Union Territories of Arunachal Pradesh and Mizoram. The subsidy is also payable for expansion or diversification of existing units, if this leads to an increase in the production of the unit at least by 25 per cent over the average annual output during the proceeding three years. In such cases, the subsidy will be restricted to 50 per cent of the transport cost of additional raw material required for the finished goods produced as a result of expansion or diversification."

3.3. A non-official organisation informed the Committee, in a written memorandum "The development of small industries in villages and towns depends on a number of factors such as availability of entrepreneurial skills, resources of investment, existence of infra structures, availability of local raw materials in some cases, provision of developmental facilities such as raw materials, finance etc. It will, therefore, be necessary to formulate an integrated plan for the development of small industries in areas which have potential, in cooperation with agencies at the State Level, such as the industries and development, Public Works Department etc. In such a programme, it should be ensured that the State Government becomes the "Central Force" both in the formulation and implementation of plans. The DC (SSI) also will play an active role in taking small scale industries to the rural areas where the infra-structure is available.

The Planning Commission has identified nearly 200 districts as backward in various States and facilities are made available to the small entrepreneurs for setting up units in such areas in the form of concessional finance, subsidies up to 10 per cent of the Capital Investment and allocation of Raw Material on priority basis. The programme is yet to take proper shape as it is still in its infancy. For the rapid development of the backward areas, the States Development Programme should make provision for development of approach roads, supply of electricity, building materials etc. New Industrial Estates should also be preferably developed in these areas. Apart from the provision of infra-structural facility it is also necessary to create social overhead such as educational facilities, marketing places, and also entertainment centres to attract the entrepreneurs to start the industries in the backward areas. The Industrial Training Institutes in various States should give preferential treatment to the personnel required for manning industry in backward areas. Perhaps it may be necessary to establish ITI's in such backward regions if the existing ITIs are not sufficient to meet the requirements. It is necessary to make the developed plots available to the entrepreneurs desirous of setting up of units in the backward areas on down payment of 10 per cent of the value of the land and no further payment should be insisted upon in the first 5 years. The balance 90 per cent may be recovered over a period of 9 years. After the expiry of 5 years moratorium where the entrepreneur wishes to acquire the land by himself he may be assisted by granting a loan to him from the Life Insurance Corporation at a concessional rate of interest. It is also necessary to grant fiscal incentives in the form of exemption from income tax including Corporate Tax for over a

period of 5 years, exemption from the payment of import duty on Plant and Machinery, Components etc, exemption in Excise Duties and Sales Tax for a period of 5 years, concessional transport subsidy, power subsidy etc., if such a package deal is given then only it would be possible to achieve rapid industrialisation of backward areas. It is necessary to see that the large units are set up in the backward areas so that the small scale industrial units of ancillary and auxillary types would automatically grow in the nearby centre."

3.4. Another non-official organisation, in a written memorandum, has stated "There is a need for a thorough study to assess the needs of the people in the selected backward areas before any particular area is declared fit for industrialization. After having done that, it would be necessary to find out the availability of various resources in and around those areas. Thereafter, the type of industries to be set up in the backward areas should be made known to the prospective entrepreneurs.

As compared to the small scale units in the urban areas, the small scale units in the backward areas would need more of Government's attention in the matter of different types of assistance. It would thus be necessary for the Government to think of seriously introducing schemes which will ensure speedy development of industries in the backward areas. One suggestion would be that the Government should undertake to shoulder all the headaches of entrepreneurs in getting capital goods requirements, import of raw materials, etc. Of course, the area chosen should be equipped with the necessary infra structure such as easy communication, roads, railway siding water and housing for the industrial workers. Preference should also be given for the purchase of the goods by the Government to the units set up in the backward areas. Testing facilities and training to the industrial workers should be arranged by the Government free of cost to the units set up in the backward areas. At present the Government of India has decided to provide 10 per cent cash subsidy on the capital invested in an industry set up in backward areas and 50 per cent transport subsidy for the transportation of raw materials and end-products to and from the backward areas. This appears to be extremely little and there is a need to increase the cash subsidy from 10 per cent to at least 25 per cent. In this connection, the example may be followed from the assistance being given in countries like U.K. where as much as 40 per cent cash subsidy is allowed to all those entrepreneurs who agree to set up industries to what is known as developing areas.

In the opinion of this organization, Bhusaval in Maharashtra can be industrially developed. As far as the Union Territory of Delhi is concerned, it would be difficult to call any part of the Union Territory as backward area in the real sense. Here the organisation would suggest that all those areas which have been earmarked as confirmed areas under the Master Plan should speedily be developed for establishment of industries and that care must be taken to impose a ceiling on the price of the industrial land in such areas. At present the Delhi Development Authority, after developing such areas, places, the industrial plots on sale at an auction with a reserved price of Rs. 76 per square yard. The reserved price itself is extremely high and beyond the reach of small scale sector. As against this, the industrial estate developed by the A.I.M.O. at Rohtak Road, Delhi shall be making the industrial land available at the rate of approximately Rs. 40 per square yard."

3.5. The representative of Department of Industrial Development, during evidence, stated "It is true that some of the backward States which had remained backward and which had never insisted on their pound of flesh are now becoming self-interested and whenever the question of allocation of foreign exchange or of raw material comes up, they have been insisting on their rights, and they have realised it that unless and until the statistical data is there to establish their claim they cannot assert their position. Rajasthan, Madhya Pradesh and Uttar Pradesh and others are all becoming very keen on development. These are perhaps some of the indications and encouraging signs of a silver lining which makes a promising development ahead."

3.6. The Secretary of the Department of Industrial Development informed the Committee "We have already taken certain steps to try to speed up the setting up of small entrepreneurs and enterprises in States where the development is not fast enough. One thing we have done is that the National Small Industries Corporation has taken a definite policy decision that in giving machinery on instalments they will give preference to States which are industrially backward and in fact I have seen a number of cases in which they have actually gone out to the industrially backward areas. They have even organised some drive there and tried to find entrepreneurs and with their assistance have set up small scale industries in the backward areas. The second thing we are doing is the strengthening of Small Industries Service Institute Organisations. We are concentrating particularly on the industrially backward States by giving more weightage to this programme of strengthening SISI's so that they can spread their extension efforts more in these areas."

3.7. The Committee have, in an earlier chapter, stressed the importance of the development of small scale industries in backward

areas. They note that Government of India have evolved a number of schemes for the development of backward areas which have been identified by the Planning Commission. The Committee have no doubt that the list of backward areas would be reviewed from time to time.

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

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

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

- (i) To create awareness and enthusiasm in the backward areas for setting up small scale units, seminar and discussions

on the role and importance of small scale industries in the economic development of these areas should be arranged by the Govt. at regular intervals.

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

3.10. The Committee are convinced that small scale industry can come up in backward areas only if the essential pre-requisites, viz., availability of land, power and communications are taken care of.

It is equally essential that Government on the basis of the expertise gathered over the years, prepare concrete schemes which are best suited for development of small scale industries in these areas. One of the best means for generating a climate for growth of small scale industry is to locate bigger or medium scale units in the area so that small units will come up in the vicinity to cater to their requirements of components, stores and services. The Committee feel that the public sector and other leading well-established industrial houses in the country should be persuaded to play a leading role in establishing these units in backward areas. There should be a built-in scheme for development of ancillaries preferably in the small scale sector to meet the requirements for components, stores and services of the bigger units. It should also be made incumbent on the bigger units to extend all technical facilities including detailed guidance in the matter of designing and planning so as to help the small scale ancillary units to come up to the requisite standard.

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

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

## CHAPTER IV

### A. Gravity of the problem of scarce raw material

4.1. The question of availability of scarce raw materials to the small scale sector had been attracting the attention of Members of Parliament for some time past and a number of questions in this respect were put and answered in Lok Sabha. The Deputy Minister in the Ministry of Industrial Development stated, in Lok Sabha, on 30-8-1972. "There have been some complaints regarding shortage of raw materials from both small and large units." He stated, in Lok Sabha, on 22-11-72 "It has been decided in principle to allocate raw materials to small scale units on the basis of capacity and on a par with large scale units in the same industry within the overall limits of foreign exchange availability."

4.2. The Minister of Industrial Development and Science & Technology, Shri C. Subramaniam, in his Presidential Address at the Thirtieth Meeting of the Small Scale Industries Board, on the 20th September, 1972, observed "The small scale sector has now become an important and integral part not only of the industrial sector but of our national economy as a whole. The number of registered units stands at nearly 3 lakhs today while it was only 36,000 ten years ago. About 7 to 8 million persons are employed in the small scale sector... They contribute about 50 per cent of the employment generated as well as value added per unit of fixed capital and small scale industries compare very favourably with the larger units."

4.3. The Department of Industrial Development have informed the Committee, in a written note, about the scarce raw material availability position "Until the beginning of the Second Five Year Plan the availability of scarce raw material generally kept on increasing year after year and, therefore, the small scale units did not experience any serious shortage thereof. The raw material problem originated as a consequence of foreign exchange crisis of 1957-58 and since then with the deterioration in the foreign exchange position coupled with inadequate indigenous production, the shortage of imported and scarce raw material is being recognised as one of the major problems confronting small scale industries.

For the purpose of reviewing the raw material availability position that prevailed from time to time in the small scale sector, it



will be better to make assessment of the position separately for each of the periods indicated below:

1. Pre-liberalisation are covering the period till March, 1966.
2. Liberalisation and after, covering the period from April, 1966 to March, 1970.
3. Present availability position covering the period from April, 1970 till date.

*Pre-liberalisation:* In regard to imported raw materials till the end of 1964-65 small scale units obtained essentiality certificates from their sponsoring authorities before submitting their applications for grant of licence to the Chief Controller of Imports and Exports (C.C.I.&E.). The licensing authority depending upon the availability of foreign exchange applied cuts on the recommendations of the sponsoring authority without assessing actual requirement of the unit. A similar procedure was also being followed in the case of imported iron and steel items. In the case of imported non-ferrous metals, the SSIDC used to make allocation to the State Directors of Industries against foreign exchange ceiling for the small scale sector. The import of non-ferrous metals was generally channelised through the Minerals and Metals Trading Corporation and the release of the material to the individual units were affected on the recommendation of the sponsoring authority.

*Liberalisation and after:* A scheme of liberalisation of imports of raw material, components and spares was announced during the year 1966-67. This scheme initially covered raw materials, components and spares licensable by the C.C.I. & E. Subsequently, imported iron and steel and non-ferrous metals were also included under this Scheme. The emphasis in the import liberalisation scheme was to provide justifiable requirements of maintenance imports to industries in order to facilitate more intensive utilisation of their installed production capacities. The scheme of liberalisation of imports applied to Industrial units in the small scale sector in all its aspects and entitled them to enhanced imports on precisely the same terms and conditions as were applicable in the case of large scale units. The value of import licence issued to small scale sector during 1966-67 recorded a licensing of Rs. 74.09 crores. Licensing done during this year was 18 times larger than that of the previous year. Further, combined licensing done in favour of small scale industries during the entire period of the Third Plan between 1961-62 and 1965-66 was itself 40 per cent lower than the licensing done during the year 1966-67 alone. From the import licensing it will be clear that the tempo attained during 1966-67

could not be maintained in the following years. After the year 1966-67 a number of restrictions were clamped on the imports effected by the small scale industries. The initial import entitlement was linked with the value of machinery installed. Percentage as well as upper value limits were prescribed on a number of items on the ground of their indigenous availability. The mode of financing from 3 different sources viz., general currency area, USAID and rupee area was fixed on an arbitrary basis without establishing the availability of the material from these sources. As a result of these restrictions the value of import licensing fell from Rs. 74.09 crores in 1966-67 to Rs. 49.77 crores in 1967-68 and to Rs. 36.72 crores in 1968-69. During the years 1969-70 and 1970-71 licences valued at Rs. 65.57 crores and Rs. 83.26 crores respectively were issued to small scale industries for maintenance imports including iron and steel and non-ferrous metals.

*Availability position during recent years:* The availability of imported raw materials to the small scale industries is governed by the Import Policy announced by the Government from time to time. The supply of imported raw materials to small scale industries since 1969-70 is progressively on the increase. During the year 1971-72 import licences worth Rs. 117.95 crores were granted to small scale units for import of raw material components and spares. This figure does not include the extent of import assistance rendered to industries in the small scale sector in respect of channelised items handled by the S.T.C. and M.M.T.C. In the absence of data relating to the value of release orders issued to small scale units for import of channelised items, it is not possible to arrive at a precise estimate about the total value of imported raw materials, components and spares made available to the small scale sector. It would, however, be observed that the import licensing done to the small scale industries during 1971-72 has achieved the highest level. The value of import licences issued to small scale industries during 1971-72 increased by 42 per cent over the year 1970-71 as against an increase of only 27 per cent in 1970-71 over 1969-70.

*Indigenous non-ferrous metals:* Of late greater emphasis on the development of non-ferrous metals industry in the country with a view to meeting growing requirements from indigenous production has resulted in the allocation of some of the indigenous non-ferrous metals to the small scale sector. Of the indigenous non-ferrous metals, aluminium is of special significance in view of its being a good substitute for copper, zinc, and nickel. The allocation of E.C. grade aluminium which stood at 10,500 tonnes in 1969-70 increased

to 20,500 tonnes in 1970-71 and 30,000 tonnes in 1971-72. The present availability of this material is sufficient to meet about 70 per cent of one-shift capacity of AAC and ACSR manufacturing units in the small scale sector. Antimony metal required by small scale units engaged in the manufacture of storage batteries, type foundry, etc. is being made available to the small scale sector at the rate of 90 tonnes per annum. Recently some quantity of cadmium metal and commercial grade aluminium has also been allocated for small scale industries.

*Indigenous steel:* A revised policy for distribution of steel was introduced by the Government in May, 1970. Under the Steel Distribution Policy the availability position of iron and steel items, so far as actual deliveries are concerned, has improved considerably. The actual supplies are organised according to the allocation of priority made by the Steel Priority Committee after the introduction of new policy from 1971 onwards were to the extent of about 80—90 per cent and in some cases more than 90 per cent. Prior to May, 1970 the allocations given to the small scale sector were more of 'paper allocations' as hardly any allocation materialised by way of actual supplies.

*Action taken to meet the full requirement of small scale industries:*

Although there has been an overall improvement in the supply position of certain imported and scarce raw materials, yet it has not been possible to meet the full requirements of the small scale sector. The difficult foreign exchange position and inadequate indigenous production of certain ferrous and non-ferrous metals does not leave much scope to feed fully the fast growing requirements of small scale industries. In view of prevailing conditions, the possibility of making available scarce raw materials to small scale industries to the extent of their full requirements appears to be rather remote.

Some steps that have been taken in the recent years to improve the availability of scarce raw materials for the small scale sector are mentioned below:—

*Imported raw materials:* (a) Under the import policy for the year 1968-69, the import entitlement of new small scale units was linked with the value of machinery installed. Such units could get their first licence to an extent of 20 per cent of the value of machinery installed subject to a maximum of Rs. 50,000. The percentage and the upper value limits so fixed were operating to the great disadvantage of certain categories of small scale industries which were:

more of raw material oriented and the value of machinery installed was less than their requirements of raw materials. In view of the difficulties of such units, the upper limit has since been raised to Rs. 75,000 both for priority and non-priority industries. Further, the initial import entitlement of new small scale units in the priority industries has also been raised from 20 per cent of the value of machinery installed to 100 per cent in the case of Chemicals, Drugs and medicines and pesticide formulations, 70 per cent in the case of electronic components and 30 per cent in the case of engineering and other priority and non-priority industries.

(b) In the matter of mode of financing of the licences issued to small scale industries, provision has been made for higher import entitlements against free foreign exchange resources. Instead of financing import licence equally from three different sources namely Free Foreign Exchange, Rupee and USAID, the small scale units now get 50 per cent of the total value of the licence against free foreign exchange, 25 per cent from U.K. Credit and 25 per cent from rupee sources. This change in the pattern of mode of financing has enabled small scale units to utilise licences issued to them more fully.

(c) Perhaps the most important measure designed to make available larger quantities of imported raw materials to small scale industries is the provision relating to the grant of import licences to actual users in the priority industries on the basis of their capacities assessed jointly by the SSIDO and the Director of Industries of the State concerned. Since this provision has been envisaged in the Import Policy in 1971-72, no precise estimate of the additional licensing that has taken place as a result thereof is available at present.

(d) In order to neutralize the adverse impact of increase in the international prices of non-ferrous metals, small scale industries dependent thereon have been permitted 50 per cent enhancement in their 1971-72 import entitlement over the previous year.

(e) Owing to inadequate availability of certain categories of iron and steel in the country, small scale units have been allowed during 1971-72 additional imports to the extent of 25 per cent of their normal entitlement during 1970-71.

(f) Special provisions for import of raw materials by specified categories of actual users in the small scale sector have also been made from time to time with a view to providing additional quantum of raw materials to them. The following are some of the important

provisions envisaged under the import policy for the years 1971-72 and 1972-73:—

- (i) In addition to normal import entitlement of small scale units, the ITC Policy for 1971-72 provided for grant of supplementary licences to the units engaged in the manufacture of chemicals, dyestuffs and plastic goods for import of raw materials required by them through the State Trading Corporation;
- (ii) In order to facilitate fuller utilisation of the licences granted to small scale units, convertibility from U.K. Credit licences to rupee payment licences is being allowed on the option of the actual user.
- (iii) For encouraging the setting-up of units in specified backward areas particularly in the fields reserved for small scale sector, import of raw materials components and spares upto Rs. 1 lakh has been permitted on the basis of the recommendation of the sponsoring authority having regard to the machinery, the managerial and financial competence and the end-product to be manufactured. Similar facility has also been provided for qualified engineers and ex-service personnel setting up such industries anywhere in the country. Such categories of small scale units shall be getting two-thirds of their entitlement in free foreign exchange and one-third in U.K. Credit.
- (iv) Licences for import of raw materials components and spares of higher value will be granted to units engaged in selected priority industries of special importance in the small scale sector.
- (v) In cases where small scale units by way of their export performance earn additional foreign exchange or directly save on present imports through increased output. Additional import licences would be permitted.
- (vi) Permissible categories of raw materials valued upto Rs. 1 lakh have been allowed to be brought into the country by Indian Nationals returning from abroad.

*Indigenous Steel:* (a) Efforts are made by the Office of the SSIDO to secure increased allocation of steel to small scale sector. As a result of concerted efforts made by the SSIDO, the share of S.S.I. Sector of allocation of priority for the next quarter i.e. July—September, 1972 has been increased by 20,000 tonnes over the preceding periods' allocation.

(b) Development Commissioner (SSI) has been given representation on the Re-constituted Steel Priority Committee to safeguard the interests of S.S.I. Sector.

(c) Under the new Steel distribution policy the requirements of S.S.I. Sector routed through the State S.S.I. Corporations will be given weightage in the matter of allocation of priority by the Steel Priority Committee.

(d) As a result of the decision to route the entire allocation of Steel to S.S.I. Units through the State S.S.I. Corporations the S.S.I. Sector is expected to be benefited as under:—

- (i) The cumbersome procedure of individual indenting by the S.S.I. Units has been done away with and instead the State SSICs will place intends on the J.P.C. to meet the requirements of S.S.I. Units in their jurisdiction.
- (ii) The new procedure of working through the Corporations will have a direct control over actual distribution of steel among individual units. The genuine consumers will be benefited and a good amount of mal-practices in the distribution system will be weeded out.
- (iii) The S.S.I. Corporations have been exempted from payment of earnest money deposits. This would prove advantageous to S.S.I. Units who hitherto had to deposit earnest money @ 10 per cent along with their indents with the J.P.C.

(e) The S.S.I. Units have been assured supply of Tin plates from indigenous sources. The data regarding unit-wise requirement of S.S.I. Units numbering about 920 requiring tin plates have been collected from the States and supplied to the Iron and Steel Controller and the Producers of Tin plates. These units are being supplied with the material on the basis of requirements indicated by the State Directors of Industries.

(f) Quota of indigenous stainless steel sheets has been got earmarked for supply to S.S.I. Sector. During the year 1971-72, an allocation of 1600 M/tonnes of S.S. Sheets and Plates was made to S.S.I.

(g) Recently about 2,00,000 tonnes of used rails had become available. The matter was taken up with the Ministry of Steel and Mines and it has been decided to distribute the material after keeping a reserve for forging units and agricultural implements manufacturers among scrap Re-Rollers including small scale scrap re-rollers registered with the Directors of Industries.

*Indigenous non-ferrous metals:* (a) There has been a considerable increase in the availability of E.C. Grade aluminium for small scale sector during the recent years. As against an allocation of 6000 tonnes of E.C. Metal during 1968-69, the small scale sector had received 24,140 tonnes for the year 1972-73.

(b) On account of acute shortage of commercial grade aluminium an *ad hoc* allocation of 5000 tonnes was made to the small scale sector during 1971-72 as a special case. This allocation was over and above the material that small scale industries procured directly through normal trade channels.

(c) The small scale sector has recently started receiving some quantities of zinc out of the indigenous production. During October, 1971 to March, 1972, a quota of 1000 tonnes was earmarked for use by small scale industries. The allocation for the period April—September, 1972 has since increased by 50 per cent to 1500 tonnes. These allocations are in addition to the normal import of zinc these units are entitled to under the Import Policy.

(d) The supply of antimony metal which continued at the rate of 90 tonnes per annum since 1965-66 was increased to 100 tonnes during 1971-72.

(e) Prior to the year 1970-71 small scale industries were exclusively dependent on imports for their requirements of cadmium metal. During 1970-71 an allocation of 12 tonnes of cadmium was earmarked for the small scale sector which declined to 10 tonnes in 1971-72 and again increased to 14.5 tonnes during 1972-73. There is also a proposal to make an allocation of 6 tonnes of cadmium granule for small scale industries during 1972-73. The supply of cadmium metal to small scale industries from indigenous sources is over and above their imported cadmium that they can get to an extent of 75 per cent of their import entitlements.

In spite of some improvement in the availability position of non-ferrous metals the supplies to them are nowhere near their full requirements even on one shift basis. It is hoped that the benefits of increased indigenous production would be made available to small scale industries in the years to come."

4.4. A non-official organisation has stated, in a written memorandum. "The non-priority units get only the repeat licences, i.e., the licences exactly of the same value of what they got in the previous year. There has been a considerable increase in the international prices of raw materials, as they get the licences only on repeat basis the quantity imported by them goes down. So far as the units belonging to the non-priority categories are concerned, they get the licences on the basis of 30 per cent of the value of the machinery or Rs. 75,000 whichever is lower. This formula of relating the raw material requirements in co-relation with the value of the machinery installed is not only discriminatory in character but is thoroughly unscientific. As a result of this, it is found that the small industries, by and large, get materials sufficient to meet 1/3rd of their single-shift requirements only. This fact has been highlighted by the Lokanathan Committee on Scarce Raw Materials in 1965 and also by the Balachandran Committee on Scarce Raw Materials, which was appointed last year (1971).

The small industries were expecting that since the Balachandran Committee consisted of representatives of the DGTD, DC (SSI), Economic Adviser, Ministry of Foreign Trade and Ministry of Finance and the report was unanimously recommended by the Small Scale Industries Board in the Srinagar Meeting, there would be some relieving feature in the new import policy for 1972-73 to remove the discrimination between the large and small scale units. However, to their great surprise and dismay they found that the policy continues to be the same as was followed in the last year (1971)."

4.5. Another non-official organisation has, in a written memorandum, stated "The question of supply of raw material to the small scale entrepreneurs has been receiving the attention of the Government from time to time. The small scale entrepreneurs have also been bringing to the notice of the Government the acute shortage of raw material, particularly of the type which is not available in the country and has to be imported. The raw material is of two types, i.e. indigenous and imported. In certain cases where the indigenous production of raw material falls short of the requirement, the balance has to be supplemented by imports. The imported raw



material is allocated on the basic consumption in the previous year and the indigenous on the basis of 30 per cent value of installed machines or Rs. 75,000|-, whichever is lower. The most important raw material required by the small scale units is the iron and steel and non-ferrous raw material. The Steel Plants and Iron and Steel Mills in the Public and Private Sectors have not been able to meet the requirements of the industry although their production has increased over the years. On a number of representations made, the Government of India decided to import iron and steel raw material worth Rs. 10 crores from USA for the exclusive consumption by small scale manufacturers in 1970-71. However, because of certain reasons the Government could not purchase the raw material at a competitive price, with the result that the landed cost of this particular consignment came to much more than it ordinarily should have been. The result was that the iron and steel raw material so imported, was offered to the small scale sector at almost double the price of the indigenous material. A lot of difficulty was, therefore, faced by the Government in disposing of the material as none of the small scale manufacturer could afford to lift it at that high a price."

4.6. It has further been stated "Certain types of raw materials which are now being manufactured in the country, had to be banned from imports. However, the local manufacturers took advantage of the ban of imports and indulged in mal-practices. It has been observed in the case of high density polythene powder of which there is only one manufacturer in the country. The supplies are being made to the traders instead of manufacturers and the traders are charging very high premium on the company price. The authorities have no control over the supplies and distribution of such materials with the result that the small scale entrepreneurs have to suffer. Similarly, there are a number of other items which are being manufactured by a few units and the prices being charged by them are very high. It is therefore necessary that in cases where the raw material has been banned from imports, the indigenous manufacturers are made to regulate their supplies by giving priority to the small scale entrepreneurs.

The Small Scale Industries Board meeting which was held at Bhubaneshwar in 1970 had passed a resolution to the effect that as far as possible the small scale units may be given supplies of raw materials on the basis of their capacity and not on the value of machines.

Subsequently, in a meeting held in Planning Commission, a high-powered Committee under the Chairmanship of Shri K. Bala-

chandran, the then Additional Secretary, Ministry of Industrial Development, was set up to review the allocation system of raw materials to priority and non-priority small scale industrial units. The other members of the Committee were high officials of the Ministry of Foreign Trade, Ministry of Finance, Office of the Chief Controller of Imports and Exports, Office of the Development Commissioner (Small Scale Industries), Directorate General of Technical Development and Planning Commission. This Committee, known as Balachandran Committee, went through the reports of some of the other Committees, notably the one headed by Dr. P. S. Lokanathan, which had gone into this question before the Report of Administrative Reforms Commission. Through its deliberations, the Balachandran Committee kept in view the need to harmonise the following considerations:

- (a) the allocation of scarce raw materials to a small scale unit must be based on its actual capacity (or on its actual demand, where this is lower) and not on the value of machinery installed;
- (b) while the genuine requirements of small scale units are met, our procedures should be such as to prevent scarce raw materials from being made available to non-genuine units or to persons interested not in manufacture but only in speculative trade; and
- (c) the over-riding constraint of shortage of foreign exchange.

