

ESTIMATES COMMITTEE
(1981-82)

(SEVENTH LOK SABHA)

THIRTIETH REPORT

MINISTRY OF INDUSTRY

(DEPARTMENT OF INDUSTRIAL DEVELOPMENT)

Action Taken by Government on the recommendations contained in the Fourteenth Report of Estimates Committee (Seventh Lok Sabha) on the Ministry of Industry (Department of Industrial Development)—Small Scale Industries—Raw Materials and Marketing.

Presented to Lok Sabha on 26 April, 1982.



सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

April, 1982/Chaitra, 1904 (S)

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*Ceased to be member w.e.f. 16-1-82 consequent on being appointed as Deputy Minister in the Ministry of Finance.

iv))

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8. Shri R. S. Sparrow
9. Dr. Subramaniam Swamy
10. Shri D. P. Yadav

INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Thirtieth Report on action taken by Government on the recommendations contained in the Fourteenth Report of the Estimates Committee (Seventh Lok Sabha) on the Ministry of Industry (Department of Industrial Development)—Small Scale Industries—Raw Materials and Marketing .

2. The Fourteenth Report was presented to Lok Sabha on 16 April, 1981. Government furnished their replies indicating action taken on the recommendations contained in that Report by 17 March, 1982. The replies were examined by Study Group 'T' of Estimates Committee (1981-82) at their sitting held on 8 April, 1982. The draft Report was adopted by the Estimates Committee (1981-82) on 16 April, 1982.

3. The Report has been divided into following Chapters:—

- I. Report.
- II. Recommendations/Observations that have been accepted by Government.
- III. Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies.
- IV. Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee.
- V. Recommendations/Observations in respect of which final replies of Government are still awaited.

4. An analysis of action taken by Government on the recommendations contained in the Fourteenth Report of Estimates Committee (Seventh Lok Sabha) is given in Appendix. It would be observed that out of 108 recommendations made in the Report, 85 recommendations i.e. 80 per cent have been accepted by Government, and the Committee do not desire to pursue 7 recommendations i.e. 6 per cent in view of Government replies. Replies have not been accepted in respect of 7 recommendations i.e. 6 per cent. Final replies of Government in respect of 9 recommendations i.e. 8 per cent are still awaited.

NEW DELHI;

April 16, 1982

Chaitra 26, 1904 (Saka)

S. B. P. PATTABHI RAMA RAO,

Chairman,

Estimates Committee.

CHAPTER I

REPORT

1.1 This Report of the Estimates Committee deals with the action taken by Government on the recommendations contained in the Fourteenth Report (Seventh Lok Sabha) on the Ministry of Industry (Department of Industrial Development) Small Scale Industries—Raw Materials and Marketing which was presented to Lok Sabha on 16 April, 1981.

1.2 Action Taken Notes have been received from Government in respect of all the 108 recommendations contained in the Report.

1.3 Action Taken Notes on the recommendations of the Committee have been categorised as follows:—

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

Sl. Nos. 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 22, 23, 25, 26, 27, 30, 31, 32, 34, 35, 36, 37, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 50, 51, 52, 53, 54, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 73, 74, 75, 76, 77, 78, 79, 84, 85, 87, 87, 89, 91, 92, 96, 98, 99, 100, 102, 103, 104, 105, 107, 108.

(Total 85—Chapter II)

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies:—
Sl. Nos. 4, 19, 21, 33, 38, 88, 94.

(Total 7—Chapter III)

(iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee:—

Sl. Nos. 28, 29, 49, 55, 93, 95, 106.

(Total 7—Chapter IV)

(iv) Recommendations/Observations in respect of which final replies of Government are still awaited:—

Sl. Nos. 24, 72, 80, 81, 82, 83, 94, 97, 101.

(Total 9—Chapter V)

1.4 The Committee will now deal with the action taken by Government on some of their recommendations.

Pricing Policies of canalising agencies

(Recommendation Sl. No. 28—Para No. 3.64)

1.5 The Committee had observed that “when any material is imported as a canalised item, its price is fixed either under the system of fixation of prices of canalised items by Pricing Com-

mittee headed by Chief Controller of Imports & Exports or under the formula regarding pooling up of prices of imported and indigenous materials. Where the price differential between the landed cost of the imported material and the indigenous material is substantially wide, the released price of the canalised item is marked up in order to mop up excessive profit and to keep a parity between local and imported prices. In certain cases where even after the adjustment of import duty, the price of imported material is found to be more than the indigenous price the total costs of indigenous and imported material are pooled together to arrive at a new price—the pooled price which is higher than the indigenous price (though lower than landed cost). In other words under this system either the prices of imported material are marked up or those of indigenous material come to be raised. The end result is that in either case the small scale units (as also other units) have to pay higher prices and are the losers.” The Committee did not think this was an ideal system, especially for the small scale sector whose capacity to pay higher prices was limited. The Committee had observed that in their view “there is need for a review of the system of fixing prices of canalised items and pooling up of prices. The aim should be not to make any gain either for the Government or for the price equalisation fund.” The Committee hoped that this matter would receive a dispassionate consideration.”

1.6 The Ministry has informed the Committee (March, 1982): “In fixing the selling price of canalised materials, the Pricing Committee takes into account the landed cost, the incidental charges to be incorporated by the canalising agency and its service charge. There have been cases in which, apart from the above elements, the price is further raised with a view to moping up the difference between the landed cost and the domestic price. The price thus fixed is the same for large scale as for small scale units. Moreover, this system is supplied only in exceptional cases where it is considered necessary in public interest.

In respect of certain items, there is a system of “Pooled” price, such as drugs. In respect of these items, the “pooled” price is evolved having regard to the substantial difference between the landed cost of the imported material and sale price of the indigenous material of comparable quality and specifications. In the case of drugs, the pooled prices are determined under the drug control regulations. In such cases, it will not be advisable to have two prices one for the imported materials and the other for similar indigenous material.”

1.7 The Committee are not satisfied with the reply. The Ministry has not taken the trouble of reviewing the system of fixing prices of canalised item and pooling up of prices. It has merely re-stated the position. The Committee would reiterate their earlier recommendation and stress the need for review of the system of fixing prices of canalised items and pooling of prices as they still feel that the present system of fixing prices is not an ideal system especially for the small scale sector whose capacity to pay higher prices is limited.

Service Charges of Canalising agencies

Recommendation Sl. No. 29 (Para No. 3.65)

1.8 It had been represented to the Committee that the service charges of canalising agencies are very high ranging from five to ten per cent and these go upto 30 per cent in some cases. This allegation had, however, been denied by the Ministry which had informed the Committee that the service charges of the canalising agency varied from 1 to 5 per cent. This appeared to be a case of communication gap between the small scale units and the canalising agencies. The Committee had recommended that, "on the one hand, the Ministry of Industry should satisfy themselves that the service charges of the canalising agencies are actually what they say these are (i.e. 1 to 5 per cent) and that they do not levy any additional charge on account of service expenses under any other name; and on the other hand, they should impress upon the canalising agencies that there is need for the small scale units and their representative organisations to be taken into confidence in regard to the exact quantum of service charges levied by the canalising agencies so that they don't labour under any misunderstanding on this account."

1.9 The Ministry has stated (March 1982) that: "The element of service charge of the canalising agency is a part of the overall fixed selling price. Service charge is not separately recovered from Actual Users by the Canalising agency. As a matter of general policy, Government keeps in view that the service charge occurring to the canalising agencies is reasonable. The canalising agencies will, however, be advised to refer to the Monitoring Committee for consideration of any complaints they might receive with regard to the unreasonableness of the service charge.

1.10 The Committee regret that the Ministry's reply is evasive. It has side-tracked the main points of the recommendation. The Committee reiterate that the Ministry should satisfy itself that the Service charges of canalising agencies are actually what they say

these are (i.e. 1 to 5 per cent; that they do not levy any additional surcharge on account of service expenses under any other name and that the canalising agencies should be asked to take the small scale units and their representative organisations into confidence in regard to the exact quantum of service charges levied by them so that small scale sector does not labour under any misunderstanding on this account.

Survey of Small Scale Units

Recommendation Sl. No. 49 (Para No. 4.79)

1.11 According to a survey of small scale units made in 1973-74, 11 per cent of the units were found non-existent, and 24 per cent were found closed; thus as many as 35 per cent of Small Scale Units were, what in common parlance is called, 'bogus' units on the books of the authorities for drawing raw materials. The Committee had felt that "a fresh survey is now overdue and should be taken up to find out the magnitude of this problem as it prevails today, as only then can they take more effective measures to protect the interests of genuine small scale units."

1.12 In reply (October 1981), the Ministry stated that the "Government has taken note of the recommendation." Subsequently in March 1982, the Ministry stated that: "Now that almost all districts have DICs, individual small scale units are accessible to inspection every year. The states have been advised to take steps through inspection to eliminate bogus units. As such, a fresh survey to detect the presence of bogus units is not considered necessary."

1.13 The Committee do not agree with the Ministry's view that a fresh survey to detect the presence of bogus units is no longer necessary. The Committee feel that with the setting up of the District Industries Centres (DICs) it should be easier to conduct fresh survey to find out the magnitude of the problem of bogus units in small scale sector. The Committee reiterate their earlier recommendation.

*Setting up of a nodal agency at the Centre for performing
Coordinating role*

Recommendation Sr. No. 55 (Para No. 4.102)

1.14 In their 14th Report (1980-81) the Committee had observed that they cannot appreciate how the office of DC(SSI) can be said to be performing a "useful co-ordinating role" if the State agencies

charged with the responsibility of looking after the interests of Small Scale Sector in various States have themselves to go round the country knocking at the doors of Central agencies, one after the other, in search of raw materials and solutions to their problems." The Committee had strongly felt "the need of an inter-ministerial executive body at the Centre as suggested by the State Government and conceded by the Ministry of Industry, to act as a nodal agency with an effective voice in matters concerning production, import, allocation and transportation of raw materials, whom alone the State agencies may have to approach with the problems of Small Scale Sector for an effective solution." The Committee had suggested that a nodal agency on these lines should be set up at the Centre at the earliest.

1.15 The Ministry has stated (March 1982) that:

"Setting up of a single nodal agency for allocation of raw materials to small scale units all over the country is, at present, not considered feasible, specially in view of the fact that even registration of small scale units is not compulsory under the law. The present system of consultation and advisory role performed by the DC, SSI and the efforts made by the State Corporations would result in eliminating difficulties wherever faced. Beyond this, further responsibility of centralising the distribution functions on a single agency is not considered feasible. However, the distribution of raw materials is reviewed from time to time in inter-ministerial meetings."

1.16 The Committee are surprised to find that the Ministry has gone back on the views expressed by it in this regard before them last year (1980-81). The views of the Ministry are contained in para 4.93 of their 14th Report (1980-81) on Small Scale Industries—Raw Materials and Marketing. The Ministry then thought that it would be useful if an inter-ministerial official level Committee was set up, which would high-light problem of the distribution of raw-materials in its total perspective. It would include the problems of production of raw-materials by the indigenous sources as well as the transport bottlenecks of the raw-materials and the problem of the distributing agencies. The Ministry then stated that such a Committee chaired by Secretary (Industry) could include representatives of the Ministry of Steel, Commerce, Energy, Chemicals, Railways, besides agencies such as CCI&E, STC, MMTC, SSICS, DCSSI; etc. and take an over-view of the problem and provide guidelines to individual Ministries in regard to the steps to be taken, so that raw

material distribution to the small scale sector was not adversely affected by various factors.

1.17 The Committee are not satisfied with the present reply of the Ministry. They reiterate that an inter-ministerial executive body should be set up at the Centre to act as a nodal agency with an effective voice in matters concerning production, import, allocation and transportation of raw materials, whom alone the state agencies may have to approach with the problem of small scale sector for an effective solution.

State agencies entering into Competition with Small Scale Units

Recommendation Sr. No. 93 (Para No. 7.33)

1.18. The Committee were informed by the Ministry that captive capacity for manufacture of 'reserved' items by large units had been allowed by the Government. For example, vanaspati oil manufacturers had been allowed to manufacture tin containers—a 'reserved' item—which earlier the large units used to purchase from small scale sector. The Committee did not agree with this policy. In the Committee's opinion this amounts to denial of benefit of reservation policy to small scale sector. In fact, it is in such fields that ancillarisation has a role to play." The Committee had recommended that the Government should re-examine this matter with a view to withdrawing captive capacity in large/medium units for manufacture of 'reserved' item.

1.19. In its reply (October 1981) the Ministry stated that:—

“According to Explanations (1) and (2) given below the First Schedule to the Industries (Development & Regulation) Act, 1951, (extract reproduced below) the industrial undertakings licensed under certain specified heading of the First Schedule, which mainly relate to Engg. and Chemical fields, are allowed to manufacture components, parts and accessories and intermediates for captive use only (even where the items are reserved for small scale):

Explanation (1)—The articles specified under each of heading Nos. 3, 4, 5, 6, 7, 8; 10; 11 and 13 shall include their component parts and accessories.

Explanation (2)—The articles specified under each of the heading Nos. 18, 19, 21 and 22 shall include the intermediates required for their manufacture.

The question whether Explanations (1) and (2) need any revision will be considered as a part of the exercise regarding comprehensive review of possible amendments to the Act."

1.20. In a subsequent reply (March, 1982) the Ministry has stated:—

"According to the existing provisions of the IDR Act, industrial undertakings licensed under certain specified headings of the first Schedule which mainly relate to Engineering and Chemical fields are allowed to manufacture components, parts and accessories and intermediates for captive use. As the manufacture of components, parts etc. is permitted only for purpose of internal consumption of the licensed items, and no commercial sale of these parts, components etc. is permissible, their production by the licensed units does not come into competition with the products of small scale units."

1.21. The Ministry has said nothing now in the latest reply what was not already known to the Committee before making the aforesaid recommendations. The Committee are therefore, not satisfied with the reply of the Ministry. They still feel that it is unfair to small scale sector if large units are allowed captive capacity to manufacture items reserved for Small Scale Industry. The Committee would like to reiterate that Government should re-examine the matter with a view to withdrawing captive capacity in large/medium units for manufacture of 'reserved' items.

Recommendation Sr. No. 95 (Para Nos. 8.43 & 8.44)

1.22. The Committee (1980-81) were informed that, with a view to encouraging small scale units for larger participation in Government purchases, 379 items of stores had been set apart for exclusive purchase from the small scale sector, 11 items for exclusive purchase from this sector to the extent of 75 per cent of the requirements and 15 per cent items to the extent of 50 per cent. The Committee had found that as against Small Scale Sector's contribution of 32 per cent to the national product in 1979-80, this sector's share in value of purchases made by DGS&D for Government Department was only 12.62 per cent. In fact the percentage share had declined to this level from 13.56 per cent in 1977-78. Giving qualitative analysis of the Government purchases Secretary (Industry) stated that, if the items which were not produced in the small scale sector were excluded, the percentage of purchases from small scale sector would come to 41 per cent and not 12 per cent. This analysis too showed that of the

goods, which were available for purchase from small sector, only 41 per cent were actually purchased from this sector.

The Committee had felt that instead of getting consolation from qualitative analysis of purchases from small scale sector, the correct approach would be to determine the optimum range and quantity of goods which the Government could buy from small scale sector and then to buy them from this sector and not from large sector. The Committee had recommended that the Ministry of Industry should make such a study in cooperation with DGS&D and persuade the purchasing agencies at the Centre and the States to adopt this approach in all their purchases.

1.23. The Ministry has stated (March 1982) that—

“The Recommendation of the Estimates Committee was brought to the notice of the DGS&D whose comments are reproduced below:—

The purchase procedure in vogue is devised with a view to encourage procurement of stores from the small scale sector to the maximum extent possible. Depending upon the production and supply capability of the small scale sector, items are reserved either exclusively or partially for purchase from this sector. The Standing Review Committee constituted in the Department of Supply reviews the lists of reserved items constantly and enlargement is made as and when production and supply capability of small scale sector warrant reservation. It may be mentioned that during the period of nearly two years of its existence the Committee have recommended over 140 items for exclusive purchase from small scale sector. There are at present 384 items reserved for exclusive purchase from small scale sector and 15 and 11 items respectively for purchase of 50 per cent and 75 per cent of the requirements. As the Committee reviews the three lists of purchase preference continuously more and more items are likely to be included in these lists and the share of small scale sector in the total Government purchases will go up further.

The Ministry of Industry is represented on the Standing Review Committee and it will endeavour to maximise the purchases from the Small Scale Sector subject, of course,

to the economics and pricing policies of purchasing agencies of the Government”.

1.24. The Committee are not satisfied with the Ministry's reply. It is evasive in that the Ministry has not dealt with the question of study about the optimum range and quantity of goods which the Government can buy from small scale sector. The Committee would reiterate that the recommended study should be made expeditiously and necessary measures taken thereafter to persuade the purchasing agencies at the centre and in the states to purchase all such items as are available in small sector from this sector only.

Field Testing Stations for Small Scale Units

Recommendation (Sr. No. 106—Para No. 9.32)

1.25. The Committee were informed that elaborate testing facilities are required before introducing standardisation of the products of small scale sector, but at present testing facilities are not adequate nor within easy reach of the small scale units. In this context the proposal to set up 50 Field Testing Stations during Sixth Plan is not only very timely but if implemented judiciously, can also fill the gaps in testing facilities in various regions. The Committee recommended that these Field Testing Stations should be so located that relevant testing facilities become available to clusters of small scale units in all parts of the country at their door steps. In this process, the needs of less developed areas should be given due consideration.

1.26. In reply (October 1981), the Ministry has stated that,—

“At the instance of the Ministry of Industry, the Planning Commission had agreed to make a provision of Rs. 250 lakhs in the Sixth Plan for setting up new Testing Centres for the benefit of small scale industries. A detailed proposal had also been formulated by this Ministry for the setting up of 50 such Centres during the Sixth Plan period. The Ministry of Finance have, however, proposed that central participation towards setting up of such centres should be confined to nodal schemes and centres to demonstrate to States and the Industry the usefulness of such units. Accordingly, one centre in each State could be set up. The Ministry of Finance have also suggested that in case, the State Governments come up with proposals for setting up of additional units on their own, the DC (SSI)

could extend technical help required for the purpose. The performance of these new centres would be reviewed after a period of two years, before the setting up any further centres is considered".

1.28. The Committee are not satisfied with the reply of the Ministry. They reiterate their earlier recommendation

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sr. No. 1—Para No. 2.32)

It is distressing to note that the small scale industries which have been assigned an increasingly important role in the plans towards achieving wider employment opportunities, Promoting intensive development of new viable industries and decentralisation and dispersal of industries, earning foreign exchange for the country through exports and which have not established their potential to achieve these ends should be suffering from chronic shortages of essential raw materials.

Reply of Government

The Government has taken note of the concern expressed by the Committee in regard to chronic shortages of essential raw materials. The Government will continue its efforts to meet the requirements of the small scale sector keeping in view the over-all availability/constraints in relation to supply of critical raw materials.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC
Dated 15-10-1981]

Recommendation (Sr. No. 2—Para No. 2.33)

Even if the contention of the small scale sector that, with a contribution of 40 percent to industrial production, their share of raw materials was of the order of 10 per cent only, is not accepted, the severity of the shortages is evident when even according to government's own estimates, the level of satisfaction in the small sector in the matter of raw materials from official channels is only 30 to 50 per cent of their capacity. If with such a low level of raw material supplies, the small sector could achieve a production of the value of nearly Rs. 21,000 crores representing 32 per cent of the total industrial production, make exports worth Rs. 1100 crores representing 16 per cent of the total exports and provide employment to about 70 lakh persons the full potential of this sector is not very difficult to visualise if their raw material needs are met in full.