The Committee accordingly, after thorough consideration, recommended far-reaching measures to be adopted for the adequate supply of raw materials to small scale industries at reasonable prices and within the shortest possible period. They even categorised certain industries for supply of raw material on 100 per cent capacity basis and for 75 per cent and 50 per cent capacity basis. The Report if and when accepted by the Government, will no doubt assure the much needed raw material to small scale industries."

4.7. During evidence, the Chairman, Small Scale Industries Wing of the All India Manufacturers' Organisation replied in affirmative to a question as to whether the Balachandran Committee Report, when accepted and implemented by the Government will assure supply of raw materials to the small scale industries.

4.8. While delivering his Presidential Address at the 30th meeting of the Small Scale Industries Board on the 20th September, 1972, Shri C. Subramaniam, Minister of Industrial Development and

Science and Technology *inter alia* stated "The continuing problem of the supply of raw material to the small scale sector is one which is very well known to this group. We have made progress in this area since the last meeting in a few significant directions. The recommendations of the Committee under Shri K. Balachandran have been accepted in principle. We have no difficulty in recognising that the rationale on which raw materials are allocated to small scale units should be the same as that which governs distribution of raw materials to the large units....."

4.9. The Committee note that the National Council of Applied Economic Research undertook a study to examine the economics of a selected number of small industrial enterprises operating in the country in the recent period. Their findings regarding the problems of raw materials faced by these industries are given below:—

"In production the problems were largely those of shortages of raw materials and inadequate finance. The intensity of raw material scarcity varied from industry to industry.

With indigenous materials, the problem mainly was the method of allocation which often resulted in 'created shortages'. This had forced the genuine units to buy from the open market at higher prices, thus starting off with a cost disadvantage. The shortages that existed, and there were some, were reportedly marginal which could quite easily have been taken care of with timely imports.

As regards raw materials which are wholly or partially imported, the requirement in most of the cases was reported to have been met only partially. The units had, therefore, either to pay a high premium to acquire the materials or be satisfied with domestic substitutes, often not upto the standard but at higher prices or else sacrifice the trade opportunities, depending on the market situation.

Added to this was the normal difficulty in satisfying procedural formalities in securing licences and the time taken to contact numerous agencies before the licences were granted, not to mention the restrictionist clauses often attached.

Dissatisfaction was also expressed in regard to materials whose

imports were canalised, either due to non-availability in time or escalated prices due to higher margins reportedly charged by the canalising agencies.

Provided it is nurtured properly, the small industrial sector could contribute more efficiently to the country's domestic product and foreign exchange earnings. In designing policies for development, therefore, greater attention needs to be paid to the efficiency of operation of enterprises.

The problems of this sector seem to arise, in part, from the adoption of wrong policies, and in greater measure from the way in which policies are in fact implemented. An example of the former is the allotment of aluminium ingots to the small scale sector which has no re-rolling facilities at all. In general, however, inadequacies in implementation are due to the fact that the policies themselves require an extent of detailed and reliable information unit-wise which those concerned with the administration do not just have. This is most evident in the application of the system of allocation of raw materials based on so-called capacities or on past consumption. There has so far been no scientific assessment of capacities that exist in the small sector. The concept of capacity itself is a tenuous one; its determination becomes rather difficult in several cases. Even where the capacities could be determined the requirements of the units would vary from time to time depending on many other factors. Data available on past consumption are also not quite reliable. In any case allotment on the basis of past consumption chokes off expansion.

Any system of allocation of raw materials to individual units, to be sound and successful, should obviously be based on requirements determined on the basis of current performance, the position of the order books and the ability to expand production or improve quality. This would require an intimate and continuing knowledge of the performance and development of each individual unit. One way of improving the system without radically altering its nature would be to establish joint groups as agencies to ascertain the facts and fulfil these functions. With sufficient and sustained co-operation from all concerned, such agencies may be in a better position to keep a continuous watch on performance and judge requirements in that light. Further, if "indents" for materials screened

in this fashion are required to be backed by advance deposit of some earnest money, some of the defects of the existing system may be mitigated, though not eliminated. In actual operation, however, even this type of arrangement may quickly degenerate into something not dissimilar to the existing system.

A more enduring solution has, therefore, to seek the removal of the basic causes. These are the overall shortage of raw materials, and the need to examine requirements of each individual unit. So long as the shortages are serious and entitlements to allotments carry high premiums, the administration will be forced to continue the system of screening individual requirements. This vicious circle can be broken only by taking some risk and increasing the total allocation in large enough measures to permit allocations on a more automatic basis. Thus, if in a particular industry the present allotment is believed to represent, say, 50 per cent of the real requirement (some units getting more and some less), the vicious circle might be broken by boldly doubling the total allocation and distributing it on the latest past basis without further individual scrutiny. Premiums will then drop sharply and with it the temptation to exaggerate requirements. Actual utilization during such a period of comparatively liberal supply could then provide a sounder base for determining future allocations even on an individual basis. It goes without saying that even such a system may break down if allocations to larger scale units in the same field of production are held down too tightly. In that case, more liberal supplies to small industries may be sucked into the sectors in which scarcity is greater. Acute and widespread scarcity prevails mainly in certain categories of mild and alloy steels and non-ferrous metals. In the former, question is mainly of increasing domestic production and meanwhile augment supplies by timely imports. In most other cases the problem will be nothing of this magnitude. It would, therefore, be well worthwhile to import enough to make a good initial impact. Once this is done and premiums fall or vanish, errors in individual allotments will not have much significance and can be left to be corrected by mutual transfers. The tendency to overstate requirements and opportunities to create artificial shortages will both be reduced a great deal. The Government will then be in a better position to continue adequate supplies."

4.10. During evidence, the Secretary, Department of Industrial Development stated "The main problems of Small Scale Industries relate particularly to raw materials, reservation of items and modernisation. As regard raw materials, there is a shortage in the country of certain essential raw materials like iron and steel, aluminium, high density and low density polythelene and various other raw materials which are used in small scale industries. We are trying our best to evolve a system of distribution of iron and steel, particularly, which might be equitable to small scale industries. At present one of the problems is that small scale industries are getting iron and steel at a price which is substantially higher than the price at which the organised industry is able to get. At our request the Ministry of Steel and Mines have set up a Committee which is going into the question of equalisation of prices both for larger industries and for smaller industries. They are trying to evolve a system by which small scale industries will also be able to get iron and steel at the same price as the larger and organised industries get. That Committee is at the moment continuing its discussions and we expect to be able to get their report in another five or six weeks and at that time we shall be able to evolve a system by which small scale industries are able to get iron and steel at the same price as organised industries."

4.11. He added "At the request of the Ministry of Industrial Development, the Department of Steel have agreed that the requirements of small scale industries in regard to iron and steel will be made available through State Small Industries Corporations. Hitherto, what was happening, was that the small industries were getting their requirements directly from the producers, but producers usually supply only in whole wagon-load and not less than that. The requirement of small scale industries, or at least the allocation made to them, was not in wagon-load but was usually much less. Therefore, they were unable to get anything from the main producers but had to buy from the retail dealers where again prices were higher." He added "In regard to certain other raw materials like high density polythelene which are used in a large number of small scale industries, the present availability is less than the demand and, therefore, there is a shortage. We have taken up with the Ministry of Petroleum and Chemicals the desirability of introducing a proper system of distribution so that the small-scale industries are able to get their requirements evenly and equitably. We have also recently issued letter of intent and licence for increasing the production of high density and low density polythelene in the next two or three years. When the additional capacity comes up, I think it will meet the requirements. In the meanwhile, if the foreign exchange position permits, we shall

arrange for the import of those raw materials for small scale industries." He further added "It should be our objective to provide for full utilisation of the existing plants, whether in the small scale sector or in the large scale sector, because that is all to the national benefit."

4.12. In regard to check whether the raw material supplied to the Small Scale Sector was actually being used for manufacturing items in that industry, the Secretary stated "By and large the supervision of the small scale industries is done by States through the State Directorate of Industries. It is not possible to supervise a very large number of small units spread all over the country and in each State, in each District and in various areas by the Centre. Therefore, we rely largely on the State Directorate of Industries to keep a check on the use of raw materials given to their small scale units. Periodically we also request them to exercise some kind of a random checking, sampling etc. to see whether they are using their raw materials or they are selling them." The Secretary further informed the Committee "In the small scale sector many units would like to work only one shift and we are not thinking of three shifts in small scale industries unless the process is like that of a chemical plant which has to run continuously round-the-clock. By and large, no small scale industry would work three shifts even if they are given the raw material. In some industries two shifts may be possible. If anybody wants to work two shifts and if we have enough raw material, we will certainly give them more raw material."

4.13. In regard to the Balachandran Committee Report, the Secretary stated "Balachandran Committee had recommended, in regard to small scale industries, that the release of raw materials, particularly imported raw materials, should not be based on certain percentage of the value of the plant installed but should be on the basis of their capacity. This recommendation has been accepted by Government and we have accepted this in principle that we should give to small scale industries also on the basis of their actual capacity and not on a certain percentage of the cost of the plant. But there are certain practical difficulties which we have to remove and for which we have to find solution before we can implement its decision. One of the main difficulties is the availability of sufficient foreign exchange. A rough and ready estimate has been made and it has been found that we may need something like 300 or 400 crores more of foreign exchange for meeting the requirements of small industries. The other more important and more difficult point to get over this problem is how to have an actual estimate of the requirements of the Small Scale Industries. There is no licensed capacity given to the small scale industries; they can make as much as they like or as much as they would

be able to make on the basis of raw material available. There being no licensed capacity we have to go by how much can be turned out by the machinery a man has installed; but here there is the difficulty that he may work one shift and turn out a certain amount of things or he may work two shifts and turn out double or work three shifts and turn out three times as much. So it is difficult to know how much material we should give to him. The other difficulty is that there are a large number of small units scattered all over the country and if we require them to submit sophisticated returns as an organised industry is required to do, it will be a burden on the small man who will have so many forms and returns to submit. Besides, even the State Director of Industries may not fully geared to find out, by a complete columnisation of these returns, that so much raw material must have gone for such and such an item, as they are not fully equipped for checking up the returns." added "But we are trying to find solutions for these difficulties."

4.14. It was brought to the notice of the Committee that the difficult foreign exchange position and inadequate indigenous production of certain ferrous and non-ferrous metals did not leave much scope to feed fully the fast growing requirements of small scale industries. When the Department of Industrial Development were asked to state whether the saturation point, in this regard, had been reached, they informed the Committee, in a written note "We have not yet reached the saturation point. In the circumstances, the best way is to distribute the available foreign exchange and indigenously available ferrous and non-ferrous metals among the large and small scale industries in a more equitable manner. It may be mentioned in this connection that the foreign exchange allocation for the small scale sector has been on the increase for the last many years. This is evident from the following table:

Year	Value (RS. in crores)	% Increase
1968-69 . . . . .	36.72	..
1969-70 . . . . .	65.57	79
1970-71 . . . . .	83.26	27
1971-72 . . . . .	117.95	42

In spite of this, the shortage is felt by the Small Scale Sector. So far as indigenous production of non-ferrous and ferrous metals is concerned, it is also increasing progressively and the Small Scale Sector has also been getting a higher share."

4.15. It was also brought to the notice of the Committee that the Small scale units did not get their full requirements of some other



items of raw material e.g., Paraffin Wax, Mutton Tallow, Caustic Soda, Glycerine, etc. Further, when the manufacturer of the raw material was also a manufacturer of the end product, the small scale units suffered a great deal. The Department of Industrial Development, in written reply, informed the Committee, "It is a fact that small scale units do not get their full requirements of raw materials, e.g. Paraffin Wax, Mutton Tallow, Caustic Soda, Glycerine and some of the non-ferrous metals. It is also a fact that when the manufacturer of raw material is also a manufacturer of the end-product, the small scale units suffer a great deal. As regards non-ferrous metals which are being produced indigenously, these have been brought under informal control by the Ministry of Steel and Mines (Department of Mines). Those items include antimony, cadmium, zinc and E.C. grade aluminium. Efforts are being made to get the commercial grade aluminium also brought under the informal control. Under the informal control the material is allocated to the DC (SSI), DGTD and other authorities by the Department of Mines and the Directors of Industries distribute it among SSI Units in their respective States. The prices are also fixed by the Government in respect of these metals and reviewed from time to time. As regards chemical items the position in respect of individual items is as under:

*Paraffin Wax:* As a result of complaints of mal-distribution and shortages of paraffin wax received by the Government of India during the years 1970 and 1971, the Ministry of Petroleum and Chemicals have fixed up Statewise annual quotas beginning from the year 1972 for distribution of paraffin wax to industries like matches, wax paper, tarpaulins, chlorinated wax, rubber products, polishes, candles, etc. The State Directors of Industries have all powers of fixing quotas of individual units within the State allocation of the same by the industries. This has been done under the provisions of Essential Commodities Act. Simultaneously. The Ministry of P. & C. have stopped the exports—which were of the order of 3,000 tonnes in 1971-72 to overcome the shortages in indigenous supplies. Ever since this arrangement was made by the Ministry of P. & C. there have been no serious complaints.

*Mutton Tallow:* The following figures show the annual allocations of mutton tallow to small scale soap units in the country:—

1968-69	17,500 tonnes	1969-70	36,500 tonnes
1970-71	45,000 tonnes	1971-72	45,000 tonnes
	(actual imports 80%)		(Actual imports 91%)
1972-73	20,000 tonnes	(for six months).	

The annual demand as put up by the Directors of Industries on behalf of the small scale soap units is of the order of 87,000 tonnes. It has not been possible for the Government to increase the allocation to small scale units on account of severe foreign exchange difficulties which have become more severe.

*Caustic Soda & Glycerine:* Import of caustic soda and glycerine industrial units is allowed on restricted basis to actual users ever since the requirements of industries over-stripped the indigenous production.

It is possible for the Government to control distribution of the material under section 18(G) of the ID&R Act. The Balachandran Committee has also recommended the same. Since, after having informal control on some of the items of non-ferrous metals there is no difficulty, efforts are being made to get all such other items like HD Polythelene, LD polythelene and PVC resins also brought under informal control. In case this is not agreed to by the producers the Government can exercise powers to control the distribution under section 18(G) of the ID&R Act."

4.16. Regarding the question whether in respect of the manufacture of raw material by a manufacturer who is also a manufacturer of the end product, cannot a percentage of the large unit manufacturer be earmarked for distribution to small scale units at controlled prices, the Department of Industrial Development have stated "It can be done and as already stated above, it is being done in case of non-ferrous metals. Efforts are being made to get the same thing done in respect of chemical items also. The Ministeries concerned have been approached accordingly."

4.17. The Committee note that the shortage of imported as also indigenous scarce raw materials has been recognised by the Government as one of the major problems confronting the Small Scale Industries in India. The raw materials problem, according to Government, originated as a consequence of foreign exchange crisis of 1957-58 and since then, with the deterioration in the foreign exchange position, coupled with inadequate indigenous production, the shortage of both the imported and the indigenous scarce raw materials has assumed an alarming situation for the Small Scale Industries. A scheme of liberalisation of imports of raw materials, components and spares was announced during the year 1966-67.

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

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

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

**Polythelene, P.V.C. Resins etc. under informal control so that the Small Scale Units get these materials at reasonable prices so as to be able to function on competitive basis.**

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

#### **B, Canalisation of scarce raw materials**

4.21. The Committee have been informed, in a written memorandum, by a non-official organisation "It has been found that whenever an item is put on restricted basis for import, it means virtual ban for the small scale units. On account of the percentage restrictions with further ceilings, the items could not be procured according to the requirements. In case of DGTD Units they get import licences even of restricted items on the basis of recommendations of the DGTD without any such restrictions. We would like to see that this discrimination is removed and whatever restrictions are made must be applicable equally to the large and small units. While we are not against the canalisation which is the accepted policy of the Government, there are certain difficulties arising out of high prices charged by the canalising agencies and irregular supplies. We would like to suggest that the canalising agencies should not charge their prices with 'profit motive' and their service charges should not exceed 3 per cent of the c.i.f. value. Further, it is necessary to see that whenever the canalising agencies are not in a position to make the actual delivery of the material within 3 months from the issue of release order, they should give letters of authority in favour of the individual importers.' In regard to canalisation of 'Iron & Steel' it has been stated "Because of the canalisation of steel through State Small Industries Corporations the prices to the small scale industries of the Steel are considerably increased. The Small Scale Sector had been warning the Government that before canalisation they should ensure that all the State Small Industries Corporations function efficiently and are in a position to undertake the new role assigned to them. Further, it was also suggested that the price of Iron & Steel charged by the main producers to the State Small Industries Corporations should be at a sufficiently discounted rate so that with the service charges added by the Small Scale Industries Corporations and with the sales tax

paid on the material there would be no price increase to the small scale units and they would receive the steel materials exactly at the same price at which the material is available to the large scale unit against direct indents. It was also suggested that the units requiring the Steel materials in wagon loads should not be made to go through the Small Industries Corporations. It is found that no action has been taken on these suggestions and as a result the small industries are getting steel at comparatively higher prices as compared to the large units and the units in the common production programme with the large scale units are suffering a great deal as their competitive ability is hampered."

4.22. In reply to Unstarred Question No. 713, dated 3rd August, 1972, the Minister of State in the Ministry of Steel and Mines informed Lok Sabha that the question whether Government proposed to provide steel to Small Industry Corporations at concessional price for distribution to small scale industries at the same price as to other steel consumers; and if so, how far this would help the small scale industries, was under active consideration of the Government.

4.23. During evidence, the Chairman, All India Manufacturers' Organisation, Small Scale industries Wing, informed the Committee "Canalization has become an established fact and we cannot deny and possibly we would not like to go back from canalization, but the actual fact is that when compared to the prices of large industries, the small industries cannot stand in competition if the large industries get the raw material at the same price as the small industries. Actually the prices charged from the large units are still cheaper than the charges at which supplies are made to the small industries." It was added "We are asked to maintain the price line when the cost of material, in view of the high handling charges, costs us 10 to 15 per cent more than what it would have cost us if we had our own imports. . . . Supposing for Rs. 20,000 previously we were getting some quantity, with the result that our production is less, as our costs have gone up and our profits deteriorate." The witness further stated that Canalisation system involved much delay in the delivery of raw materials. He stated that if the Canalization were to be implemented by private agencies instead of Government agencies, these difficulties will be removed."

4.24. Regarding the scarcity of non-ferrous metals the Director of the Mineral and Metals Trading Corporation of India informed the Committee, during evidence "The MMTC is working as an agent

of the CCI and its responsibility is to cater to the requirements of actual users on the basis of release orders of the CCIE or the canalizing agency. Prior to bifurcation, the SCT itself was catering to the needs of the small scale sector for almost a decade. Right from 1963 onwards, except for a small gap of about six months from June to December, 1966 the MMTC has been doing this. From the beginning of the financial year, MMTC has been taking into consideration the estimated demands not only of the small scale sector but of all the sectors on the basis of past performance and also on the basis of indications available to it from the actual users themselves. The MMTC has an import development planning cell in the Imports Division which keeps liaison with the DGTD, DC-SSI, sponsoring authorities as also the actual users. In the beginning of the year we request all the actual users to submit their plan requirements and estimated requirements because the supplies will be against only release orders, but in order to plan our imports, we obtain from them their estimated phased requirement of the whole year and arrange imports in a manner that we do not carry unnecessary inventory and, at the time, make available stocks to the actual users in accordance with the phased programme given to us. This facility of phased programme has been made available to the small scale sector from September, 1971."

4.25. He added "At the end of 1968, the time lag between the issue of metal and the issue of release order in all the sectors including the small scale sector was as much as nine months to one year. Subsequently, with improvement in the foreign exchange availability and proper planning, it has been possible for us to reduce the time lag. For the last one and a half years, the position is that all release orders received upto the last date of the previous quarter are generally taken care of in the subsequent quarter. For the last nine months the position is that the time lag in the case of large-scale units has been brought down to anything between three weeks to four weeks and, in the case of small scale units, between four to six weeks. A certain time lag is inevitable because according to the existing procedure the MMTC can take cognizance of a release order only after the confirmatory statement in respect of the release order has been received from the licensing authority, and there has been an average time lag of two to three weeks between the issue of the release order and the confirmatory statement. This procedure was introduced from September, 1970 because in quite a number of cases, the release orders were being forged. So, Government and the CCIE had to review the procedure and in order to avoid delivery to wrong people, this system

of issuance of confirmatory statements was introduced. That is one reason why there is a time lag and even though we would very much like to reduce it further, it cannot be done." He added "the supply position for the last nine months has been so good that we have not only been able to clear the backlog but we are now catering to the demand of the actual users in accordance with the phased programme both for the small scale sector and the large scale sector within six weeks at the most from the time of the issue of the release order. In view of the large availability and easy supply position of the raw materials, a peculiar phenomenon has come to our notice and that is the surrender against sales note issued by the MMTC even against the phased programme. In the quarter April—June, 1972 the overall surrender in respect of copper, zinc, tin and lead in the case of small scale industries has been on an average 43 per cent of the quantity made available to them through our sales notes. In the quarter ending July—September, 1972 the surrender in the small scale sector has been, on an average, of the order of 46 per cent an increase of 3 per cent." He further stated "Anticipating that one of the reasons that might be put forward by the users would be that the prices are very high. Except in the case of copper and stainless steel for a particular category of consumers who, the Government felt, are not in the core sector for export purposes, the pricing policy in respect of other non-ferrous metals is CIF landed cost plus a very nominal service charge. In the case of zinc, lead, nickel, aluminium etc., the service charges for replenishment release order holders i.e., those who are holders of licences for exports or who are entitled to replenishment licence or replenishment release order on the basis of exports have to pay service charges at one per cent of the CIF cost and not the landed cost. In other words, no service charges are being collected by the MMTC on customs duty and other expenses incurred on clearance of stocks, godown rent etc. The service charges are being levied only on the basis of the CIF cost. . . . I have got statistics to show that except for copper in respect of all other non-ferrous metals, the prices fixed by the MMTC are cheaper. Our CIF costs have been generally cheaper than CIF costs of an importer who imports directly. We have succeeded in establishing direct contacts with producers of non-ferrous metals in the world and are obtaining non-ferrous metals at cheaper prices than what an importer has to pay directly." He emphasised that "we have succeeded in achieving one of the objectives of bringing the price level, in the open market, to a level that there will be practically no margin left to any such actual user who may have any surplus for diversion." Regarding copper, he stated "In fact, there has been a marked fall in the prices of copper, as compared to the prices prevailing in

1970-71 and to those prevailing now in the open market, and the prices at which copper is made available on the basis of international prices. The same has been the position in regard to zinc, tin and lead." He emphasised "Today we are in a position to meet 100 per cent requirements as far as non-ferrous metals are concerned and which are imported."

4.26. In regard to causes for the surrender of about 46 per cent of copper, the Director, MMTC stated "Firstly, it is because of adequate availability of stocks that we are able to cater to the entire requirements of the large scale sector.... Therefore, our feeling is that the large scale sector which sometimes used to buy in the open market are not buying any more. Secondly, the adequate supply of copper has brought down the prices of copper in the open market from 19,000 in April—June, 1970 to 15,453 during April—June, 1972 and to about 15,000 now as against the MMTC price of 14,250. The difference between the MMTC selling price and the open market price is about Rs. 600—700 per tonne." He added "the effect of planned import over the last two or three years on a regular basis maintaining a regular inflow of certain tonnages of copper in the country every month has now given us this result. Previously when MMTC had not entered into long term contracts with producers and had to purchase copper on spot basis, obviously there used to be some sort of a speculation. For the last two years we have succeeded in entering into long term contracts covering the estimated requirements of the country to the extent of 60 to 65 per cent and ensuring that every month certain fixed tonnages of copper come to the country, making them available on that basis according to phased programme (this has pointed to the fact that probably in the past when purchases were made on spot basis there was some sort of speculation in the country). It is also a fact that over the last four years the imports of copper and for that matter of non-ferrous metals have been increasing in tonnage from year to year. In 1967-68, the total import of copper was 15,000 tonnes. Now total import of copper is about 50,000 tonnes. This fact shows that over the last two quarters beginning from April, there have been surrenders by both large scale and small scale." He added "such of the users whose need is genuine, their requirements are met in full but such of the users who used to divert a large portion of their stocks to the market, they are finding it difficult, because we do not agree to deliver the stocks at the port town but make them available at the consumption centres with the result that no mid-way diversion should be possible. This is the reason why they are



not lifting their goods and it is because they are not really the productive units."

4.27. The representative of the State Trading Corporation stated "Basically, as a canalising agency, we do not solely decide the total quantum of imports, which in respect of a particular item is decided in our Commodity Consultative Committee meetings where the representatives of the Directorate General of Technical Development which represents the organised sector, and the Development Commission, Small Scale Industries are also present. The items which we import are either those the demand for which is met wholly from the imports or partly which are produced in the country and only the gap is covered through imports. Annually we can undertake a review depending on the facilities of production coming up in the country."

4.28. In regard to handling charges and avoiding delay in the delivery of raw materials, the representative of the STC stated "Port handling charges are controlled by us and  $2\frac{1}{2}$  of the CIF cost is the maximum that we permit as handling charges for any item, including port dues, etc. The pricing is controlled from the CIF cost and the margins are also controlled, for each item, either by Inter-Ministries Committee or by certain guidelines which are provided for the purpose. So far as the Small Scale Sector is concerned, in all cases, compared to the organised sector, in the pricing we give  $3\frac{1}{2}\%$  rebate as a result except in tallow where we give a discount of Rs. 30 per tonne. So, the pricing is controlled at every point." He added "So far as the question of delay is concerned, by and large, our variety of items is not restrictive. We deal with 100 canalised items which fall in various categories—oils and fats, industrial raw materials, certain chemicals, drugs and pharmaceuticals etc. In some items there has been delay in imports and wherever we have noticed these delays, we have allowed the users themselves to import till such time the entire importing system is rationalised. There have been occasional delays in the import of some items, but by and large, we restrict it to the three months period from the date of surrender of the release order. What I would submit is that the date of the release order is, in all cases, not relevant, it is valid for 12 months and the release order can be submitted to us for delivery any time within the 12 months and from the date it is registered with us, we service it in three months time."

4.29. The Secretary, Department of Industrial Development, stated "As far as items which are newly canalised are concerned,

there is bound to be delay and it is good that they are allowing people to import directly in the first three or four months by endorsing the import licence in their names.... As you know, progressively, Government are bringing various items into the canalising scheme and they are not allowing individuals to import directly."

4.30. The representative of the STC added "Except in pricing where the small scale sector is charged  $3\frac{1}{2}\%$  less than the organised sector, in all matters the treatment is equal. Also wherever we can pass on some advantage by bulking the requirements of small scale sector through the Small Scale Industries Corporations, we do it, e.g., we give them the facility of receiving materials on high-seas similar to the organised sector because of the large quantity." Explaining further, he stated "We have got three types of sale—high-sea sale, ex-jetty sale and ex-godown/tank sale. This facility is available to all, including smaller units. But because the quantity of smaller units is not enough to be brought in a separate bill of landing what we have done is that we have a separate State Marketing Division which deals only with smaller units marketing matters. We club their requirements through one of their central organisations. It may be through the State Small Scale Industries Development Corporation which can take the delivery on the high-seas and get the same advantage of bulk handling and distribution as other large units may have and distribute the advantage amongst the small scale units."

4.31. In regard to surrenders, the representative of the MMTC stated "The release order is issued covering requirements of a particular unit for twelve months. In consultation with the Liaison Committee on which the representative of the Federation of Associations of Small Scale Industries is present, MMTC has introduced this procedure. If the release order holder does not submit a phased delivery programme within 15 days of the receipt of the release order by him, by registered post to MMTC, the MMTC will presume that the party does not need material on phased basis, but his requirement is to be met all at a time. The phased programme whenever received is strictly adhered to and sale notes issued accordingly. After issuance of sale notes, release order holder makes payment and receives the material. On account of the smallness of the unit or the smallness of the tonnage to be dispatched, the Railways accept such despatches only as smalls. We therefore thought that it was hardship on the small scale sector, and the facility of getting documents negotiated by letter of credit were extended to them—although it meant extra labour and clerical work in the MMTC.

When we found that the quantum of despatches was not commensurate with what we had expected, we again reviewed the position and gave them the facility of lifting the material by road transport. All these facilities have been given with a view to extending them financial accommodation and to give them regular material according to the needs.... When there is shortage of industrial raw material, there is a tendency to inflate the demand and a tendency for a large number of mushroom units to come up. As and when the supply position improves and the margin between the open market and the canalised agency prices dwindle down or reduce, naturally they do not find it economic to lift and there are large scale surrenders.... There are surrenders not only in the small scale sector but in the large sector also; but probably the percentage of surrender in the small scale is slightly higher."

4.32. Intervening, the Joint Secretary, Department of Industrial Development stated "To me, the moral of the story is, if sufficient quantity of raw material is available in the country and the market has got enough quantity, the tendency would be that a man would not utilise the bureaucratic channels to establish his claims and then obtain his requirements. In the present circumstances, as long as there are shortages, certainly there would be a tendency to inflate the demand. The second point is that the small scale industries have been given a certain right to approach the MMTC, the STC and others to obtain their requirements, but the formula which has been worked out to distinguish between the demand and the requirements, runs counter to their interests. In the first place, the small scale industrialist has got to establish his claim with the Director of Industries, and the raw material is not claimed on the basis of his requirement but based on a 30 per cent exercise. After that, what happens is that for new items, like resins and others, we do not stick only to this 30 per cent formula but introduce another formula therein that 25 per cent of the demand should be given. To those who are not aware of the plethora of rules, it appears that we are giving 25 per cent of the requirements, but we are not. What we are doing is that we are taking 30 per cent of the requirement first and further reducing it by giving 25 per cent of that 30 per cent and when this is worked out, it would come to a miserable half-ton or so, and if he gets it from Madras or Bombay, he cannot take it and he will not take it. This sort of exercise completely shatters his confidence."

4.33. With regard to pricing policy of MMTC the representative of the MMTC stated "The question of import price leads to the basic

pricing policy of the MMTC which it had adopted to fulfil the objectives of the Government and the objectives for which this Corporation was set up. As a matter of fact, MMTC no doubt as a commercial organisation, has to discharge the responsibilities entrusted to it in meeting the raw materials requirements of the actual users; but in regard to price, MMTC has to achieve three important objectives. The most important objective has been that of giving maximum facility to exporting units by making available raw material at the lowest international prices and at prices at which MMTC claims it are cheaper than the prices at which the Small Scale Units have been obtaining material themselves.... I have not received a single case where an actual user has imported material at a price lower than the one at which imports were made by the MMTC during the same period. As regards the question of inventory, it may be stated that when all the licencees spread over the country, probably numbering one lakh units, used to get licences directly, there was in the very nature of operation certain stocks in the pipeline because such a large number of units used to buy some stocks and keep them in their godown. Each unit had to maintain a certain inventory. Now, with canalisation, that source of stock in the pipeline has dried up and therefore it will be in the interest of the country that MMTC must maintain certain inventories e.g. a six-week stock in godown and a six-week stock on high seas.... In other words, at any point of time, MMTC is maintaining in godowns or in pipelines approximately three months total requirements of the country."

4.34. The Committee note that canalisation of scarce raw materials has become the accepted policy of Government and that the Small Scale Industries have also accepted it. Nevertheless, there is a persistent feeling in the mind of the small scale units that canalisation has not solved the problems of availability of raw material to them in required quantity, in time and at reasonable price. The Committee understand that with the improvement in the foreign exchange availability and proper planning, it has been possible for the MMTC to reduce the time lag between the issue of release order and making supplies, to about 3-4 weeks in the case of large scale units and between 4—6 weeks in the case of small scale units. The supply position for the last nine months is stated to be so good that the MMTC has not only been able to clear the backlog but they are catering to the demand of the actual users in accordance with the phased programme for both the large and the small sectors. The Committee also understand that according to the statistics with the MMTC, the prices fixed by them are cheaper than those of direct importers in respect of all non-ferrous metals except for copper.

While the Committee appreciate the improvements made, they would urge upon the Government to look into the difficulties of the small scale industries with a view to ensure speedy delivery of canalised raw materials to them at reasonable price (which should not be more than that paid by large scale units) and in required quantity and thus allay the apprehension of these units in this regard. They would particularly like to stress upon the Government the desirability of supply being made according to the need of a particular unit, at a particular point of time, as the time factor plays a very important role in industrial operations of these units and their profitability. In this connection the Committee would like to stress that the handling charges of MMTC and STC should be kept to the minimum by reducing their overheads and the prices charged should not normally exceed the actual charges plus a margin of profit of not exceeding 3 per cent. The Committee would like to emphasise that canalisation should provide tangible benefit to the Small Scale Sector in the matter of price and delivery schedule. The Committee would like the Government to see that these objectives are fulfilled by the canalising organisations.

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

## CHAPTER V

### FINANCIAL DIFFICULTIES

#### *A Financial assistance from National Banks and State Finance Corporations*

5.1. The Department of Industrial Development have informed the Committee in a written note "The basic objectives of the various programmes for the development of small scale industries, as set out in the Industrial Policy Resolution (1956) and in the successive Five Year Plans, *inter alia* are:—

- (i) To create immediate and substantial employment opportunities at a relatively small capital cost;
- (ii) To facilitate mobilisation of resources of capital and skill which might otherwise remain inadequately utilised;
- (iii) to ensure more equitable distribution of the national development in different regions, i.e. to lay down basis for an essentially decentralised society.

*Financial Assistance.*—Liberal flow of credit is essential for a rapid and sustained growth of industry. This is all the more true in the case of small scale industries which work with the basic disadvantage of a weak capital structure, without access to capital market.

The various schemes which are being operated by the Government and institutional agencies for providing different types of financial assistance to the small scale enterprises are as under:

(1) Long and Medium Term:

- (a) Loans under State Aid to Industries Acts/Rules by State Governments (Block Loans).
- (b) State Financial Corporations.
- (c) Participation in equity capital.
- (d) State Bank of India/other nationalised Banks.
  - (i) Medium-Term Loans and Institutional Credit.
  - (ii) Scheme for financing Technician—Entrepreneurs.

## (2) Short-term loans:

- (a) State Bank of India.
- (b) Commercial Banks.

## (3) Credit Guarantee Scheme of the Government of India.

*Loans under State Aid to Industries Acts/Rules.*—It has been stated that the terms and conditions governing the grant of loans and the procedures that had to be followed were considerably simplified since 1955. Now in almost all the States, loans upto Rs. 1,000 are advanced on personal bonds, upto Rs. 5,000 against one or more personal sureties and above Rs. 5,000 against security or mortgage at 75 per cent of the value of the security offered, including assets created out of the loans. These loans are repayable in instalments over ten years and are advanced at a concessional rate of interest. It is 2½ per cent for loans upto Rs. 2,00,000 to industrial co-operatives and 2 per cent for loans upto Rs. 50,000 to private entrepreneurs. Normally a loan to an individual party is not to exceed Rs. 1,00,000 and to an industrial co-operative Rs. 2,00,000 without the prior concurrence of the Central Government. During the Second Plan period, a sum of Rs. 129.1 million was disbursed to the small scale industries under this Act. During the Third Plan period, an amount of Rs. 176.0 million was disbursed as loans to small scale industries. During 1968-69, Rs. 23.1 million were disbursed as loans.

*State Financial Corporation.*—Eighteen State Financial Corporations have been established so far and are now functioning in almost all the States. In practice, the S.F.Cs. advance loans to meet the long, medium and short-term requirements of small scale and medium scale industries though the short-term loans bear a fixed proportion to long-term loans. The S.F.Cs. ordinarily charge interest of 8½ per cent to 9½ per cent with a rebate of ½ per cent for prompt payment. Generally speaking, the advances are issued upto 50 to 70 per cent of value of the assets offered as security including those created out of the loans. Though the Small Scale Industries Board and the Reserve Bank of India suggested that in the case of small scale industries, 25 per cent margin might be considered adequate if the loans are covered under their Credit Guarantee Scheme, many S.F.Cs. have not yet reduced these margins. Besides interest, all incidental charges like stamp duties, mortgage deed etc. are charged on the loanee units, in most of the States. The S.F.Cs. Act permits them to grant loans upto 20 years but in practice S.F.Cs. advance loans for 10 to 12 years, the first instalment of repayment falling due one to two years after disbursement.

**Medium-Term Loans and Instalment Credit System:**—The State Bank of India has been implementing since 1963, a scheme to grant medium-term loans and another to supply machinery under the Instalment Credit System, to small scale industrial units. Medium-term loans are intended to provide finance for purposes of expansion, modernisation, renovation etc., for a period upto 10 years. The rate of interest charged by State Bank of India for medium-term loans is about 8½ per cent per annum. By the end of December, 1970, medium-term loans sanctioned amounted to Rs. 297.4 million by the State Bank of India and its subsidiaries. Of these, Rs. 193.1 million were outstanding as on 31st March, 1969.

**State Bank of India and the NSIC Guarantee Scheme:**—The State Bank of India is also operating, in collaboration with the NSIC, a Guarantee Scheme whereby a small scale unit, obtaining an order to supply stores to Government is given the required financial assistance to buy raw material, process it into finished goods and deliver them to the Government. The State Bank of India will provide full finance required for the purpose.

**Scheme for Financing Technician-Entrepreneurs:**—Craftsmen and qualified technicians having necessary skill and initiative to set up and operate small enterprise are sometimes handicapped for lack of sufficient resources to provide the initial capital or, as it is technically termed, the 'owner's equity'. Under this scheme, a qualified entrepreneur can get loan upto a limit of Rs. 2.00 lakhs.

The progress made by the State Bank under this Scheme during the period ended the 31st December, 1970 reveals that the Scheme has gathered momentum. The particulars are as under:

(Rupees in thousands)

As on	No. of applications received	No. of applications sanctioned	Amount sanctioned	Amount disbursed
31-3-1968	90	18	1,365	..
30-6-1968	123	38	3,990	603
31-3-1969		96	9,000	3,300
31-12-1970	1000	498	62,571	34,842

**Commercial Banks:**—Commercial Banks also advance short-term loans to the small scale units, though these banks do not have such comprehensive schemes as are being run by the State Bank of India. Recently some of the commercial banks also introduced their own schemes of providing medium-term finance to the small scale industries.



*Credit Guarantee Scheme of the Government of India:*—With the object of encouraging and enlarging the supply of institutional credit to small scale units by ensuring a degree of protection to the lending institutions against possible losses in respect of their advances, the Government of India introduced in July 1960 a Credit Guarantee Scheme being operated by the Reserve Bank of India on its behalf. Beginning with 22 districts, the scheme now covers the entire country and is drawn up in such a way that the financial institutions advancing short term or long term loans (upto 10 years) to small scale units will be able to recoup a substantial part of their loss, if any, under the Scheme. The maximum amount recoverable against the guarantee issued in respect of any one advance is Rs. 200,000. To give further fillip to the scheme recently guarantee fee has been reduced from 0.25 per cent to 0.10 per cent. It is not necessary under the scheme for the financial institutions to enforce the security or resort to legal remedies before invoking a guarantee. It is sufficient if the default in the borrowed account occurred during the period of the guarantee and the default was intimated to the Reserve Bank within 15 days of the date of expiry of the guarantee.

Upto the end of 1969, 1,38,265 Guarantee Certificates amounting to Rs. 6.480 million were issued under the scheme and in respect of guarantees invoked, 121 claims amounting to Rs. 1.4 million were paid.

5.2. A non-official organisation has informed the Committee, in a written memorandum "It is a well-know fact that a very low percentage of the small scale entrepreneurs have approached the nationalized banks and other government financial institutions for financial assistance. This, however, is not because the small scale entrepreneurs are not generally in need of financial assistance. The reason for the small number of entrepreneurs approaching the banks for financial assistance is:

- (a) deterioration in the service of banks to the entrepreneurs and to the public at large;
- (b) cumbersome procedure for obtaining loan from the banks; and
- (c) delays which have now started occurring in the banks as well.

A small entrepreneur, it may be stated, is an institution in himself. He is the proprietor, accountant, salesman, production manager and storekeeper—all at the same time. If, therefore, he has to spend a full working day at the bank, the whole production, marketing and

purchase process comes to a halt for him. Under these circumstances, he prefers to obtain finance from private sources at a much higher rate of interest. This rate of interest, he cannot help but is added to the cost of end-products.

The attitude of the commercial banks is particularly unhelpful to the growth of the small scale man. Even today it is all data-oriented and causes considerable hardship, frustration and misery to the man who goes to the bank for credit.

It is, therefore, necessary that the attitude of the Bankers should undergo fundamental change in favour of the Small Scale Sector. The responsible officers in charge of credit matters, should try to encourage, willingly and spontaneously, those small scale entrepreneurs who have the requisite background, knowledge and skill.

Moreover, it is keenly felt that the supervisory staff of the lending institutions—banks, IDBI and the other financial institutions—should help the potential borrowers in filling up the forms to their satisfaction and incidentally they should not take more than three months in disposing of any particular application. Unless a highly positive, helpful and understanding approach is cultivated by the responsible officers in the financial institutions, the chances of the small scale entrepreneurs flourishing are but slender.

In our opinion, therefore, if the Government desires to provide financial assistance to the small man, it must go to the small man rather than the small man coming to it."

5.3. Another non-official organisation has, in a written memorandum, stated "The industrywise analysis of loans sanctioned by the State Financial Corporations reveals that bulk of the loans/advances has gone to the number of industries like Food Processing, Oil Pressing, textiles etc. The State Financial Corporations have given very little support to the new and sophisticated small industries, which have come to establish in the fields of metal products, machinery, machine tools, electrical equipment, chemicals etc. It is necessary that as a main source of long-term institutional finance to the small scale sector, the State Financial Corporations should orient their attitude and outlook so as to inculcate in their staff the developmental outlook which is extremely desirable if the growing small industries are to be benefited.

The present security oriented credit policy should be given up. Stimulation of high margins while giving "Cash Credit Facility"

against the security offered, or while opening the letter of credit for import of raw materials has created financial difficulties for the small industry. Because of the high margins retained by the bank, it is not possible for the small industrialists to get adequate advances against hypothecation of raw material, finished goods etc.

Generally speaking the margins retained by the Banks are high and are rarely below 25 per cent. It is also pertinent to note that the percentage of credit granted to the small scale industries to the total credit has not increased in the same proportion as the increase in the number of small scale units.

The small industries are normally deficient in equity capital on account of their very nature. It is, therefore, necessary to encourage the provision of equity capital by financing the institutions to educated and technically qualified young entrepreneurs as well as experienced technicians subject to techno-economic feasibility of their schemes. We, therefore, suggest that the Reserve Bank should consider the provision of the additional guarantees to induce the financing institutions to advance loans by way of equity capital to help a large number of prospective entrepreneurs to set up small scale industries in new and sophisticated lines.

The existing schemes of financial assistance are not commensurate with the requirements of the small scale sector and the procedure for obtaining such assistance are cumbersome and dilatory. A peculiar feature of the present day structure of the small industries sector, is that it has spread from few urban pockets to small towns and larger villages in the interior of the country. We, therefore, feel that the existing financial institutions should vitalise their services so that even in the farthest corner of the country the small scale unit could get the same service as their counter-parts in well established industrial concentrations."

5.4. During evidence, the Chairman, All India Manufacturers' Organisation, Small Scale Industries Wing, informed the Committee: 'It has become very difficult to get financial help from the nationalised Banks which used to be very helpful before their nationalisation.' He added "The application form for taking loan from Banks should have a column to indicate that particular application has been made by a Small Scale Unit so that it may receive the due attention it deserves. The second point is that the application form is a complicated one which a new entrepreneur finds it difficult to complete. Besides, the Banks take at least one year to complete the formalities which was against the interest of the Small Scale Industries. The

Banks do not issue any certificate that they have advanced loan to a small scale industrialist. The witness suggested that the Banks should advance money to small scale industrialists in the same manner as they do for the larger houses."

5.5. The President of the Federation of Associations of Small Industries of India, informed the Committee, during evidence "The State Finance Corporations have been mainly trying to finance very traditional-bound small industries. Some of the State Finance Corporations have stopped financing the medium scale units because they can come up to Rs. 20 lakhs, for equity capital and medium-term loan upto Rs. 20 lakhs." He added "The Government of India had appointed a Committee with the Custodians of the Banks, the State Finance Corporations and the Federation of Associations of Small Industries in India to go into the working of the State Finance Corporations. The recommendations of this Committee have come just now." The witness stated "After nationalisation, the performance of the major nationalised banks has been quite creditworthy. Rs. 540 crores had been sanctioned. Accounts have gone up from 40,000 units to 1,10,000 units. But out of Rs. 950 crores that had been given only 45 per cent had been the utilisation. The reason is to be found not at the level of the custodians or Chairman but at the level of the local head office or branch manager. In spite of nationalisation, the agent looks to the security part of it as against the policy of the Government that credit must be need-oriented and not security oriented. . . . We have been representing to the banks, once you are sure about the project and the integrity of the man—they take time to investigate about a person, his background etc.—it should not be so."

5.6. The representative of the Ministry of Finance (Department of Banking) stated, during evidence "The number of borrowal accounts at the end of June, 1969 was 73,987 and it has gone up to 1,48,969—more than double. The outstanding amounts corresponding to June, 1971 and was 251.45 crores and by December, 1971 it has gone up to 482.84 crores. Growth rate is about 20 to 25 per cent of banks assistance to Small Scale Industries. Percentage of small scale industries credit, as part of the bank credit, has gone up from 8.34 at the end of June, 1969 to 11.57 as on today. Banks as a policy give liberally to small scale industries." He added "The difficulty is this—when application comes with insufficient detail, there is difficulty. There are some applications who do not give proper data, they are not clear as to what project or what industry they want to set up; they do not have proper quotations of machinery manufacturers; they do not have all the details about land and products to be manufactured or

the requisite market information... Once the entrepreneur comes with all the information to the banks, the delay would be kept to the minimum. Due to the expansion of the consultancy services and new field officers taking up such work, there would not be such delays."

5.7. In regard to non-sanctioning of the projected loan, the representative of the Department of Banking stated "It all depends upon the entrepreneur working out properly his requirements and whether the project is viable etc. Sometimes the man comes up with an ambitious project. The Banks advise him to go on in a phased manner, to take up certain things in the first, second and third year and then to proceed further or expand further. In these cases loans sanctioned may not be that which they apply for. In fact, the genuine and legitimate requirements are met by the banks. There is a continuous exercise or review taking place and they are gradually liberalising these terms and conditions." He added "I have the experience of handling small scale loanees myself. I was in the State Finance Corporation and State Development Corporation as Managing Director. It is true that the attitude, approach and the way the treatment is meted out in many of the branch offices need proper orientation and receptivity. It is a human problem, it is a problem, of new programmes and handling new people. To that endeavour, we are constantly training them. I would agree that we have to improve and we have to cut down the delay to the minimum and see that genuine needs are met." He further stated "We have now between Scheduled Commercial Banks and State Finance Corporation evolving a system of integrated finance to take up the task. We are thinking of amending the State Finance Corporation Act. It would provide for equity participation for small scale industries; it would provide for greater raising of resources; it would provide for the widening of the definition of 'industrial concern' and this would mean increase in the financial sanction given by the State Finance Corporation at a rate of more than 25 per cent of the existing one. In addition to this, there is a proposal for 25 million dollars World Bank loan for meeting the foreign exchange requirements of borrowers."

5.8. In regard to the extent of help given by the Finance Corporation and the banks to the Small Scale Sector, he stated "As far as medium and long-term loans are concerned, normally 75 per cent to 80 per cent of the requirements are met by these institutions while 20 to 25 per cent are expected to be the entrepreneurs' contribution."

But in the case of technical entrepreneurs and well qualified entrepreneurs, upto Rs. 2 lakhs is given, if they are competent, qualified and they are able to implement the project. As regards working Capital loan, there is no limit fixed. It depends on the working of the units."

5.9. The representative of the Department of Banking stated "There is no insistence on security as such. The banks have to deal with depositors fund. The banks expect borrowers to offer whatever security they have as charge to the banks. So, this is done on project basis. In case of technical entrepreneurs upto 2 lakhs or 3 lakhs, there is no insistence on this. As regards credit terms, there are necessary instructions and certain norms which have to be followed. The entrepreneur should apply within 15 days or so going upto 3 weeks. The banks have certain scheme to sanction 10 or 15 per cent immediately on the spot. Later on the actual enquiries are made and loan figures properly assessed and further additional cash credits are given. Regarding Small Scale industries upto Rs. 50,000, they do not insist on 'lock and key' basis but only on hypothecation or what is called 'mandi-type' loans. In case of some small scale units, there are heavy items like structurals etc. which cannot be moved quickly. The banks give mandi type loans and do not insist on 'lock and key' basis. We do liberalise these terms and conditions on the basis of experience. In the Fifth Plan, assistance will be upto Rs. 1100 crores."

5.10. In regard to simplification of application form, the representative of the Department of Banking stated "Sometimes the Reserve Bank does get some sample studies done. We can get certain selective studies made. . . . . Whenever complaints are received, we have asked the custodian or other senior officers to personally look into these cases. We ensure that proper enquiries are made and whatever remedial measures are required, are taken. In pursuance of this, we are attempting an exercise on the simplification of forms."

5.11. Regarding the rate of interest, the representative of the Department of Banking stated "The State Finance Corporations charge 8.1/2 per cent to the small scale industry whereas they charge 9 or 9.1/2 per cent to the medium and large scale industries. This is for term loans. In the case of banks, the interest rate structure varies. If we take the State Bank, they charge the small scale industry 9 per cent whereas they charge the large scale industries 10—10.1/2 per cent and in some cases 11 per cent or 12 per cent also. In the case of term loans the State Bank normally charges ½ per cent less. Here again, if the cash credit limit is by way of pledge, the normal charges are 9 per cent. If it is hypothecation it is more. In

the case of other banks, the normal loan rate to small scale industries is 10 per cent whereas for other industries like medium and large, it is 10 to 11 per cent.

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

#### B. Delayed payment by large units

5.13. It has been brought to the notice of the Committee by a non-official organisation, in a written note "A substantial number of small units are manufacturing ancillaries for the large scale industries. It has been observed that the large scale industries—

- (a) do not make prompt payments against the supplies made by the small scale unit;
- (b) avoid making payments by rejecting the ancillaries as "low quality".

However, as against the situation prevailing in India, countries like Japan have passed legislation under which the large scale industries buy ancillaries from small scale industries and

- (a) make payments within 60 days on receipt of supplies;
- (b) reject the ancillary parts and components only after they have been inspected by the inspectors of the Government.

Another painful aspect of the delayed payments from large scale units is that while the large scale units, because of their influence, enjoy credit facilities from the banking institutions, the small scale units cannot fall back on the banks and seek financial help against the supplies made by them. It is, therefore, necessary that a suitable legislation is enacted by Parliament to protect the small scale units in as far as realization of payments from large scale units is concerned."

5.14. Another non-official organisation has informed the Committee, in a written note "Another problem relating to the finance of the Small Scale Unit arises from the delayed payment of their bills by the large scale units. In Japan, there is a law which makes it obligatory that the bills against the goods supplied by the small units must be paid within 90 days. If similar such legislation could be introduced, it would go a long way in helping the small scale units. On the one hand, the small scale units have to borrow the funds from the Bank by paying interest on the same and on the other hand they cannot get interest on the amount which is blocked up with the purchasing large scale units. In this way many a time it is found that the small units are indirectly financing the large units."

5.15. The Chairman, All India Manufacturers' Organisation, Small Scale Industries Wing, stated during evidence "Big units delayed payments for goods supplied to them by small scale units, some-times by six months, but if the nationalised banks discount such bills and give 90 per cent that will be of great help to the small scale units."