Reply of Government

The Government has taken note of the observation.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC
Dated 15-10-1981]

Recommendation (Sr. No. 3—Para No. 2.34)

The Committee find that the small scale sector is at a disadvantage compared to DGTD units. Its disadvantages arise from the distribution formula adopted by most canalising agencies which is on the basis of past offtake by a unit. In the case of a DGTD unit they have specific records of the amount of materials taken by a unit and the amount of production which has been made possible on a licenced capacity basis. The canalising agencies, are therefore, able to provide to the DGTD units, year after year, a well defined quantity of raw materials based on the recorded evidence. On the other hand, as admitted by the Ministry, the agencies have failed to make available to the small scale units "a substantial portion of their requirements" as there is no evidence either with the canalising agency or with the State Directors of Industries as to the actual utilisation of the raw materials by a small scale unit in the past. This goes to prove to an extent the contention of the small scale units that they tend to get a lower percentage of their requirements than the DGTD units. Since maintenance of a proper record of supply and consumption of raw materials will be in the interest of the small units themselves, the Committee would like the Ministry to explore the possibility of evolving a system of record keeping by such units in consultation with the representative organisations.

Reply of Government

The recommendation has been brought to the notice of the State Governments for their guidance and further consideration.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC
Dated 15-10-1981]

Further reply of Government

A meeting of the representative associations of small scale industries was held by the Office of the DG (SSI) on 28th August, 1981 to explore the possibilities of evolving a system of record keeping by small scale units in respect of supply and consumption of raw materials. A detailed proforma has been designed and circulated to indicate supply and consumption of raw materials.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC
dated 29th January, 1982]

Recommendation (Sr. No. 5—Para No. 2.36)

The Committee endorse the recommendation of the SSI Board that wherever possible, indigenous raw materials should be made available first to small sector and any shortfalls which may have to be imported should be done by the large scale units.

Reply of Government

This recommendation is on the same lines as recommendation No. 4. The Government is examining the implications of making the requirements of the small scale sector a first charge also in relation to available indigenous raw materials.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC
Dated 15-10-1981]

Further reply of Government

While accepting the spirit of the Committee's recommendation that in the matter of raw materials distribution, small sector must get all due priority, it may be difficult to lay down that indigenous raw materials must be made available first to small sector and shortfalls thereof should be met by imports for issue to large units.

The range of industries and sectors requiring a variety of raw materials is indeed vast. Further, the distribution is not only *inter se* between large and small sector units but within a complex framework of relative priorities. The requirement of raw materials for the small sector is thus to be met from appropriate planning of supply with reference to demand of raw materials needed by industry as a whole. Within this framework, Government have invariably included the needs of the small sector as part of the priority sector. Attempts are being made accordingly to supply the small scale sector with raw materials drawn from indigenous production wherever possible. Shortfalls are met from buffer imports e.g. iron and steel and aluminium, which are supplied at pooled prices by the respective canalising agencies. Thus, whether the supply is from indigenous sources or from imports, the price is the same; furthermore, small scale units do not have to go in for individual imports.

It is in this background that it has not been possible for the Government to act upon the SSI Board's suggestion so far. On the other hand, Government feel that the present system is not only an ap-

appropriate balance between the needs of all sectors and industries but also provides requisite flexibility of operation and insulates the small industries from the vagaries of raw material shortages.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC
dated 30th January, 1982]

Recommendation (Sr. No. 6—Para No. 2.37)

The basic raw materials which have been in short supply are iron and steel, pig iron, coke, aluminium (EC& CG grade), copper, tin, mutton, tallow, paraffin wax, caustic soda, soda ash, PVC, LDPE, HDPE. Government, it is found, have not been able to have a clear idea of the demand assessment of the small scale sector. While the Committee appreciates the difficulties of the Government in making an overall assessment of the raw material requirements of the small scale industries they feel that unless the magnitude of the problem is known fairly accurately at least at macro level it will be difficult for the government to draw any plan to make good the shortage of raw materials. The Committee would expect the Government to evolve a suitable mechanism to make a demand survey in the small scale sector at least of scarce raw materials.

Reply of Government

The DC, SSI has been asked to examine, in consultation with the State Government, the recommendations regarding evolving a suitable mechanism to assess the realistic demand of the small scale sector for scarce raw-materials.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC
Dated 15-10-1981]

Further reply of Government

Government agrees with the views of the Committee that some idea of a demand perspective for scarce raw materials should be available to draw a plan to meet the shortage. A beginning has already been made through assessment of capacities of small scale units consuming electrolytic grade aluminium, copper for conductors, wires and PVC cables. State Directors of Industries have also been given suitable guidelines for assessment of capacities of small scale units in the field of ferrous foundry, bright bar manufacturing, wire-drawing, tin containers, hospital wares, etc. Action is in hand to prepare suitable norms for assessment of capacities in other fields also requiring scarce raw materials.

As indicated against recommendation No. 3 a proforma has been designed to collect data on actual consumption of raw material which will give a fair idea of the requirement of different materials.

The macro level demand is presently being estimated by individual Ministries based on past consumption, demand requirement with provision for expected growth.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC dated 30th January, 1982.]

Recommendation (Sr. No. 7—Para No. 2.38)

The Committee are informed that the assessed capacity in small scale sector was much higher than the raw materials available. As such assessed capacity is not accepted for the purpose of allocation. The allocation, it is stated, is generally based on past offtake which though not a scientific criterion is unavoidable so long as availability is less than demand. The Committee appreciate the compulsions under which government have to operate insofar as allocation of indigenous raw material vis-a-vis availability is concerned. But, since government have taken a decision to import whenever necessary the estimated shortfalls to augment indigenous availability, the Committee feel that rigidly sticking to the criterion of past offtake as the basis of allocation, even it is known that it meets only about 50 per cent of the demand of SS sector, is not consistent with the concern expressed by Government for this sector. The Committee would like to urge that government should make all efforts to provide raw material to SS units as per their verifiable demand or as suggested by the Ministry at least as per their past consumption (duly authenticated by Chartered Accountant or State Director of Industries) irrespective of the sources of purchase of materials, with due provision for growth.

Reply of Government

The recommendation has been noted and brought to the notice of the various Ministries and State Governments for examination.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC dt. 15-10-1981]

Further reply of Government

The small scale sector has been categorised as a priority sector in respect of certain items such as iron and steel. The decision of the Government is to make all efforts to increase availability so that

hundred per cent real demand in priority sectors is met, whether by indigenous production or by imports. It is difficult to produce figures of actual consumption and giving a premium to consumption of materials obtained through sources other than the regular acceptable sources may create further complications. Hence, efforts are being made to meet the entire demand in the priority sectors. As regards other items, allocations would depend upon the available supply of raw materials and all necessary measures will be taken to increase the supply of raw materials to the extent possible.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC dated the 29th January, 1982]

Recommendation (Sr. No. 8—Para No. 2.39)

The Committee find the suggestion made by a non-official organisation to allot raw material to a new small scale unit on the basis of project report in the first year from the date of commencement of production and thereafter on the basis of past consumption or performance as worthy of serious consideration. This has the merit of helping a unit find its feet in the first couple of years which is most crucial period for a new entrepreneur and thus guarding against "infant mortality" among small scale units. The Committee would like the Ministry to give it a serious thought and evolve a satisfactory system to meet the raw material demands of new units in full.

Reply of Government

The recommendation is being examined, in the first instance, by DC, SSI who will also consult the State Governments, if necessary.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC dt. 15-10-1981]

Further reply of Government

The Ministry is in agreement with the view expressed by the Committee in the matter of allotment of raw materials to new small scale units on the basis of the indication in their project reports, during the first year of their production and later on the basis of past consumption or performance. The sponsoring authorities have been directed to follow this recommendation of the Committee, subject to appropriate scrutiny of demand in the project reports.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC dated 30th January, 1982.]

Recommendation (Sr. No. 9—Para No. 2.40 & 2.41)

The Committee find that norms have laid down for certain categories of industries so that the assessment of requirements of units in those categories could be made with some degree of accuracy and uniformity throughout the country. This has been done in the case of cables and conductors (aluminium), foundries (pig iron) wire drawing units, wire rods, bright bars (shafts) tins, cans (tin plate) etc. These norms have been formulated by the RC (SSI) and recommended to the State Directorates of Industries for use in making assessments.

The Ministry have claimed that the norms have been formulated in respect of specific items which are in critical short supply. It could not be the Ministry's contention that the aforesaid items are the only items which are in critical short supply. The Committee would like that norms should also be formulated for all items particularly in short supply and for other categories of industries in dire difficulties to facilitate a scientific assessment of requirements of units on a uniform basis throughout the country. The Committee would expect this work to be taken up according to a programme and completed as soon as possible.

Reply of Government

The DC, SSI has been asked to examine this recommendation.

[Ministry of Industry (Deptt. of ID) O.M. No. 1 (26) /81-ICC
dt. 15-10-1981]

Further reply of Government

The norms have been prepared by the DC (SSI) for certain categories of industries for assessment of capacities of units engaged in these categories such as ferrous foundry, bright bar, wire drawing, in containers, AA|ACR conductors, PVC|cable wires, hospital equipments, etc. Additional items requiring other raw materials have been identified for preparation of norms. These items are ferrous and non-ferrous foundry, industrial fastner, steel furniture, utensils (stainless steel, aluminium, brass bus bars, transformers, agricultural implements, hand-tools (forged and fabricated), small tools, surgical instruments, RCC pipes, ceramic files spectacles, etc. It may, however, be added that preparation of norms is a time-consuming exercise requiring collection of detailed field data about specific industries. This is a continuing exercise and every year efforts are made to finalise norms in some industries using scarce

raw materials. A suitable programme for the purpose has been taken up.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC
dated 30th January, 1982]

Recommendation (Sr. No. 10—Para No. 2.48)

In regard to the suggestion to earmark a proportionate percentage of indigenous production of raw materials for small scale sector, the Ministry have stated that where the entire output of any particular material is canalised through an official agency, it would be possible for the Government to earmark a certain percentage for SS Section. In respect of other items it would not be possible to do so unless a control order is issued. The Ministry are not in favour of bringing all the types of different materials (numbering about 3200) required by SS industrials under distribution control. The Committee would like the Ministry to note that the problem arises only in respect of critical raw materials and not in respect of all the 3200 items, required by SS unit. The Committee feel that a beginning to earmark a reasonable percentage of indigenous production by an administrative order may be made straight-away in the case of raw materials produced and handled entirely in public sector. Informal efforts to persuade large producers in private sector to supply critical raw materials, to small scale sector on high priority basis which are stated to be already being made by Government should be intensified and results watched.

The Committee would like to be apprised of the concrete action taken in this regard with reference to public sector and private sector units separately.

Reply of Government

This recommendation is related to recommendations Nos. 4 and 5. The recommendation is being examined in consultation with various production Ministries.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC
dt. 15-10-1981]

Further reply of Government

It is the view of the Government that raw materials available freely in the market should not be subjected to any controls, particularly since such an approach would be in line with the view that small scale units should grow as a relatively free sector free from needless controls. However, availability of raw materials like iron

and steel, copper etc., which are scarce and produced by Public Sector Undertakings are augmented from time to time by Government through canalised imports by SAIL, MMTC, STC etc. The interests of the small scale sector are duly protected in this process by issue of formal/informal guidelines wherein the producers in the Public Sector Undertakings are associated with the supply of raw materials to meet the requirements of individual small scale units directly or through their units. The Ministry has also taken up with other administrative Ministries the question of ear-marking suitable quantity of raw materials, which are in short supply, from private sector units and their respective undertakings. As a result of these measures the Department of Petroleum have for instance directed NOCIL and UNION CARBIDE to ear-mark atleast 25 per cent of their monthly production of Octyle Alcohol exclusively for small scale units.

[Ministry of Industry (Deptt. of ID) O.M.No. 1(26)|81-ICC dated 30th January, 1982.]

Recommendation (Sr. No. 11—Para No. 2.49)

The Committee would like that the Ministry should keep a vigilant eye on the requirements and availability of critical raw materials for small scale sector and, if persuasion fails to produce results and the supply position reaches a critical stage, the Ministry should not hesitate to exercise statutory powers available to the Government with a view to helping the small sector out of the crisis.

Reply of Government

The recommendation has been noted.

[Ministry of Industry (Deptt. of ID) O.M.No. 1(26)|81-ICC dt. 15-10-1981]

Recommendation (Sr. No. 12—Para No. 2.58)

It has been represented to the Committee that allocations of raw materials from main producers and central agencies are not linked with the actual requirements registered by Small Scale Units with the State Small Industries Development Corporations (SIDCs) and the allocations made to the SIDCs are as meagre as 25 to 35 per cent of the requirements. This is borne out to an extent by the information furnished by the Ministry in regard to steel demand put forth by SIDCs and allocations made in 1979-80. For example, AP got 26000 MT as against 1,43,900 MT; Maharashtra 55,500 against 93,000 MT; HP 4750 MT against 17180 and UP 40,000 against 1,00,000 MT.

The Ministry state that SIDCs do have adequate data about the needs of SS units but, it is stated, they tend to over-estimate while placing demand. Secretary (Industry) conceded that allocations were about 45 per cent of the demand. The Committee cannot help observing that on the one hand the Ministry complain of lack of reliable data of the small sector's requirements and where such a data is available through State agencies like SIDCs, it is not accepted as accurate. The claim of the Ministry that allocations of raw materials have been raised over the years would not meet the point unless these are related to reasonable and varifiable demands. The Committee urge that, instead of distrusting the demand put forth by SIDCs and applying across the board cuts on the basis of an unscientific criterion of past offtake, the causes which lead to over-estimation of demands by SIDCs should be analysed, an atmosphere of mutual trust created and the system of registering demands with SIDCs made more reliable so that the tendency to over-estimate is curbed and the legitimate demands of SS Units registered with State agencies are met at the right time. If this is not done, the SS Units' faith in SIDCs is likely to be eroded and this may bring in further problems in a field beset with problems.

Reply of Government

The Government has taken note of the observation.

[Ministry of Industry (Deptt. of ID) O.M.No. 1(26)81-ICC
dt. 15-10-1981]

Reply of Government

The Government are already constantly exploring methods of better coordination and review of arrangements of allocation and distribution of raw materials through State Industrial Development Corporations. In line with this recommendation, the Standing Committee set up by All India Small Industries Board has decided that the entire question of method of allocation and distribution through the State Industrial Development Corporations be reviewed by a Committee consisting of the Development Commissioner and representatives of the Council of Small Industries Development Corporations to evolve remedies.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 29th January, 1982]

Recommendation (Sr. No. 13—Para Nos. 2.71 & 2.72)

2.71. It is a matter of concern that in the matter of iron and steel materials the problem faced by small scale units is not only of short

allocations vis-a-vis demand, but also of mis-matching of sections required by them and actually supplied by SAIL. Materials are not consequently received by the Small Scale Industries according to their requirements of specific types, sizes and sections with the result that their manufacturing programmes are thrown out of gear. The factors that contribute to this situation are reported to be dislocation of rolling programmes due to power shortage and other local problems.

2.72. The Committee understand that decentralisation of the rolling programmes could be a solution but this is not a practical proposition as re-rolling capacity in the country is not adequate and re-rolling process is energy expensive and costlier. The Committee would therefore, agree with the Ministry of Industry that all efforts should be made by regular reviews and otherwise to ensure that the original rolling programmes are adhered to as far as practicable and a system of advance information should be evolved to communicate to the small industries units the anticipated shortfalls or deviations so that the small units can carry out necessary adjustment in their manufacturing programmes in proper time. It will also be useful in the view of the Committee if as suggested by Ministry of Steel and Mines adequate arrangements are made to store at suitable placed items/sections of common use in between rolling programmes. The Committee would expect the Ministry of Industry to formulate a comprehensive scheme in consultation with the Ministry of Steel to deal with this problem.

Reply of Government

The DC, SSI is taking up this matter with the Ministry of Steel.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1 (26)/81-ICC dated 15-10-1981].

Further reply of Government

The matter was taken up with the Department of Steel to work out and formulate a comprehensive scheme to deal with the problem of occasional shortages of some of the steel items and find out ways to adjust the rolling programme of the steel plants. The Ministry of Steel and Mines have informed that the Iron and Steel Controller has been directed to give concrete shape to this suggestion and finalise the rolling programmes in consultation with COSICI/EASII.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1 (26)/81-ICC dated 30th January, 1982].

Recommendation (Sr. No. 14—Para No. 2.73)

The Committee feel that, here too, if scarcity conditions in certain sections and items are foreseen to be developing to a level where the manufacturing programmes of small scale units are likely to be seriously dislocated, the Ministry should not hesitate to come to the rescue of SS units either by supplying the material from buffer stocks, if available, or by organising timely imports of the required materials after obtaining a firm agreement from the industries concerned to this course of action.

Reply of Government

A scheme for buffer-stocking of certain scarce raw-materials often required by small scale industries is being finalised in the Ministry of Industry.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15-10-1981].

Further reply of Government

Government considers suggestions made from time to time to remove shortages of scarce raw materials and accordingly directs canalising agencies like SAIL, MMTC, STC etc., to import the raw materials to fill the gaps between demand and supply from the indigenous sources. Recently, Steel Ministry has taken steps to import pig iron and certain categories of steel items as canalised imports; in addition imports are made by STC, MMTC of non-ferrous metals and chemicals items. A scheme for buffer stocking for small scale sector starting with selected iron & steel materials is awaiting final approval from the Ministry of Steel and Ministry of Finance.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 30th January, 1982].

Recommendation (Sr. No. 15—Para No. 2.86)

The Committee have been assured that there are no exceptions to the general policy that large units manufacturing basic raw materials should not be allowed to manufacture items where there is a strong small scale angle or where the item is reserved for the small scale sector. There are, however, cases, the Ministry state, where due to licences having been issued prior to reservation, the large units are entitled and continue to manufacture such items even after reservation. Since PVC resin manufacturers have been manufacturing PVC compound prior to reservation, they cannot be asked to vacate. The Committee welcome the assurance of the Ministry that they would ensure that the PVC compound materials

are made available to the small scale units using this product for further processing.

Reply of Government

The recommendations of the Committee has been taken note of by the Government. The DC, SSI is taking up the matter with the Ministry of Petroleum, Chemicals and Fertilizers.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15-10-1981].

Further reply of Government

There is no shortage of PVC Resin at present. The import of PVC Resin is now allowed under OGL and all the Actual Users can import the material as per their requirements. As a matter of fact during some time past, the imported materials has been available to the Actual Users at a lower price than the indigenous material and some of the units were not interested in lifting the material from the indigenous sources.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated the 15th/17th March, 1982].

Recommendation (Sr. No. 16—Para No. 2.87)

The Committee would expect that, in the case of other materials also, even though the large manufacturing units might have been licensed prior to reservations, some measures, persuasive or administrative, would be taken by the Ministry, to the extent possible, to meet the genuine and legitimate needs of small scale sector. Otherwise, as feared, the small scale units would find it difficult to survive in those fields.

Reply of Government

The Government has taken note of the recommendation.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15-10-1981].

Recommendation (Sr. No. 17—Para No. 2.88)

The Committee are surprised to know that while reserving an item for exclusive manufacture in small scale sector, Government did not consider it necessary to provide an assured supply of raw

materials required for its manufacture. Reservation of an item for small scale sector without proper linkage with raw material source especially when its production depends mainly on a critical raw material in short supply is, in the Committee's view, an illusory concession not capable of doing any good to the small sector. While it is not necessary that a control order need necessarily be brought out to ensure supply of all the 1100—1200 items needed for production of 834 items on reserved list, the Committee hold that a general obligation does devolve on Government to see that as far as possible the critical raw materials generally in short supply which are required to produce reserved items are made available to the small scale units from assured sources.

Reply of Government

The Government has taken note of the recommendation.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15-10-1981].

Recommendation (Sr. No. 18—Para No. 2.89)

As regards supply of Octyle Alcohol for the use in the small scale sector, the Committee hope that the proposal of the Ministry of Industry for reservation of 25 per cent the product of NOCIL and Union Carbide for this sector would come through before long and the reasonable requirements of small scale sector would be fully met.

Reply of Government

The DC, SSI is following up the proposal with the Ministry of Petroleum, Chemicals and Fertilizers.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15-10-1981].

Further reply of Government

The efforts of Ministry of Industry have shown some success inasmuch as the Department of Petroleum has directed NOCIL and union carbide to earmark 25 per cent of their monthly production of 2-Ethye Hexan (Octyle Alcohol) for small scale units.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 30th January, 1982].

Recommendation (Sr. No. 20—Para Nos. 3.18 to 3.21)

3.18 Government have taken a decision to import whenever necessary the estimated shortfall of raw materials in the country to augment the supplies through recognised agencies. In December, 1980, the Ministry of Industry claimed in a note submitted to the Committee that under the new policy of Government of creating a buffer stock in scarce category of materials to tide over seasonal demand, some success had been achieved and stock position of some of the scarce materials was stated to be more comfortable.

3.19 But, in a note submitted by the Ministry in September, 1980 it was stated that—

“there have been some inadequacies noted in regard to the supply of raw materials through the canalising agencies. The raw materials sometimes are not available in the right quantity and at right time as requisitioned by the small scale sector. The canalising agencies have also, to some extent, failed to estimate the overall requirements of material and keep an adequate buffer stock to tide over the seasonal increase of the demand. Perhaps, this is due to the fact that they are new in the field in some of the categories and it will take time to understand the market mechanism and also estimate their future likely demand.”

3.20 The position explained in the note of September, 1980 was later stated to be incorrect.

3.21 The Committee wish to express their unhappiness at these contradictory statements made by the Ministry within a span of 3 months. This, the Committee are constrained to observe, creates doubts as regards the Government claim on adequacy of stocks of raw materials built by canalising agencies.

Reply of Government

The Government has taken note of the observation.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15-10-1981].

Recommendation (Sr. No. 22—Para No. 3.29)

When due to external factors, the materials imported by canalising agencies do not reach in time and the canalising agencies get 3

to 4 consignments at the same time, accelerated sale notes are issued by the canalising agencies at a time against the past registered demand of the actual users. In such circumstances SS units, instead of getting deliveries in a phased programme, are faced with the problem of lifting large quantities of materials in one lot. The Committee have been informed during evidence by the representative of STC that, on such occasions, at the SS units request the delivery period is extended and the units can take delivery by the extended time. In so far as MMTC is concerned, if the units cannot lift the materials offered, they are given an opportunity to give an revised programme for lifting the material.

The Committee would like that the procedure obtaining in MMTC should be followed by STC also and the extended period for lifting material should be fixed in consultation with the SS units concerned. In such circumstances future entitlements should not be denied or delayed. The Committee would like the Ministry of Industry to make sure that no hardship is caused to SS units in the event of bunching of consignments.

Reply of Government

The recommendation has been brought to the notice of Ministry of Commerce (and the CCI&E) for informing the STC and other canalising agencies.

[Ministry of Industry (Deptt. of ID) O.M. No. 1 (26) |81-ICC
dt. 15-10-1981]

Further reply of Government

The Government have taken note of this recommendation. The MMTC have a monthly delivery schedule; the STC have it on a quarterly basis. In the event of bunching of consignments the STC have a system under which the allotment is carried over to the next quarter at the request of actual users and the units are allowed to lift the entire quantity allotted to them in the preceding quarter also. The thrust of the recommendation that no hardship is caused to the small scale unit in the event of bunching of consignments is, therefore, met under the system being followed both by MMTC and STC.

[Ministry of Industry (Deptt. of ID) O.M. No. 1 (26) |81-ICC
dated 29th January, 1982]

Recommendation (Sr. No. 23—Para No. 3.30)

The Committee welcome the Bill Market Scheme in vogue in STC under which credit is available to SS units which are hard up for finance for lifting material. The Committee would suggest that the Ministry of Industry may explore the possibility of persuading other canalising agencies to introduce similar credit scheme for SS units.

Reply of Government

The recommendation has been taken note of and brought to the notice of the Ministry of Commerce (and the CCI&E) for bringing the Bill Market Scheme of the STC to the notice of other canalising agencies.

[Ministry of Industry (Deptt. of ID) O.M. No. 1 (26) | 81-ICC
dt. 15-10-1981]

Further reply of Government

The Bill Market Scheme in vogue in STC is being followed by the other important canalising agencies, viz. MMTC and CPC, also.

[Ministry of Industry (Deptt. of ID) O.M. No. 1 (26) | 81-ICC
dated 29th January, 1982]

Recommendation (Sr. No. 25—Para No. 3.49)

Certain safeguards have been provided in the present import policy whereby an actual user who has registered requirements for allotment of canalised items could have a direct import licence when the canalising agency is unable to register his requirements and give a clear indication of supplies as per schedule within a period of 90 days. But this facility of import as an actual user is laden with so much of procedural difficulties and there are so many procedural stages to cross each stage taking some time—that even if a small scale unit chooses to avail of it, he cannot hope to get the required material before a year. What makes the Committee unhappy is that the Ministry of Industry have been fully aware of the illusory character of this facility of direct import and they have not been able to do anything worthwhile to remedy the situation. The Committee recommend that the entire range of procedure relating to entitlement to get “no objection certificate” from canalising agency and issue of AU licence should be reviewed with a view to cutting down the time to the absolute minimum.

Reply of Government

The recommendation has been brought to the notice of the Ministry of Commerce (and the CCI&E).

[Ministry of Industry (Deptt. of ID) O.M. No. 1 (26)/81-ICC dt. 15-10-1981]

Further reply of Government

Powers have already been delegated to the regional licensing authorities to allow direct import of canalised items on the basis of "No objection" certificates issued by canalising agencies upto a value limit of Rs. 25,000. In the case of drug items, this limit is Rs. 2.5 lakhs.

The procedure in this regard would be further reviewed and streamlined so that actual users are able to get direct import licences without delay in cases where the canalising agency has been unable to adhere to the prescribed delivery schedule in the matter of allotment of imported material.

[Ministry of Industry (Deptt. of ID) O.M. No. 1 (26)/81-ICC dated 17th March, 1982].

Recommendation (Sr. No. 26—Para No. 3.50)

This alone will not solve the problem fully. The Ministry should be able to help the SS Units interested in making direct import of material under AU licence in locating foreign suppliers without delay and guide them on the most expeditious method of obtaining the imported material. The Committee would expect the Ministry to work out a comprehensive Scheme to make this facility real and useful.

Reply of Government

The recommendation has been brought to the notice of the Ministry of Commerce for informing the canalising agencies.

[Ministry of Industry (Department of Industrial Development) O.M. No. 1(26)/81-ICC dated 15-10-1981].

Further reply of Government

The import policy already contains provisions under which small scale Actual Users can make use of the service of Export Houses, Cooperative Societies, Associations of Actual Users and the States Small Industries Corporations and other public sector agencies to import goods on behalf of Actual Users. Under the IRMAC

scheme, Actual Users holding import licences can approach the STC or MMTC or Export Houses/Trading Houses to obtain supplies from them by surrendering their licences in favour of such agencies. Further, the Associations of small scale units or Cooperative Societies of small scale units or State Small Industries Corporations can obtain bulk import licences covering the requirements of Actual Users so that individual Actual Users have not to apply for licence and import goods separately. In respect of OGL imports, facilities have been provided to the cooperative Societies, Associations of Actual Users and State Small Industries Corporations to act as agents on behalf of Actual Users for opening letters of credit, for making remittance and for import and clearance of goods on behalf of Actual Users.

All the above facilities are intended to assist the small scale Actual Users in the matter of imports on their behalf. Beyond this, it may not be possible for Government to provide directly guidance to each small scale licenceholder as to the source from which he can obtain supplies and the competitive price of the material to be imported.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC dated 17th March, 1982].

Recommendation (Sr. No. 27—Para No. 3.51) . .

The Committee find that the Small Industries Corporations who can bulk the requirements of import materials on behalf of the small units are also handicapped in availing of import facility as they do not have with them the facility which the actual users have and they have to obtain foreign exchange allocation even when import is freely permitted under OGL. The problems of SIDCs in this field are stated to be under consideration. The Committee recommend that procedural difficulties of SIDCs in importing materials on behalf of SS Units should be removed without delay and the Corporations should be enabled to import material in such circumstances without difficulty.

Reply of Government

The DC, SSI has been requested to consult the State Small Industries Development Corporations, evaluate the procedural difficulties and to suggest ways and means to overcome them.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15-10-1981].

Further reply of Government

Under the present policy, Small Industries Corporations of State Governments have to obtain release of foreign exchange only if they have to import OGL material in bulk for sale to Actual Users off-the-shelf. This procedure is applicable where at the time of import, the Corporation has not identified the particular Actual Users to whom they will supply the imported material and the quantity to be supplied in each case.

There is a separate provision in the import policy under which public sector undertakings/agencies can import OGL items on behalf of Actual Users. In such cases, before import, the corporation has to tabulate the requirements of individual Actual Users, consolidate them and then make bulk import, acting as an agent of the concerned Actual Users. For such imports, it is not necessary for the corporation to obtain foreign exchange release.

[Ministry of Industry (Deptt. of Industrial Development) O.M. No. 1(26)/81-ICC dated the 17th March, 1982]

Recommendation (Sr. No. 30—Para No. 3.71)

Large scale industries are at present able to take delivery of a substantial portion of the imported material at high seas on which they do not have to pay Inter-State Sales Tax and other local taxes. They are thus able to get raw material at a much cheaper rate and the interest of small scale sector which also has this facility but has not been able to make use of it due to procedural difficulties is thus jeopardised at the very first stage of supply of raw materials. The problem of small scale units could have been solved if even the Small Industry Corporations could lift the material on high seas on behalf of small scale units and distribute it among them. But these Corporations too have a procedural problem that they are not recognised as "actual users". The Committee are informed that this procedural difficulty is expected to be solved shortly. The Committee urge that this procedural constraint should be removed forthwith so that the small industries Corporations could also lift imported material on high seas and, supply it to small scale units at a cheaper price than at which they are able to get it at present.

Reply of Government

The DC, SSI is taking up the matter with the concerned agencies after consulting the State Small Industries Development Corporations.

[Ministry of Industry (Department of Industrial Development) O.M. No. 1(26)/81-ICC dated 15-10-1981].

Further reply of Government

A decision has already been taken that the canalising agencies should have no objection to sell the goods on high seas in favour of State Small Industries Corporations to enable the corporations to meet the requirements of Actual Users. Further procedural refinements, if any, in this regard as may be suggested by the State Corporations will be duly considered.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC dated the 17th March, 1982].

Recommendation (Sr. No. 31 Para No. 3.80)

The Committee agree with the Ministry of Industry that instead of asking the canalising agencies to open a raw material depot in each State, as suggested by small scale sector, the difficulties of SSI units would be solved if the godowns of the State Industry Corporations could be used by canalising agencies for storage and distribution of the raw material. The Committee note that MMTC is already using the infrastructure of Small Industry Corporations at a number of places in the country where the Corporations are acting as storage-cum-handling agencies on behalf of MMTC for all their materials and it is prepared to consider opening up of similar depots at other place if considered justified. The Committee would suggest that other canalising agencies should also be persuaded by the Ministry of Industry to arrive at similar arrangements with the State Industry Corporations to enable the small scale units to obtain the material economically and easily from centrally situated godowns in their respective Stages.

Reply of Government

The recommendation has been brought to the notice of Ministry of Commerce, CCI&E and production Ministries concerned with canalising agencies.

[Ministry of Industry (Department of Industrial Development) O.M. No. 1(26)/81-ICC dated 15-10-1981].

Further reply of Government

The recommendation has been brought to the notice of the canalising agencies as directed by the Estimates Committee. MMTC is already utilising the godown facilities of SSICs in different States. SAIL is also willing to treat some willing SSICs as their 'Consignment Agents' and use the godown facilities of the SSICs for Steel

materials. Of late, the overall raw material position has improved, which will further help matters.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC dated 30th January, 1982].

Recommendation (Sr. No. 32—Para No. 3.87)

The Committee welcome the Government policy of establishing buffer stocks of critical raw materials by supplementing through imports the production within the country. This has been done in respect of stainless steel, tin, nickel and copper and the scheme will be extended to iron and steel, pig iron, mutton, tallow and paraffin wax. The Committee were informed that details of the scheme were to be worked out by end of March, 1981. They would like the detailed scheme to be published immediately for general information of small scale sector and it should be implemented efficiently to provide relief to small scale units all over the country. The Committee hope that the Ministry will not hesitate to extend the scheme to other items also as and when considered necessary.

Reply of Government

Necessary steps are being taken by the Government to introduce an appropriate scheme for buffer stocking of certain scarce and critical raw materials for the benefit of small scale industries, as expeditiously as possible:

[Ministry of Industry (Department of Industrial Development) O.M. No. 1(26)/81-ICC dated 15-10-1981].

Recommendation (Sr. No. 34—Para Nos. 4.35 & 4.36)

The Ministry have admitted that in some of the States due to frequent changes of Chief executives, inadequate financial resources, their own general inability to raise further finance from the banks, the State Small Industry Corporations have not been able to function effectively. The Ministry have also admitted that despite the Ministry's advice not to levy extra charges, the small industry Corporations still continue to levy certain charges over and above the permitted service charges from Small Scale Units. Secretary (Industry) explained in evidence that extra charges were in the nature of additional transport charges for carrying the raw materials from the point of receiving deliveries from suppliers to the points of distribution to small scale units and it was therefore, not correct to hold the additional transport charges as 'profit'. The Corporations, it is stated, are not selling material at no-profit no-loss basis as they

are required to sell but they are charging a "small marginal profit to keep the Corporations going".

From this the Committee cannot conclude that all is not well with the Small Industries Development Corporations and, no wonder the small scale units are dissatisfied with their working. The Committee, however, feel that a study into the working of the Small Industry Corporations should be undertaken expeditiously especially in the field of distribution of raw materials, price structure and the margin of profits they are authorised to charge and they actually charge from the small scale units in order to determine whether these Corporations, which are the agencies of the Central Government Organisations in these fields are discharging their functions efficiently and within the four corners of the guidelines issued by the Central Government Organisations. Unless such a study is made the Central Government would not be able to appreciate fully the drawbacks in the working of their agencies in the States and would therefore not be able to take corrective action which the Central Government are under obligation to take in the interest of small scale units.

Reply of Government

The DC, SSI has been asked to study the working of SSIDCs in depth.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC dated 15-10-81].

Recommendation (Sr. No. 35—Para No. 4.37)

The Committee would like that, pending the aforesaid study, the controversy about the corporations' right to recover additional transportation charges from the point of receiving supplies to the point of delivery and the quantum of such additional charges should be resolved and clarification published not only for the guidance of the STDCs but also for the information of small scale units.

Reply of Government

The DC, SSI has taken up the matter with the Council for State Small Industries Corporations (COSIC). COSIC convened a meeting at Bangalore of the various SSIDCs and requested them to take note of the recommendations for compliance and not to charge rates higher than SAIL stock-yards.

[Ministry of Industry (Department of Industrial Development)
O. M. No. 1(26)/81-5CC dated 15th October, 1981]

Recommendation (Sr. No. 36—Para No. 4.35)

The Committee find that the Small Industry Corporations find the existing level of service charges inadequate to meet the cost of overheads in handling of raw materials distributed through them. This matter, it is stated, is under the consideration of the Ministry of Steel. The Committee would expect a decision in the matter to be taken expeditiously.

Reply of Government

The Government has taken note of the recommendation. The matter is being taken up with the Ministry of Steel by the DC SSI.

[Ministry of Industry (Department of Industrial Development)
O. M. No. 1 (26)/81-5CC dated 15th October, 1981]

Recommendation (Sr. No. 37—Para Nos. 4.39 and 4.40)

4.39 The Committee are informed that Small Industry Corporations, are performing a number of promotional activities besides the distribution of raw materials which is largely commercial. A general feeling prevails among small scale units that these corporations are incurring losses on promotional activities and the Central Government's move to channelise the distribution of all raw materials through them is intended to improve their profitability at the cost of small scale units.

4.40 The Committee feel that it would be unfair to small scale units if the overhead expenditure on the promotional activities of the corporations is passed on to raw materials supplies which the small scale units are obliged to buy from the corporations. The Committee would like the Ministry to make sure that this does not happen.

Reply of Government

The recommendation is being brought to the notice of the State Governments by the D.C. SSI for taking appropriate action.

[Ministry of Industry (Department of Industrial Development)
O. M. No. 1 (26)/81-5CC dated 15th October, 1981]

Further reply of Government

As mentioned earlier, the DC (SSI) has brought this recommendation of the Estimates Committee to the notice of all the State

Governments. It would be appreciated that the grant of a subsidy to the State Corporations to meet the cost of promotional activity lies within the domain of the State Governments and cannot be subjected to any directive from the Centre.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC dated 29th January, 1982].

Recommendation (Sr. No. 39—Para No. 4.42)

The Committee are unhappy to note that the Ministry have not spoken with one voice before the Committee on certain issues thus making it difficult for them to have a correct appreciation of the problems. While in a written reply, the Committee were informed that the Ministry have advised the SIDCs not to levy extra charges for raw materials over the above those permitted by canalising agencies, Secretary (Industry) stated during evidence that "if they have been advised (on these lines), they have been wrongly advised". Again, while according to the Ministry, in most States, SIDCs do not seem to have acquired the necessary expertise to raise credit from commercial banks on the strength of Government finances, Secretary (Industry) stated in evidence that the inability of the SIDCs to rotate their funds, in order to achieve greater volume of trade was not due to lack of expertise, this was due to limited range of their marketing. Divergence of views on any subject within a Ministry is neither unusual nor in any way bad; what is unusual in this case is that the different views were not harmonised within the Ministry before placing them before the Committee. This shows lack of coordination and cohesion within the Ministry which is unfortunate.

Reply of Government

The Government has taken note of this observation.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC dated 15th October, 1981].

Recommendation (Sr. No. 40—Para No. 4.3)

The Committee find that the financial position of the Small Industry Corporations could improve and they could also provide a few day's credit to the small scale units on the sale of raw materials as is being done by the Corporations in States like Maharashtra, Gujarat, Karnataka and Tamil Nadu if these Corporations could borrow funds from the Commercial Banks at the same preferential rate of interest as is charged from the small scale units. The Com-

mittee strongly recommend that the Small Industry Development Corporations should be treated at par with the small scale units in the matter of rate of interest on funds advanced by the banks. The Committee would like this matter to be taken up by the Ministry of Industry with the Ministry of Finance.

Reply of Government

As desired by the Committee, the matter has been taken up with the Banking Division of the Ministry of Finance. The Reserve Bank of India has also been addressed in the matter.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC dated 15th October, 1981].

Further reply of Government

As desired by the Committee, the matter was taken up with the Banking Division of the Ministry of Finance and the Reserve Bank of India. In reply, the Reserve Bank of India has mentioned that the rate of interest stipulated for short-term advances to small scale units range between 15 per cent and 19.5 per cent. On advances to SIDCs, the rate of interest vary between 18 per cent and 19.5 per cent. The concessional rate of interest of 13.5 per cent is, however, charged on advances granted by banks to organisations set up by the Central/State Governments on recognised promotional and marketing activities for the purpose of purchase and supply of inputs to and/or marketing of the outputs of artisans of village and cottage industries. Thus, the credit facilities availed of by SIDCs from banks for aforesaid purposes are eligible for concessional rate of interest. Banks are also permitted to route credit through State sponsored Corporations/agencies for the purpose of on-lending to the weaker sections subject to certain terms and conditions.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC dated 17th March, 1982].