5.16. The President, Federation of Associations of Small Industries of India stated during evidence "Large Scale Industries do not give regular orders and when they do so, they do not make the payment. Payment is a great problem for the small scale industries. The Reserve Bank appointed a Committee to go into this matter and it was found that most of the bills were not paid even after six months of the acceptance of the goods. . . . . The Committee had recommended that it should be made incumbent on the part of the large scale industries to make the payment within due date; but not



exceeding ninety days." When it was brought to the notice of the Secretary, Department of Industrial Development that the large scale industries for whom ancillaries are manufactured by the small scale units—

- (a) do not make payments against supplies made by the scale units; and
- (b) avoid making payments by rejecting the ancillaries as 'low quality'; and

that it has been suggested to the Committee that large scale industries should—

- (a) make payment within 60 days of receipt of the supplies; and
- (b) reject the ancillary parts and components only after they have been inspected by the Inspectors of Government;

he stated "This is exactly covered by the recommendations of the Bhatt Committee. They have suggested legislation on these two points. When it is enacted, both these points will be taken care of."

**5.17. The Committee are unhappy to note that large units delay payments and thereby cause undue hardship to the Small Scale Industries. They agree with the view that Small Scale Industries, in such cases, cannot fall back upon the banks and seek financial help against the supplies made by them to the large units. The Committee are informed that in Japan, there is a law which makes it obligatory that bills for goods supplied by Small Units, should be paid within 90 days. The Committee also understand that the Bhatt Committee set up by Government on the recommendation of the Small Scale Industries Board, have suggested enactment of similar legislation enjoining payment within 60 days. They recommend that Government should examine the problem, being faced by the small scale industries in regard to the delayed payments by large units against the supplies made to them by the small scale units and take expeditious steps for enacting a suitable legislation in this behalf to afford relief to the Small Scale Units without further delay.**

### C. Tax Relief and Excise Duties

5.18. It was brought to the notice of the Committee by a non-official organisation, in a written memorandum that "Many of the excise levies imposed, since two years are actually killing the small scale units, especially in the backward areas."

5.19. Another non-official organisation informed the Committee, in a written memorandum that "The excise duty on defectives and cuttings should be proportionately reduced to give some relief to the small scale industry concerned."

5.20. During evidence, the representative of the Federation of Associations of Small Industries of India stated "The Small Scale Industry is basically either proprietary or a partnership industry with a very meagre capital base. To have a reasonable growth rate, it is very essential that every year something is added to the capital base so that the production could be increased by a reasonable level every year. Leaving aside the tax incentives which a small man and a socialistic system of small industry deserve, by a study it has been revealed that there are many more disincentives to the small scale sector rather than incentives... Now, coming to the administration point of view, the small man, particularly a small industry with only one or two partners, is totally involved in the success or downfall of the organisation and it involves him physically, and his family. If he does not earn, he goes down and if he earns and shows some profit, he does not have anything to add for next year." He added "We feel the pinch of taxation in the small scale sector more than in the Corporate sector as basically over 95 per cent of the small scale people are individual man concerns or proprietary concerns."

5.21. The representative of the Ministry of Finance (Department of Revenue and Insurance) stated during evidence "On the Central excise side, we have today got about 115 commodities that are being taxed. If you see the tariff, it will be noticed that the levy is already considerably tilted in favour of small scale sector. If an excise duty is introduced on a particular commodity and if we investigate and find out that there is a considerable quantity of goods produced in the small scale industries sector, which requires protection vis-a-vis the larger sector, we issue what are called 'exemption notifications' under a particular rule enabling the Central Government to exempt the articles subject to certain conditions fully or partially. Very often for the small scale sector we give a preferential rate, a lower rate, so that they can survive alongwith the large sector and still maintain a market and compete. Today the Central Excise accounts for nearly Rs. 1760 crores generated as tax, out of which a large number of exemptions that have been issued, including those that are also under consideration other than the fact that they are small scale, amount to Rs. 170 crores. We are alive to the situation that the small scale sector requires relief." Giving example, he stated "During 1970, we introduced 11 new items for levy—food products, aerated water, synthetic rubber,

office machines, safety razors, safes, strong boxes, etc. In the case of aerated water, the moment we contemplated to tax it, we were alive to the fact that there is a very small sector sprawled all over the country, thousands of units catering to local demand. We defined in such a way that only aerated waters which are registered with a brand name under the Trade and Merchandise Marks Act only would be taxed, with the result that the excise duty is collected on Coca Cola, Fanta, Limca and more sophisticated drinks that are manufactured by big entrepreneurs and the small scale sector is virtually free. Similarly, in the case of other such commodities, we have given relief to the small scale sector." He added "We tax only the power-operated sector within which also there are several exemption notifications stating that if the total value of the goods produced or cleared during a financial year is about Rs. 2 lakhs, not exceeding Rs. 2 lakhs, the first one lakh value will be free of duty. . . . . Soon after the budget proposals are made, the affected sector or industries come up with representations which discussed and debated during the deliberations in Parliament and before the Finance Bill is finally approved, several reliefs are announced through notifications. In 1972 budget we went a step further and almost simultaneously with the proposals in the Finance Bill, the Finance Minister was pleased to declare a number of reliefs to the Small Scale Sector so that even from the budget day the Small Scale Sector is not put into the trouble of making out a case. . . . . Taxing itself is an unpleasant thing and in the predicament in which we are placed, we try to balance the small scale as well as the big scale sector."

5.22. The Secretary of the Department of Industrial Development stated "When some difficulties were brought to our notice, by the small scale industrialists, about excise duty, we took up the matter with the Ministry of Finance and I must say that I have found them very receptive. Recently, we took up the case of furniture manufacturing and on our request they agreed to exempt Rs. 5 lakhs turn-over a year. In regard to bolts and nuts also they accorded exemption."

5.23. In regard to tax relief on export of goods by Small Sector to be competitive outside, the representative of the Department of Revenue and Insurance stated "The excise duty is on production of goods in this country. If the manufactured goods are exported, we do not want any tax or duty on that. The manufacturer can file certain documents and shipping bills and export his goods. No export duty is taken from him. He can also buy the goods and

export it in a formal document and prove that it has been paid by that individual. Our concept is that goods that are not consumed in the country should be free from excise duty." In respect of excise duty on buckets, he stated "The matter is still under consideration. Buckets are not excised. The bucket manufacturers use certain cuttings of sheets and plates of steel, which under the terminology of the Steel Ministry are called "defective" would give the meaning that the raw material is a useless thing or a second-hand one but it is only a technical classification. It is used not only by the manufacturers of buckets but also by several other industries like cycles, chairs, tools etc. There is an element of excise duty on sheets and cuttings. Prime quality steel carries the same amount of duty as the defectives which this industry is using. They are trying to say that the duty on the defectives should be lower; but it is not only the bucket industry but several other industries are using it and no other industry has represented on this. Suppose we introduce a lower rate for the so-called defectives in excise duty, it is not as if the small scale sector manufacturing buckets will be able to get this. The bucket manufacturer is also using the so-called prime sheets besides defectives. Actually, the bucket manufacturer has a lot of other problems because the consumer preference has shifted to plastic and other types of buckets and so the bucket industry today is not competitive by itself." He stated in affirmative when asked whether at the time of imposing excise duty on various articles do they keep in mind the various types of taxation on them.

5.24. The Secretary, Department of Industry stated "One of the principles in taxation is that you tax a person according to his paying capacity. Therefore, a person who can pay more for the goods will generally be paying more tax." He added "Ultimately, the burden of the excise duty is supposed to go to the consumer, not to the industry, who pay out of its own pocket. I am sure, at the time of imposing excise duty, they do take into consideration how much more this commodity can bear."

5.25. The Committee note that Small Scale Industry is basically either proprietary or a partnership industry with a very meagre capital base and to have a reasonable growth rate, it is essential that every year something is added to the capital base so that the production could be increased by a reasonable level every year. The Committee also note that if an excise duty is introduced on a particular commodity and if it is found that there is considerable quantity of goods produced in the small scale sector, which requires protection vis-a-vis the larger sector, Government issue 'exemption notifications'. Besides, very often the Government give

a preferential rate, a lower rate, for the small scale sector so that they can survive along with the larger sector. They are happy to note the assurance, given to the Committee, during evidence by the representative of the Ministry of Finance (Department of Revenue and Insurance) that Government were alive to the situation and they hope that such an attitude will continue to be shown to the Small Scale Sector which stands in great need of such an assistance.

## CHAPTER VI

### A. Marketing of goods

6.1. The Department of Industrial Development have informed the Committee, in a written note "In view of the emphasis laid down in the Industrial Policy Resolution for organised marketing of small scale industries products, the Government had introduced a regular marketing assistance programme for these industries as early as 1956. There are several Government and other agencies which take keen interest in assisting the small scale industrial units for marketing of their goods in and outside the country. Such agencies are:

- (i) Small Scale Industries Development Organisation (SSIDO);
- (ii) State Directorates of Industries;
- (iii) State Trading Corporation;
- (iv) National Small Industries Corporation;
- (v) D. G. S. & D.;
- (vi) Indian Institute of Foreign Trade; —
- (vii) Export Promotion Councils;
- (viii) Indian Council of Trade Fairs and Exhibitions; and
- (ix) Commercial Banks.

The Small Scale Industries Development Organisation has undertaken the Programme of Market Surveys to help individual small manufacturers and also to collect market information regarding specific industries. The Distribution Aid Surveys are undertaken on behalf of the individual producers with specific problems and they attempt to find potential distribution outlets and to assess market acceptability for their products.

Another type of market research conducted by Small Scale Industries Development Organisation also make market studies at the time of preparation of Industrial Production sheets, feasibility studies, Industrial Potentialities Surveys and such other studies. Field investigations have to be made pertaining to demand, supply, competition, characteristics of fast selling brands, consumer preferences, consumption trends, relating to various qualities, sizes,

styles and prices wages etc. on the basis of such studies, Small Sacle Industries Development Organisation officers guide the prospective entrepreneurs for expansion of new lines of manufacturing in the Small Scale Industries Sector.

Exhibitions which are followed by seminars on Small Scale Industry required by large scale units are also arranged by Small Scale Industries Development Organisation for giving a chance to Small Scale Units for participation and creating a climate of mutual confidence in further developing sub-contracting relationship. The Small Scale Industries Development Organisation with its limited resources has since undertaken a number of special studies to ascertain the scope of development of ancillaries in different States. These surveys provide a valuable fund of useful information pertaining to the existing ancillaries, their problems, and the measures that will be taken for developing new ancillary units. Efforts have also been made to develop ancillary industries in close collaboration with the N.S.I.C. and the Director General of Supplies and Disposals particularly for supply of defence stores. This new development has become a significant measure in promoting Small Scale Industries and has helped considerably in broadening the operational base of the Small Sacle Industries."

6.2. A non-official organisation has informed the Committee, in a written memorandum "The working of small sacle industires, especially in the last three to four years, has brought out a number of weaknesses which have to be eliminated if their competitive position is to improve. Obsolescence of equipment, inadequate attention to management and absence of quality consciousness are some of the shortcomings which account for somewhat poor performance of the small scale sector in the matter of getting a share in the export markets or in the domestic market as well as in supplying ancillary items to large scale industries.

The purchases made by the D.G.S.&D. has no doubt provided a market outlet of the products of the small scale sector. However, the use of the Government purchases programme as an instrument for the sustained growth of this sector has not achieved the desired results.

A number of items like consumer durables, produced by small units need a national marketing out-let. We feel that a Central Marketing Corporation is very essential to undertake marketing on behalf of small units. A countrywide network of distribution channels could be established for this purpose. The existing State Small Industires Corporations could serve as wings of this Corporation."

6.3. Another non-official organisation has informed the Committee, in a written memorandum "There is no facility for small scale industries at present to get any market survey report of its products for sale locally and abroad. However in States of Maharashtra and Gujarat, the State Small Scale Industries Development Corporation is assisting for the marketing of products but it is not so in remaining States. It is desirable that a separate Wing should be established in the State Directorate to assist small scale industrial units in their problems connected with marketing."

6.4. The President of the Federation of Associations of Small Industries of India informed the Committee, during evidence "With the growth of industries both large scale and small scale sector, marketing has become really a problem.....Government is the biggest purchaser in the present economy. They control most of the departments where lot of products are concerned. If we go through the figures of DGS&D which is one of the biggest buyers of industrial local products, we find that the contribution of small scale sector is going up. From the figure of 6 million in 1957-58 this has become 209 million in 1969-70 and that the Small Scale Industries provide, in terms of purchases, about 6 per cent of the Central Government purchases. This is not at all impressive. This is not in proportion to the growth of the small scale sector....There is a Cabinet decision, circulated all over India, for giving 15 per cent price preference in case of competition between large and small scale sector. For the last two or three years the price preference given to the small scale sector is very negligible. DGS&D should concentrate on giving some priority for purchase of our products." He suggested "There should be a Central Marketing organisation which should look after the sale of the products of the small scale sector, to create the image to the consumer that SSI products are equally good and are at par with other products which have Brand names and established markets." In regard to quality control, he added "We have no compromise on the quality. It must be good and at par."

6.5. The Committee understand that "The problem of sales was more acute in cases where the area of operation was large as in consumer products or where service after sales was essential as in capital goods. In most of the cases the enterprises were found dependent much to their disadvantage on intermediate agencies or parent units for their marketing. Closer liaison needs to be established between the large and medium enterprises and the smaller units. The larger enterprises are to be apprised of the potential of the small sector the products that are manufactured, the performance of the various enterprises and their capacities to fulfil orders .



in time. The small enterprises are to be informed of the market opportunities that exist and the type of products that would be required and are to be provided with the necessary contracts."

6.6. The Additional Secretary, Department of Industrial Development, informed the Committee, during evidence "There are three broad categories—cities and big towns; rural areas in districts and remote and inaccessible areas. There are areas like Assam and Nagaland and Arunachal Pradesh for instance. So far as the towns and big cities are concerned, there are no marketing problems. They have a ready market. The problem is for the other two categories. In the rural sector we encourage industries to be set up based on development of locally available raw materials which process the agricultural products locally and which can make use of locally available talents and skills. Marketing is not a serious problem under the criteria which we apply, namely, where they make use of local resources and talents and skills. Even for imported items, for instance, you have small units now manufacturing goods in demand locally. Take the case of umbrellas for instance Umbrellas have a market locally, though umbrella ribs may have to be imported. It is such things that we encourage in rural areas. Coming to the other areas which are really difficult and inaccessible, e.g., North Eastern area, J&K, there we have recognised that this assistance will not do. We must give something very special and we have introduced transport subsidy there. Fifty per cent of the cost of transport, both for bringing raw material and taking out finished products is available to them. Certainly the most of the industries which we encourage in these areas will be which have some local demand or raw material is available locally. For example fruit preservation in Tripura. There is no local demand and marketing assistance is absolutely essential. We will give half the transport cost for the raw material and half the transport for the finished canned goods from Tripura to Calcutta market. In Uttar Khand, this transport subsidy does not apply. It is Assam and J&K only."

6.7. The Secretary, Department of Industrial Development, intervened to state "The Ministry of Industrial Development, in trying to locate industries in these far-flung areas, see that an entrepreneur puts up that industry which has the advantage of either raw material or marketing facilities being available locally. You cannot put that man at par with the man at Delhi or near about it. Somebody has got to pay the cost of transport. If he does not pay, then the nation will have to pay if it has to be subsidised. The main point is that in remote areas industries can flourish only if they have the advantage of raw material or marketing facilities.

If they have got neither of these, the industry may not be able to compete with the people more advantageously placed. This is a basic fact. That is why, we have decided that we shall concentrate on developing industries in the area which has advantage of raw material or marketing facilities locally."

6.8. The Development Commissioner, Small Scale Industries added "We have conducted market surveys of about 260 items through our regional institutes of Bombay, Madras and Calcutta. Last year, we went to the Ministry to sanction new posts so that we could take up market surveys in all States. The posts have been sanctioned and recruitment is in process. We hope within six months we will be able to take up this work." "We have realised the need for a Central Marketing Corporation for the Small Scale Industries. We have realised the need for this and the NSIC opened a depot and to assist shoe-manufacturing artisans of Agra as a first step. Nearly 400 artisans were enlisted under the programme and the production of shoes was Standardised and a trade name JANSEWAK was given to them. Also shoes worth Rs. 3 crores were exported to Russia at that time. Later on the work was passed on to STC." He added "In fact, only a few days back, our task force report was finalised under the Chairmanship of Secretary, Department of Industrial Development, and we are contemplating to have a Market Corporation that will have to undertake this work."

6.9. The Committee note that Government of India had introduced a regular marketing assistance programme for the small scale industries early as 1956, and that there are several Government and other agencies which take keen interest in assisting the small scale industries for marketing of their goods in and outside the country. Besides, the Small Scale Industries Development Organisation has undertaken the programme of market surveys to help individual small entrepreneurs and also to collect market information regarding specific industries. The Distribution Aid Surveys are undertaken on behalf of the individual producers with specific problems and they attempt to find potential distribution outlets and to assess market acceptability for their products. Exhibitions which are followed by seminars on the products of the small scale industries required by large scale units are also arranged. The Committee, however, feel that there is still enormous scope for improvement in regard to the help now being given to the small scale entrepreneurs for marketing their products, in as much as market surveys in all the States have yet to be undertaken, as stated by the Development Commissioner, Small Scale Industries. They hope that this survey would be undertaken by the Small Scale Industries Development Organisation early and the results widely publicised for the use and information of the Small Scale Industries. This kind of market

survey should, in the opinion of the Committee be undertaken by the Small Scale Industries Development Organisation in association with the representatives of Small Scale Industries on a regular and continuous basis for the benefit of the small scale industries. Besides, close liaison needs to be established between the large and medium enterprises and the smaller units so that the small units can function as ancillary feeders to the large enterprises in regard to supply of components and parts.

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

### B. Export of Goods produced in Small Scale Sector

6.11. The Department of Industrial Development have informed the Committee, in a written note "The policy of according preferential treatment in issue of import licences to industrial units exporting 10 per cent or more of their production is continuing during the current licensing year, i.e. 1972-73 also. This has been done with a view to stimulating and enlarging the export effort mainly by units which are not engaged in the traditionally export-oriented industries. Large and small scale units which export 10 per cent or more of their production (engaged in either priority or non-priority industries) will be eligible for priority treatment in issue of import licences and for preferred sources of supply. During 1971-72 (uptill the end of February, 1972), 520 small scale units had applied for preferential treatment under the scheme. Of these 411 engaged in industries under the purview of the Small Scale Industries Development Corporation qualified for preferential treatment. These 411 units had produced goods worth Rs. 55.59 crores and exported products to the tune of Rs. 24.44 crores during the year 1970-71. In percentage terms the value of exports from these units constituted 44 per cent of their total output. The performance is to be considered better than that of the earlier year, when 447 small scale units which qualified for preferential treatment exported 34 per cent (Rs. 22.25 crores of their total output of Rs. 66.47 crores).

It may be seen from this that 5 units engaged in the manufacture of ready-made garments had accounted for 23 per cent (Rs. 5.54 crores) of the total export of Rs. 24.44 crores. This was closely followed by export of Rs. 2.60 crores by 13 units engaged in woollen-hosiery and knit-wear. Exports of processed food undertaken by

11 units was of the order of Rs. 1.88 crores. The other industries which contributed substantially to exports were iron and steel pipes and tubes, utensils and hardware and bicycles and parts. The later five production groups together accounted for another 37 per cent of the total exports.

An industry-wise comparison of exports of eligible small scale units reveals that there had been a decline in the value of exports in case of woollen hosiery and knitwear, EI tanned and chrome leather, fluorescent chokes and starters, hospital and surgical equipment and sports goods. However, this has been more than offset by the impressive gains in the volume of exports emanating from the units engaged in processed food items, iron and steel pipes and tubes, utensils and hardware, textile machinery and spares, machine tools, industrial machinery, electrical cables and wires, bicycles and bicycle parts, spectacle frames etc.”

6.12. A non-official organisation has informed the Committee, in a written memorandum “The Small Scale Industries are contributing nearly 40 per cent of the total industrial production in the country, manufacturing variety of items ranging from simple producer’s goods to sophisticated products and consumer goods. It is but appropriate that small industries should play their legitimate role in augmenting the foreign exchange resources of the country by entering into export markets. In view of the large range of product lines, a degree of sophistication achieved by them, small industries can, in majority of the cases, cater to export markets, both in developed and developing countries. It is, however, necessary to grant adequate incentives and give encouragement for this purpose. It is necessary to launch a special movement for the development of exports from the small scale sector. Unless integrated approach is made in this regard, it would be very difficult to achieve the desired results. The Sub-Committee on Small Scale Industries vis-a-vis Export Organisations, which was constituted by the Standing Committee on Export Promotion of SSI Board, have made a number of recommendations for streamlining the functions of the export organisations. It is necessary to take immediate steps to implement the recommendations. In order to give momentum to the exports from the small scale sectors, the Directorate of Export Promotion from the Small Scale Industries Development Organisation should select about 20 items in a year based on the export potential from the small scale sector and prepare a comprehensive programme of assistance to SSI Units. The Directors of Industries should help the SSIDO in identifying the units for the selected items and should encourage such units to take to export

production. The National Small Scale Industries Corporation should set up a National Export House as its subsidiary to undertake the actual export marketing of such selected items. The Organisations like Trade Development Authority should help the Units engaged in manufacturing such selected items by offering them various facilities. We regret to observe that the Export Promotion Councils have not made special efforts to promote the exports of the small industries products. At present, the majority of the Members of the Export Promotion Councils are from the Small Scale Units, but their representatives do not find place on their Managing Committee because of the rules framed by the Councils. It is, therefore, necessary to see that their constitution should be changed in such a manner that the Small Scale units are in a position to get themselves elected on the Managing Committees. Further, the representatives of the DS(ESI) and the Federation of Associations of Small Industries of India should be nominated on the Managing Committees of the Councils. It is only then the Export Promotion Councils will have understanding of the special problems of the small scale industries. The fees of the Export Promotion Councils should also be graded according to the capacity of the exporters to pay. However, voting rights to the small scale units may not be denied.

It is necessary to establish a special cell for small scale industries' exports in the Ministry of Foreign Trade under the charge of the Jt. Secretary. Further, it is found that the small scale industries have not derived much benefits from the Market Development Fund. We feel that it is, therefore necessary to earmark some portion of the Market Development Fund for small scale industries and the representatives of FASII should be nominated on M.D.F. Committee. If such integrated approach is made the small scale industries would definitely show a better performance in the export field also."

6.13. Another non-official organisation has informed the Committee, in a written memorandum "The Small Scale Sector in India is yet to make a significant contribution to the export trade of the country which, till recently, has been in traditional items like textiles, tea, jute products, skins and hides, etc. It is only in recent years that exports of engineering goods are beginning to take place but the role of the small units in this effort has still been little due to the many obvious difficulties they are faced in making exports. At present, the exports from small industries (Rs. 200 million in 1970) represent barely 5 per cent of the total exports from the country; in respect of non-traditional goods, the role of the small sector is greater. Export marketing is somewhat specialized and unless small firms are actively assisted by Government Agencies both in finance

and market information it would be difficult for them to undertake this business. Particularly, there is need for inculcating the awareness of quality control as many export transactions have suffered since the quality of goods exported was below par and not conforming to the specification agreed upon for those of the samples initially sent. There is, therefore, some reluctance on the part of large import houses abroad to deal with small exporters unless backed by a reputed export house or by a Government agency. There is perhaps scope for much greater exchange of goods amongst the developing countries themselves where there are vast untapped markets; although these are still low in per capita purchasing power, there is no doubt that as standards begin to rise, there will be a great demand for a variety of consumer goods which can be catered to by India. This requires close contacts between these countries and frequent exchange of visits between the business personnel so that a climate of confidence is built up.

*Advertising on Mass-Media:* Hardly any Indian products are publicized today on commercial radio or television in Europe. Mass-media, particularly television, have an enormous impact on motivating the European buyer. Undoubtedly, these are very expensive but a judicious use of these is inevitable, if we must match the marketing potential of our formidable rivals, both local and foreign. Besides well laid out advertisements should also be released in European technical journals periodically to keep the buyers in large manufacturing enterprise abreast of what India has to offer.

*Participation in Trade Fairs:* While it is being increasingly appreciated that representation in fairs and exhibitions overseas is very important for export promotion, our efforts in this direction have been either inadequate or unrewarding. In many cases either the representation has been very limited or the display of products poor and unattractive. Consequently instead of creating the desired impression, we have projected ourselves as producers of poor quality goods. "In Rome do as the Romans do" is an adage which we should bear in mind.

It is useless to participate in trade fairs abroad unless we have made careful preparations, decided on first-class displays on the spot by very competent personnel backed by first-class technical literature. Owing to the inadequacy of resources, the approach should be selective and participation done on a rotational basis in various countries with emphasis on displays.

*Catalogues:* Technical literature and catalogues play a key role

in attracting attention of potential buyers and disseminating the desired information. Besides giving exhaustive technical particulars, applications, etc., in a highly intelligible form, in various languages, the set-up must be eye-catching. Most small manufacturers pay little attention to this aspect and it is therefore suggested that the Export Promotion Councils should render professional assistance in this regard."

6.14 The Committee understand "Japan's industrial advance in recent years has been made possible through rapid expansion of exports of manufactured goods. The heavy and increasing investment in machinery and equipment has enabled the Japanese economy to increase its competitive strength internationally. The small scale business sector also has not been lagging behind; the products of smaller firms accounted for about 44 per cent of the total industrial exports in 1968. The above figure does not take into account parts, components and semi-processed products manufactured by smaller enterprises as sub-contractors to large scale manufacturers of machines exported to other countries. If such indirect export is also taken into account, the share of small scale, firm in the total export effort would be around 50 per cent.

Of late, many small scale firms in Japan have been handicapped in maintaining their exports because of increase in wages and consequent increase in their cost of production. The Japanese Government have come forward with a number of measures to improve the competitive ability and export performance of the small sector. These include establishment of Joint research centres for technology and designs, promoting joint brands and under-taking publicity in overseas markets.

Pre-shipment financing is being under-taken by commercial banks who extend loans to small scale exporters for production, processing and despatch of goods to be exported. Rediscounting facilities are offered by the Bank of Japan to the commercial banks on export advance bills. Medium and long term credits are extended by Export and Import Bank of Japan which is a Government financial institution. Such credits, as a rule, are given as loans to exporters for periods ranging from six months to 15 years. This particular facility acts as an incentive to small scale manufacturers of machines and equipment to export their products even on a deferred payment basis.

Simplification of procedures and forms relating to export certification and various other formalities is a continuous process and every attempt is made to do away with troublesome and time-consuming

formalities which are likely to discourage small scale manufacturers from exporting their products.

Export Associations are organised by exporters under the Export and Import Transaction Law, to carry out market research and advertisement in overseas markets and to maintain standards of quality, packaging and price for the export transactions.

It would be pertinent to mention that in Japan there are permanent special organs engaged in export promotion. For instance, the Japan External Trade Organisation (JETRO) whose head office is one of such Organisations for carrying out market research and publicity for export promotion. It is a fully Government financed organ, established in 1958. It also runs 24 Trade Information Centres in principal cities in Japan which offer trade information and assist exporters in their business. The overseas market research undertaken by JETRO has served a very useful purpose in export promotion by making a study of local economic trends, dealers' reactions, consumers' preferences for individual products, distribution channels etc. Trade information collected by JETRO overseas offices are distributed to smaller enterprises through their regional branches, Trade Information Centres and also the Small Business Promotion Corporation.

One of the draw-backs of the small scale manufacturers is their inability to take up design development. Development of new and better designs is a very important factor governing the competitive position of individual products in the international market. The Japanese Government have, therefore, come forward to assist the small scale exporters to improve their designs by lending the services of qualified designers. The Government also held exhibitions of products in new designs to create awareness among small enterprises about the need for better designs for the export market."

6.15. The Department of Industrial Development informed the Committee, in a written note "Though small industries are set up mainly to cater to local demand, many Small Scale Industries in India today manufacture a wide range of products to suit the requirements of foreign markets—from the under-developed and developing economies of African, countries to the economically developed and techno-logically advance countries like USA, Japan and Western Europe.

A study of 520 small scale units which applied for priority treatment in the matter of issue of licences from preferred sources of supply of the import of raw materials and components to the



CCI&E during the year 1971-72 revealed that of these, 411 units exported 10 per cent or more of their total production. These small scale units produced goods worth about Rs. 55.59 crores and exported goods worth about Rs. 24.44 crores during the year 1970-71. These units had thus exported 44 per cent of their production during this year. This figure of 24.44 crores does not include the spare parts and components supplied by small scale units to the larger enterprises which have been exporting products assembled from these components. Nor does this figure include the exports of those small scale units whose performance has been less than 10 per cent of their production. Therefore, there is an estimate indicating that the total export from small scale Industries in a year would be about Rs. 100 crores including sports goods, leather products, footwear etc.

The Small Scale Industries Development Organisation is concerned mainly with undertaking promotional activities for export development in the small scale sector. This organisation has a network of Small Industries Service Institutes, Branch Institutes and Extension Centres spread all over the country. An Export Promotion Directorate has also been set up recently in this organisation to look after promotion activities of small scale sector. The export promotion activities of this organisation consist, *inter-alia* of identification of export-worthy units and products in the small scale industries, identification of markets with export potential, rendering export training and consultancy services, dissemination of overseas market information, participation in exhibition and trade fairs abroad etc.

The Government of India have set up Working Group 'J' for export production planning of small industries products. The Development Commissioner, Small Scale Industries is the Chairman of this Group. The Group has been entrusted with the task of planning the export production of selected small industries both at the macro and micro levels.

The Small Scale Industries Board has also set up a standing Committee on export promotion for Small Scale Industries to study the problems experience by small scale industries in their export efforts, and to make suitable recommendations to the eliminate them. This Committee is making a detailed and intensive study of such aspects as export development in industrial estates, formulation of export marketing groups, problem of raw materials for export production, role of various organisations in export of small industries products,

sponsoring study teams to foreign countries and inviting foreign teams to India.

The programmes of work for the Fourth Plan includes such export promotion schemes as setting up of Trade Centres in the country, sending delegations, publication of export literature, setting up of a Demonstration-cum-display centre at Osaka (Japan) etc.

The actual marketing of small industries products to foreign countries is not undertaken by this organisation. There are however, a few organisations in the country which assist the small scale industries in actual marketing of their products to foreign countries. These organisations are State Trading Corporation, Trade Development Authority, National Small Industries Corporation and State Small Industries & Export Corporation. Small Scale Industries Development Corporation recommends to these organisations the names of the export worthy units for rendering assistance in the actual export of their products."

6.16. In regard to publicity of Indian products on commercial radio or television in Europe, the Secretary, Department of Industrial Development agreed during evidence with the allegation that hardly any Indian products were publicised today on commercial radio or television in Europe. Giving reason for it, he stated "The cost of commercial service in Europe and America is so prohibitive that on account of our foreign exchange constraints and even constraint of money we have not been able to use these media. In fact, even in America and Europe, only very large companies or groups of companies are not able to make proper use of these facilities of Radio and TV advertisements. So, what we are doing is, we are preparing to open a trade centre in Osaka in Japan specially for the small scale sector. The purpose of the Centre (Demonstration-cum-display Centre) is mainly to bring to the products, particularly the small scale producers, in touch with the buyers abroad. The TDA has also taken up certain items like sports and electronic goods, in its first round of activities, and the small scale units in India are in touch with the buyers abroad through TDA. Then, there are trade fairs which are held within the country and abroad, where we take a share for the small scale industries. We are also sending our delegations of small scale industrialists to foreign countries. But there is certainly scope for increasing it."

6.17. The Committee note that the Government policy of accord-  
ing preferential treatment in issue of import licences to industrial units exporting 10 per cent or more of their production, is continuing during the current licensing year, i.e., 1972-73 also. They understand

that this has been done with a view to stimulating and enlarging the export efforts mainly by units which are not engaged in the traditionally export oriented industries and that large and small scale units which export 10 per cent or more of their production (engaged in either priority or non-priority industries) will be eligible for priority treatment in issue of import licences and for preferred sources of supply. They are also happy to note that 411 units of small scale industries produced goods worth Rs. 55.59 crores and exported products to the tune of Rs. 24.44 crores during the year 1970-71. The Committee, feel that in view of the large range of product lines, and a degree of sophistication achieved by them, small scale industries can, in the majority of the cases, cater in much larger way to export markets, both in developed and developing countries. It is but appropriate that small scale industries should play their legitimate role in augmenting the foreign exchange resources of the country by entering into export markets in a big way. To achieve the desired result in regard to increasing exports from the small scale industries it would be necessary to make an integrated approach and a concerted effort by all the organisations concerned with export, by providing special incentives to the small entrepreneurs so as to encourage them to export more and more.

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

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

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

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

6.21. The Committee note that the Japanese Government have come forward with a number of measures to improve the competitive ability and export performance of the small scale sector. These include establishment of joint research centres for technology and designs, promoting joint brands and undertaking publicity in overseas markets. Pre-shipment financing is being undertaken by commercial banks who extend loans to small scale exporters for production, processing and despatch of goods to be exported. Rediscounting facilities are offered by the Bank of Japan to the commercial banks on export advance bills. Medium and long term credits are extended by Export and Import Bank of Japan which is a Government financial institution. Such credits, as a rule, are given as loans to exporters for period ranging from six months to 15 years. This particular facility acts as an incentive to small scale manufacturers of machines and equipment to export their products even on a deferred payment basis. Besides, the Japanese Government have come forward to assist the small scale exporters to improve their designs by lending the services of qualified designers. The Government also held

**exhibitions of products in new designs to create awareness among small entrepreneurs about the need for better designs for the export market. The Committee would like Government to study the facilities extended by the Japanese Government to small scale industries in the matter of export promotion and see to what extent these facilities can be provided to the Small Scale Industries in India to boost up their exports.**

### **C. Quality Control and Testing facilities**

6.22. The Minister of Industrial Development and Science and Technology in his presidential address at the Thirtieth meeting of the Small Scale Industries Board held on the 20th September, 1972, observed *inter alia* "The quantitative growth of the small scale sector, as all of us will admit has not been matched by adequate attention and concern for quality. In an increasing competitive situation where the sellers' market for many goods is being replaced in India by buyers' market the small scale sector can compete with larger units only if it is thoroughly informed by a sound and sustained concern for quality. We cannot expect either the economy or the private consumer to tolerate for any significant length of time continued protection to units if prices, deliveries and quality are not fully competitive. Further more, the products of the small scale sector should be able to hold their own not only in the domestic market but also to an increasing extent in export trade. All these considerations highlight the need for quality control and uniformly high standards throughout the sector. We propose to set up four regional testing centres at Delhi, Madras, Calcutta and Bombay for testing the products manufactured by small scale units as also their production processes. There will be room for more such testing centres and facilities in other parts of the country as well. Apart from these facilities being provided by Government, I would urge the need for a much larger degree of regulation by small scale industrialists themselves. It will be necessary for the more enlightened and socially responsible members of the community of small scale industrialists to evolve norms and codes of conduct which small scale entrepreneurs as a whole can adopt and implement. This is the only way in which we can generate a competition in quality as also a growing insistence on the part of the consumers for good performance."

6.23. A non-official organisation has informed the Committee, in a written memorandum "Export marketing is somewhat specialised and unless small firms are actively assisted by Government Agencies both in finance and market information, it would be difficult

for them to undertake this business. Particularly, there is need for inculcating the awareness of quality control as many export transactions have suffered since the quality of goods exported was below par and not conforming to the specification agreed upon for those of the samples initially sent.....”

6.24. The Chairman, Small Scale Industries Wing of the All India Manufacturers' Organisation stated during evidence “The first thing is the availability of the raw material at international price as per the standard specification. Today, I am able to get the required raw material and according to the international price and standard specification. But tomorrow if I get the same raw material from the canalised source or other source and if the quality of the material and standard are not the same as those of previous ones, then I cannot maintain the quality of the goods, with the result that I cannot meet the production capacity of my industry because of the high price of the raw material and the international competition. Secondly, it is very difficult for every small unit to maintain the Research and Development Laboratory for testing the raw material and the goods produced and until and unless the Government makes available this kind of facility to the small scale industries at nominal cost, it will be very difficult to maintain the quality of goods at par. Otherwise, the small units cannot thrive. Just like the larger units which maintain Research and Development Department, it is very essential for the smaller units to have this facility so that the goods to be exported can be of good quality and this can keep the image of the Indian goods abroad. Small Units cannot afford to maintain the Research and Development Laboratory. It is beyond their means.” It was added “There exists a mechanism in the shape of free ship inspection by the Government of India. They have created an agency and they have laid down that all exports must be inspected. The goods are sealed, stamped and then only they are exported. This ensures that only quality goods are exported. Otherwise, they will not be allowed to be exported. I think there has been no complaints during the last one year when this free inspection rule has come into force.” He also stated that testing facilities were necessary for quality control and in almost every State there was a Small Industries Service Institute but they were not equipped for testing, for the benefit of the small scale industries which have to go to private testing houses which also do not have facilities for testing every material.

6.25. During evidence, the Secretary, Department of Industrial Development stated “Some of the States have already introduced a fairly wide range of quality control schemes. In U.P. this scheme

has been operating for the last 15 or 17 years. By now they have covered a large number of commodities. They have a quality mark and that ensures good quality. Several States have got quality marking schemes. We have also a scheme for four regional test houses for the small scale industries. With the setting up of these test houses, the testing facilities would improve and there will be no difficulty."

6.26. In regard to testing facilities the Development Commissioner, Small Scale Industries stated, during evidence "In addition to the existing testing facilities, we have already proposed 4 regional testing laboratories to test various small scale industrial products. Finance has nearly approved and very shortly we will take action. Then we will look after the testing of these products regionally at a nominal rate."

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

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

6.29. While noting the useful role that the Central Small Scale Industries Organisation has played in the development of the small scale industry, the Committee feel that the position needs to be reviewed urgently so as to provide services which are now required by the small scale sector because of the technological advance and the recent trends in industrial development. This review would help to bring out the directions in which the Central Small Scale Industries Organisation needs to be strengthened so that it can continue to act really as a friend, philosopher and guide to the small-scale units and contribute towards the development of the industry in the right direction. What is needed in the Committee's view is strengthening of quality of service rather than of numbers. The Committee need hardly point out that with the passage of time the requirements of small scale units have shifted from elementary needs to those of expert assistance in technological fields. It is only when the Small Scale Industries Development Organisation has engineers and technicians of high calibre and eminence with practical experience that their service would be welcomed genuinely as an aid towards development.

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

#### D. Purchase of stores by the Central Government Organisations

6.31. The Department of Industrial Development have informed the Committee, in a written note "The Small Scale Units eligible for participation in the Government Stores Purchase Programme are enlisted by the NSIC for the supply of different stores on the advice of the Small Industries Service Institutes under the SSIDO. The Institutes have to investigate the technical and financing capacity of the Small Scale Units for production of different stores re-



quired by DGS&D and recommend them for enlistment with the Regional Liaison Office. No security deposit is called for from the units whose tenders are accepted and whose competency to study the stores in question is certified by the NSIC on the recommendation of SISIs."

6.32. A non-official organisation has informed the Committee, in a written memorandum "A scheme to assist the small scale entrepreneur to participate in the Government stores purchase programme was conceived in the year 1956. The object behind the scheme was to help the small scale entrepreneurs to find a single largest buyor of the manufactured goods in the Central Government. It was the scheme aimed at ensuring equitable access of the Government orders by the small scale entrepreneurs. The small scale industries which faced a number of handicaps compared to large scale industries badly needed this fillup. Yet another object behind this scheme was to encourage the small scale sector to purchase quality goods in conformity with the standards laid down by the buying agencies. This scheme has worked well through the NSIC.

Another aspect which deserves a detailed consideration is that the the indigenous stores purchased by the DGS&D from large scale as well as from small scale from the year 1957-58 to 1966-67 did not encourage the small scale sector as the share of the government purchases going to small scale sector increased negligible from 1.7 per cent in 1957-58 to a little less than 4 per cent in 1960-61 and yet to a very low figure of 6.5 per cent in 1966-67. This means that the small scale sector, which contributes 1/3rd of the total goods manufactured in the country, could obtain only 6 per cent of the total value of orders placed by the Government. Hence there is a need for further strengthening the assistance programme for the participation of small scale sector in the government purchases. One solution to increasingly plan the government purchases on small scale sector would be to reserve 30 per cent of the total stores required by the government for exclusive purchase from the small scale sector. In case it is found that it would be difficult to earmark 30 per cent of the stores to be purchased from the small scale industries, the alternative can be found in strict adherence to the 15 per cent price preference. The very fact that the provision of price preference, which was conceived as an integral part of the government stores purchase programme, has remained unworkable requires certain amount of rethinking on this matter.

In spite of the Government's intention to accord a reasonable price preference to small scale units upto a maximum of 15 per cent

to enable them to secure an appreciable share of the government orders, the actual value of orders decided on the basis of price preference has been negligible in terms of percentage being about 0.08 per cent of the total orders on the small scale units. The lack of implementation of price preference clause is primarily due to unwillingness of the indenting officers to make the purchases from the small scale sector at a premium. It would thus be seen that while in all other spheres the Government is trying its best to encourage the small scale sector, in the matter of helping the small scale units to market their goods, the Government have failed to effectively launch a comprehensive programme. It is necessary that the price preference "is granted automatically to the small scale units. This is necessary looking to the fact that only about 10 per cent of the small scale units in the country are participating in this programme and only in case of 0.08 per cent the price preference is being allowed by the indenting officers. The situation calls for a rethinking on the whole subject and for annual appraisal for the steps taken to help the small scale units in marketing their goods."

6.33. During evidence, the Secretary, Department of Industrial Development stated "There is a list of items which are reserved by the DGS&D for purchase only from the small scale industries. It consists of 192 items and the purchases, in respect of these items, run at the moment, to the order of Rs. 85 crores a year... As the requirement for those items goes up, more will be purchased. The list is also likely to be revised and some more items might be identified as being available in sufficient quantity at reasonable prices in fairly good quality from the small scale sector."

6.34. The representative of DGS&D stated, during evidence "Our purchases are made under 4 broad categories mainly—(i) items which are purchased from large scale units only, (ii) items which can be purchased from large scale units but there is a possibility of large scale units buying their ancillaries and components from small scale units, (iii) items which could be purchased both from large scale as well as small scale units and (iv) items which are reserved for purchase exclusively from small scale units... At the time of last examination of this subject by the Estimates Committee, the list of exclusively reserved items stood at 147. Since then, we have added considerable items to this list and it stands at 192 as on 26-10-1972. The Development Commissioner decides on the item for consideration and it is examined from the technical angle by our Inspectorate and there it is placed before the *ad hoc* Committee presided over by the Secretary of our Ministry and decisions are taken in consultation with the indentors like Defence,

Railways and other users departments whether such an item is acceptable to them, out of the manufacturers in the Small Scale Industries, particularly with regard to quality.... We have to go for the items for which indents are placed on us and to that extent purchases have to be restricted to such items only. Again certain items or heavy items have necessarily to be bought from the large scale units like cement, vehicles, heavy machinery, oils and lubricants; all these have necessarily to be bought from the large scale sector. For a comparative examination the purchase figures for the four years from the small scale sector are—1968-69 the purchase was about Rs. 29 crores in 1969-70 it went up to Rs. 32 crores; in 1970-71 to Rs. 42 crores in 1971-72 the figure was Rs. 86.29 crores. The complaint that the price preference is not being given to the small scale sector is very often raised; but as far as the reserved list is concerned there is no question of giving any price preference because it is competition between one small scale industry and the other. Further, there are many categories of items which, our experience shows, the small scale industry is able to compete very favourably with the large scale and as such no price preference is necessitated. There are few cases where they have been higher." In regard to 15 per cent preference in Government procurement, he stated "It is fully implemented and no case of passing over any firm without price preference has come to our notice nor DCSSI has brought this to our notice." The Deputy Director General, DGS&D further stated "As far as Railways are concerned, they can buy upto Rs. 50,000 on their own, but all the Central Government Departments have necessarily to place bulk orders on the Central purchase organisation. The Railways purchased through DGS&D goods worth Rs. 100 crores but directly they buy much more."

6.35. The Secretary of the Department of Industrial Development, intervening, stated "Sir, you have made a very important point, viz., the question of preference to be given to the small scale industries where a department like the Railways, P&T and Defence make direct purchases instead of going through the DGS&D. This is an important point and we shall certainly take it up with the Departments concerned and we shall try to address them to give this 15 per cent price preference to the Small Scale Industries."

**6.36. The Committee note that the value of purchases made by the Director General of Supplies and Disposals from Small Scale Industries rose from Rs. 29 crores in 1968-69 to Rs. 86.29 crores in 1971-72. They further note that 192 items are reserved by the DGS&D for purchase exclusively from the Small Scale Industries**

and that for items which could be purchased both from large scale as well as small scale units, a price preference of 15% is given to the Small Scale Units. The Committee have been informed that there is no strict adherence to the 15% price preference by all Government Departments. It has been admitted by the DGS&D that Departments like the Railways, P&T and Defence, make direct purchases also instead of going through the DGS&D. The Committee are strongly of the view that there is need for strengthening the assistance programme for the participation of small scale sector in Government purchases and strict adherence to the 15% price preference for all Government purchases including purchases made directly by Departments without going through the DGS&D. It is also necessary that the public undertakings and the State Governments give the specified price preference to small scale industries while making direct purchases. The Committee would like the Government to take effective measures to see that all Central Government Ministries and Departments and public undertakings give the necessary price preference to the Small Scale Industries for all purchases made by them including direct purchases. Government should also examine the feasibility of persuading the State Governments to give price preference to the Small Scale Industries in respect of the purchases made by them.

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

#### E. Technical Advice and Training

6.38. The Department of Industrial Development have informed the Committee, in a written note "Technical Advisory Service, which is the most important item in the programme of development of small industries, aims at providing complete technical services to small scale industries, so as to upgrade the skills of workers, increase their productivity and wages, impart knowledge about the use of proper raw materials, improve the quality of goods produced and, thus, strengthen the competitive position of the small scale units. Technical advice is rendered in various forms and includes (i) on-the-spot advice in the factory to solve technical problems, and (ii) advice at Small Industries Service Institute's office regarding technical problems advice on the scope of starting new industries, etc.

*Mobile Workshops.*—Mobile Workshops fitted with modern machines and tools operate in rural areas for giving training and imparting technical knowledge to village artisans. Besides demonstrations, artisans are also given training in the use of various machines and various techniques of production.

*Designs and Drawings.*—Another important component of technical assistance is the preparation of designs and drawings. This work has two aspects, viz., (i) preparation of designs for machine tools, dies, jigs and fixtures; and (ii) preparation of product designs. Layout plans for the workshops are also prepared so as to ensure that new workshops are properly planned. Improved product designs are prepared by studying consumer demand, functional values, aesthetic appeal and manufacturing capacity of the producer. This work is done mostly in the Industrial Design Cell of this Organisation located at SISI, Okhla, New Delhi.

*Technical Literature.*—As part of technical assistance, various items of technical literature are also being produced. The most important in this series is the model schemes containing information on requirements in respect of land, building, machinery and equipment, staff, raw materials, working capital, cost of production and estimated returns for a product which can be taken up in the small scale sector. The SISIs also prepare, for the guidance of entrepreneurs technical bulletins. These are distributed to small industrialists either free or at nominal cost.

*Assistance to State Governments.*—In addition to technical assistance to small scale units, the SSIDO assists State Governments, Planning Commission and other Government Departments in examining schemes prepared by them for the development of small scale industries. It was found that on an average about 1000 such schemes are prepared and/or scrutinised every year, all over the country.

*Common Facility Service.*—The workshops attached to SISIs and Extension Centres function as common facilities centres for the benefit of small industrialists who avail of these services are charged a nominal fee depending upon the nature of the work.

*Managerial Service.*—Small Scale Industrialists generally cannot afford to employ professional managers specialising in different aspects of industrial environments and engineering trades. With a view to improving the technical and competitive status of small enterprises and to enable them to keep in touch with the latest

developments in technology, country-wide management/training and consultancy services have been organised by the Development Commissioner, Small Scale Industries.

*Integrated Plant Studies.*—Under this programme where the consultancy work is of more intensive nature, a particular small unit is selected for detailed techno-managerial analysis of the problems of the firm. A group of officers specialising in finance, economics of production and marketing and also technical process in question, visit the unit for a thorough analysis of all the problems faced by the unit.

*Economic Intelligence Service.*—The need for economic surveys and investigations is basic in any programme of development of industries and the Small Industries Development Programme in India has given a high priority to economic surveys and investigations. These surveys are intended, on the one hand, to guide planners and administrators in the correct formulation and effective implementation of the small industries development programme and on the other to assist small entrepreneurs and potential investors in making right investment decisions. There has been an increasing demand for various types of surveys and investigations and this itself is an index of the growing appreciation, both by Government and private agencies, of the usefulness and importance of these surveys. The surveys undertaken by the Organisation of the Development Commissioner (Small Scale Industries) are of different types, as detailed below:—

- (i) Industry Surveys
- (ii) Area Industrial Potential Surveys<sup>o</sup>
- (iii) Market Surveys
- (iv) Evaluation Studies
- (v) *Ad hoc* enquiries for supply of Economic Information.

*Economic Information Service.*—Industrialisation is still in an incipient stage in this country and we have to make rapid strides in this field to deal with the problems of unemployment and to ensure a reasonably high standard of living for the growing working force. There is no dearth of people willing to be engaged in industrial activities, but their ignorance and unfamiliarity with the subject has made it obligatory on the part of the Development Commissioner's Organisation to provide information relating to production, marketing technology, etc. at a short notice.

Economic Information Service run by the Small Industries Service Institutes and the Office of the DC(SSI) aims at providing actual manufacturers and interested entrepreneurs with information relating to particular industries or fields in which they are interested."

6.39. In regard to training programme, the Department of Industrial Development have informed the Committee in a written note "With the advancement of science and technology, the skills required for their application became more and more multifarious and intricate. Further economic reconstruction through industrialisation called for trained manpower and hence sustained efforts were made to build up and strengthen the institutions for technical training. At present there is practically no field in which training can be considered superfluous and nowhere it is more important than in industry.

Unlike large industrial enterprises which can afford to hire the services of skilled workers, efficient managers and consultants, the small enterprises with their limited resources have to depend mostly on assistance from the Government in getting their workers trained in production and management techniques. Often the small industrialists have to employ raw hands and train them in their own way and such training is generally found to be inadequate and inappropriate. As a result, labour becomes unproductive and lack of management expertise reflects on the quality and volume of production in such small enterprises.

The training programme of the Small Scale Industries Development Organisation contributed substantially to the development of the small industry sector. A comprehensive programme of Management and technical training was drawn up so as to upgrade existing skills and to create new skills conducive to efficient production and sound management of small enterprises.

*Training conducted by SSIDO.*—When the SSIDO launched its training programme, the small industry movement was in its infancy. The skill of the workers employed in small enterprises was found to be inadequate and required to be improved. The technical training in the initial stages was, therefore, confined to basic trades like blacksmithy, carpentry, leather working, machine shop practice, etc. With the growth of small industries the training programmes were geared to meet the new needs of the small industry and training was started in trades like manufacture of sports goods, glass

graduation, Neon and glass signs etc. Technical Training courses are conducted in almost all the workshops at the SISIs and Extension Centres all over India.

Training in management conducted by the SSIDO was originally directed to impart basic managerial skills required to run a small industrial unit. The main areas of Management training, therefore, were accountancy, elementary costing, material handling, production, marketing and financial management. Subsequently advanced type of management training in subjects like work-study techniques, financial control, budgeting, costing, control personnel relations, etc. were taken up. Special courses are now being conducted in entrepreneurship covering such subjects like selection of suitable small enterprises, preparation of project reports, cost reduction, waste elimination, cost control, financial, marketing and production management etc. to make technically qualified persons suitable for establishing small enterprises.