Recommendation (Sr. No. 41—Para No. 4.44)

It is unfortunate that in some States tenure of chief executives of the Small Industry Development Corporations rarely exceeds a few months. The Ministry of Industry would do well to bring the harmful effect of such frequent changes in the top management of the corporations to the notice of the States concerned.

Reply of Government

The recommendation has been brought to the notice of the State Governments and Union Territory Administrations.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15th October, 1981].

Recommendation (Sr. No. 42—Para No. 4.73)

The Committee are surprised to learn that critical and controlled raw materials like iron and steel are available in the open market at a premium but not so through official channels to meet the needs of SS units. The Ministry are aware of this phenomenon which, they say, is inherent in a scheme of partial distribution control system, as in vogue at present. In the Ministry's view the problems will solve themselves as soon as production increases for which they say they are taking all possible measures. While the committee agree that adequate production and timely supply of scarce raw materials of the required specifications are doubtless the ultimate solution to the problem of unauthorised sale of controlled materials in the open market by both large and small scale units, they are unable to reconcile with the position taken by the Ministry that the Government is helpless to stop malpractices in respect of raw materials whose distribution is not under any statutory control.

Reply of Government

The recommendation is being examined in consultation with the concerned Ministries/Departments.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15th October, 1981].

Further reply of Government

The recommendation of the Estimates Committee has been examined in consultation with the concerned Ministries/Departments. The distribution procedure for iron and steel materials followed by the Department of Steel is geared to supply of materials to the actual users/manufacturers. MMTC releases non ferrous metals and stainless steel to the Actual Users under Direct Allotment Procedure. The parties are required to register their requirements on the basis of Certificates/Licences issued by their sponsoring authorities. MMTC has no control over the actual users after release of the materials. Some unscrupulous elements however tend to divert

the scarce raw materials to the open market. This phenomenon is inherent in any scheme of partial distribution control system, as in vogue at present. It is felt that with the increase in the production of raw materials, the problem of diversion of raw materials will be solved.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 17th March, 1982].

Recommendation (Sr. No. 43—Para No. 4.74)

The Committee think the Government should not remain a silent spectator when scarcity conditions in critical raw materials are exploited by unscrupulous elements to the detriment of genuine small scale units. The Committee feel that Government should act to regulate distribution and use of those raw materials which are of critical importance to SS units and generally in short supply.

Reply of Government

The Government has taken note of this recommendation. The recommendation has also been brought to the notice of the State Governments.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15th October, 1981].

Recommendation (Sr. No. 44—Para No. 4.75)

The Committee are concerned at the sharp increase in the number of proven cases of malpractices in the use of iron and steel material resulting in debarment of the allottees from 173 in 1978-79 to 365 in 1979-80 and to 420 in the first 8 months of 1980-81. The Committee would like inspections to detect misuse of all kinds of critical raw materials not merely iron and steel to be intensified with a view to taking deterrent action in proven cases of malpractices.

Reply of Government

The observations of the Committee have been brought to the notice of the concerned Ministries/Departments of the Government of India and the Industries Departments of the State Governments with a request to issue instructions to all concerned so as to ensure

that deterrent action is taken in proven cases of malpractices in the use of raw materials by Small Scale Industries.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15th October, 1981].

Recommendation (Sr. No. 45—Para No. 4.76)

The Committee recommend the following additional measures to be taken in order to minimise the misuse of critical raw materials:—

- (i) Both capacity assessments and deliveries of raw materials should be made public and notified as in the case of import licences and copies of these notifications should be made available to the representative associations, individual units and the State authorities concerned.

Reply of Government

The DC, SSI has brought this recommendation along with the recommendations contained in Sr. No. 46 and 47 to the notice of the State Directors of Industries, SSIDCs and concerned agencies to take effective steps for minimising the misuse of critical raw materials.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15th October, 1981].

Recommendation (Sr. No. 46—Para No. 4.76)

The Committee recommend the following additional measures to be taken in order to minimise the misuse of critical raw materials:

- (ii) A procedure should be established under which arrival of specific materials, in stockyards and godowns of canalising agencies, total quantities available from day to day prices of materials should be displayed on the notice boards outside the offices of the agencies, producers concerned State Directors of Industries, Districts Industries Centres and Small Industries Development Corporations.

Reply of Government

DC, SSI has brought this recommendation along with the recommendations contained in Sr. No. 45 and 47 to the notice of the State

Directors of Industries, SSIDCs and concerned agencies to take effective steps for minimising the misuse of critical raw materials.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15th October, 1981].

Retommendation (Sr. No. 47—Para No. 4.16)

The Committee recommend the following additional measures to be taken in order to minimise the misuse of critical raw materials:—

- (iii) Where sale notes and delivery permits are to be issued by the producers and distributors to allottee units, these should be despatched to the allottees by post Registered A.D. or as may otherwise be specifically desired by the allottees. The preference of the applicants in this regard should be ascertained beforehand.

Reply of Government

The Development Commissioner, Small Scale Industries has brought this recommendation along with the recommendations contained in Sr. Nos. 45 and 46 to the notice of the State Directors of Industries, SSIDCs and concerned agencies to take effective steps for mining the misuse of critical raw materials.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15th October, 1981].

Recommendation (Sr. No. 48—Para Nos. 4.77 & 4.78)

The Committee were assured during evidence that the number of bogus units was not large; it was stated to be only 2 per cent according to a survey made in 1973-74. The Committee were surprised to be informed by the Ministry after the evidence that their number was not as insignificant as they were told in the evidence. The fact was that according to the 1973-74 survey, 11 per cent of the units were found non-existent and 24 per cent were found closed; thus as many as 35 per cent of SS units were, what in common parlance is called, "bogus" units on the books of the authorities for drawing raw materials.

From the two sets of figures given by the Minister, the Committee cannot help entertaining a feeling that the Ministry do not seem to be viewing the problems of 'bogus' units as seriously as they should.

Reply of Government

The Government has taken note of the observations.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15th October, 1981].

Recommendation (Sr. No. 50—Para No. 4.90)

The Committee expect that besides any other action that may be warranted under the existing rules and practices the authorities at the Centre and the States, should be advised by the Ministry to debar 'bogus' units from receiving critical raw materials through official agencies and they should be black-listed.

Reply of Government

The recommendation has been brought to the notice of the State Governments by the Development Commissioner, Small Scale Industries.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15-10-1981].

Recommendation (Sr. No. 51—Para No. 4.85)

The Committee take note of the suggestion regarding compulsory registration of small scale units. The Committee also take note of the 'personal tentative' views of Secretary (Industry) that it will be in the interest of small scale industries not to have 'compulsory' registration for some more time. The Committee, however, cannot help observing that even though 'optional' registration entitles the small scale units to get assured supplies of raw materials at 'controlled' rates which is not a small thing, even then a large number of the units do not come to register themselves with State agencies. It should be worthwhile to study this phenomenon.

Reply of Government

The recommendation has been taken note of by the Government. The DC, SSI is organising field studies suggested by the Committee.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15th October, 1981].

Recommendation (Sr. No. 52—Para Nos. 4.98 & 4.99)

A State Government was brought to the Committee's notice that they have to take up the problems of SS Sector regarding allocation and transportation of raw materials with different Central Government agencies at various levels and there is no nodal agency at the centre which can take an overall view of the problems and coordinate the working of these agencies. The State Government do not think DC (SSI) can act as the nodal agency as this word may not carry enough weight.

The Ministry of Industry have also stated that the DC (SSI) may not be regarded as the nodal agency although he does play a

useful coordinating role. The Ministry have conceded that, though DC (SSI) intervene with the canalising agencies in respect of the specific problems of SS Units, he "does not have the final voice in this regard" and that the inter-action of the Development Commissioner with some of the Ministries such as the Railways is "somewhat limited and not quite effective". Small scale Sector also considers the office of DC (SSI) as "not an effective body". From all this, the Committee are constrained to conclude that the office of DC (SSI) has failed to fulfil the role expected of it by Small Scale Sector and State agencies

Reply of Government

The Government has taken note of the recommendation. Action to study/review the role of the DC, SSI etc. is being initiated.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1 (26)/81-ICC dated 15th October, 1981].

Recommendation (Sr. No. 53—Para No. 4.100)

The Committee would like that the role and powers of DC (SSI) should be reviewed with a view to making him the principal and potent instrument to be able to effectively intervene with the Departments and canalising agencies of Central Government on behalf of the State and Small Scale units and solve their problems.

Reply of Government

The Government has taken note of the recommendation. Action to study/review the role of the DC, SSI etc. is being initiated.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1 (26)/81-ICC dated 15th October, 1981].

Recommendation (Sr. No. 54—Para No. 4.101)

The Committee would also like that structure and working system of the office of DC (SSI) should be studied in depth by management experts with a view to making it a like and result-oriented organisation capable of serving the Small Scale Sector efficiently and winning the confidence of State agencies and small units all over the country.

Reply of Government

The Government has taken note of the recommendation. Action to study/review the role of the DC, SSI etc. is being initiated.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1 (26)/81-ICC dated 15th October, 1981].

Recommendation (Sr. No. 56—Para No. 5.23)

There are a large number of Government and Semi-Government Organisation rendering assistance to the small scale sector in the marketing of their products. There are for instance, small Industries Development Organisations with its network of SISIs, National Small Industries Corporation with its branches, Trade Development Authority, Indian Institute of Foreign Trade and Export Promotion Councils at the Central level and State Directorate of Industries, State Small Scale Industries Corporations, District Industries Centres at the State level. As if these organisations were not enough to provide satisfactory service to the small scale sector, suggestions have been made to the Committee by non-official organisations that a Central marketing organisation, a federation of similar organisations at the State level, with sales establishments in each State and also separate marketing organisations for different product groups should be set up to serve the small scale sector. The Committee are not in a position to sit in judgement over the need for so many Government and semi-Government organisations in the marketing field. The Committee, however, wish that an overall view on the role and performance of each one of these organisations should be taken with the help of a body experts to determine whether all these organisations are in fact needed and are working in clearly defined fields without any overlapping and duplication in their efforts. The Committee desire that the Ministry of Industry should, in consultation with the administrative authorities concerned with these organisations, explore the possibility of organising a macro study of the responsibilities areas of operations, performance and need for continuance in the present form of all the public organisations in this field.

Reply of Government

The DC, SSI has been asked to examine this recommendations together with the recommendations at Nos. 57 and 58.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15th October, 1981]

Reply of Government

DC, SSI has examined this recommendation alongwith recommendations at Sl. Nos. 57 and 58 and has come to the conclusion that so far there has not been any detailed study of the role and functions of various organisations and linkages that may be established between them. There is no continuous to and fro flow of information at district, State and Central levels. The need for a

study, as suggested by the Estimates Committee is, therefore necessary. It has been decided to entrust such a study to Small Industry Extension Training (SIET) Institute, Hyderabad which has been actively involved the management, research and training part effectively to strengthen and supplement the efforts of small scale programmes relating to small scale industries.

[Ministry of Industry (Deptt. of Industrial Development) O.M. No. 1(26)/81-ICC dated 29th January, 1982]

Recommendation (Sr. No. 57—Para No. 5.24)

The Ministry have stated that it is very difficult to organise and provide any programme of direct marketing assistance to a sector as vast as the small scale sector covering 8 lakh small scale units in the country. The various Government and semi-Government organisations including NSIC and SSICs can, however, strengthen and supplement the efforts of small entrepreneurs by providing various facilities and inputs. But the question is; whether the Government and semi-Government organisations are playing their part effectively to strengthen and supplement the efforts of small scale units. This would require a proper assessment of the role of each Government and semi-Government organisation before an answer to the aforesaid question can be found. The Committee feel that the Ministry of Industry are best suited to organise an overall assessment of the role and performance of each Government and semi-Government organisation in the field of marketing of products of small scale sector. Such a study can also be taken by the expert study recommended in the previous paragraph;

Reply of Government

The DC, SSI has been asked to examine this recommendation, together with recommendations at S. Nos. 56 and 58.

[Ministry of Industry (Department of Industrial Development) O.M. No. 1(26)/81-ICC dated 15th October, 1981].

Further reply of Government

DC (SSI) has examined this recommendation alongwith recommendations at Sl. No. 56 and 58 and has come to the conclusion that so far there has not been any detailed study of the role and functions of various organisations and linkages that may be established between them. There is no continuous to and fro flow of information at district, State and Central levels. The need for a study, as suggested by the Estimates Committee is, therefore, necessary. It

has been decided to entrust such a study to Small Industry Extension Training (SIET) Institute Hyderabad which has been actively involved in the management, research and training programmes relating to small scale industries.

[Ministry of Industry (Deptt. of Industrial Development) O.M. No. 1 (26)/81-ICC dated 29th January, 1982]

Recommendation (Sr. No. 58—Para No. 5.25)

With so many organisations already there in the marketing field, the Committee do not wish to recommend any addition to their number, as suggested by non-official organisations and certain State Governments. But the Committee do feel that there is an imperative need to develop suitable linkages between small scale units at the grass root level and District and State agencies in each State, between the agencies of one State and the other States and also between the State agencies and the Central agencies, if the optimum advantage of the present marketing network has to be given to the small scale sector. The Committee would recommend that the Ministry of Industry should work out a suitable scheme of linkages at all these levels and make efforts to implement it.

Reply of Government

The DC, SSI has been asked to examine this recommendation, together with recommendation at S. Nos. 56 and 57.

[Ministry of Industry (Department of Industrial Development) O. M. No. 1 (26)/81-5CC dated 15th October, 1981]

Further reply of Government

DC (SSI) has examined this recommendation alongwith recommendations at Sl. Nos. 56 and 57 and has come to the conclusion that so far there has not been any detailed study of the role and functions of various organisations and linkages that may be established between them. There is no continuous to and fro flow of information at district, State and Central levels. The Need for a study, as suggested by the Estimates Committee is, therefore, necessary. It has been decided to entrust such a study to Small Industry Extension Training (SIET) Institute. Hyderabad which has been actively involved in the manage-

ment, research and training programmes relating to small scale industries.

[Ministry of Industry (Deptt. of Industrial Development) O.M. No. 1 (26)/81-ICC dated 29th January, 1982]

Recommendation (Sr. No. 59—Para No. 5.26)

The small scale sector are not satisfied with the present arrangement for organised market information network. It feels that the information network is out-dated and of very limited utility. While the Ministry have denied that the present market net work is out-dated and is of limited utility, they have stated that there is need for continuously updating the information and establishing a system by which the information is disseminated among the entrepreneurs in the shortest possible time. The Ministry propose to further strengthen arrangements to disseminate economic and other related information to small entrepreneurs during the Sixth Five Year Plan. The Committee desire that marketing information network for small scale sector should be adequately strengthened and up-dated to provide complete and timely information about the products in demand or likely to be demanded, their engineering specifications and all other aspects of marketing which can be helpful to the small sector.

Reply of Government

The recommendation has been brought to the notice of the National Small Industries Development Corporation New Delhi and the DC, SSI.

[Min. of Industry (Deptt. of I.D.) O.M. No. 1(26)/81-ICC dated the 15th October, 1981]

Further reply of Government

The recommendation has been brought to the notice of the National Small Industries Corporation, New Delhi and the DC (SSI). The NSIC have communicated this recommendation to all the SSIDCs and COSSICI or necessary action. As far as the Government purchase programme is concerned, NSIC is already mailing tender enquiries to the units, showing the demand for the product, engineering specifications etc. to enable them to participate in the purchase programme. The units are given all cooperation and assistance to enable them to participate in the purchase programme of DGS&D Railways etc. Besides, statistical information about the demand of products during the preceding years and the rates on

which the contracts were finalised by the DGS&D is made available to the units on their request.

[Ministry of Industry (Deptt. of Industrial Development) O.M. No. 1(26)/81-ICC dated 29th January, 1982]

Recommendation (Sr. No. 60—Para Nos. 5.27 & 5.28)

Out of 21 Small Industries Corporations in the States and Union Territories, 15 Corporations have included marketing assistance to the small scale industries products under their activities. The Committee are disappointed to learn that the marketing activity has yet to make significant strides except in the case of Small Industries Corporation of Delhi, Madhya Pradesh and Maharashtra.

The Committee are aware that SSIDCs are set up by the State Governments and Central Government are, therefore, not required to monitor the role of their functioning. But being key organisations in the States in the field of small scale sector, the Centre cannot just be oblivious of their performance or lack of performance on the ground of the Corporations being technically outside the Centre's control. The Committee feel that the Centre has a responsibility to discharge and a role to play in making the SSICs more dynamic in their activities. In fact, it is only the Ministry of Industry, at the centre which can as a coordinating and focal agency, organise, of course with the consent of the SSICs, a formal assessment or review of the overall role and working of State Small Industries Corporations with a view to making them more effective instruments of service to the small scale sector.

Reply of Government

The Government has taken note of the recommendation. The reviews/study contemplated in reply to recommendation No. 34 would include this aspect also.

[Min. of Industry (Deptt. of I.D.) O.M. No. 1(26)/81-ICC dated the 15th October, 1981]

Recommendation (Sr. No. 61—Para No. 5.29)

The Committee take note of the fact that a study was conducted by the Indian Institute of Foreign Trade into the role and activities of the State Small Industries Corporations but this study, it is seen, was confined only to the expert efforts of the Corporations. The Committee hope that the Ministry of Industry would impress upon the State Industries Corporations the need for implementing the

recommendations of the Indian Institute of Foreign Trade to develop the export activities of the Corporations.

Reply of Government

The DC, SSI has been advised to address SSIDCs emphasising the need to implement the recommendations of the Indian Institute of Foreign Trade and to simultaneously request the Indian Institute of Foreign Trade to follow up the matter with SSIDCs.

[Min. of Industry (Deptt. of I.D.) O.M. No. 1(26)/81-ICC dated the 15th October, 1981]

Recommendation (Sr. No. 62—Para No. 5.30)

The Small Industries Service Institutes (SISIs) which have been set up at the State level make techno-economic studies and provide guidance to the small entrepreneurs from the stage of conception of the product to its actual marketing. These institutes also organise training programmes. The Ministry are conscious of the fact that the marketing expertise within the SISIs is somewhat limited. In this context Committee take note of the assurance given by the Secretary, Industry, during the evidence that the marketing wings of the SISIs in different States will be strengthened to provide full information and assistance to the small scale sector in the matter of market surveys, investments, equipment and other relevant matters. The Committee hope that this task would be completed before long.

Reply of Government

The Government has taken note of this recommendation. The DC, SSI is taking necessary follow up action, pursuant to the assurance given during evidence.

[Min. of Industry (Deptt. of I.D.) O.M. No. 1(26)/81-ICC dated the 15th October, 1981]

Recommendation (Sr. No. 63—Para No. 5.39)

The Committee find that Trade Development Authority (TDA) was set up initially to develop exports from India to selected developed countries and since 1978 it has extended its reach to developing countries in South-East Asia and West Asia. The question of opening offices in African countries is also now under examination. The Committee would suggest that, taking note of the

desire of small scale sector to reach the developing markets, TDA should extend its activities to more and more developing countries.

Reply of Government

The Trade Development Authority has indicated that it has been recently decided to extend its activities to Honk Kong, South Korea, countries of the ASEAN group and some selected countries in West Africa in the Middle East. A proposal to open an office in Monrovia (Libria) is being processed. A proposal is under consideration to open offices in the Gulf region and South America so as to promote Indian exports for which a potential exists in these regions.