Training programmes organised by the SSIDO are different than those organised by the regular training institutions. In this organisation training is imparted by the officers who also render consultancy service to the small scale industries. Therefore, training is not only practical but also is closely related to the working situations and problems faced by the small scale industries. In all training programmes of the SSIDO reputed guest speakers, drawn from various industries, trade and specialised institutions, are also invited to give lectures on specific subjects based on their intimate and practical knowledge of the modern techniques of production and management in certain specialised fields. Use is also made of visual aids and case studies, factory visits, group discussions and seminars are also arranged for encouraging mutual discussions and exchange of views. At present appropriate Management training courses are conducted by competent staff in all the Small Industries Service Institutes of the SSIDO throughout the length and breadth of the country.

*Management Training.*—Training course in management aim at imparting knowledge of the basic principles of efficient management of men, money and material and of effective marketing. Small industrialists or their nominees preferably managerial staff are eligible to attend the management training courses which are conducted by the Small Industries Services Institutes in the evening at the .SISI's at various places all over India.



There are three types of training courses as detailed below:—

*Industrial Management Appreciation Course of 10 weeks duration.*—The subjects covered in the Appreciation Course include introduction to management studies, production management, cost and budgetary control, purchasing and inventory control, introduction to marketing management, advertising and publicity, and the essential elements of industrial, labour and commercial legislation.

*Specialist Courses.*—The specialist courses, each course of four to six weeks duration are intended to give a better appreciation of the four fields of management, namely:—

- (a) Financial management and cost accounting;
- (b) Production management;
- (c) Marketing management; and
- (d) Export marketing.

*Ad hoc Courses.*—Special short term courses on specific aspects of management like inspection, quality control, work simplification, cost control, production planning and control, product development, etc. are conducted at the request of a small industrialists in a particular area. The contents and duration of these courses are decided on the basis of specific requests.

In the Technical Training Courses, SSIDO has trained more than thirty-six thousand persons so far. Similarly in the Management Courses more than thirty-two thousand supervisory and managerial persons have been trained.

*Industrial Entrepreneurship Training.*—In order to reduce the unemployment problem among the qualified young engineers and technicians, a country-wide programme for training the young engineers in industrial entrepreneurship has been started as a part of the promotion measure by the Government. Qualified but unemployed engineers and technicians are admitted to these courses and they are provided with up-to-date information regarding the various procedure and rules for setting up a small scale industry. They are assisted in selecting suitable items for production and in making a project for the manufacture of the same. The role of various agencies assisting the development of small scale industries and the facilities available from them are also explained to them. The basic principles of sound management of small enterprise in the field of Financial, Production and marketing management are also covered in the course of training. The participants are required to conduct

inplant studies of selected enterprises with a view of applying the knowledge of management techniques in the actual industrial situations. The trainees are also taken to various industrial units in towns where there is concentration. This gives them an idea of the industrial progress in various States.

The SSIDO has during the last two years trained 1743 Engineers and technically qualified persons in these entrepreneurial courses. A monthly stipend of Rs. 250/- is paid to each participant of these courses, which are of 3 months duration each.

The President, Federation of Associations of Small Industries of India informed the Committee, during evidence "Actually, Small Industries Service Institutes did really play a very important role about 10 years back. The people who have been created by SISI have advanced so much, but SISI is staying where it was so far as technological advance of business and management techniques are concerned. Today, if the SISIs I were to give technical assistance, it is rather a difficult matter. SISIs' have got to be energised and it must have new blood. In each State there is a Director who has been there for the past 12 or 15 years. He must have a Committee of technocrats who would be in a position to advise him. None of the SISI Directorates has got an electronic expert or even a plastic expert. So, their staff must be very much strengthened with intelligent people, but such people will not come on the salary that is offered now. That is also a point."

6.40. The Secretary, Department of Industrial Development stated during evidence "Last year we took up this very proposal to strengthen the SISI staff and after much discussion with Finance, we have been able to get sanction for 240 more posts in various SISI's in the country. We are in the process of selecting and filling up posts; about 30 or 40 have been filled up, rest are in the process. In next 3 or 4 months we will complete this work... There are paucity of resources in terms of money and manpower and to the extent they are available we are attending to this problem."

6.41. The Development Commissioner, Small Scale Industries stated during evidence "In 1955 when the Small Scale Industries Organisation was set up, it was to give extension service to the people. Consultancy is a sophisticated term. In the small scale sector, we prepare the model scheme; we give the lay out and the production technique. In addition to that, we send our people to conduct some inplant study. We have published 138 studies. Because our services are free, many people think it is not of quality service. The mere fact that 18,000 units are coming up every year shows that we are doing something constructive. But here we are

not thinking on the scale of a large-sector industry like a steel plant where the consultancy report may run to 450 pages. Here a foundry forge plant report will be in two pages. We give them training also. . . . In future we are going to levy a charge." He added "While the CSIR charge 100 per cent for the large scale units they give a discount of 33 per cent for the small scale units; but for the help of the Electronics Institute in Pilani, the small scale units, in electronics, would not have come up."

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

6.43. The Committee agree with the view that unlike large industrial enterprises which can afford to hire the services of skilled workers, efficient managers and consultants, the small enterprises with their limited resources have to depend mostly on assistance from the Government in getting their workers trained in production and management techniques. The Committee note that the Small Scale Industries Development Organisation is undertaking training programmes on various aspects of the small scale industries for the benefit of the employers and the employees of the small scale

sector. The Committee, however, felt that there is further scope for improvement in the field of training to cover more sophisticated fields like electronics, plastics etc., and they recommend that urgent steps should be taken by Government to augment their training programme to cover the latest techniques.

## CHAPTER VII

### SMALL SCALE INDUSTRIES DEVELOPMENT ORGANISATION

7.1. A non-official organisation has informed the Committee, in a written memorandum "It is our considered opinion that the organisational set up of the Office of DC(SSI) in the small scale industries requires to be given a fresh look. The Development Commissioner's organisation to look after the growth of small scale industries whereas the responsibility of the industries in the organised sector is that of the Director General of Technical Development. The DGTD is of the rank of Additional Secretary in the administrative set up, and we feel that the post of the Development Commissioner (SSI) should also be up-graded on par with the DGTD. This is necessary taking into consideration the importance of the small scale sector and the magnitude of its problems. The DC(SSI) right to be given more powers."

7.2. The Secretary, Department of Industrial Development stated during evidence "I am personally not aware of any sort of draw-back or any deficiency in the powers of the Development Commissioner of Small Scale Industries except where the States are concerned, he has got to work by persuasion and not by any legal power or legal authority that he yields over them; but the States realise that the Development Commissioner is a very high-powered officer who is there to help them and, therefore, they voluntarily agree to be guided by him, to take his advice and to take his suggestions for improving the pattern of small scale industries in their States. I am not particularly aware of any difficulty which the Development Commissioner may be feeling in the exercise of his powers. If there is any deficiency, if there is more power to be given to him we shall be happy to give it to him."

7.3. The Development Commissioner, Small Scale Industries, however, suggested that there should not be any difference between the Director General of Technical Development and the Development Commissioner of the Small Scale Industries.

**7.4. The Committee note that the Development Commissioner Small Scale Industries who looks after the growth of Small Scale**

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

7.5. A non-official organisation has informed the Committee, in a written memorandum "At the central level although the Small Scale Industries Development Organisation (SSIDO) is responsible for the development of small scale industries, it is not the sole authority to determine the policy with regard to certain types of industries. For example, Petro-chemicals based industries, Electronics, Food preservation etc., wherein the dominant voice has been of the concerned ministries. We regret to note that there has been a tendency among the various Ministries to work in isolation and claim for dominant voice in the decision making. Thus the Small Industries Development Organisation is not in a position to play its effective role in these types of industries. This has obviously worked to the disadvantage of the small scale sector. While we have no objection in principle for the Ministries concerned to have a major responsibility for policy making, so far as the small scale sector is concerned, it is necessary that the Small Scale Industries Development Organisation should be recognised as the only agency for the formulation and implementation of policies. In order to sort out the administrative bottlenecks and problems, a Standing Committee of all the concerned Ministries may be set up to be taken by such a Committee should be binding on all concerned authorities. The promotional and developmental aspects concerning the small scale sector should remain with the Small Scale Industries Development Organisation and the DC (SSI) should be given necessary powers for implementation of the policies and programmes."

7.6. During evidence, the President of the Federation of Associations of Small Industries of India stated "The Government creates certain Committees for making recommendations on which officials are there, representatives of various small scale industries are there; but when they make the recommendations, they are never implemented. The recommendations go to the Finance Ministry or the Ministry of Foreign Trade or some other Ministry and get bogged down there. In the United States, in the case of small business administration, the Head of the Organisation is the President of the

United States himself and whatever decisions are taken they should be as good as those of Ministries. But here what happens is that the recommendatoinis made by various Committees after putting in elaborate work are not implemented. We want certain authority who would be in a position to take decisions quickly to the various Government Departments and Ministries and make it a fait accompli."

7.7. The Chairman, Small Scale Industries Wing of the All India Manufacturers Organisation stated during evidence "The various Small Industries Service Institutes, the various production centres which are within the jurisdiction of the Small Industries Development Organisation, do not coordinate with each other with the result that the delays are taking place. We have our (AIMO) branches all over India and our members from each State have been writing to us for pursuing their cases with the Small Industries Development Organisation at New Delhi and approach the Development Commissioner, because they are not getting satisfactory replies." The witness added "The small entrepreneur wants, across the table, that it should be decided, whether he is in a position to set up an industry or not. But when it is decided and when he starts an industry, after six months, somebody says you cannot get power and after a year, somebody says you can not get raw material and like this so many difficulties come up. Therefore, I feel that there is not much of coordination amongst so many agencies." He, however, suggested that the Development Commissioner, Small Scale Industries should be given authority to issue permits, raw materials etc., so that he does not act like a post-office only; but he should be responsible for the execution of the Schemes for the development of the Small Scale Industries.

7.8. The representative of the Department of Industrial Development stated "If the whole programme is seen, it will be found that we hold meetings with Ministries, with Directors of Industries whenever they come for the Licensing Committee meetings, we make visits to State Governments and others and through correspondence also we try our best to see that the States are able to follow the programme for the Small Scale Industries in the manner we want it. The second thing which we are doing is giving institutional support through SISI. NSIC also has done well and its work has already reached at least a minimum of Rs. 12 crores a year. On the one side we give preliminary push to the programme of locating entrepreneurs, giving them in-service training facilities and consultancy services so that they are able to locate the type of industry they should take up. At the financing stage, we, with the bank-

ing institutions, are trying to see how finances could be made available. The third stage is the stage where infra-structural facilities are to be provided. What we have done is that we have provided certain facilities to certain backward States. In regard to marketing also, we are laying emphasis on ancillaries, we are getting the best centres established and quality control established.....There is, however, certain Constitutional difficulty. We cannot go into the province of States and get the whole thing started."

7.9. The Secretary, Department of Industrial Development stated "The huge task of developing industries in the large and small scale sectors in this very large country of ours cannot be managed by just one agency or one organisation alone without having full cooperation from (a) other Ministries concerned in the Government of India and (b) State Governments. The fact of the matter is that the State Governments are as anxious as, if not more than, the Central Government to have a wide dispersal of industries and to encourage small scale, medium scale and large scale industries in their areas. Therefore, their cooperation is rightly forthcoming and there is no difficulty. I would also like to mention that we have recently started a system in our Ministry of having regional meetings with the State Governments and their Industries Departments and Directorates of Industries.....By this system of exchange of thought and finding out what their difficulties are and how we can meet them, I hope that we shall be able to organise a system which will help us to develop that region and to achieve what has been laid down in the Industrial Policy Resolution in regard to the development of Small Scale Industries."

7.10. The Committee note that although the Small Scale Industries Development Organisation is responsible for the development of small scale industries it is not the sole authority to determine the policy. They also understand that quick decisions are not taken by Government on the recommendations of the Committees appointed by them and there are delays in implementing the decisions. The Committee are convinced that if the development of the Small Scale Industries has to take strides in this country to meet the present challenge of unemployment an economic development, the decisions of the small scale Industries Development Organisation should receive greater attention by all Ministries/Departments concerned.



## CHAPTER VIII

### CONCLUSION

8.1. The development of small scale industry is one of the best suited instruments for decentralised development and growth, encouragement of new entrepreneurs, channels of employment and in general, contribution towards the growth of economy as a whole. The pre-requisites for the development of small scale sector are formulation of a realistic policy to ensure that the principles laid down in the Industrial Policy Resolutions are implemented in letter and spirit. Infra-structures including availability of power is developed. Dependable means of communication, trained manpower, allocation of raw-materials, linking of small scale industries with medium scale and larger units particularly those in the public sector, expansion of credit facilities on equitable terms are assured. If Government agencies dealing with small scale industries take up their duties and responsibilities in a spirit of dedication to afford assistance for development rather than imposing constraints, the Small Scale industry will come into its own and pave the way for decentralised development of economy which is the growing need of the country.

8.2. Considering the vast potential of the small scale industries in solving the gignatic unemployment problem facing the country as well as the need for rapid development of backward areas to solve regional disparities, the need for full utilisation of this potential efficiently by accelerating the development of small scale industries cannot be too strongly stressed. What is required is a set of policies that would remove the existing constraints in the development of these industries like shortage of raw materials inadequate credit facilities, marketing problems, etc., and would encourage efficiency of their operations. The Government should, therefore, formulate the proposal for the 5th Five Year Plan keeping these aspects prominently in view. The schemes to be included in the 5th Five Year Plan should, *inter alia*, aim at providing employment opportunities to a large number of people, particularly to the educated unemployed. In this connection it be of advantage if a package programme to provide assistance to the educated unemployed in setting up their own small scale units is formulated and implemented by keeping a continuous watch on the progress

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

8.3. Barring four or five States, other States do not attach that much priority to small scale industries as they deserve. It is unfortunate that in some States, funds allocated for small scale industries are diverted for some other purposes. There is an urgent need for the development of small scale industries in all the States and Government should make concerted effort to ensure that the development of small scale industries is given high priority by all States, particularly, the backward States. If need be, frequent personal contacts should be established with the Ministers of Industries in the various States to achieve this end. It is also important that the ways and means are devised to see that the funds, meant for small scale industries in the States, are not diverted to other purposes.

8.4. The Central Small Scale Industries Organisation is opening 5 branch institutes in backward areas and strengthening other Institutes by posting more officers particularly in industrially backward areas. The N.S.I.C. has also taken specific decision to give priority to applications for hire purchase of machines coming from the industrially backward States. With a view to encourage rapid development of small scale industries in backward areas, it is imperative that meaningful surveys about the possibility of development of these industries are conducted in these areas and other incentives are offered to entrepreneurs to set up industries in such areas to make the scheme a success.

8.5. Government have started a scheme for giving 10 per cent subsidy on the capital invested upto Rs. 50 lakhs in certain backward districts. The number of such districts has now been increased to 6 districts in each backward State in which this scheme would be applicable. Development of industries in backward areas is not easy. It calls for well-planned and sustained efforts in several directions, particularly in the creation of necessary infra structure facilities in those areas and steady supply of raw materials and

arrangements for marketing of the products. It is, therefore, necessary that instead of dispersing efforts over wide areas, a few focal points of growth in selected districts in the backward States are chosen and intensive and integrated programmes are mounted to implement the scheme, in these focal points of growth so that viable small scale industries are developed in these districts. A constant watch on the progress made in this regard should be maintained by monitoring information and evaluating the same periodically to enable any changes to be made therein with reference to the problems encountered in the implementation of the scheme as the best of schemes can go wrong for lack of effective implementation .

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

8.7. There is no reliable data regarding the number of small scale industries in the country. According to Government, one of the major obstacles in the way of small scale industries getting their imported raw materials on the basis of their assessed requirements, has been the absence of scientific and reliable data of production and assessed capacity. In the absence of reliable statistical data, neither the number and location of the small scale industries is known nor their production capacity and the variety of items produced by them. The Government have decided to undertake a detailed survey of the entire small scale industries in about a year's time. The need to undertake expeditiously a systematic and detailed survey of the number and capacity of the small scale unit in the country, both registered and unregistered, cannot be stressed too strongly so that apart from availability of statistical data about the number, capacity, items of production etc., of the small scale units, the constraints in providing necessary assistance to this important sector, in the matter of raw materials, credit facilities, marketing assistance etc., are removed.

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

8.9. Many of the small scale industries are working on outmoded technology and that many of the Small Industries Service Institutes in the States are not well-equipped to give guidance in modern lines of industries. Equipment modernisation is indispensable not only for the sustained growth but even for the survival of small scale industries. The small scale industries have to face the challenging task of not only developing with the limited resources but also standing their ground in the face of keen competition by larger units who have the advantage of skill and modern equipment. It is, therefore, of the utmost importance that the small scale units should have most modern, latest and efficient means of production within the resources available to them. Government have now become aware of the need of modernisation and that they have appointed a Committee to go into this question. A comprehensive plan of action is stated to have been worked out by Government to survey units in need of modernisation. For carrying out the survey, first priority should be given to those industries where modernisation is imperative and urgently required. At the same time, Government should prepare a phased programme of action to cover other industries also, according to a time-bound programme, so that all the industries are surveyed within a specified period of time.

8.10. It is surprising to note about the inadequacy of the S.I.S.Is to provide proper guidance to the small scale units in modern lines of industries. It is greatly perturbing to find that the Small Scale Industries Organization which has been put in the field to do developmental work, has not seriously taken up the task of assisting the industry in keeping pace with the technological developments and of modernising their machines and equipments so as to produce goods at the most competitive rates in the interest of general economy. It is felt that the Small Scale Industries Organisation has come to conceive its role more and more as an instrument of regulation rather than an instrument of development. It could also well be due to the fact that either the Small Industries Service Institutes do not have engineers and other technical experts in

those disciplines or they are not keeping themselves abreast of developments or that they do not have the requisite aptitude and qualifications, or they do not have requisite upto date equipment and workshop facilities.

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

8.12. The Government of India have evolved a number of schemes for the development of backward areas which have been identified by the Planning Commission. The Committee have no doubt that the list of backward areas would be reviewed from time to time. The small scale industry can come up in backward areas only if the essential pre-requisites, viz., availability of land, power and communications are taken care of. It is equally essential that Government on the basis of the expertise gathered over the years, prepare concrete schemes which are best suited for development on small scale in these areas. One of the best means for generating a climate for growth of small scale industry is to locate bigger or medium scale units in the area so that small units will come up in the vicinity to cater to their requirements of components, stores and services. It is felt that the public sector and other leading well-established industrial houses in the country should be persuaded to play a leading role in establishing these units in backward areas. There should be a built-in scheme for development of ancillaries preferably in the small scale sector to meet the requirements for components, stores and services of the bigger units. It should also be made incumbent on the bigger units to extend all technical facilities including detailed guidance in the matter of designing and planning so as to help the small scale ancillary units to come up to the requisite standard.

8.13. It is also felt that the Small Scale Industries Development Organisation and the National Small Industries Corporation can

play a key and crucial role by making available blueprints of industries suited for development in these areas and by extending credit facilities for purchase of the requisite machinery and equipment to undertake the manufacturing activity. In short, a package approach which proved of such immense value in achieving a breakthrough in agriculture is required to be made in the case of extending and developing small scale industries in relatively backward areas. It need hardly be stressed that this drive would have to be done after most careful planning and sustained follow up so that impediments are not allowed to come in the way of growth. It may be suggested that Government should select on the basis of surveys already undertaken or to be undertaken, two or more focal centres in backward area for such package development and in the light of the experience gained extend the activity to other areas on a planned basis.

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

8.15 The shortage of imported as also indigenous scarce raw materials has been recongnised by the Government as one of the major problems confronting the Small Scale Industries in India. Government have taken some steps, in recent years, to improve the availability of scarce raw materials for the small scale sector. But the steps so far taken by Government for the supply of scarce raw materials to the Small Scale Industries have not been able to meet the demands of these industries fully. The whole matter regarding the allocation of raw material to priority and non-priority small scale industries was reviewed recently by Balachandran Committee which has recommended concrete measures to be adopted for the adequate supply of raw materials to these industries at reasonable prices and within he shortest possible period. Government have accepted these recommendations in principle. Government should take expeditious measures to implement the various recommendations contained in the Balachandran Committee Report particularly allocation of scarce raw materials to the Small Scale Industries according to their installed capacity without further delay.

8.16 Government should also ensure a well-conceived distribution system of scarce raw materials so that the small scale industries are able to get their requirements of scarce raw materials, both indigenous and imported, regularly and equitably and at reasonable prices. In the case of certain raw materials for which there are only one or two manufacturers e.g. high density polythene powder, Government should ensure that the indigenous manufacturers regulate their supplies by giving priority to the Small Scale entrepreneurs. It is always possible for the Government to control distribution of a material under section 18(G) of the ID&R ACT. Efforts should be made to bring all such items like H.D. Polythelene, L.D. Polythelene, P.V.C. Resins etc. under informal control so that the Small Scale Units get these materials at reasonable prices so as to be able to function on competitive basis

8.17 Canalisation of scarce raw materials has become the accepted policy of Government and that the Small Scale Industries have also accepted it. Nevertheless, there is a persistent feeling in the mind of the small scale units that canalisation has not solved the problems of availability of raw material to them in required quantity, in time and at reasonable price. Although it is appreciated that improvements have been made, yet the Government should look into the difficulties of the small scale industries with a view to ensure speedy delivery of canalised raw materials to them at reasonable price (which should not be more than that paid by large scale units) and in required quantity and thus allay the apprehension of these units in this regard. It may be stressed upon the Government the desirability of supply being made according to the need of a particular unit, at a particular point of time, as the time factor plays a very important role in industrial operations of these units and their profitability. It may also be stressed that the handling charges of MMTC and STC should be kept to the minimum by reducing their overheads and the prices charged should not normally exceed the actual charges plus a margin of profit of not exceeding 3 per cent. The canalisation should provide tangible benefit to the Small Scale Sector in the matter of price and delivery schedule. The Government should see that these objectives are fulfilled by the canalising organisations.

8.18 Adequate flow of credit is essential for a rapid and sustained growth of industry and it is all the more true in the case of small scale industries which work with the basic disadvantage of a weak capital structure. There are various schemes which are being operated by the Government and institutional agencies for providing different types of financial assistance to the small scale enterprises; but there are complaints of the small scale entrepreneurs

that (a) there is deterioration in the service of the Nationalised Banks; (b) the procedure to obtain loans is cumbersome; (c) the application form is a complicated one; (d) there are delays in sanctioning of loans; and (e) the present credit policy is a security oriented one and that all these problems of a small entrepreneur who is an institution in himself i.e., the proprietor, accountant, salesman, production manager, storekeeper etc. need thorough examination. It is felt that the whole procedure of taking loans from banks need a careful examination with a view to streamline the present cumbersome and time consuming procedure, to evolve a simplified application form and above all to inculcate a more helpful and sympathetic attitude on the part of the banks towards the Small Scale Entrepreneurs. The Government should look into the aforementioned genuine difficulties of the small scale entrepreneurs and take necessary remedial measures immediately consistent with safeguarding of public interest.

8.19 The Government policy of according preferential treatment in issue of import licences to industrial units exporting 10 per cent or more of their production, is continuing during the current licensing year, i.e. 1972-73 also. To achieve the desired result in regard to increasing exports from the small scale industries it would be necessary to make an integrated approach and a concerted effort by all the organisations concerned with export, by providing special incentives to the small entrepreneurs so as to encourage them to export more and more.

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

8.21. The Standing Committee on export promotion for Small Scale Industries set up by the Small Scale Industries Board is making a detailed and intensive study of all the aspects of export promotion for Small Scale Industries. It is hoped that this Committee will finalise its recommendations early and that Government would



take suitable steps to implement them expeditiously as necessary with a view to give encouragement to Small Scale Industries to play their rightful role in the export field.

8.22. The Japanese Government have come forward with a number of measures to improve the competitive ability and export performance of the small scale sector. These include establishment of joint research centres for technology and designs, promoting joint brands and undertaking publicity in overseas markets. Pre-shipment financing is being under-taken by commercial banks who extend loans to small scale exporters for production, processing and despatch of goods to be exported. Rediscounting facilities are offered by the Bank of Japan to the commercial banks on export advance bills. Medium and long term credits are extended by Export and Import Bank of Japan which is a Government financial institution. Such credits, as a rule, are given as loans to exporters for period ranging from six months to 15 years. This particular facility acts as an incentive to small scale manufacturers of machines and equipment to export their products even on a deferred payment basis. Besides, the Japanese Government have come forward to assist the small scale exporters to improve their designs by lending the services of qualified designers. The Government also hold exhibitions of products in new designs to create awareness among small entrepreneurs about the need for better designs for the export market. Government may study the facilities extended by the Japanese Government to small scale industries in the matter of export promotion and see to what extent these facilities can be provided to the Small Scale Industries in India to boost up their exports.

8.23 The quantitative growth of the small scale sector has not been matched by adequate attention and concern for quality and that in an increasing competitive situation, the small scale sector can compete with larger units only if it is thoroughly made aware of a sound and sustained concern for quality. It would not be proper to expect the consumer to tolerate for any significant length of time continued protection to units if prices, deliveries and quality are not fully competitive. Further more, the products of the small scale sector should be able to hold their own not only in the domestic market but also to an increasing extent in export trade. Government propose to establish 4 Regional Testing Laboratories to test various small scale industrial products. It may be urged that these 4 Regional Testing Laboratories should be established early and that they should be authorised to issue testing certifi-

cates also which should be acceptable to all Concerned. The Government should assess the requirements of testing facilities for the Small Scale Units throughout the country on an emergent basis and take early steps to set up common testing facilities wherever required.

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

8.25. The Government at the highest level should address themselves to the urgent task of reviewing the quality and range of services being provided by the Small Scale Industries Development Organisation to see that it is commensurate with the huge expenditure that is being expanded on it, that it acts really as a guide, philosopher and friend to the small scale units and that it really contributes towards development of the industry in the right direction. What is needed is strengthening of quality of service rather than of numbers. It need hardly be pointed out that with the passage of time the requirements of small scale units have shifted from elementary needs to those of expert assistance in technological fields. It is only when the Small Scale Industries Development Organisation has engineers and technicians of high calibre and eminence with practical experience that their service would be welcomed genuinely as an aid towards development.