[Min. of Industry (Deptt. of I.D.) O.M. No. 1(26)/81-ICC dated the 15th October, 1981]

Recommendation (Sr. No. 64—Para No. 5.30)

TDA, it is stated, has conducted market surveys for products which are produced and exported from the small scale sector and has brought to its notice the various facets of competition from India's close competitors in selected products. Over 60 per cent of the clients of TDA are stated to be from the small scale sector which accounted for nearly 45 per cent of the total exports made through TDA in 1978-79. It is regrettable that even when small scale sector is a major partner in the TDA's activities, the TDA, it appears, has not been able to fully satisfy this sector. The Committee would suggest that more attention than in the past should be given by TDA to win the confidence of small scale sector.

Reply of Government

The Trade Development Authority (TDA) have indicated that over 60 per cent of its enrolled clients are from the small and medium sectors. The entire range of activities of TDA is geared towards increasing the exports of its clients. In all buyer-seller meets, participants are drawn from the medium and small scale sector. In the Contact Promotion Programme also, a majority of representatives are from these sectors. The TDA has extended an assurance that it would continue to any particular attention to the interests of the small scale sector in export promotion.

[Min. of Industry (Deptt. of I.D.) O.M. No. 1(26)/81-ICC dated the 15th October, 1981]

Recommendation (Sr. No. 65—Para No. 5.41)

The small scale units have felt the necessity of a document which should list at one place the plus-points of their foreign competitors in the export fields. The Committee were assured by DC (SSI) in evidence that they would bring out in a book from the plus-points of foreign competitors for the benefit of small scale sector. They hope that this publication will be out soon.

Reply of Government

The Government has taken note of the recommendation. The DC, SSI has been asked to take necessary action.

[Min. of Industry (Deptt. of I.D.) O.M. No. 1(26)/81-ICC
dated the 15th October, 1981]

Recommendation (Sr. No. 66—Para No. 5.42)

The Committee take note that though TDA publishes a very large number of reports, no assessment of these reports has so far been made to determine the extent to which these reports have been accurate and useful to the small scale sector. The Committee would expect the Ministry to make such an assessment with a view to making these reports more informative and useful to the small scale sector.

Reply of Government

The DC, SSI has been asked to determine the usefulness of the publications and to be in close touch with the TDA with a view to make its publications more informative and useful to small scale industries.

[Min. of Industry (Deptt. of I.D.) O.M. No. 1(26)/81-ICC
dated the 15th October, 1981]

Recommendation (Sr. No. 67—Para No. 5.46)

The Committee are informed that Indian Institute of Foreign Trade has conducted a number of studies with a bearing on export marketing for small scale industries. These studies, it is stated, are published in the bulletins of Export Promotion Council and are also supplied to the Press, SISIs, Trade Organisations and Chambers of Commerce. But, if the reports reaching the Committee from small scale sector are to be believed, this sector does not appear to be much aware of these studies. The Committee would suggest that

communication gap between the Institute of Foreign Trade and the Small Scale Sector should be removed so that the Small Scale Sector for whom so much of work is claimed to have been done by the Institute, can benefit from their studies.

Reply of Government

The recommendation has been examined in the Ministry of Industry. In order to ensure better coordination between the DC, SSI and the Indian Institute of Foreign Trade, it has been proposed to the Ministry of Commerce that the former be appointed to the Governing Body of the Indian Institute of Foreign Trade. It has also been proposed to that Ministry that the Director General, Indian Institute of Foreign Trade may be included in the Steering Committee on Export Promotion from Small Scale Sector.

[Min. of Industry (Deptt. of I.D.) O.M. No. 1(26)/81-ICC dated the 15th October, 1981]

Recommendation (Sr. No. 68—Para No. 5.54)

The Committee welcome the initiative taken by DC, SSI in promoting consortia approach among small scale units to step up the marketing of their products in home and foreign markets. The export consortia have already come up and are playing an active role. The scheme of consortia for internal marketing is likely to be ready by the mid year. The Committee would urge the Ministry to finalise the scheme of internal marketing consortia expeditiously and give it full support to make it a success.

Reply of Government

The Government has taken note of the recommendation. A scheme for extending financial assistance to consortia of small scale industries has since been approved and brought into operation.

[Min. of Industry (Deptt. of I.D.) O.M. No. 1(26)/81-ICC dated the 15th October, 1981.]

Recommendation (Sr. No. 69—Para No. 5.55)

The Committee, however, note with concern that the scheme of export consortia has, according to a recent study made by the Indian Institute of Foreign Trade, not clicked. The Study has listed a number of reasons for the failure of the scheme and has made certain suggestions for the development of the export consortia on sound lines. It will be very sad if scheme for export consortia which has a tremendous potential for boosting exports from Small Scale Sector

is allowed to fail. The Committee would suggest that the Ministry of Industry should study the area of weaknesses of the export consortia and take all possible measures to put them back in good health to be able to serve as effective instruments of service to small scale sector in the field of exports.

Reply of Government

The DC, SSI has been requested to study the report of the Indian Institute of Foreign Trade in consultation with the CCI&E, Federation of Indian Exporters, etc.

[Min. of Industry (Deptt. of I.D.) O.M. No. 1(26)/81-ICC dated the 15th October, 1981.]

Recommendation (Sr. No. 70—Para No. 6.35)

Several drawbacks and deficiencies experienced in the development of ancillary units have been brought to the Committee's notice and accepted by the Ministry. The slow progress of ancillary programme is attributed inter alia to lack of confidence on the part of big entrepreneurs in the capacity of small scale units, un-utilised capacity in the already existing small units acting as a disincentive to ancillarisation of new units and the higher cost of production in a small unit. The Committee are informed that though every letter of intent in the case of a large unit is issued only after its ancillarisation project has been worked out, Government have not yet taken any decision to make ancillarisation a precondition for setting up a large unit or expanding an existing unit. The Committee feel that it is not only the economics of production but also the social compulsion to bring about decentralisation of means of production that demand ancillarisation to be adopted as a matter of State policy in industrial field. Even if it not possible, as stated by Secretary (Industry) to universalise ancillarisation as absolutely necessary pre-condition in all cases, the Committee see no reason why a beginning in this direction cannot be made immediately in selected fields, to start with, and it is extended to other areas progressively in the light of experience. The Committee would like the Government to take a policy decision in this direction without delay.

Reply of Government

The question of making ancillarisation a necessary pre-condition in all cases of industrial approvals has been looked into. As the Industries (Development & Regulation) Act, 1951 stands at present,

no pre-condition regarding ancillarisation can be imposed. Suitable amendments to the Act are being considered as part of a comprehensive amendment to the IDR Act.

As regards the recommendation that a beginning be made in this direction in selected fields, the DC, SSI has identified half a dozen specific industry product areas with ancillarisation potential and is conducting a study to see whether the normal scrutiny of project reports can be improved for increasing the off-loading of products and components. For this purpose studies have been undertaken in respect of similar items licensed for product over the past few years to determine the extent of increase in off-loading at the time of the project approval itself. The Government would take further steps on the basis of these selected studies.

Min. of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC,
dated the 15th October, 1981.

Further reply of Government

In accordance with the observations of the Committee to make a beginning in selected field, Government are making an attempt to incorporate planned ancillarisation as part of the predetermined production programme of industrial projects to be taken up under the nucleus plant programme in identified areas. In all such projects, the extent and precise scope of ancillarisation are proposed to be identified at the project formulation stage itself so that in-house facilities for the production of such off-loadable components is not created in the first place and secondly steps are taken to promote the required ancillarisation on a time-bound basis. To promote such a programme Government are also considering an appropriate package of incentives and concessions to nucleus projects certified as such according to prescribed extent of ancillarisation. On the basis of the result of this experiment, Government would consider further steps necessary to enlarge the scope of ancillarisation, including changes in law where necessary.

Min. of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC,
dated the 17th March, 1982.

Recommendation (Sr. No. 71—Para No. 6.36)

In the Industrial Policy Statement announced by Government in July, 1980, a special emphasis has been placed on ancillary development through the establishment of nucleus plants. A 'nucleus plant' would concentrate on assembling the products ancillary units falling within its orbit and it would also work for upgrading the technology of small units. The Committee are informed that the concept of

'nucleus plant' is now being given a concrete shape in consultation with the State Governments. The Committee welcome this new approach of nucleus plants and urge the Government to concretise this concept and implement it expeditiously.

Reply of Government

The Government have noted the observations of the Committee. The Government have so far set up 19 task forces with representatives of the Central Government and concerned State Governments in districts/areas identified so far by the States for the Nucleus Plant Programme.

Min. of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC,
dated the 15th October, 1981.

Recommendation (Sr. No. 73—Para No. 6.38)

The Committee regret to find that at present there is no system of feed back in respect of procurements made by large scale industries from small scale units. It is still more regrettable that information in respect of purchases made even by departmental undertakings of Government from Small Sector is not available with the Ministry. The Committee would like that a suitable information system should be devised to collect feed back on the progress of ancillarisation and procurements made from small scale units by large industries in public and private sectors and departmental undertakings to enable the Ministry to monitor the progress made by ancillarisation programmes and to take corrective measures as and when necessary.

Reply of Government

After examination of the matter in consultation with the DC, SSI and BPE, it has been found that the information system in respect of ancillaries and procurement from small scale units at present laid down in the BPE guidelines could be usefully adopted in respect of departmental undertakings and, to the extent possible, in respect of private enterprises.

The recommendations of the Estimates Committee (6.38) have already been brought to the notice of all administrative Ministries by the DC, SSI, in so far as Departmental undertakings are concerned. As regards private enterprises, DGTD have been requested to consider the best way in which their production information system can accommodate details regarding procurement from small units by private enterprises.

Min. of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC,
dated the 15th October 1981.

Recommendation (Sr. No. 74—Para No. 6.39)

From the data supplied by the Ministry in respect of 66 manufacturing public sector enterprises (PSEs) of the Central Government, the Committee find that in 1979-80 these undertakings procured items worth about Rs. 119 crores from small scale industries. This was less than 10 per cent of their total purchases from outside. Though it was claimed that there was nearly fourfold increase in the value of purchases by PSEs from small sector between 1975-76 and 1979-80, BPE agreed that the increase in value did not reflect increase to volume of purchases in quantitative terms in view of general price rise. The Committee, however, take note that the number of ancillaries serving the public sector enterprises had risen from 479 in 1975-76 to 888 in 1979-80. The Committee strongly feel that, even though no uniform targets for purchases to be made by public sector enterprises from small scale sector may be possible because of the product-range of the undertakings, there is great scope for stepping up purchases from small scale sector and the purchases should be stepped up and monitored by Ministry of Industry with a view to taking up the matter with the administrative Ministries concerned for corrective action, if and when necessary.

Reply of Government

The DC(SSSI) has with the cooperation of the BPE through implementation of their guidelines already set up a system of monitoring purchases by Central public sector enterprises from ancillary small units. Periodical reviews are made in regard to more effective implementation of guidelines at the State level, as for instance, recently a review was conducted at Hyderabad in respect of public sector enterprises located in Andhra Pradesh. Similar reviews in respect of enterprises in Orissa, West Bengal and Tamil Nadu have been programmed.

The latest information on purchases made from ancillaries and small scale units by public enterprises indicate that the number of ancillaries has increased from 888 in 1979-80 to 984 in 1980-81 and the value of purchases from ancillaries and small units has increased from Rs. 119.96 crores in 1979-80 to Rs. 151.90 crores in 1980-81.

Min. of Industry (Deptt., of ID) O.M. No. 1(26)/81-ICC
dated the 15th October, 1981.

Recommendation (Sr. No. 75—Para 6.40)

The Committee are disappointed to find that no study has been made either by the Ministry of Industry or the Bureau of Public Enterprises (BPE) as to the range of items that can be purchased by public sector enterprises from small scale sector. The Committee had expected that at least the Ministry of Industry which have been charged with the responsibility of looking after the interests of small scale sector, would have made such a study in respect of undertakings under them. The Committee would strongly urge that the Ministry of Industry should immediately undertake a study to determine the optimum level of procurement that can and should be made by public sector enterprises under their control from small scale sector and issue clear directives to the undertakings to procure such items from the small scale sector. The Committee would like to be informed of the outcome of such a study within six months.

Reply of Government

Having regard to the difficulties in determining optimal level of procurement, which were considered at an inter-departmental meeting involving BPE and DC (SSI), three production units under the Ministry of Industry with large ancillary potential have been selected, viz. Hardwar unit of BHEL, Pinjore Unit of HMT and Kota unit of Instrumentation Ltd. An inter-departmental Team drawn from DC(SSI), BPE and Administrative Ministry is engaged in the study of these 3 units for determining whether optimal levels of procurement can at all be fixed and if so, its *modus operandi*. Based on this experience, it is proposed to get further studies conducted on an agreed format. The Committee would be informed of the results of the above-mentioned study as soon as it is completed. In addition to the action taken in respect of recommendation No. 75 above, administrative Ministries have been requested by the BPE to arrange for studies in respect of public enterprises under their control. BPE, & DC(SSI) would be associated with such studies wherever required.

[Min. of Industry (Deptt. of I. D.) O.M. No. 1(26)/81-ICC dated the 15th October, 1981.]

Further Reply of Government

The DC(SSI) has already addressed the Public Sector Enterprises to prepare basic materials for conducting study on optimum procurement possible from small scale units under production programmes undertaken by the Enterprises under the administrative control of

the Ministry of Industry. They have been asked to review the list of items procured from large and medium sectors of Industry as well as the items manufactured by them in their own factory with a view to identify additional items which can be transferred from these lists and off-loaded to the small scale units. This would provide an idea of the level of optimum procurement which is techno-economically feasible from small scale industries.

The Inter-departmental Team comprising of officers from the DC(SS1), the BPE and the Ministry of Industry has already visited the HMT Pinjore units and made a study of the purchases made by the unit. Based on the discussions with the Team, a report has been prepared by the HMT giving the list of items being procured by the Machine Tools and Tractor Division from large and medium scale units. A list of items being manufactured by HMT Machine Tools and Tractors Division which are proposed to be off-loaded to small scale units has also been prepared. In addition, the two Divisions of HMT have prepared a projection of their anticipated procurement from the small scale and ancillary units from the year 1980-81 to the year 1984-85. The HMT Machine Tools Division at present procures 17 major items from the large and medium scale units, out of which 5 items are being particularly obtained even now from small scale units. The Machine Tools Division has a programme to off-load 124 items at present being manufactured by them to the small scale units. In the case of Tractors Division, 27 major items comprising of basic raw materials and items which cannot be manufactured techno-economically in the small scale sector are procured from large and medium scale units. Out of this list of 27 items, 14 items are being partially obtained from competent small scale units also. The Tractors Division of HMT has identified 172 items which are being produced by them in their own factory. These include casting and forging items where the basic casting and forging blanks are procured from vendors and only machining was done by the HMT. In addition, there are 36 items where items are completely machined from raw materials. Out of this list, 4 items are proposed to be off-loaded to small scale sector.

During 1980-81, the actual purchases made by the Machine Tools Division was Rs. 574 lakhs out of which the share of small scale and ancillary units was Rs. 122 lakhs. In the case of Tractors Division, the total purchases were of the order of Rs. 41.35 crores out of which the small scale and ancillary units contributed Rs. 9.85 crores. The present procurement level from small scale industries as a percentage of total purchases, therefore, is 21.25 per cent in the case of Machine

Tools Division and 23.82 per cent in the case of Tractors Division. According to a schedule worked out by the HMT, the share of small scale industries will go up to Rs. 234 lakhs and Rs. 34.65 crores by 1984-85 in the case of Machine Tools and Tractors Division, respectively. In terms of per centage, the procurement from small scale industries would reach a level of 25.02 per cent in the case of Machine Tools Division and 35.54 per cent in the case of Tractors Division.

Reviewing the progress of ancillarisation in the HMT, it may be mentioned that the number of productive units during 1975-76 was 3 having a turnover of Rs. 2.75 lakhs. The number of productive units is likely to go up to 50 with an anticipated turnover of Rs. 700 lakhs by 1984-85. There are at present 28 operative units working for HMT Pinjore and 22 additional units are being planned which are in the implementation stage. In addition, 11 units are proposed to be set up in Himachal Pradesh to meet the requirements of HMT Pinjore.

Summing up, it may be stated that the HMT is already providing substantial support to small scale and ancillary units in the matter of procurement from them and based on the outcome of the study indicated above, the level of optimum procurement based on techno-economic feasibility of production of various items in the small scale sector would be achieved by 1984-85.

Similar studies are proposed to be conducted at BHEL, Hardwar and Instrumentation Ltd., Kota which have been asked to prepare the necessary details for study by the Inter-departmental Teams during their visits to these units which are being planned in the near future. Studies in respect of other Public Sector Undertakings under the control of the Ministry of Industry will be undertaken after the above two studies are completed.

It may, however, be added that such studies need considerable time for compilation of information and organising visits to the plants for discussions. This is a continuous exercise being undertaken by the DC(SS)I and results of these studies would be available in individual cases as and when the studies are completed.

[Min. of Industry (Deptt. of I. D.) O.M. No. 1(26)/81-ICC dated 30th January, 1982.]

Recommendation (Sr. No. 76—Para 6.41)

The Committee would urge that Bureau of Public Enterprises (BPE) should also arrange for a similar study to be made through

the administrative Ministries in respect of public sector enterprises under the control of respective Ministries. The Committee would expect the Ministry of Industry to liaise with BPE and administrative Ministries to ensure expeditious completion of such studies and necessary follow-up action in the light of the studies.

Reply of Government

Having regard to the difficulties in determining optimal level of procurement, which were considered at the inter-departmental meeting involving BPE and the DC(SS1), three production units under the Ministry of Industry with large ancillary potential have been selected, viz. Hardwar unit of BHEL, Pinjore Unit of HMT and Kota unit of Instrumentation Ltd. An inter-Departmental Team drawn from DC(SS1), the BPE and Administrative Ministry is engaged in the study of these 3 units for determining whether optimal levels of procurement can at all be fixed and if so, its *modus operandi*. Based on this experience it is proposed to get further such studies conducted on an agreed format. The Committee would be informed of the results of the above-mentioned study as soon as it is completed. In addition to the action taken in respect of recommendation No. 75 above, administrative Ministries have been requested by the BPE to arrange for studies in respect of public enterprises under their control BPE and DC(SS1) would be associated with such studies wherever required

[Min. of Industry (Deptt. of I. D.) O.M. No. 1(26)/81-ICC dated the 15th October, 1981.]

Further Reply of Government

The Matter has been taken up with the Bureau of Public Enterprises who have in turn requested the administrative Ministries to arrange for studies in respect of Public enterprises under their control, in association with BPE and DC(SS1).

At the initiative of Ministry of Industry and Inter-departmental Team comprising of officers from the DC(SS1), BPE and the Ministry of Industry has taken up a study of three production units under the Ministry of Industry with large ancillary potential, viz., HMT Pinjore, BHEL Hardwar and Instrumentation Ltd. Kota. The Team has already visited the HMT Pinjore unit and made a study of the purchases made by the unit, which reveals that the HMT is already providing substantial support to small scale and ancillary units in the matter of procurement from them and the level of optimum procurement based on techno-economic feasibility of production of various items in the small scale sector would be achieved by 1984-85.

Similar studies would soon be conducted at BHEL Hardwar and Instrumentation Ltd. Kota which have been asked to prepare the necessary details for study by the Inter-departmental Team during their visits to these units which are being planned in the near future.

Based on this experience, it is proposed to prepare a format for circulation to other Ministries through BPE to conduct similar studies in respect of undertakings under their control.

[Min. of Industry (Deptt. of I. D.) O.M. No. 1(26)/81-ICC dated the 17th March, 1982.]

Recommendation (Sr. No. 77—Para No. 6.42)

The Committee would also suggest that Ministry of Industry should take up with State Governments the question of undertaking such studies in respect of the public sector enterprises of the States concerned.

Reply of Government

On behalf of the Ministry of Industry, the DC (SSI) has already written to the State Governments for undertaking such studies particularly in respect of public enterprises with known ancillary potential and scope for procurement from small scale units. In the conduct of such studies, the assistance of the BPE and the DC (SSI) has been offered to the State Governments.

[Min. of Industry (Deptt. of I. D.) O.M. No. 1(26)/81-ICC dated the 15th October, 1981.]

Recommendation (Sr. No. 78—Para No. 6.43)

The Committee regret to note that though a number of guidelines have been issued by the Bureau of Enterprises (BPE) of public sector enterprises of the Central Government for the growth and development of ancillaries, the guidelines have not been implemented in all respects by all the public sector enterprises. The Ministry of Industry have received complaints against the public sector enterprises in matters like change in specifications, placement of orders, delays in inspection and consequent delays in payment of bills, etc. In about 30 out of the 100 undertakings which have scope for ancillarisation, Plan Level Committees for ancillary development programmes have not been set up as required under the guidelines. Regular half-yearly reports in regard to ancillarisation programmes are not being received from nearly 31 undertakings. The Committee take serious note of the public sector enterprises' disregard of the guidelines issued by BPE. This is a serious reflection not only on the coordi-

nating role of BPE but also on the control of administrative Ministries on the enterprises. The Committee would expect the Ministry of Industry to take up this matter with the administrative Ministries concerned to ensure that guidelines issued to public sector enterprises for the development and growth of ancillaries are implemented by all of them in letter and spirit and progress reported to the authorities concerned as laid down under the existing guidelines.

Reply of Government

This recommendation has once more been brought to the notice of the administrative Ministries and public enterprises concerned. On his part, the DC(SSSI) has also brought it to the notice of the Chief Executives of public enterprises. The DC(SSSI) has been informed that in the course of the review of the working of Plant Level Committees, the thrust of the recommendations of the Estimates Committee on ancillarisation must be kept in mind.

[Min. of Industry (Deptt. of I. D.) O. M. No. 1(26)/81-ICC dated the 15th October, 1981.]

Recommendation (Sr. No. 79—Para No. 6.58)

Delays in payments by large and medium industries are reportedly creating serious problems for the small scale sector, and the Ministry are well aware of them. The Reserve Bank of India have issued certain instructions to commercial banks to ensure that payments due to small scale sector are made by large and medium units within a definite period but the impact of these instructions is yet to be assessed. With the similar aim Bill Discounting Schemes have been introduced by commercial banks but even these schemes have not proved very useful to small scale units because of certain snags. From all this the Committee are constrained to conclude that the Ministry have not appreciated the seriousness of this problem as otherwise they could certainly have taken up the matter with the Reserve Bank of India and commercial banks with a view to refining the already operating schemes so as to produce the desired results. The Committee would expect the Ministry to review the schemes and plug loopholes and snags so as to ensure that these schemes fulfil the objective for which they were introduced.

Reply of Government

The matter has been taken up with the Department of Banking and the Reserve Bank of India with a view to consider what refinements should be introduced in the present instructions.

[Min. of Industry (Deptt. of I. D.) O.M. No. 1(26)/81-ICC dated the 15th October, 1981.]

Further Reply of Government

This recommendation was taken up with the Department of Economic Affairs and the Reserve Bank of India. The Department of Civil Supplies which is concerned with the purchases made by the DGS&D have informed the Ministry of Finance that payments in respect of contracts placed by DGS&D are made in respect of 80 per cent of the bills within 7 to 11 days. The Banks have already been advised by the Reserve Bank of India to extend at least 50 per cent of the cash credit limit against raw materials to manufacturing units whether in the public or private sector, by way of drawee bills so as to bring in financial discipline on the buyer in the purchase of raw material and also to reduce the dependence on the cash credit system of lending to some extent. This is expected to ensure prompt payment of bills to the sellers. To begin with, this discipline has been confined to large borrowers having aggregate working capital limits of Rs. 50 lakhs and over from the banking system. Another step taken by the RBI is that the banks have been advised to insist on the public sector undertakings/large borrowers to maintain control accounts in their books to give precise data regarding their dues to small units and furnish such data in their quarterly information system so that the banks should take up with the major borrowers the issue of clearing overdue payments. These steps would enable the banks to take suitable measures for ensuring payment to small units by stipulating, if necessary, that a portion of limits for bills acceptance would be utilised only for bills of small scale units. The Ministry of Finance has requested RBI to advise the Banks that while fixing the limits for working capital for accounts of more than Rs. 50 lakhs, they should separately indicate drawee bills limits in terms of its policy. For borrowers enjoying limits of more than Rs. 50 lakhs, they should clearly and separately indicate drawee bills limits for purchase of raw materials, Spares, Components etc. It is expected that this step would ensure segregation of dues of SSI units and fixing a portion of drawee bill limit only for bills of SSI units.

[Min. of Industry. (Deptt. of I. D.) O.M. No. 1(26)/81-ICC dated the 17th March, 1982.]

Recommendation (Sr. No. 84—Para No. 6.66)

The Committee are informed that in certain cases large manufacturers charge relatively higher prices on raw materials and intermediary products from small scale units with the result that the products manufactured by small scale units become costlier as compared to the same product produced in the large scale sector. Such

an unhealthy practice has been noticed in products, drugs and pharmaceuticals, soap and agricultural implements etc. The Committee are surprised that even though the Ministry have been aware of such a practice, they have taken no steps to protect the small sector from the harmful effects of such an unhealthy competition. The Committee would wish that the Ministry take steps to curb this unhealthy practice with a view to safeguarding interests of the small scale units.

Reply of Government

The Government has taken note of the recommendation. This recommendation has been brought to the notice of all production Ministries and D.G.T.D.

[Min. of Industry (Deptt. of I. D.) O.M. No. 1(26)/81-ICC dated the 15th October, 1981.]

Recommendation (Sr. No. 85—Para No. 6.67)

Reports of large units adopting a policy of undercutting prices of small scale units to eliminate them from the market have also been received by the Committee. The Committee would expect the Ministry to examine this matter with a view to finding a satisfactory solution to the problem.

Reply of Government

The Government has taken note of the recommendation. The recommendation has been brought to the notice of all production Ministries and D.G.T.D.

[Min. of Industry (Deptt. of I. D.) O.M. No. 1(26)/81-ICC dated the 15th October, 1981.]

Recommendation (Sr. No. 86—Para No. 6.78 & 6.79)

With a view to evolving effective linkages between small scale units and large and medium undertakings, the Small Industries Development Organisation have set up sub-contracting exchanges in the SISIs spread all over the country. Starting with three exchanges in 1970, there are now 16 exchanges functioning in the country which maintain data bank of facilities available with sub-contracting units registering with them whom they put in touch with purchasing organisations.

6.79 During 1979-80, in Jaipur and Srinagar no tie-up whatsoever was effected through the efforts of the sub-contracting exchanges there and in Patna and Madras, business worth only Rs. 38,000 and Rs. 44,000 was handled by the exchanges. The business handled by exchanges at a number of other places was not very encouraging either. The registration of only 8100 units with all the exchanges during a ten-year period 1970-80 out of nearly 8 lakh small scale units in the country and assistance rendered in only 30,000 cases all over India during this period and the business handled by individual exchanges during 1979-80 lead only to one conclusion that the performance of sub-contracting exchanges is poor.

Reply of Government

The Government has taken note of the observation.

[Min. of Industry (Deptt. of I. D.) O.M. No. 1(26)/81-ICC dated
15th October, 1981]

Recommendation (Sr. No. 87—Para No. 6.80)

Though monthly reports on their working are submitted by sub-contracting exchanges to the Ministry, the Ministry were unable to furnish a resume of concrete achievements of these exchanges during the last 10 years in response to a specific question by the Committee. No targets for financial achievement had been laid down. In 1980-81, for the first time perhaps, targets of promotional activities have been set. There is no feed-back information collected by the exchanges with reference to the contacts arranged through these exchanges. Secretary (Industry) himself admitted during evidence that objectives for which these exchanges were set up have not been "fully realised". What else can the Committee conclude from all this except that the sub-contracting exchanges have been working in a lackadaisical, unimaginative and unsystematic manner and the Ministry seem to have done nothing in the matter during the last 10 years. The Committee recommend that the system and methods of working of the sub-contracting exchanges which have a tremendous potential of rendering valuable service to the small scale units, should be streamlined and made result and growth oriented and their performance evaluated against targets every year and remedial measures taken to make them fulfil the objectives for which they were set up.

Reply of Government

The Government has taken note of the observations of the Committee. The DC(SS1) has been asked to undertake a thorough review of the Sub-contracting Exchanges. The DC(SS1) is carefully

watching the performance of various Exchanges; they have been asked to furnish detailed reports on their activities. Targets of performance have been laid down for each Exchange for 1981-82 and a critical examination of the performance has been initiated to ensure that the expected results and objectives are achieved. Proposals are also being formulated to augment staff strength, where required.

[Ministry of Industry (Deptt. of I. D.) O.M. No. 1(26)/81-ICC dated the 15th October, 1981]

Further reply of Government

The DCSSI is periodically reviewing the performance of the Sub-contracting Exchanges and for the purpose, quarterly reports are being received in the office of the DCSSI. Specific targets to be achieved by the Sub-contracting Exchanges in the matter of registration of new units and the promotional activities to be organised by them were laid down for the first time during 1981-82. According to the information received from the Sub-contracting Exchanges, 525 new units were enlisted by these Exchanges during the First half i.e. April to September, 1981. It is hoped that the progress of enlistment of units would be accelerated during the next 6 months and by the end of 1981-82, about 1500 new units would be enlisted by the Sub-contracting Exchanges. In addition 1026 enquiries were received from the public and private sector during the period April to September, 1981 out of which 782 enquiries have already been processed. The cases of small scale units assisted by the Sub-contracting Exchanges was of the order of around 1900 during the period April to September, 1981. This performance shows an overall improvement on the performance of Sub-contracting Exchanges during the previous years and steps are being taken to not only maintain this progress but to improve it further during the coming years.

The proposal for augmenting the staff strength of the Sub-contracting is already under consideration of the Ministry of Industry it is hoped that with the availability of additional staff, the sub-contracting Exchanges would show even better results.

[Ministry of Industry (Department of Industrial Development)
O. M. No. 1(26)/81-ICC dated 30th January, 1982]

Recommendation (Sr No. 89—Para No. 6.86)

The Committee note that a proposal for the setting up an international sub-contracting exchange in India has been under consi-

deration of the Government for the last two years. The main objective of the exchange will be to promote international sub-contracting arrangements between large organisations abroad and competent small scale contracting units in India. While the Committee welcome this proposal, they are unable to appreciate why the proposal could not be materialised during the last two years. The Committee would like that the idea of an international sub-contracting exchange backed up by adequate number of regional exchanges should be translated into action without delay. The Committee hope that while setting up the international exchange and regional exchanges, the Ministry would guard against the drawbacks noticed in the working of sub-contracting exchanges already working in India and would ensure that the international exchanges follows the most modern system of management and operations and develops into a useful instrument of service to the small scale sector.

Reply of Government

Government has taken note of this recommendation. An appropriate scheme is being formulated for the setting up of an International Sub-contracting Exchange. A financial provision exists for this purpose in the Sixth Plan.

[Ministry of Industry (Department of Industrial Development)
O. M. No. 1(26)/81-ICC, Dt. 15th October, 1981].

Further reply of Government

A proposal for setting up International Sub-contracting Exchange under the Small Industries Development Organisation incorporating the modern communication systems was considered by the Ministry and agreed in principle. However, it was suggested that in the matter of linkages with other promotional organisations in the field of exports, further discussions with organisations like the Engineering Export Promotion Council (EEPC), the Trade Development Authority (TDA), the All India Manufacturers Organisation (AIMO), the Federation of Indian Chambers of Commerce & Industries (FICCI) and Association for Engineering Industries of India etc. might be desirable. Discussions were held these organisations to ascertain their views with regard to the linkages which could be established with them by the proposed International Sub-contracting Exchange and the type of items which could be taken up for promotion of international sub-contracting in the initial phases. The views of these organisations have been recently received and have been suitably incorporated in the final proposal

which is ready for final consideration and approval. Financial provision for the purpose is being made in the Sixth Plan.

[Ministry of Industry (Department of Industrial Development)
O. M. No. 1(26)/81-ICC dated 30th January, 1982]

Recommendation (Sr. No. 91—Para Nos. 7.29, 7.30 & 7.31)

7.29 Items like tooth paste, laundry soap and cycle tyres and tubes are 'reserved' items which are being produced by multi-nationals and large units also. There are many other reserved items which were licensed for production in large sector prior to reservation. Since 1970, when tooth paste, for instance, was reserved for exclusive production in small scale sector, 9 organised sector units with total approved capacity of 3927 M. Ts had increased their production to 9400 M. Ts by the end of 1978. On the other hand, in the small scale sector, as against the installed capacity of about 4700 M.Ts in 9 small scale units, the production of tooth paste in 1976 was only about 740 M Tons. If there have been loopholes in the Industries (D&R) Act, as the Ministry seem to hint, which allow large industries to produce more than the authorised capacity, the Ministry have not explained why they have allowed the loopholes to continue so long to the detriment of small scale sector. It is rather difficult to accept that increase of production of tooth paste to 9400 M.Ts as against an installed capacity of 3927 M.Ts in large sector could be due only to more efficient use of installed capacity as hinted by the industry. There are complaints of excess production in large sector in respect of a number of other reserved items also.

7.30 The Committee would like the Ministry of Industry to go into the complaints of excess production of reserved items by large/medium sector and furnish the following information:—

- (a) List of items in which excess production has been complained of whether any inquiry was held and if so, the outcome of enquiry, in each case;
- (b) the action taken in each case of established 'excess' production and the outcome;
- (c) loopholes in the Industries (D&R) Act, efforts made by the Ministry to plug the loopholes with dates and the outcome;
- (c) the latest thinking of the Government in the matter.

7.31 The Committee would like to have specified information under these heads, item-wise, to judge the role and performance of

the Ministry in protecting the small scale sector against the encroachments of large/medium enterprises into the field of 'reserved' items.

Reply of Government

A note of this recommendation is being furnished separately to the Committee.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81—ICC dated 15-10-1981].

Further reply of Government

The problem of excess production over their licensed capacity has been engaging the attention of the Government for some time past. Ministry of Law have been consulted more than once on this question especially with regard to the action that could be taken in such cases. That Ministry had advised that it may be difficult to launch or sustain prosecution against such units. This is because licences are given in terms of *capacities* and not in terms of *actual production*. Even if the licensed and the installed capacities are the same, in the Law Ministry's view, it could well happen that actual production may exceed that shown against the licensed capacity due to a variety of reasons. Some of the reasons are:—

- (i) Greater efficiency of the working force, e.g., by profit sharing/productivity raising agreements with labour unions.
- (ii) Adaptations and modifications made in machines by units in order to give higher output.
- (iii) Better quality and utilization of raw materials or improved raw materials, or cutting down waste with resulting increase in production.
- (iv) Improvements in manufacturing cycles (particularly by continuous process industries), whereby with the same installed capacity, output can be increased significantly.
- (v) Undertaking of modernisation or installing balancing equipment which, though of small value and not directly adding to installed capacity, can yield significantly higher yield of outputs.

In view of the advice given by the Law Ministry it has been difficult to launch prosecutions under the IDR Act, on account of the installed capacity being in excess of licensed capacity. A few cases

of this type related to the manufacture of tooth-paste by M/s. Colgate Palmolive, aluminium by M/s. Gwalior Rayons could not be initiated due to the limitation of one year under Code of Criminal Procedure and the problem of acquiescence as the concerned Administrative Ministry had been providing raw materials required by the unit even for the production of quantities in excess of the licensed capacity. Similarly, action against M/s. Cadbury for excess production of Bournvita could not be taken due to the application of Law of Limitations.

Proposals are now under consideration to effectively curb the tendency of excess production, particularly, in items reserved for small scale, if need be by amending the IDR Act suitably. With a view to overcome the difficulty of limitation, Industries (Development & Regulation) Act has been placed in the schedule to the Economic Offences (Inapplicability of Limitation) Act, 1974 so that the offences under the IDR Act are not barred by limitation.

It may further be mentioned that the benefits of regularisation of installed capacity which has been provided to 34 industries by a Notification issued on 4th September, 1980 is not applicable to items reserved for small scale. Automatic growth of 25 per cent in five years and normal permissible expansion of production upto 25 per cent beyond licensed capacity are also not allowed in respect of items reserved for small scale. Similarly, endorsement of capacities on Registration Certificates issued under Section 10 of the IDR Act and COB licences on the basis of balanced line capacity would be applicable to items reserved for small scale only if the difference between the highest production achieved by the unit during the past and the balanced line capacity endorsed on the licence is exported fully for a period of 5 years or 50 per cent of the difference is exported for a period of 10 years.

It will be seen that the fields reserved for small scale are protected from encroachment by large and medium scale industrial units to the maximum possible extent.

The concept of installed productive capacity is based upon balanced capacity of the entire production line for the items for which higher installed capacity is claimed. The entire production line, commencing from the raw material input section to the finished product exist section, has to be considered as a whole, together

with the necessary utilities which support the production line concerned. In the entire production line, any capacities of the individual sections for production at levels higher than that licensed are NOT to be considered, in isolation. Assessment of installed capacity is considered only in relation to the critical/constrained sections, as it is upon these sections that the ultimate final production level or output of the line depends. Thus, the totality of the productive installed capacity of the line of production is geared ONLY as can be related to the critical/constrained sections.

Suitable allowances are also made for normal outages, regular maintenance schedules and industry-wise norms of optimum production achievable under normal operating conditions.

[Ministry of Industry (Department of Industrial Development)
O. M. No. 1(26)/81—ICC dated the 17-3-1982].

Recommendation (Sr. No. 92—Para 7.32)

The Committee have received reports that large units licensed to produce 'reserved' items for export can also sell their products in home market on the plea of their inability to export their full production. The Ministry have admitted that though the possibility of such a misuse of the concession is there, Government have taken measures like bank guarantee, penalty provision, expropriation of excess production etc. to guard against such a misuse by large units. Complaints of misuse of this concession have been received by the Ministry in respect of tissue paper, hydraulic jack, bolts, screws and duplicators. Secretary (Industry) informed the Committee during evidence that in case of tissue paper, "action was taken and the particular unit was asked not to continue production. Export obligation was scrutinised and revised obligation was imposed." It is a moot point whether the aforesaid action taken by Government could actually be called 'action' at all. The Committee would like the Government to deal with cases of violation of export obligations by large units in respect of 'reserved' items more stringently in order to save the small scale sector from such surreptitious attempts of the large units to out-market the former.

Reply of Government

The recommendation has been brought to the notice of the CCI&E for taking appropriate action.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81—ICC dated 15-10-1981].

Further reply of Government

The recommendation of the Estimates Committee was brought to the notice of the Chief Controller of Imports and Exports who has explained the position as follows:

“Action is initiated as required under the rules in cases where a manufacturer fails to discharge on export obligation imposed on his industrial licence or otherwise. However it may be mentioned that while taking such action, Government keeps in view the difficulties that may be inherent at a particular time in the export of a particular product. Also, keeping in view the broader policy framework to help exports, procedure have been adopted in such a way that exporters are assisted in completing their obligations even within the extended period in case they are unable to do so within the stipulated period. Further in order to help exports, it has been provided that in the case of regular exporters or in the case of exporters where the value involved is high, the exporter may be exempted from giving a bank guarantee with his export obligation bond and, instead, only a legal agreement with a bank guarantee may be accepted. This has been done because the execution of a bank guarantee had certain operational difficulties for the exporters. In the legal agreement, a provision is made in the event of the exporter not being able to export the goods as per the export obligation laid down, he shall hand over the goods to the agency nominated by Government and pay liquidated damages to such agency. The goods thus handed over to the nominated agency have to be exported by that agency at a price that it is able to fetch abroad. The export is made on behalf of the original exporter and the nominated agency only is entitled to its commission.”