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

**Service Institute strengthened accordingly.**

8.27. 192 items are reserved by the DGS & D for purchase exclusively from the Small Scale Industries and that for items which could be purchased both from large scale as well as small scale units, a price preference of 15 per cent is given to the Small Scale Units. There is no strict adherence to the 15 per cent price preference by all Government Departments. Departments like the Railways, P & T and Defence, make direct purchases also instead of going through the DGS & D. There is need for strengthening the assistance programme for the participation of small scale sector in Government purchases and strict adherence to the 15 per cent price preference for all Government purchases including purchases made directly by Departments without going through the DGS & D. The Government should take effective measures to see that all Central Government Ministries and Departments and public undertakings give the necessary price preference to the Small Scale Industries for all purchases made by them including direct purchases. Government should also examine the feasibility of persuading the State Governments to give price preference to the Small Scale Industries in respect of the purchases made by them. The DGS & D should undertake an annual review of the items of stores etc. purchased by them with a view to add to the list of items which are reserved for purchase exclusively from the Small Scale Units.

8.28. It is well known that the technical advice and training play a very important role in the development of the Small Scale Industries. There exists a Technical Advisory Service which aims at providing complete technical services to small scale industries so as to upgrade the skills of workers, increase their productivity and wages, impart knowledge about the use of proper raw materials, improve the quality of goods produced and, thus, strengthen the competitive position of the small scale units. The question of strengthening the SISI staff is also engaging the attention of Government with a view to equip them for rendering better and upto date service to small scale industries. Unlike large industrial enterprises which can afford to hire the services of skilled workers, efficient managers and consultants, the small enterprises with their limited resources have to depend mostly on assistance from the Government in getting their workers trained in production and management techniques. The Small Scale Industries Development Organisation is undertaking training programmes on various aspects of the small scale industries for the benefit of the employers and the employees of the

small scale sector. There is, however, further scope for improvement in the field of training to cover more sophisticated fields like electronics, plastics etc., and therefore urgent steps should be taken by Government to augment their training programme to cover the latest techniques.

KAMAL NATH TEWARI,

NEW DELHI;

March 27, 1973/Chaitra 6, 1895 (Saka).

*Chairman,  
Estimates Committee.*

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## APPENDIX I

### *List of items reserved for exclusive manufacture in Small Scale Sector*

- \*1. Absorbent Cotton
2. Automatic Radiators (except for expansion on merits)
3. Barbed Wire
4. Beam Scale
5. Bichromates (except for exports)
- \*6. Bolts and nuts  
(except for High Tensile & other Special Type)
7. Conduit Pipes—Metallic
- \*8. Domestic Electrical Appliances and Accessories such as electric iron, roasters, heaters, washing machines, etc. other than vacuum cleaners, industrial washing and dry-cleaning machines etc.
9. Dyes (a) Azo Dyes (Directs and Acids)  
(b) Basic Dyes
- \*10. (a) Electrical Wiring Accessories  
(b) Electrical Light Fittings  
(such as chokes, starters, reflectors etc.)
11. Expanded Metal
- \*12. Fire-Works
13. Formulated-Perfumery Compounds
- \*14. Full P.V.C. Footwear (Chappals, Sandals & Shoes)  
except for export by Predominantly export oriented units.
15. Glass Holloware by semi-automatic process
16. Gun Metal Bushes
17. Hand Numbering Machines
18. Hand Stapling Machines
19. Hurricane Lanterns
- \*20. Hypodermic Needles
- \*21. Insecticide Dusters & Sprayers (Manual)

22. Laundry Soap
- \*23. Leather Footwear (except for expansion of the existing units for exports and new units for export)
24. Machine Screws (except for Socket Head & Special Types)
- \*25. Machine Shop Vices
- \*26. Metal Clad Switches upto 30 Amps
- \*27. Miniature Bulbs:—
  - (a) Miniature Vacuum Bulbs,
  - (b) Torch Bulbs,
  - (c) Radio Panel Bulbs,
  - (d) Cycle Dynamo Bulbs &
  - (e) Decoration Bulbs.
28. Paints and varnishes—Dry Distempers, Red Lead, Red Oxide, Aluminium Paints, Bitumen Paints to IS Specification, Wagon Blacks, Graphite Paints, all Paste Paints.
- \*29. Palm Rosa Oil
30. Paper Conversion Products.
31. Pine Oil (except for composite schemes)
32. Plaster Boards
33. Plastic Processed Products:
  - (a) Bottle Caps, Buttons, Lamp-shades etc., produced by the compression moulding technique.
  - (b) Plastic articles manufactured from plastic sheets, Rods or tubes by the fabrication techniques excluding the technique of vacuum forming.
  - (c) Polythelene Films (Films with a thickness of less than 0.10 m.m.) and products from the Film such as coloured printed films and bags.
  - (d) Blow-moulded containers and other similar products manufactured by the blow moulding technique (except for captive use PVC containers and change over by existing units manufacturing metal containers to plastic containers)

- (e) Spectacle Frames from sheets by fabrication technique or by injection moulding.
  - (f) Manufacture of Polyester sheets for buttons and the processing of the sheets so produced to manufacture Buttons.
- \*34. Rivets of all types (including Bifurcated)
  - 35. Rolling Shutters
  - \*36. Roofing, Flooring and Glazed Tiles (except plastic and ceramic tiles of sizes 4"×4" and above)
  - 37. Safty Matches
  - 38. Steel Wool
  - 39. Students' Microscopes
  - 40. Surgical Gloves (except plastic)
  - 41. Telescopic Aerials (for Radio Receivers)
  - 42. Thermometers (upto 150°C)
  - \*43. Water Meters
  - \*44. Welded Wire Mesh (except for expansion of existing units)
  - 45. Wire Brushes and Fibre Brushes
  - \*46. Wire Products—all wire products such as wire nails, Bob nails, Panel Pins, Horse Shoe Nails
  - \*47. Wood Screws
  - \*48. Steel Furniture
  - \*49. Cycle Tyres & Tubes
  - \*50. Mechanical Toys
  - \*51. Aluminium Utensile
  - \*52. Fountain Pens & Ball Point Pens
  - \*53. Electric Horns
  - \*54. Hydraulic Jacks below 30 tonnes capacity
  - 55. Tooth Paste
  - 56. Pressure Die Castings (upto 4 KG)
  - \*57. Drums and Barrels (upto 50 liter capacity) ,
  - 58. Tin containers—unprinted (other than OTS) Cans upto 18 liter capacity

- \*59. Flash Light Torch Cases (Plastic)
- 60. Truck Body Building (Wooden Structure)
- 61. Battery Cell tester
- 62. Pressure Gauges (upto 50 lbs. per sq. inch)
- \*63. Low Tension Insulators
- \*64. A.A. & A.C.S.R. Conductors (upto and including 19 strands)
- 65. Electric Transmission Line Hardware (other than those manufactured in malleable castings)
- 66. Grease Nipples and Grease Guns
- 67. Exhaust Mufflers
- 68. Zinc Oxide
- \*69. Auto Leaf Springs
- 70. Chaff Cutter Blades
- 71. PVC & VIR Wires of Domestic Type
- 72. Metal Fittings for garments and leather goods
- 73. Weights
- \*74. Sodium Silicate
- 75. Domestic Utensils (other than stainless steel)
- 76. Steel Measuring Tapes
- 77. Cashew Shell Oil
- 78. Room Coolers (Desert Type)
- 79. Cotton Measuring Tapes
- 80. Rubberised Cloth
- 81. Household Knitting Machines
- 82. Para Dichloro Benzene Balls
- 83. Potassium Silicate
- 84. Calcium Silicate

*Automobile Ancillaries:*

- 85. Fuel Tank Caps
- 86. Fuel Lines
- 87. Wiring Harness
- 88. Tail Lamp Assembly

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\*The items on which schemes/printed Literature are available with the SSIDO.



89. Side Lamp Assembly
90. Stop Lamp Assembly
91. Horn Buttons
92. Bull Horn
93. Seats for bus and trucks
94. Ornamental fittings.
95. Rear View Mirrors
96. Sun shades
97. Sun visor
98. Luggage Carrier
99. Tyre inflators (both hand and foot operated)
100. Ash trays
101. Hub caps
102. Wind Shield Wipers (Arms & Blades only)
103. Electrical fuses
104. Relectrical fuse boxes
105. Battery cables and fittings
106. Spokes & nipples
107. Steering wheels
108. Spot lamp assembly

*Garage Equipments:*

109. Armature tester
110. Battery Terminal Lifters
111. Condensers & Resistance testers
112. Fender spoons and hammers
113. Feeler Gauges
114. Flaring Tools
115. Gear Flushers
116. Puller of all types
117. Screw Extractors
118. Spark plug tester & cleaners
119. Toe in Gauges
120. Stud Removers (extractors)

121. Tyre Valve pull out tools
122. Tube cutters
123. Flanging tools
124. Valve Lifters
125. Valve Replacing & Resetting tools
126. Camber Testing Equipment
127. Ring Expanders
128. Ring Compressors.

## APPENDIX II

*List of industrially backward districts selected to qualify for concessional Finance from the Financial Institutions (as on April 30, 1972)*

Sl. No.	Name of State No. of District	Name of the Districts
1	<u>Andhra Pradesh</u> 14	• Anantapur, Chittour, Cudapah, Karimnagar, Khamran, Kurnool, Mehbubnagar, Medak, Nalagonda, Nellore, Nizamabad, Ongole, Srikakulam and Warangal.
2	<u>Assam</u> . . . . .	• Cachar, Goalpara, Kamrup, Mikir Hills, North Cachar Hill and Nowgong.
3	<u>Bihar</u> . . . . . 6 9	• Bhagalpur, Champaran, Darbhanga, Muzaffarpur, Palamau, Purnea, Saharsa, Santhal, Parganas and Saran.
4	<u>Gujarat</u> . . . . . 10	• Amreli, Banaskantha, Bhavnagar, Broach, Junagadh, Kutch, Mehsana, Panchmahals, Sabarkantha and Surendernagar.
5	<u>Haryana</u> . . . . .	• Hissar, Jind and Mohindergarh.
6	<u>Himachal Pradesh</u> 3 5	• Chamba, Kangra, Kinnaur, Kulu and Lahaul & Spiti.
7	<u>Jammu &amp; Kashmir</u> . . . . . 10	• Anantnag, Baramula, Doda, Jammu, Kathua, Ladakh, Poonch, Rajouri, Srinagar and Udhampur.
8	<u>Kerala</u> . . . . . 5	• Alleppey, Cannanore, Malapuram, Trichur and Trivandrum.
9	<u>Madhya Pradesh</u> 34	• Balaghat, Bastar, Betul, Bilsapur, Bindu Chhatarpur, Chindwara, Damoh, Datia, Dhar, Dewas, Guna, Hoshangabad, Jhabua, Kargone, Mandla, Mandasaur, Morena, Narsimhapur, Panna, Rajgarha, Rajpur, Rajgarh, Raisen, Ratlam, Rewa, Sagar, Seoni, Shajapur, Shivpur, Sidhi, Sarguja, Tikamgarh and Vidisha.
10	<u>Maharashtra</u> 13	• Aurangabad, Bhandara, Bhir, Buldhana, Chanda, Kolaba, Dhulia, Jalgaon, Nanded, Osmanabad, Parbhani, Ratnagiri and Yeotmal.
11	<u>Manipur</u> . . . . . 5	• Manipur North, Manipur West, Manipur South, Manipur Central and Manipur East.
12	<u>Meghalaya</u> . . . . . 3	• Garo Hills, United Khasi and Jaintia Hills.

Sl. No.	Name of State No. of Districts.	Name of the Districts
123	<u>Mysore</u> 11	Belgaum, Bidar, Bijapur, Dharwar, Gulbarga, Hassan, Mysore, North Kanarar, Raichur, South Kanara and Tumkur.
124	<u>Nagaland</u> 3	Kohima, Mokikchung and Tuensang.
125	<u>Orissa</u> 8	Balasore, Bolangir, Dhenkanal, Kalahandi, Koenjhar, Koraput, Mayurbhanj and Phulbani.
126	<u>Punjab</u> 4	Bhatinda, Gurdaspur, Hoshiarpur and Sangrur.
127	<u>Rajasthan</u> 16	Alwar, Banswara, Barmer, Bih, Bhilwara, Churu, Dungarpur, Jaisalmer, Jalore, Jhunjhunu, Jhalawar, Jodhpur, Nagaur, Sikar, Sirohi Tonk and Udaipur.
128	<u>Tamil Nadu</u> 8	Dharamapuri, Kanyakumari, Madura North Arcot, Ramnathapuram, South Arcot, Thanjavur and Thiruchirapalli.
129	<u>Tripura</u> 3	Tripura West, Tripura South and Tripura North.
130	<u>Uttar Pradesh</u> 36	Almora, Azamgarh, Badaun, Bahraich, Ballia, Banda, Barabanki, Basti, Bulandshahr, Chamoli, Deoria, Etah, Etawah, Faizabad, Farrukhabad, Fatehpur, Garhwal Ghazipur, Gonda, Hamirpur, Hardoi, Jalaun, Jaunpur, Jhansi, Mainpuri, Mathura, Moradabad, Pilibbit, Pithoragarh, Pratappgarh, Rae Bareli, Shahjahanpur, Sultanpur, Tehri Garhwal, Unnao and Uttar Kashhi.
131	<u>West Bengal</u>	Bankura, Birbhum, Burdwan, Cooch-bear, Darjeeling, Hooghly, Jalpaiguri, Malda, Midnapur, Murishidabad, Nadia, Puruliat and West Dinajpur.

### UNION TERRITORIES

1. Andaman and Nicobar Islands . . . . . Entire area.
2. Arunachal Pradesh . . . . . Entire area.
3. Dadra & Nagar Haveli . . . . . Entire area.
4. Goa, Daman & Diu . . . . . Entire area.
5. Laccadive, Amindive & Minicoy Islands . . . . . Entire area.
6. Mizoram . . . . . Entire area.
7. Pondicherry . . . . . Entire area.

### APPENDIX III

*List of industrially Backward Districts|Areas selected to qualify for the scheme of Central subsidy of 10 per cent on fixed capital investment by Industries (As on April 30, 1972)..*

Andhra Pradesh	. Two Areas :
	One Area from Rayalaseema region comprising 13 blocks viz., Chandragiri block (from Chittoor district), Proddatur, Kamalapuram, Cuddapah, Pulive Pulivendla, Rajampet, Kodur and Sidhout blocks (from Cuddapah district), Singanamala, Tadipatri and Gooty blocks (From Anantapur district), Kurnool and Dhone blocks (from Kurnool district).
	<i>The other 'Area' from Telengana region comprising 16 blocks viz., Siddipet (from Medak district), Peddapalli, Sultanabad, Karimnagar district), Hanamkonda, Narasimpet and Mahbubabad blocks (from Warangal district), Khammam and Tirumalapuram blocks (from Khammam district), Suryapet, Nalgonda, Munguda and Makrekal blocks (from Nalgonda district) Kalwakurthy and mangal blocks (from Mehbubnagar district).</i>
Assam	Goalpara and Mikir Hills districts.
Bihar . . . . .	. Bhagalpur and Darbhanga districts.
Gujarat . . . . .	. Panchmahals district.
Haryana] . . . . .	. Mohindergarh district.
Himachal Pradesh . . . . .	. Kangra district.
Jammu & Kashmir . . . . .	. Jammu & Srinagar districts..
Kerala . . . . .	. Alleppey district.
Madhya Pradesh . . . . .	. Two Areas :
	<i>One 'Area' from Eastern Region comprising 12 blocks viz., Korba, Baloda, Champa, Kota, Masturi and Bilha (Bilaspur) blocks (from Bilaspur district) Bhatapara Simga, Tilda, Dharsiwa (Raipur), Abhanpur and Rajim blocks (from Raipur district) ; the other area from Western region comprising 10 blocks viz. Dewas and Tonk Khurad blocks (from Dewas district), Gulana, Shujalpur and Shajapur blocks (from Shajapur district), Panchor (Sarangpur) and Biaora blocks (from Rajgarh district) and Chhaura, Raghogarh and Guna blocks (from Guna district).</i>
Maharashtra . . . . .	. Ratnagiri district.
Manipur . . . . .	. All the 5 districts.
Meghalaya . . . . .	. Garo Hills and United Khasi and Jaintia Hills districts.

<b>Mysore</b> . . . . .	. Raichur district.
<b>Nagaland</b> . . . . .	. Kohima & Meokokchung districts.
<b>Orissa</b> . . . . .	. Kalahandi and Mayur bhanj districts.
<b>Punjab</b> . . . . .	. Hoshiarpur district.
<b>Rajasthan</b> . . . . .	. Alwar and Jodhpur districts.
<b>Tamil Nadu</b> . . . . .	. One 'Area' comprising 10 Taluks (including sub-taluks) viz., Ramanathapuram, Mudukulathur, Sivaganga, Parnmkudi, Thiruvadani and Thirupathur Taluks (from Ramanathapuram district), Melur Taluka (from Maduari district), Thirumayam, Alangudi and Kulathur Taluks (from Thiruchirrapalli district).
<b>Tripura</b> . . . . .	. Three districts.
<b>Uttar Pradesh</b> . . . . .	. Ballia and Jhansi districts.
<b>West Bengal</b> . . . . .	. Purulia district.

#### UNION TERRITORIES

<b>Andaman &amp; Nicobar Islands</b> . . . . .	. Entire Territory.
<b>Arunchal Pradesh</b> . . . . .	. Entire Territory.
<b>Dadra &amp; Nagar Haveli</b> . . . . .	. Entire Territory.
<b>Goa, Daman &amp; Diu</b> . . . . .	. Entire district excluding the area within the area municipal limits of Territory's capital.
<b>Laccadive, Minicoy &amp; Aminidivi Islands</b> . . . . .	. Entire Territory.
<b>Mizoram</b> . . . . .	. Entire Territory.
<b>Pondicherry</b> . . . . .	. Entire district excluding the area within the municipal limits of Territory's capital.
<b>Scheme for 10 per cent Central Outright Grant Subsidy for Industrial Units to be set up in Selected Backward Districts Areas</b>	

(To be published in Part I Section I of the Gazette of India  
Extraordinary dated 26th August, 1971).

**No.** .—The Government of India are pleased to make the following schemes of 10 per cent Central grant or subsidy for industrial units to be set up in certain selected backward districts|areas with a view to promoting the growth of industries there:—

**1. Short title.**—This scheme may be called the 10 per cent Central Outright|Grant or Subsidy 1971 for Industrial Units to be set up in selected Backward Districts|Areas.

**2. Commencement and Duration.**—It will come into effect from the 26th August, 1971, and remain in force for the remaining period of the Fourth Five Year Plan and for such further period as may be decided by the Government of India.

3. *Applicability*.—It is applicable to industrial units in “selected districts/areas” as defined in the scheme, other than those whose total fixed capital investment would exceed Rs. 50 lakhs. In case of units involving total fixed capital investment exceeding Rs. 50 lakhs the scheme might be made applicable on consideration of merits, at the discretion of the Government of India or the State/ Union Territory.

4. *Definitions*.—(a) ‘Industrial Unit’ means any industrial undertaking and suitable servicing unit, other than that run departmentally by Government;

(b) ‘New Industrial Unit’ means an industrial unit for the setting up of which effective steps were not taken prior to 1st October, 1970;

(c) ‘existing industrial unit’ means an industrial unit for the setting up of which effective steps were taken prior to 1st October, 1970;

(d) ‘substantial expansion’ means increase in the value of fixed capital investment of an industrial unit by not less than 25 per cent for the purpose of expansion of capacity, modernization, etc.;

(e) ‘effective steps’ mean one or more of the following steps:

(i) that 60 per cent or more the capital issued for the industrial unit has been paid up;

(ii) that a substantial part of the factory building has been constructed;

(iii) that a firm order has been placed for a substantial part of the plant and machinery required for the industrial unit.

(f) ‘fixed capital investment’ means investment in land, building and plant and machinery.

Total fixed capital investment will be assessed as follows:—

1. *Land*:

The actual price paid for the land to the extent needed for the purposes of the plant. Charges for the leased land will not be taken into account.

2. *Building*:

Same as in the case of land. Rent of hired building will not be taken into account.

### 3. *Plant and machinery:*

- (i) In calculating the value of plant and machinery, the cost of plant and machinery as erected at site will be taken into account which will include the cost of productive equipment, such as tools, jigs, dies and moulds; transport charges, demurrage, insurance premium, etc., will also be taken into account.
- (ii) The amount invested on goods-carriers to the extent they are actually utilised for transport of raw materials and marketing of the finished products, will be taken into account.
- (iii) Working capital including raw materials and other consumable stores will be excluded for computing the value of plant and machinery.

(g) 'Selected district|area' means a district|area selected by the Planning Commission in consultation with the Ministries concerned to qualify for the outright grant or subsidy and included in the Schedule hereof.

5. *Procedure for claiming outright grant or subsidy.*—Industrial units in selected districts|areas will get themselves registered with the State Department concerned prior to taking effective steps for setting up the new units or undertaking substantial expansion of the existing units and indicate their assessment of the total additional fixed capital likely to be invested by them. Such of the units as had taken 'effective steps' prior to the date of announcement of the scheme but after 1st October, 1970 will get themselves registered by 31st December, 1971.

6. *Procedure for disbursement of outright grant or subsidy.*—Each State Government|Union Territory Administration concerned will set up a Committee consisting of a representative each of the State|Union Territory Department concerned, the State|Union Territory Finance Department, the Central Ministry of Industrial Development and if the industrial unit is to be assisted by a financial institution, the financial institution concerned, to go into each case to decide whether it should qualify for the 10 per cent grant or subsidy and also about the quantum of subsidy.

7. In respect of a new industrial unit set up without assistance from the financial institution or the State Government/Union Territory Administration concerned and having a total fixed capital in-



vestment of not more than Rs. 50 lakhs, an outright grant or subsidy amounting to one-tenth of the fixed capital investment as assessed by the Committee referred to in the preceding paragraph will be disbursed to the unit by the State Government|Union Territory Administration concerned at the time the unit goes into production and thereafter claimed by the State Government|Union Territory Administration concerned from the Ministry of Industrial Development. Similarly, in respect of substantial expansion by an existing industrial unit without assistance from the financial institutions or the State Government|Union Territory Administration concerned and involving a total additional fixed capital investment of not more than Rs. 50 lakhs, an outright grant or subsidy amounting to one-tenth of the total additional fixed capital investment as assessed by the Committee referred to in para 6 will be disbursed to the unit by the State Government|Union Territory Administration concerned at the time the substantial expansion has been effected and the unit has gone into production and thereafter, claimed by the State Government/Union Territory Administration concerned from the Central Ministry of Industrial Development.

8. In respect of an industrial unit to be assisted by the State Government|Union Territory Administration concerned, the 10 per cent of the estimated fixed capital investment as assessed by the Committee referred to under paras 6 and 7 above, will be disbursed to the unit by the State Government|Union Territory Administration concerned, and simultaneously claimed from the Central Ministry of Industrial Development. In such cases, the contract to be drawn up between the State Government|Union Territory Administration concerned and the unit concerned, may cover mortgage|pledge|hypothecation of the assets upto the amount of loans to be advanced by the State Government|Union Territory Administration concerned and the 10 per cent grant or subsidy.

Where the industrial units obtained their loan from State Government Financial Corporations or Industries Development Corporations the State Governments may nominate that financial institution or Industrial Development Corporation as their agent for the disbursal of the subsidy subject to the conditions enumerated above being fulfilled. However, in all such cases the claim of for reimbursement from the Central Ministry of Industrial Development will only be made by the State Government|Union Territory Administration concerned.

9. After having settled the claim in accordance with paras 7 and 8 above, the State Government|Union Territory will in the first instance adjust the expenditure against the outright the outstanding ways and means advances made to the State Government|Union Territory for Centrally sponsored schemes in accordance with the procedure outlined in the Ministry of Finance letter No. 2(17)-P. II|58 dated the 12th May, 1958. As regards the grant or subsidy disbursed through the financial institution, the details of the procedure for reimbursement of the same to them will be notified separately.

In as many instalments as the loan is disbursed by the State Government|Union Territory Administration concerned,

10. *Rights of the Centre|State|Government|Financial Institutions.* If the Central Government|State Government|Union Territory Administration|Financial Institution concerned is satisfied that the 10 per cent subsidy or grant to an industrial unit has been obtained by misrepresentation as to an essential fact, furnishing of false information or if the unit goes out of production within 5 years after commencement, the Central Government|State Government|Union Territory Administration|Financial Institution concerned may claim refund of the grant or subsidy from the owner of the unit after giving an opportunity to him to be heard.

11. Without taking prior approval of the Ministry of Industrial Development|State Government|Union Territory Administration|financial institution concerned, no owner of an industrial unit after receiving a part or the whole of the 10 per cent grant or subsidy will be allowed to change the location of the whole or any part of the Industrial unit or effect any substantial contraction or disposal of a substantial part of its total fixed capital investment within a period of 5 years after its going into production.

12. In respect of all units to whom 10 per cent grant or subsidy is disbursed by the financial institution|State Government|Union Territory Administration concerned, a certificate or utilisation of the grant or subsidy for the purposes for which it was given shall be furnished to the Central Ministry of Industrial Development by the financial institution|State Government|Union Territory Administration concerned within a period of one year from the date of the receipt of the last instalment|full amount.

13. After receiving the 10 per cent grant or subsidy, each industrial unit shall submit annual progress report to the Ministry of

Industrial Development|State Government|Union Territory Adminis-  
tration concerned about its working for a period of 5 years after go-  
ing into production.

File No.. 7|15|71-IC

Sd|- S. K. SAHGAL

*Joint Secretary to the Govt. of India..*

To,

The Manager,  
Government of India Press,  
New Delhi.