In actual practice, however, it was found that the nominated agency i.e., the STC had certain practical difficulties in taking over the goods for export in such cases. The matter was discussed at a meeting in the room of CCI&E on 1st October, 1981 with a view to finding out ways and means of proper enforcement of the export obligation conditions. The STC was requested that they should make the necessary arrangements for dealing with cases of default which have already come up to them on the basis of the provision of the existing legal agreements. For the future, the matter would be reviewed in the light of practical experience.

While reviewing the position as above, the recommendation, in question, of the Estimates Committee will be kept in view.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81—ICC dated the 17th March 1982].

Recommendation (Sr. No. 96—Para No. 8.45)

The Committee regret to note that there is no system at present in the Ministry of Industry to compile information about value of purchases made by Railways and State Governments from small scale sector. Information about purchases made by Central Government purchasing organisations from small and other sectors, of items reserved for exclusive and preferential purchase from small sector is also not available with the Ministry or DGS&D. In order to evaluate the progress of measures taken by Government to encourage large participation by small scale sector in Government purchase programmes, there is an imperative need for a proper information system which should, *inter alia*, collect and collate data about the value of purchases made by all purchasing organisations of Central and State Governments and Public Sector Undertakings from Small Scale Sector vis-a-vis other sectors, showing separately the value of items exclusively reserved for (a) purchase from and (b) production in small scale sector. The information thus collected should be periodically analysed with a view to applying correctives, where necessary.

Reply of Government

The Government has taken note of this recommendation. The DC, SSI has been requested to evolve a suitable system for obtaining the data about the value of purchases made by the DGS&D, Railways and State Governments from the small scale sector.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81—ICC dated 15-10-1981].

Recommendation (Sr. No. 98—Para No. 8.47 and 8.48)

A number of difficulties experienced by small scale, units in regard to registration, submission of tenders, lack of specifications, etc. have been brought to the Committee's notice. The Ministry have also received representations from small scale sector regarding certain State Governments and State Undertaking insisting on earnest money and security even though tendering units are registered with National Small Industries Corporation and DGS&D. Obviously the Ministry of Industry have not so far succeeded in

persuading all the States and State agencies to follow similar procedures and allow similar facilities to small scale sector as are in vogue at the Centre. Despite clear instructions that there should be only one inspection of the capacity and technical capability of small units by SISIs, DGS&D, it is stated, insists on a separate inspection in certain cases.

From all this, the Committee have come to the conclusion that multiplicity of procedural practices at the Centre and the States have prevented the small units from driving full advantage of the exclusive purchase policy and the facilities and concessions announced by Government for the benefit of small sector. The Committee would like that the Ministry of Industry, should make a concerted effort at the highest level to bring round the DGS&D, State Government Departments and State Undertakings to follow the standard procedures and practices so as to ensure that the benefits intended for small scale sector are enjoyed by this sector in full measure.

Reply of Government

The recommendation has been brought to the notice of Ministry of Supply and Rehabilitation (Department of Supply) which is concerned with Central Government purchases. The Department of Supply has drawn attention to the following recommendations contained in the Report submitted by the Committee on Government Purchases under the Chairmanship of the Minister of Supply and Rehabilitation, in the year 1979.

"It has already been recommended by the Committee that other Central Government Departments should follow the procedures laid down by the Central Purchases Organisation to the extent possible, and applicable to their purchases. Various Government Departments while making procurement should also follow the guidelines laid down by the Government for preferential treatment to small scale units. The Committee feels that it might be advisable for such departments to borrow officers from the DGS&D at various levels for organising their procurement activities where needed, if such expertise is not available already with them".

2. "The public sector undertakings may continue to follow the policy of Government for giving encouragement to small scale units while making their procurements, to

the extent possible, keeping in view the nature of their procurements”.

3. “Uniformity in the term and conditions should be adopted by various public sector undertakings in respect of normal procurements. The public sector undertakings could adopt the terms and conditions followed by the Central Purchase Organisation to the extent possible with a view to finalising tenders promptly and better contract administration”.

The Department of Supply has stated that recommendation No. (1) was circulated to all the Central Ministries and recommendation (2) and (3) was circulated to the B.P.E. for implementation by public sector undertakings.

In addition, the Ministry of Industry propose to address various State Governments in this regard.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81—ICC dated 15-10-1981].

Recommendation (Sr. No.—99—Para No. 6.49)

The Committee strongly support the demand of small scale industries that purchase contracts executed with them by purchasing agencies should include a price escalation clause to provide them protection against rise in prices of raw materials. The DGS&D it is stated, has since 1980 been showing consideration in the matter of prices in respect of items controlled by Government. The Committee would like that the procedure of incorporating price escalation clause in purchase agreements should be formalised so as to leave no scope for doubt as to the items and the extent to which it would apply. In this respect the small scale sector should be treated at part with large sector.

Reply of Government

The Ministry of Supply and Rehabilitation (Department of Supply) have stated that the DGS&D normally allow variations in prices for purchase of stores involving raw-materials, the prices of which are regulated by the Government/Government agencies, and that the price variation is allowed in respect of a number of items and contracts for more and more items are considered for inclusion of price escalation provision. They have further stated that no distinction is made in this regard between large scale and small scale units. They have further added that they have evolved standard

price variation clauses for allowing variations on account of prices of raw-materials like Steel, non-ferrous metals involved in charges of certain stores like insulated cables, wires, ACSR conductors, Customs duty/Excise duty, wages and exchange rates. The DGS&D are being requested to persuade other Central Departments also to adopt the procedure followed by them, if not already being done.

It is also proposed to address the State Governments in this regard.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81—ICC dated 15-10-1981].

Recommendation (Sr. No. 100—Para Nofl 8.50)

The Committee regret to note that Central Purchase Advisory Council which is constituted to review the problems faced by small industries have met only once during the last 5 years. This shows the Ministry's apathy towards the lot of small sector. The Committee would recommend that the Council at the Centre and similar bodies in the States should meet regularly at least twice a year to discuss specific problems of small units with a view to solving them.

Reply of Government

The Ministry of Supply and Rehabilitation (Deptt. of Supply) has stated that the last meeting of the Central Purchase Advisory Council was held in November, 1980. The next meeting is scheduled for October|November this year. That Deptt. has also pointed out that four Regional Purchase Advisory Councils, in addition to the Central Purchase Advisory Council, have been constituted. Each of these Regional Councils, (South Zone, North Zone, West Zone and East Zone) have been meeting regularly, once every year to discuss and sort out problems faced by the small scale sector, as well as others in the dealings with the DGS&D. Periodical meetings are also held with various trade Associations, including Organisations representing the small scale sector and specific problems are discussed. The Deptt. of Supply feels that although the Central Purchase Advisory Council did not meet for some time it did not mean neglect of the problems faced by the trade which were duly taken care of through other forums. However, it is proposed to hold meetings of the council regularly in future.

[Min. of Ind. (Deptt. of ID) O.M. No. 1(26)|81-ICC dt. 15-10-81]

Recommendation (Sr. No. 102—Para No. 8.53)

Here is one more instance in which the information furnished by the Ministry of Industry in writing is different from what Secretary (Industry) stated in evidence. While the Ministry stated that "there is no regular and continuous flow of information regarding price preference accorded by various purchasing organisations", Secretary (Industry) informed the Committee in evidence that "there was an organised basis of flow of information" in this regard. What else can the Committee suggest in the circumstances except that there is need for greater coordination and cohesion at various levels within Ministry.

Reply of Government

The Government has taken note of the recommendation. The DC (SSI) is taking action to examine the suggestion.

[Min. of Ind. (Deptt. of ID) O.M. No. 1(26) |81-ICC dt. 15-10-81]

Further reply of Government

Full co-ordination and regular and continuous flow of information regarding price preference is being ensured.

[Ministry of Industry (Deptt. of Industrial Development) O.M. No. 1(26) |81-ICC dated the 17th March, 1982]

Recommendation (Sr. No. 103—Para No. 9.29)

There is a four tier system of testing facilities in the country. Four Regional Testing Centres are already functioning for the benefit of small scale sector. Fifty Field Testing Stations are to be set up during the Sixth Plan period. Besides, there are national laboratories for specialised testing facilities and at the apex is National Testing House at Alipur. DC (SSI) has stated that they were trying to link one tier with the other. Testing facilities, it is stated, are also available in the States, IITs; other engineering institutions and even in private testing laboratories. It is doubtful if the small scale units have a clear picture of the nature and range of testing facilities available in the scores of testing institutions spread over the length and breadth of the country and how they have to go about to avail of the facilities at the most economical cost. The Committee feel that a comprehensive guide-book is needed to explain in simple language at one place the nature, range and cost of testing facilities at each of these testing centres and the procedure which the small scale units have to follow to get the products

tested speedily and economically. They would suggest that the Ministry of Industry should bring out a comprehensive guide-book of testing facilities and make it available to small scale units as a priced publication.

Reply of Government

The recommendation has been accepted by the Government and the DC, SSI has been requested to do the needful in the matter. [Min. of Ind. (Deptt. of ID) O.M. No. 1(26) |81-ICC dt. 15-10-81]

Recommendation (Sr. No. 104—Para No. 9.30)

Reports reaching the Committee from small scale sector show that the small scale units are not satisfied with the working of the Regional Testing Centres at Delhi, Bombay, Calcutta and Madras. The Committee were informed that though internal evaluation of the Regional Testing Centres is done periodically, it was premature to commission an external evaluation of these testing centres as they were set up only about three years ago. In this context, the Committee take note of the very low revenue derived from testing services rendered by these Regional Centres as compared to the heavy expenditure incurred on these Centres. Taking all these factors into consideration, the Committee feel that there is a need to assess the usefulness and utilisation of facilities available in the Regional Testing Centres and identify deficiencies in their working because of which they have not been able to become very popular. The Committee would suggest that an assessment on these lines should be undertaken expeditiously and working of these centres streamlined and testing apparatus strengthened, if necessary in the light of the assessment report so as to win the confidence of small scale units.

Reply of Government

The recommendation has been accepted by the Government, and the DC, SSI has been requested to undertake an internal assessment of the working of the RTCS.

[Min. of Ind. (Deptt. of ID) O.M. No. 1(26) |81-ICC dt. 15-10-81]

Recommendation (Sr. No. 105—Para No. 9.31)

The importance of standardisation of products of small scale is too obvious to need any emphasis. A number of products are reported to have been codified and covered under the

certification scheme of the Indian Standards Institutions (ISI). But still there is a large gap between the number of products manufactured by the small scale industries and the standard specifications prepared for the products for certification scheme. The Committee feel that the process of codifying standard specifications should be speeded up with a view to bringing more and more products of small scale sector under the ISI certification scheme and in this process, the products which are reserved for exclusive production in the small scale sector should be given priority.

Reply of Government

The recommendation has been noted and the Development Commissioner, Small Scale Industry has been requested to take up the matter with the ISI.

[Ministry of Industry (Deptt. of ID) O.M.No. 1(26)|81-ICC
dt. 15-10-1981]

Recommendation (Sr. No. 107—Para No. 9.33)

The Committee take note of the Ministry's view that it is an expensive exercise for the small scale industries producing the products conforming to standard specifications it would be necessary to reduce the financial burden which the certification scheme place on these units. The Committee feel that it should be possible for Ministry of Industry to go into the cost aspect of the standardisation scheme and devise measures to make it financially less burdensome and thus attractive for small scale units to go in for standardisation of their products.

Reply of Government

The recommendation has been taken note of by the Government. The DC (SSI) has been requested to examine the cost impact of standardisation facilities and to suggest measures to reduce the burden on small units.

[Ministry of Industry (Deptt. of ID) O.M.No. 1(26)|81-ICC
dt. 15-10-1981]

Recommendation (Sr. No. 108—Para No. 9.34)

The Committee consider the introduction of compulsory quality control scheme in respect of domestic electrical appliances as a step in the right direction even though the Ministry find it administrative-ly difficult to implement it. The Committee feel that the Ministry

should take measures to overcome the administrative difficulties experienced in implementation of this scheme and gradually extend the scheme of other product groups, one after the other, in accordance with a priority list to be drawn up by the Ministry.

Reply of Government

The recommendation of the Committee has been taken note of by the Government and a revised domestic electrical appliances control order is likely to be issued shortly with a view to overcome some of the deficiencies experienced in the implementation of the existing order.

[Ministry of Industry (Deptt. of ID) O.M.No. 1(26) |81-ICC
dt. 15-10-1981]

CHAPTER III

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

Recommendation (Sr. No. 4—Para 2.35)

The Committee are of the view therefore, that considering the contribution of the small sector to the industrial production and to the national economy as a whole, the raw material requirements of small scale industries deserve to be taken more seriously and given the highest priority and considered as a first charge on the availability of such materials in the country consistent with the needs of other important and strategic sectors like public utilities, Defence, oil exploration etc. A public pronouncement of this approach will create a sense of confidence and remove the psychology of scarcity which leads to inflation of demand.

Reply of Government

The Government is examining the implications of making the raw materials requirements of the small scale sector a first charge on the availability of such raw materials, subject to the needs of other important and strategic sectors like public utilities, defence, oil, exploration, etc.

[Ministry of Industry (Deptt. of ID) O.M. No. 1 (26)/81-ICC
dt. 15-10-1981]

Further reply of Government

Government have given careful consideration to the recommendation of the Committee that a public pronouncement be made by Government regarding preferential allocation of raw materials to small scale sector along the lines suggested by the Committee.

Shortage of raw materials is bound to remain as long as overall imbalance exists between demand and supply. In such a situation, Government policy has been directed to assigning appropriate priorities in allocation of materials to selected sectors of production of importance to the economy including the small scale sector. This approach has been made clear by Government in Parliament and outside as part of their commitment to assist the promotion of the

small scale sector. Thus, the small scale sector is part of the priority sector for allocation and supply of iron and steel items; in fact it is included in category 'A' thereof. Similar priority is available to the sector in respect of imported grades of aluminium, tin plate material, etc. In respect of other particular materials also, Government attempts, from time to time, evolving policies keeping in mind the special needs of the small scale sector.

It is also relevant to point out that more than policies relating to allocation, what matters is the efficient discharge of a number of dispensing tasks leading to greater physical availability of materials to far-flung small scale units. Government is consistently trying to improve its performance in this field. In this background, Government feel that a public pronouncement of the nature indicated by the Committee may not be necessary.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC
dated 30th January, 1982]

Recommendation (Sr. No. 19—Para No. 2.94)

The Committee take note of the feelings of the small scale sector that the present practice, under which large units demand 100 per cent of advance payment for promised supplies is rather harsh. But they also feel that even so, it may not be practical in all cases to compel the large units to make supplies to small scale industries against payment of 1 per cent earnest money, as suggested. The Committee agree with the suggestion made by Secretary (Industry) that a suitable formula for payments should be evolved by discussion among banks, large scale units and small scale units and with their consent. The Committee expect the Ministry of Industry to take the promised initiative in the matter and bring consensus on modalities of payments among all concerned so as to bring relief to small sector.

Reply of Government

Action on the views expressed before the Committee is being initiated.

[Ministry of Industry (Deptt. of ID) O.M.No. 1(26)/81-ICC
dt. 15-10-1981]

Further reply of Government

The suggestion for evolving a suitable formula has been examined in detail and it has been decided that the system of 100 per cent

advance payments against promised supply has to remain keeping in view the cost of credit and in order to ensure proper utilisation of scarce raw materials.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC
dated 30th January, 1982]

Recommendation (Sr. No. 21—Para No. 3.22)

From the Ministry's statement that "in some of the materials" the canalising agencies have been able to do away with the scarcity condition hitherto prevailing the conclusion is obvious that there are some materials which continue to be scarce. The Committee find that while planning imports, requirements of SSI units are kept in view; but the imported material is placed in a common pool and no quantity is earmarked to be distributed to small industries. Small Industries, it is stated, are supplied according to their requirements from out of the common pool. The Committee see no reason why the quantum of imports made to meet the requirements of SSI units should not be earmarked for distribution to small industries. In the absence of such an earmarking, there is no guarantee that the imports made in the name of SSI units, will actually reach them and will not go over to large sector. The Committee recommend that shortfalls of critical raw materials required by small scale sector should be made good by timely imports and the imports made for small sector should not be diverted to any other Sector.

Reply of Government

The Government has taken note of the recommendation, which has been brought to the notice of all production Ministries.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC
dt. 15-10-1981]

Further reply of Government

Imports of raw materials are organised to meet the entire demand in the country, including that from the small scale sector. These are not made separately against the demand of the small scale and other sectors. While allocating the total available raw materials indigenously produced and the imported ones, overall national interests and the needs of priority sectors including the small industry sector,

are kept in view. No separate earmarking of raw materials is feasible.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 29th January, 1982].

Recommendation (Sr. No. 33—Para No. 4.8)

The Committee take note of the policy of the Government to encourage State Small Industries Corporations to look after the procurement and distribution of scarce categories of raw materials to small scale sector at the State level so that ultimately the Corporations become the only agency of procurement and distribution of raw materials to the small scale units. Certain non-official circles feel that the SSICs neither have the knowledge nor the experience to handle procurement and distribution of raw materials. A non-official organisation has, however, stated that it has no objection to channelise raw materials through State Industries Corporations provided they are made accountable for their performance in this field to some central organisation which should also coordinate and monitor their operations. In the Committee's opinion channelisation of scarce raw materials through State Industries Corporations is unexceptionable on principle. But this experiment can be a success only if the SSICs acquire the necessary expertise, motivation and resources to discharge this responsibility efficiently and economically. The Committee would urge that the Ministry of Industry should not only see that the SSICs are properly equipped to handle this commercial operation in a business-like manner but also evolve a pattern of organisational arrangement to monitor and coordinate their working with a view to ensuring equitable and efficient timely distribution of raw materials to small scale sector and applying correctives whenever and wherever found necessary.

Reply of Government

The recommendation has been brought to the notice of the State Governments who control the corporations.

[Min. of Ind. (Deptt. of I.D.) O.M. No. 1(26)|81-ICC
dt. 15-10-81]

Further reply of Government

The recommendation of the Committee has been brought to the notice of the State Governments who control the SSICs.

The Ministry of Industry maintains close liaison with the apex body of the SSICs known as 'COSICI' for making the services of the SSICs more effective.

The Department of Administrative Reforms, Ministry of Home Affairs has also gone into the working of the SSICs in so far as the distribution of steel materials is concerned and have made recommendations for efficient distribution of steel materials through the SSICs. These are under consideration of Ministry of Steel for implementation.

It may be re-iterated that the Central Government has no direct control over the functioning of these State Government agencies. However Central Government will continue with its efforts to persuade the State Governments in this regard.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 30th January, 1982]

Recommendation (Sr. No. 38—Para No. 4.41)

It has been admitted by the Ministry that Small Industry Corporations do suffer from paucity of funds to some extent and in most States the Small Industry Corporations do not seem to have acquired the necessary expertise to use Government funds as margin money to raise credit from commercial banks. The Committee are surprised at the stand taken by the Ministry of Industry that it would be difficult for the Government of India to advise the Small Industry Corporations as to the manner of regulating their funds because they are State bodies registered under Companies Act but they would be prepared to take action to augment the funds of the Corporations which are suffering from paucity of funds. In the Committee's view it is too legalistic a view. The Committee would suggest that while providing funds to the SIDCs the Ministry of the Industry have every right to advice them about the steps necessary to improve the management of their funds including the need to induct better financial and managerial expertise into the Corporations. The Committee recommend that this should be done.