## APPENDIX IV

### Summary of Recommendations|Conclusions contained in the Report

Sl. No.	Reference to Para No. of The Report	Summary of Recommendations/Conclusions
(1)	(2)	(3)
1	2.12	<p>The Committee attach the greatest importance to the development of small scale industry as it is one of the best suited instruments for decentralised development and growth, encouragement of new entrepreneurs, channels of employment and in general, contribution towards the growth of economy in the area as a whole. The Committee have later in this report elaborated on the pre-requisites for the development of small scale sector such as realistic policy formulation to ensure that the principles laid down in the Industrial Policy Resolutions are implemented in letter and spirit, development of infrastructures including availability of power, dependable means of communication, trained manpower, allocation of raw-materials particularly controlled or scarce raw-materials, linking of small scale industries with medium scale and larger units particularly those in the public sector, expansion of credit facilities on equitable terms. The Committee have no doubt that if Government agencies dealing with small scale industries take up their duties and responsibilities in a spirit of dedication to afford assistance for development rather than imposing constraints, the Small Scale industry will come into its own and pave the way for decentralised development of economy which is the growing need of the country.</p>
2	2.13	<p>The Committee note that in the modern industrial sector, 38 per cent of the total industrial production and 41 per cent of the employment</p>

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is in the Small Scale sector and a little less than 50 per cent of the value added in industrial production is stated to originate in the small scale industries.

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Considering the vast potential of the small scale industries in solving the gignatic unemployment problem facing the country as well as the need for rapid development of backward areas to solve regional disparities, the Committee cannot too strongly stress the need for full utilisation of this potential efficiently by accelerating the development of small scale industries. What is required is a set of policies that would remove the existing constraints in the development of these industries like shortage of raw materials, inadequate credit facilities, marketing problems, etc., and would encourage efficiency of their operations.

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The Committee would therefore like the Govt. to formulate the proposal for the 5th Five Year Plan keeping these aspects prominently in view. The schemes to be included in the 5th Five Year Plan should, *inter alia*, aim at providing employment opportunities to a larger number of people, particularly to the educated unemployed. In this connection it would be of advantage if a package programme to provide assistance to the educated employed in setting up their own small scale units is formulated and implemented by keeping a continuous watch on the progress made in this regard.

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2.16

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

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areas so that regional imbalances are narrowed down to the maximum extent possible.

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

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2.25

The Committee have already emphasised the need to concentrate efforts to set up small scale industries in the backward areas/States in the 5th Five Year Plan. The Committee are glad to note that the Central Small Scale Industries Organisation is opening 5 branch institutes in backward areas and strengthening other Institutes by posting more officers particularly in industrially backward areas. The National Small Industries Corporation has also taken specific decision to give priority to applications for hire purchase of machines coming from the industrially backward States. The Committee would like to emphasise

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8	2.26	<p>that to encourage rapid development of small scale industries in backward areas, it is imperative that meaningful surveys about the possibility of development of these industries are conducted in these areas and other incentives are offered to entrepreneurs to set up industries in such areas to make the scheme a success.</p> <p>The Committee further note that Government have started a scheme for giving 10 per cent subsidy on the capital invested upto Rs. 50 lakhs in certain backward districts and that the number of such districts has now been increased to 6 districts in each backward State in which this scheme would be applicable. The Committee would like to point out that development of industries in backward areas is not easy. It calls for well-planned and sustained efforts in several directions, particularly in the creation of necessary infra structure facilities in those areas and steady supply of raw materials and arrangements for marketing of the products. It is therefore necessary that instead of dispersing efforts over wide areas, a few focal points of growth in selected districts in the backward States are chosen and intensive and integrated programmes are mounted to implement the scheme, in these focal points of growth so that viable small scale industries are developed in these districts. The Committee would like to emphasise that a constant watch on the progress made in this regard should be maintained by monitoring information and evaluating the same periodically to enable necessary changes to be made therein with reference to the problems encountered in the implementation of the scheme as the best of schemes can go wrong for lack of effective implementation.</p>
9	2.27	<p>The Committee note that Govt. are implementing a special scheme for increasing employment among engineers and that an allocation of Rs. 9.5 crores has been made for that purpose. The scheme comprises direct financial assistance to young engineers to set up their own industries,</p>

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making arrangements to give them training in Small Industries Service Institutes and other institutions and provision for an interest subsidy on loans from financial institutions. The Committee hope that Government would evolve appropriate procedures for the actual implementation of this scheme and would ensure that the scheme is implemented in each and every State, particularly the backward States for which special attention should be paid by Government. Care should also be taken to ensure that the benefits of the scheme reach the young unemployed engineers for whom it is intended.

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The Committee note that there is no reliable data regarding the number of small scale industries in the country. According to Government, one of the major obstacles in the way of small scale industries getting their imported raw materials on the basis of their assessed requirements, has been the absence of scientific and reliable data of production assessed capacity. In the absence of reliable statistical data, neither the number and location of the small scale industries is known nor their production capacity and the variety of items produced by them. The Committee note that Government have decided to undertake a detailed survey of the entire small scale industries in about a year's time. In this connection the Committee would like to point out that as early as March, 1960, the Estimates Committee, in their 77th Report (Second Lok Sabha), has emphasised the need for an area-wise and industry-wise survey of the existing as well as potential small scale industries for the whole country. As the Government did not take any effective action in implementing this recommendation, the Committee again in April, 1966, in their 105th Report (Third Lok Sabha) reiterated their recommendation and emphasised the need for collection



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of reliable statistical data about all the important aspects of the small scale industries as an essential prerequisite for the planned development of these industries. It is unfortunate that no concrete action was taken by Government to implement this important recommendation and collect reliable statistics about small scale units. It is only after a lapse of almost 13 years that the Government have now recognised the necessity to undertake a detailed survey of the entire small scale industries. The Committee cannot stress too strongly the need to undertake expeditiously a systematic and detailed survey of the number and capacity of the small scale units in the country, both registered and unregistered, so that apart from availability of statistical data about the number, capacity, items of production etc., of the small scale units, the constraints in providing necessary assistance to this important sector, in the matter of raw materials, credit facilities marketing assistance etc., are removed.

- 11            2.41            The Committee would also like the Government to take expeditious measures to eliminate non-existent or ghost units in the small scale sector so that scarce raw materials are not obtained by such units to the detriment of genuine units.
- 12            2.42            The Committee note that at present there is no Act for compulsory registration of small scale industries and that there are considerable delays in their registration. They understand that a Committee which was constituted by Government under the Chairmanship of Shri A.R. Bhatt, to study this question, has submitted its report. This report is under consideration of the Government in consultation with the State Government. The Committee would like the Government to expedite their decision in

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		this matter so that reliable statistical data regarding the small scale industries which is badly needed, is easily collected.
13	2.43	The Committee would further recommend that procedure of registration of small scale industries should be simplified so that there are no delays in their registration.
14	2.44	The Committee would also suggest that the returns required to be submitted by the Small Scale Industries, should be simple so that no unnecessary expenditure is incurred by them in the submission of these returns as these industries are run by persons of modest means.
15	2.49	The Committee note that the National Small Industries Corporation (NSIC) is supplying machinery on hire-purchase to Small Scale Industries since, March, 1956 and that upto 31st March, 1971 machines worth Rs. 45.76 crores have been supplied by it. The Committee were informed that a large amount of money of the NSIC, amounting to Rs. 6 crores, is locked up as quite a number of parties to whom the machines were supplied on hire-purchase basis, have defaulted in the payment of instalments. Of this, about Rs. 3.4 crores are stated to have been realised in the last few months.
16	2.50	The Committee are greatly concerned that the Corporation have not been able to recover as much as about Rs. 3 crores from the small scale units for machinery and equipment which had been earlier supplied on deferred payment basis. The Committee feel that in the larger interest, Government should leave no stone unturned to recover this amount from these units. The Committee need hardly point out that the small scale units look to the Government in innumerable ways for help and assistance and they see no reason why these contacts cannot

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		<p>be put to use for making good outstanding Government dues. The Committee would like the Corporation and the Small Scale Industries Organisation to work in close coordination and take the assistance of the Industrial Development Organisations at the state level to work out a detailed plan of action for making good the amount from each small scale unit from whom it is outstanding. If necessary, Government may constitute a task force to work out a plan of action. The Committee would like to be informed within <i>three months</i> of the concrete measures which have been taken or proposed to be taken by Government to recover outstanding amounts from the small scale units. In any case the Committee can see no reason as to why there should be any lacuna in the agreements with small scale units for taking legal action against the recalcitrant parties. They need hardly stress that the lacuna, if any should be remedied without delay and that responsibility for the deficiency noticed in the agreements executed earlier fixed.</p>
17	2.51	<p>It is of the utmost importance that the units in the small scale sector should not get a feeling that they can get away with Government money. The Committee stress that loans extended to the small scale sector can and should be recovered in the interest of the small scale industry itself so that healthy foundation are laid for continued Government assistance on a revolving basis.</p>
18	2.52	<p>The Committee note that with a view to enable NSIC to give some machinery on instalments, the Government have given Rs. 3.4 crores to NSIC—Rs. 1.68 crores on account of devaluation losses, Rs. 28 lakhs on another account and Rs. 1.5 crores in the current year's budget. In addition, NSIC have been allowed to borrow</p>

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		<p>Rs. 3 crores from bank. Thus about Rs. 6.4 crores have been placed at disposal of NSIC. The Committee hope that the NSIC would now expedite supply of machines on hire-purchase basis to deserving small scale entrepreneurs and render assistance to new entrepreneurs to set up industries giving priority to backward areas  States.</p>
19	2.57	<p>The Committee are concerned to note that many of the small scale industries are working on outmoded technology and that many of the Small Industries Service Institutes in the States are not well-equipped to give guidance in modern lines of industries. The Committee are of the firm view that equipment modernisation is indispensable not only for the sustained growth but even for the survival of small scale industries. The Small Scale Industries have to face the challenging task of not only developing with the limited resources but also standing their ground in the face of keen competition by larger units who have the advantage of skill and modern equipment. It is, therefore, of the utmost importance that the small scale units should have most modern, latest and efficient means of production within the resources available to them.</p>
20	2.58	<p>The Committee note that Government have now become aware of the need of modernisation and that they have appointed a Committee to go into this question. A comprehensive plan of action is stated to have been worked out by Government to survey units in need of modernisation. The Committee consider that urgent action is called for to undertake survey of the machinery and technology in the small scale sector covering all industries. For carrying out the survey, first priority should be given to those industries where modernisation is imperative and urgently required. At the same time, Government should prepare a phased programme</p>

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of action to cover other industries also, according to a time-bound programme, so that all the industries are surveyed within a specified period of time.

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

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

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perative for this Organisation to keep in touch with the changing requirements of small scale industries in the country and the latest technical developments so as to be able to render necessary and timely guidance and service facilities to the small scale units.

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

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

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3.7

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

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26	3.8	<p>The backward areas have been made eligible for special concessions for the development of small scale industries which <i>inter alia</i> include:—</p> <ul style="list-style-type: none"> <li>(i) Outright grant amounting to 10 per cent of the fixed capital investment in new units having a fixed capital of not more than Rs. 50 lakhs.</li> <li>(ii) Lower rate of interest at 7 per cent.</li> <li>(iii) Extension of the period of repayment of first instalment of loan from 3 years to 5 years.</li> <li>(iv) Longer period for the repayment of the loans from 10 to 12 years to 15 to 20 years.</li> <li>(v) 50 per cent reduction in the normal service charges.</li> <li>(vi) Special concessions for import of machinery and raw materials.</li> <li>(vii) Transport subsidy equivalent to 50 per cent of the transport cost of raw materials and finished products for starting industries in remote areas of certain States and Union Territories.</li> <li>(viii) Supply of machinery on hire-purchase by the NSIC on a <i>priority basis</i>.</li> </ul>
27	3.9	<p>The Committee consider that the above concessions are a step in the right direction for the development of small scale industries in backward areas. The Committee would, however, like the Government to ensure that the concessions meant for backward areas are not directed to other areas. The Committee feel that these concessions, in themselves, may not produce the desired results unless other positive measures are taken simultaneously by Government to give the required boost to the rapid development</p>

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of small scale industries in backward areas. The Committee consider that the following measures would help in rapid development of these industries in those areas:—

- (i) To create awareness and enthusiasm in the backward areas for setting up small scale units, seminar and discussions on the role and importance of small scale industries in the economic development of these areas should be arranged by the Govt. at regular intervals.
  - (ii) Detailed regional surveys of such areas should be undertaken immediately to ascertain the possibilities of setting up of small scale industries.
  - (iii) Infra-structure facilities like land, water electricity, roads and telephones etc., should be made available in the areas considered suitable for the development of such industries.
  - (iv) Social service facilities such as educational facilities, marketing facilities, entertainment centres etc., should be created in these areas to attract entrepreneurs to start industries.
  - (v) Machinery, spare parts, raw material, skilled manpower should be made available in these areas by making special arrangements therefor.
  - (vi) The desirability of granting fiscal incentives to small scale industries in these areas in the form of exemption from income tax including Corporation tax, exemption from the payment of import duty on plant and machinery, components, exemption in excise duty and sales tax, concessional transport and
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power subsidy etc., for a period of 5 years should be considered.

(vii) Govt. should also establish some public undertakings in these areas so that small scale industry units of ancillary and auxiliary types could automatically grow there.

(viii) Large industrial houses should also be persuaded to establish their industries in these areas in order to create the climate for the setting up of small scale units as suppliers of components, parts etc., and ancillaries to these units.

(ix) Ministries/Departments of the Government of India, State Governments and public undertakings should give preference for the purchase of goods from units set up in these areas.

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3.10

The Committee are convinced that small scale industry can come up in backward areas only if the essential pre-requisites, viz., availability of land, power and communications are taken care of. It is equally essential that Government on the basis of the expertise gathered over the years, prepare concrete schemes which are best suited for development of small scale in these areas. One of the best means for generating a climate for growth of small scale industry is to locate bigger or medium scale units in the area so that small units will come up in the vicinity to cater to their requirements of components, stores and services. The Committee feel that the public sector and other leading well-established industrial houses in the country should be persuaded to play a leading role in establishing these units in backward areas. There should be a built-in scheme for development of ancillaries preferably in the small scale sector to meet the requirements for components, stores and services of the bigger units. It should also be made incum-

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bent on the bigger units to extend all technical facilities including detailed guidance in the matter of designing and planning so as to help the small scale ancillary units to come up to the requisite standard.

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3.11

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

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3.12

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

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with special emphasis on development of backward areas and creation of employment opportunities.

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4.17

The Committee note that the shortage of imported as also indigenous scarce raw materials has been recognised by the Government as one of the major problems confronting the Small Scale Industries in India. The raw materials problem, according to Government, originated as a consequence of foreign exchange crisis of 1957-58 and since then, with the deterioration in the foreign exchange position, coupled with inadequate indigenous production, the shortage of both the imported and the indigenous scarce raw materials has assumed an alarming situation for the Small Scale Industries. A scheme of liberalisation of imports of raw materials, components and spares was announced during the year 1966-67. This scheme initially covered raw materials, components and spares licensable by the CCI&E. Subsequently, imported iron and steel and non-ferrous metals were also included under this Scheme. After the year 1966-67, a number of restrictions were clamped on the imports effected by the Small Scale Industries. The initial import entitlement was linked with the value of machinery installed, etc. In view of the prevailing conditions, according to Government, the possibility of making available scarce raw materials to Small Scale Industries to the extent of their full requirements appears to be rather remote. The Committee note that Government have taken some steps, in recent years, to improve the availability of scarce raw materials for the small scale sector. But they are constrained to observe that the steps so far taken by Government for the supply of scarce raw materials to the Small Scale Industries have not been able to meet the demands of these industries fully. The Committee note that the whole matter regarding the allocation of raw material to priority and non-priority small

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scale industries was reviewed recently by Balachandran Committee which has recommended concrete measures to be adopted for the adequate supply of raw materials to these industries at reasonable prices and within the shortest possible period. The Committee are glad to note that Government have accepted these recommendations in principle. The Committee would urge the Government to take expeditious measures to implement the various recommendations contained in the Balachandran Committee Report particularly allocation of scarce raw materials to the Small Scale Industries according to their installed capacity without further delay.

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4.18

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

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4.19

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

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reasonable prices so as to be able to function on competitive basis.

34            4.20            The Committee regret to observe that at present the Small Scale Industries are getting iron and steel at a higher price than that paid by the organised industry. The Committee would urge the Government to evolve a system by which the Small Scale Industries would be able to get iron and steel at a price not higher than that is paid by the large and organised industries so that they are not at a cost disadvantage compared to the large industries in regard to the basic raw material.

35            4.34            The Committee note that canalisation of scarce raw materials has become the accepted policy of Government and that the Small Scale Industries have also accepted it. Nevertheless, there is a persistent feeling in the mind of the small scale units that canalisation has not solved the problems of availability of raw material to them in required quantity, in time and at reasonable price. The Committee understand that with the improvement in the foreign exchange availability and proper planning, it has been possible for the MMTC to reduce the time lag between the issue of release order and making supplies, to about 3-4 weeks in the case of large scale units and between 4-6 weeks in the case of small scale units. The supply position for the last nine months is stated to be so good that the MMTC has not only been able to clear the backlog but they are catering to the demand of the actual users in accordance with the phased programme for both the large and the small sectors. The Committee also understand that according to the statistics with the MMTC, the prices fixed by them are cheaper than those of direct importers in respect of all non-ferrous metals except for copper. While the Committee appreciate the improvements made, they would urge upon the Govern-

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ment to look into the difficulties of the small scale industries with a view to ensure speedy delivery of canalised raw materials to them at reasonable price (which should not be more than that paid by large scale units) and in required quantity and thus allay the apprehension of these units in this regard. They would particularly like to stress upon the Government the desirability of supply being made according to the need of a particular unit, at a particular point of time, as the time factor plays a very important role in industrial operations of these units and their profitability. In this connection the Committee would like to stress that the handling charges of MMTC and STC should be kept to the minimum by reducing their overheads and the prices charged should not normally exceed the actual charges plus a margin of profit of not exceeding 3 per cent. The Committee would like to emphasise that canalisation should provide tangible benefit to the Small Scale Sector in the matter of price and delivery schedule. The Committee would like the Government to see that these objectives are fulfilled by the canalising organisations.

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4.35

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

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5.12

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

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

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5.17

The Committee are unhappy to note that large units delay payments and thereby cause undue hardship to the Small Scale Industries. They agree with the view that Small Scale Industries, in such cases, cannot fall back upon the

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banks and seek financial help against the supplies made by them to the large units. The Committee are informed that in Japan, there is a law which makes it obligatory that bills for goods supplied by Small Units, should be paid within 90 days. The Committee also understand that the Bhatt Committee set up by Government on the recommendation of the Small Scale Industries Board, have suggested enactment of similar legislation enjoining payment within 60 days. They recommend that Government should examine the problem, being faced by the small scale industries in regard to the delayed payments by large units against the supplies made to them by the small scale units and take expeditious steps for enacting a suitable legislation in this behalf to afford relief to the Small Scale Units without further delay.

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5.25

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



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shown to the Small Scale Sector which stands in great need of such an assistance.

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6.9

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

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industries. Besides, close liaison needs to be established between the large and medium enterprises and the smaller units so that the small units can function as ancillary and feeders to the large enterprises in regard to supply of components and parts.

41	6.10	The Committee are happy to note that Government are contemplating to have a Market Corporation which would look after the marketing problems of the small scale industries. They would urge the Government to constitute the Market Corporation early so as to render the necessary assistance, badly required by the small scale industries.
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42	6.17	The Committee note that the Government policy of according preferential treatment in issue of import licences to industrial units exporting 10 per cent or more of their production, is continuing during the current licensing year, i.e., 1972-73 also. They understand that this has been done with a view to stimulating and enlarging the export effort mainly by units which are not engaged in the traditionally export oriented industries and that large and small scale units which export 10 per cent or more of their production (engaged in either priority or non-priority industries) will be eligible for priority treatment in issue of import licences and for preferred sources of supply. They are also happy to note 411 units of small scale industries produced goods worth Rs. 55.59 crores and exported products to the tune of Rs. 24.44 crores during the year 1970-71. The Committee, feel that in view of the large range of product lines and a degree of sophistication achieved by them, small scale industries can, in the majority of the cases, cater in much larger way to export markets, both in developed and developing coun-
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tries. It is but appropriate that small scale industries should play their legitimate role in augmenting the foreign exchange resources of the country by entering into export markets in a big way. To achieve the desired result in regard to increasing exports from the small scale industries it would be necessary to make an integrated approach and a concerted effort by all the organisations concerned with export, by providing special incentives to the small entrepreneurs so as to encourage them to export more and more.

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6.18

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

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6.19

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

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give encouragement to Small Scale Industries to play their rightful role in the export field.

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

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

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6.21

The Committee note that the Japanese Government have come forward with a number of measures to improve the competitive ability and export performance of the small scale sector. These include establishment of joint research centres for technology and designs, promoting joint brands and undertaking publicity in overseas markets. Pre-shipment financing is being undertaken by commercial banks who extend loans to small scale exporters for production, processing and despatch of goods to be exported. Rediscounting facilities are offered by the Bank of Japan to the commercial banks on export advance bills. Medium and long term credits are extended by Export and Import Bank of Japan which is a Government financial institution. Such credits, as a rule, are given as loans to exporters for period ranging from six months to 15 years. This particular facility acts as an incentive to small scale manufacturers of machines and equipment to export their products even on a deferred payment basis. Besides, the Japanese Government have come forward to assist the small scale exporters to improve their designs by lending the services of qualified designers. The Government also hold exhibitions of products in new designs to create awareness among small entrepreneurs about the need for better designs for the export market. The Committee would like Government to study the facilities extended by the Japanese Government to small scale industries in the matter of export promotion and see to what extent these facilities can be provided to the Small Scale Industries in India to boost up their exports.

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6.27

The Committee agree with the view that the quantitative growth of the small scale sector has not been matched by adequate attention and concern for quality and that in an in-

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

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6.28

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

While noting the useful role that the Central Small Scale Industries Organisation has played in the development of the small scale industry, the Committee feel that the position needs to be reviewed urgently so as to provide services which are now required by the small Scale Sector because of the technological ad-

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vance and the recent trends in industrial development. This review would help to bring out the directions in which the Central Small Scale Industries Organisation needs to be strengthened so that it can continue to act really as a friend, philosopher and guide to the small-scale units and contribute towards the development of the industry in the right direction.

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

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6.30

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

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etc. for which technical experts who can command the respect of the industrial units may be appointed on contract basis where necessary, and the Service Institute equipped accordingly.

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6.36

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



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preference to the Small Scale Industries in respect of the purchases made by them.

52            6.37            The Committee would also like the DGS&D to undertake an annual review of the items of stores etc., purchased by them with a view to add to the list of items which are reserved for purchase exclusively from the Small Scale Units.

53            6.42            It is well known that the technical advice and training play a very important role in the development of the Small Scale Industries. The Committee are glad to learn that there exists a Technical Advisory Service which aims at providing complete technical services to small scale industries so as to upgrade the skills of workers, increase their productivity and wages, impart knowledge about the use of proper raw materials, improve the quality of goods produced and, thus, strengthen the competitive position of the small scale units. They also note that as part of technical assistance, various items of technical literature are also being produced by the Small Industries Service Institutes. They also prepare technical bulletins for the guidance of the small entrepreneurs. Besides, the Development Commissioner, Small Scale Industries also organises country-wide Management/Training and Consultancy Services in order to improve the technical and competitive status of small enterprises and to enable them to keep in touch with the latest developments in technology. The Committee also note that the Economic Information Service run by the Small Industries Service Institutes and the office of the Development Commissioner, Small Scale Industries aims at providing actual manufacturers and interested entrepreneurs with information relating to particular industries or fields in which they are interested. The Committee further note that

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54	6.43	<p>the question of strengthening the SISI staff is also engaging the attention of Government with a view to equip them for rendering better and upto date service to small scale industries.</p>
55	7.4	<p>The Committee agree with the view that unlike large industrial enterprises which can afford to hire the services of skilled workers, efficient managers and consultants, the small enterprises with their limited resources have to depend mostly on assistance from the Government in getting their workers trained in production and management techniques. The Committee note that the Small Scale Industries Development Organisation is undertaking training programmes on various aspects of the small scale industries for the benefit of the employers and the employees of the small scale sector. The Committee, however, feel that there is further scope for improvement in the field of training to cover more sophisticated fields like electronics, plastics etc., and they recommend that urgent steps should be taken by Government to augment their training programme to cover the latest techniques.</p> <p>The Committee note that the Development Commissioner Small Scale Industries who looks after the growth of Small Scale Industries, does not have the same rank as that of the Director-General of Technical Development who is responsible for the industries in the organised sector and who is in the rank of Additional Secretary in the administrative set up. The Committee feel that since the development of Small Scale Industries has acquired great importance in the economic development of the country, it is high time that the Organisation of the Small Scale Industries is also placed in-charge of an Officer with the same rank as that of the Director-General of Technical Development.</p>

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The Committee note that although the Small Scale Industries Development Organisation is responsible for the development of small scale industries it is not the sole authority to determine the policy. They also understand that quick decisions are not taken by Government on the recommendations of the Committees appointed by them and there are delays in implementing the decisions. The Committee are convinced that if the development of the Small Scale Industries has to take strides in this country to meet the present challenge of unemployment and economic development, the decisions of the Small Scale Industries Development Organisation should receive greater attention by all Ministries/Departments concerned.

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## APPENDIX V

(*vide*-Introduction)

*Analysis of Recommendations/Conclusions contained in the Report.*

### I. CLASSIFICATION OF RECOMMENDATION.

#### A. Recommendations for improving the Organisation and Working :—

S. Nos. 1, 13, 14, 15, 16, 17, 19, 20, 21, 22, 30, 32, 33, 34, 35, 37, 40, 45, 46, 47, 48, 49, 54, 55 and 56.

#### C. Recommendation for effecting Economy :—

S. No. 50

#### C. Miscellaneous Recommendations :—

S. Nos. 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 18, 23, 24, 25, 26, 27, 28, 29, 31, 36, 38, 39, 41, 42, 43, 44, 51, 52 and 53.

### II. ANALYSIS OF RECOMMENDATIONS DIRECTED TOWARDS ECONOMY :—

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Sl. No.	S. No. as per Summary of Recommendation— (Appendix—IV)	Particulars
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I	50	The Committee need hardly point out that in areas where small scale industries have come to be well-established, there is hardly any need for further expansion of the Service Institutes.

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