Reply of Government

The recommendation is being examined in consultation with the Planning Commission and Ministry of Finance.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC
dt. 15-10-1981]

Further reply of Government

The recommendation of the Estimates Committee has been examined and it is felt that it may be difficult to implement the suggestions of the Committee for the following reasons:—

1. State Small Industries Corporations are registered as Companies under the Companies Act and there was no formal Act of Parliament or any such like directive from the Centre about the formation of these Corporations;
2. On their Board of Directors, besides the Chairman, Secretary of the State Industries Department, Director of Industries and Managing Director of the Corporation are taken as members. In certain States, the Chairmanship of the Corporation is being manned by nominating a local MLA who is taken as non-official member;
3. The equity of the State Small Industries Corporations is subscribed totally by the State Governments except in the case of Gujarat where even some of the small scale industrialists are having equity participation. The Ministry of Industry does not give any grant/aid to the S.S.I.Cs. except whatever they might be getting by way of allocations under the State Five Year Plans.

The State Governments will, however, be advised to keep a close watch on the functioning of these corporations. A review of the functioning of these Corporations will also be made at the time of Annual Plan discussions of States.

[Ministry of Industry (Deptt. of Industrial Development)
O. M. No. 1(26)/81-ICC dated the 17th March, 1982].

Recommendation (Sr. No. 88—Para No. 6.81)

The Ministry claimed that "during 1979-80 business worth about Rs. 33 crores was generated through the help of sub-contracting exchanges". This claim was challenged by non-official organisations. When it was brought to the Ministry's notice, the Ministry explained that the figure of business generated through sub-contracting exchanges is only an indicator of "promotional contracts" developed by them; the actual figures of the business generated through the contacts promoted by these exchanges would be "difficult to compile". From the subsequent explanation of the Ministry, it is obvious that the original claim of generating business worth Rs. 33 crores through

these exchanges was without any basis and irresponsible. It amounted to giving misleading information to the Committee which the Committee cannot too strongly condemn. They would like the matter to be investigated and the outcome of the investigation communicated to the Committee within six months.

Reply of Government

The Government has taken note of this recommendation. Further enquiries were made by the DC (SSI) with the SISIs regarding the business generated through the Sub-contracting Exchanges. The Exchanges have clarified that business contracts were generated and promoted through personal visits, telephone calls, letters etc., as well as through Buyer-Seller Meets, Exhibitions, Seminars etc. In a number of cases, the units introduced by the Exchanges received repeat orders. The figure of Rs. 33 crores reflected purchases made by Government Departments, DGS&D, Public Sector and Private Sector Undertakings, etc. in which the Exchanges had a specific role and about which the Exchanges could gather information from various sources. However in a number of cases, there was no feed-back about the actual quantum of business generated after the Exchanges provided the contract information to SS units. This was more so in cases where units got repeat orders on the Exchange. Since there was no statutory obligation on the purchasing organisations and the suppliers to reveal the extent of business transactions to the Exchanges, information had to be collected from different sources and that is the main difficulty in providing/compiling the total figures of business generated. A reference was made to this operational problem during evidence before the Committee. Therefore, it can be appreciated that no false claim has been made and there was no intention of giving misleading information to the Committee. However, the Exchanges have been asked to follow-up the contacts provided by them to the maximum extent possible.

[Mini. of Industry (Deptt. of I.D. O.M. No. 1(26)|81-ICC.
Dt. 15-10-81.]

Recommendation (Sr. No. 94—Para No. 7.84)

The Committee take note of the apprehensions of the small scale sector about State Governments setting up industrial units for production of 'reserved' items. They also take note of the position explained by the Ministry that no State Corporation has set up any unit to produce reserved item after 'reservation' had been made,

though requests from some State Governments have been received to set up production capacity in certain lines reserved for small scale sector where no initiatives were forthcoming from small scale units. The Committee agree that State Governments should not be barred from setting up production capacity in 'reserved' items if no small scale entrepreneur comes forward to set up industrial units in those lines.

Reply of Government

The recommendation of the Committee is being examined.

[Min. of Ind. (Deptt. of I.D.) O.M. No. 1(26)/81-ICC
dt. 15-10-81.]

Further reply of Government

The suggestion of the Estimates Committee, if accepted, would mean allowing State Governments to set up units in reserved areas which would amount to a reversal of the reservation policy as the small scale units would not be in a position to compete with them. The 'reservation' policy aims at encouraging small scale units alone and in case it is found that no small scale entrepreneur has come forward to set up industrial units in any of the reserved lines, then the better course would be to dereserve the item for the sake of healthy competition rather than encourage State Government units alone to come up in these areas.

[Ministry of Industry (Deptt. of Industrial Development)
O.M. No. 1(26)/81-ICC dated the 17th March, 1982.]

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sr. No. 28—Para No. 3.64)

When any material is imported as a canalised item, its price is fixed either under the system of fixation of prices of canalised items by pricing Committee headed by Chief Controller of Imports & Exports or under the formula regarding pooling up of prices of imported and indigenous materials. Where the price differential between the landed cost of the imported material and the indigenous material is substantially wide, the released price of the canalised item is marked up in order to mop up excessive profit and to keep a parity between local and imported prices. In certain cases where even after the adjustment of import duty, the price of imported material is found to be more than the indigenous price the total costs of indigenous and imported material are pooled together to arrive at a new price—the pooled price—which is higher than the indigenous price (though lower than landed cost). In other words under this system either the prices of imported material are marked up or those of indigenous material come to be raised. The end result is that in either case the small scale units (as also other units) have to pay higher prices and are the losers. The Committee do not think this is an ideal system, especially for the small scale sector whose capacity to pay higher prices is limited. In the Committee's view there is need for a view of the system of fixing prices of canalised items and pooling up of prices. The aim should be not to make any gain either for the Government or for the price equalisation fund. The Committee hope that this matter would receive a dispassionate consideration.

Reply of Government

The recommendation is being examined in consultation with the Ministry of Commerce (and the CCI&E).

[Min. of Ind. (Deptt., of I.D.) O.M. No. 1(26)/81 ICC
dt. 15-10-81.]

Further reply of Government

In fixing the selling price of canalised materials, the Pricing Committee takes into account the landed cost, the incidental charges to be incorporated by the canalising agency and its service charge. There have been cases in which, apart from the above elements, the price is further raised with a view to mopping up the difference between the landed cost and the domestic price. The price thus fixed is the same for large scale as for small scale units. Moreover, this system is applied only in exceptional cases where it is considered necessary in public interest.

In respect of certain items, there is a system of "pooled" price, such as drugs. In respect of these items, the "pooled" price is evolved having regard to the substantial difference between the landed cost of the imported material and sale price of the indigenous material of comparable quality and specifications. In the case of drugs, the pooled prices are determined under the drug control regulations. In such cases, it will not be advisable to have two prices one for the imported materials and the other for similar indigenous material.

[Ministry of Industry (Deptt. of Industrial Development O.M. No. 1(26)|81-ICC dated the 17th March, 1982]

Recommendation (Sr. No. 29—Para No. 3.65)

It has been represented to the Committee that the service charges of canalising agencies are very high ranging from five to ten per cent and these go upto 30 per cent in some cases. This allegation has, however been denied by the Ministry which have informed the Committee that the service charges of the canalising agency vary from 1 to 5 per cent. This appears to be a case of communication gap between the small scale units and the canalising agencies. The Committee recommend that, on the one hand, the Ministry of Industry should satisfy themselves that the service charges of the canalising agencies are actually what they say these are i.e. (1 to 5 per cent) and that they do not levy any additional charge on account of service expenses under any other name and on the other hand, they should impress upon the canalising agencies that there is need for the small scale units and their representative organisations to be taken into confidence in regard to the exact quantum of service charges levied by the canalising agencies so that they don't labour under any misunderstanding on this account.

Reply of Government

The recommendation has been brought to the notice of the Ministry of Commerce (and the CCI&E) for examination in consultation with the concerned canalising agencies.

[Ministry of Industry (Deptt. of Industrial Development O.M.
No. 1(26) |81 ICC dt. 15-10-81]

Further reply of Government

The element of service charge of the canalising agency is a part of the overall fixed selling price. Service charge is not separately recovered from Actual Users by the canalising agency. As a matter of general policy, Government keeps in view that the service charge accruing to the canalising agencies is reasonable. The canalising agencies will, however, be advised to refer to the Monitoring Committee for consideration of any complaints they might receive with regard to the unreasonableness of the service charge.

[Ministry of Industry (Deptt. of Industrial Development O.M.
No. 1(26) |81-ICC dated the 17th March, 1982]

Recommendation (Sr. No. 49—Para No. 4.79)

This was the position obtaining in 1973-74 i.e. seven years ago. The Committee feel that a fresh survey is now overdue and should be taken up to find out the magnitude of this problems as it prevails today, as only then can they take more effective measures to protect the interests of genuine small scale units.

Reply of Government

Government has taken note of the recommendation.

[Ministry of Industry (Deptt. of Industrial Development O.M.
No. 1(26) |81 ICC dt. 15-10-81]

Further reply of Government

Now that almost all districts have DICs, individual small scale units are accessible to inspection every year. The states have been advised to take steps through inspections to eliminate bogus units. As such, a fresh survey to detect the presence of bogus units is not considered necessary.

[Ministry of Industry (Deptt. of Industrial Development O.M.
No. 1(26) |81-ICC dated 29th January, 1982]

Recommendation (Sr. No. 55—Para No. 4.102)

The Committee cannot appreciate how the office of DC (SSI) can be said to be performing a "useful coordinating role" if the State agencies charged with the responsibility of looking after the interests of Small Scale Sector in various States have themselves to go round the country, knocking at the doors of Central agencies, one after the other, in search of raw materials and solutions to their problems. The Committee strongly feel the need of an inter-ministerial executive body at the Centre as suggested by the State Government and conceded by the Ministry of Industry, to act as a nodal agency with an effective voice in matter's concerning production import, allocation and transportation of raw materials, whom alone the State agencies may have to approach with the problems of Small Scale Sector for an effective solution. The Committee would suggest that a nodal agency on these lines should be set up at the Centre at the earliest.

Reply of Government

The Government has taken note of the recommendation. Action to study/review the role of the DC, SSI etc. is being initiated.

[Ministry of Industry (Deptt. of I. D.) O. M. No. 1(26)/81-ICC dated the 15th October, 1981].

Further reply of Government

Setting up of a single nodal agency for allocation of raw materials to small scale units all over the country is, at present, not considered feasible, specially in view of the fact that even registration of small scale units is not compulsory under the law. The present system of consultation and advisory role performed by the DC, SSI and the efforts made by the State Corporations would result in eliminating difficulties wherever faced. Beyond this, further responsibility of centralising the distribution functions on a single agency is not considered feasible. However, the distribution of raw materials is reviewed from time to time in inter ministerial meetings.

[Ministry of Industry (Deptt. of ID) O.M. No. 1(26)|81-ICC No. (26)|8-ICC dated 29th January, 1982].

Recommendation (Sr. No. 93—Para No. 7.33)

The Committee are informed by the Ministry that captive capacity for manufacture of 'reserved' items by large units has been allowed by the Government. For example, vanaspati oil manufacturers have

been allowed to manufacture tin containers—a 'reserved' item—which earlier the large units used to purchase from small scale sector. The Committee do not agree with this policy. This amounts to denial of benefit of reservation policy to small scale sector. In fact, it is in such fields that ancillarisation has a rôle to play. The Committee would like the Government to re-examine this matter with a view to withdrawing captive capacity in large/medium units for manufacture of 'reserved' item.

Reply of Government

According to Explanations (1) and (2) given below the First Schedule to the Industries (Development & Regulation) Act, 1951 (extract reproduced below) the industrial undertakings licensed under certain specified heading the First Schedule, which mainly relate to Engg. and Chemical fields, are allowed to manufacture components, parts and accessories and intermediates for captive use only (even where the items are reserved for small scale).

Explanation 1.—The articles specified under each of the heading Nos. 3, 4, 5, 6, 7, 8, 10, 11, and 13 shall include their component parts and accessories.

Explanation 2.—The articles specified under each of the heading Nos. 18, 19, 21 and 22 shall include the intermediates required for their manufacture.

The question whether Explanations (1) and (2) need any revision will be considered as a part of the exercise regarding comprehensive review of possible amendments to the Act.

[Min. of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC
dt. 15-10-81]

Further reply of Government

According to the existing provisions of the IDR Act, industrial undertakings licensed under certain specified headings of the first Schedule which mainly relate to Engineering and Chemical fields are allowed to manufacture components, parts and accessories and intermediates for captive use. As the manufacture of components, parts etc. is permitted only for purpose of internal consumption of the licensed items, and no commercial sale of these parts, components etc. is permissible, their production by the licensed units does not come into competition with the products of small scale units.

[Ministry of Industry (Deptt. of Industrial Development) O.M.
No. 1(26)/81-ICC, dated the 17th March, 1982]

Recommendation (Sr. No. 95—Para Nos. 8.43 & 8.44)

8.43 The Committee are informed that, with a view to encouraging small scale units for larger participation in Government purchases, 379 items of stores have been set apart for exclusive purchase from the small scale sector, 11 items for exclusive purchase from this sector to the extent of 75 per cent of the requirements and 15 per cent items to the extent of 50 per cent. The Committee find that as against Small Scale Sector's contribution of 32 per cent to the national product in 1979-80, this sector's share in value of purchases made by DGS&D for Government Department was only 12.62 per cent. In fact the percentage share has declined to this level from 13.56 per cent in 1977-78. Giving qualitative analysis of the Government purchases Secretary (Industry) stated that, if the items which were not produced in the small sector were excluded, the percentage of purchases from small scale sector would come to 41 per cent and not 12 per cent. This analysis too shows that of the goods, which were available for purchase from small sector, only 41 per cent were actually purchased from this sector.

8.44 The Committee feel that instead of getting consolation from qualitative analysis of purchases from small scale sector, the correct approach would be to determine the optimum range and quantity of goods which the Government can buy from small scale sector and then to buy them from this sector and not from large sector. The Committee would like the Ministry of Industry to make such a study in cooperation with DGS&D and persuade the purchasing agencies at the Centre and the States to adopt this approach in all their purchases.

Reply of Government

The Government has taken note of this recommendation and also brought it to the notice of the DGS&D for their comments.

[Min. of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC
dt. 15-10-81]

Further reply of Government

The Recommendation of the Estimates Committee was brought to the notice of the DGS&D whose comments are reproduced below:—

The purchase procedure in vogue is devised with a view to encourage procurement of stores from the small scale sector to the maximum extent possible. Depending upon the production and supply capability of the small scale sector, items are reserved either exclu-

sively a partially for purchase from this sector. The Standing Review Committee constituted in the Department of Supply reviews the lists of reserved items constantly and lists of reserved items constantly and enlargement is made as and when production and supply capability of small scale sector warrant reservation. It may be mentioned that during the period of nearly two years of its existence the Committee have recommended over 140 items for exclusive purchase from small scale sector. There at present 384 items reserved for exclusive purchase from small scale sector and 15 and 11 items respectively for purchase of 50 per cent and 75 per cent of the requirements. As the Committee reviews the three lists of purchases preference continuously more and more items are likely to be included in these lists and the share of small scale sector in the total Government purchases will go up further.

The Ministry of Industry is represented on the Standing Review Committee and it will endeavour to maximise the purchases from the Small Scale Sector subject, of course, to the economics and pricing policies of purchasing agencies of the Government.

[Ministry of Industry (Deptt. of Industrial Development) O.M. No. 1(26)/81-ICC, dated the 17th March, 1982]

Recommendation (Sr. No. 106 Para No. 9.32)

The Committee are informed that elaborate testing facilities are required before introducing standardisation of the products of small scale sector, but, at present testing facilities are not adequate nor within easy reach of the small scale units. In this context the proposal to set up 50 Field Testing Stations during Sixth Plan is not only very timely but if implemented judiciously, can also fill the gaps in testing facilities in various regions. The Committee recommended that these Field Testing Stations should be so located that relevant testing facilities become available to clusters of small scale units in all parts of the country at their door steps. In this process, the needs of less developed areas should be given due consideration.

Reply of Government

At the instance of the Ministry of Industry, the Planning Commission had agreed to make a provision of Rs. 250 lakhs in the Sixth Plan for setting up new Testing Centres for the benefit of small scale industries. A detailed proposal had also been formulated by this Ministry for the setting up of 50 such Centres during the Sixth Plan period. The Ministry of Finance have, however, proposed that central participation towards setting up of such centres should be con-

fined to model schemes and centres to demonstrate to States and the Industry the usefulness of such units; Accordingly, one centre in each State could be set up. The Ministry of Finance have also suggested that in case the State Governments come up with proposals for setting up of additional units on their own, the DC (SSI) could extend technical help required for the purpose. The performance of these new centres would be reviewed after a period of two years, before the setting up any further centres is considered.

[Min. of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC
dt. 15-10-81]

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES ARE STILL AWAITED

Recommendation (Sr. No. 24—Para Nos. 3.36 to 3.39)

3.36 The Committee are informed that by and large there is no delay in supply of material to small scale units by STC and MMTC after the money has been paid by the customers except in rare circumstances due to reasons beyond anybody's control.

3.37 As regards steel, however, the Committee find that a case might occur where delivery order is issued for some material which was available at that time in the stockyard but the party does not turn up to lift it. In the meantime fresh arrivals of the materials are piled on top of the old material. The delivery in such a case is delayed.

3.38 The Committee agree with the Secretary's (Industry) suggestion for introducing a two-way mechanism under which if the material is ready for delivery but the delivery is not taken, a certain surcharge should be levied for the added inventory cost; and if full money has been taken and delivery note given but the delivery is not given on the day the person comes for taking delivery, then the customer should be compensated for the interest loss. The mechanism would discourage delays not only on the part of suppliers but also on the part of customers.

3.39 The Committee would like the Ministry of Industry to process this suggestion and apprise them of the outcome.

Reply of Government

The suggestion has been brought to the notice of the Ministry of Steel and other production Ministries for their consideration.

[Min. of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC
dt. 15-10-81]

Further reply of Government

The suggestion has been brought to the notice of the Ministry of Steel & Mines to work out a suitable methodology with the organisation concerned. Ministry of Steel have considered the proposal and communicated that it needs closer examination to iron out the pro-

blems to give it a practical shape. The suggestion is accordingly under consideration in the Ministry of Steel.

[Ministry of Industry (Deptt. of Industrial Development) O.M. No. 1(26)/81-ICC dated 30th January, 1982]

Recommendation (Sr. No. 72—Para 6.73)

The Committee are informed that a panel set up by DCSSI have outlined a strategy for ancillary development and their recommendations are to be considered by the SSI Board shortly. The Committee would like this exercise to be completed early and the plan of action to implement the strategy drawn up without delay and implemented in earnestness.

Reply of Government

The observation of the Committee has been noted. The SSI Board at its meeting held in July, 1981, decided to set up a Standing Committee to consider *inter alia* the report of the sub-Committee on ancillary development.

[Min. of Industry (Deptt. of ID) O.M. No. 1(26)/81-ICC dt. 15-10-81]

Further reply of Government

The Standing Committee set up by the SSI Board had its first meeting on the 24th October, 1981. The report of the Sub-Committee on Ancillary Development of the earlier SSI Board as well as the Report of the Strategy Committee set up by the DCSSI could not be taken up for consideration in the above meeting. However, in the first meeting of the Standing Committee of the S.S.I. Board, it was decided that the Standing Committee will be having a special meeting only to consider the entire subject of ancillary development having due regard to the recommendations of the Committee set up by the previous Board. Necessary action would be initiated as soon as the Standing Committee has taken a view. Further more the programme of ancillary development is a continuous scheme and the views of the Estimates Committee will always be kept in view by implementing the various schemes on ancillary development.

[Ministry of Industry (Department of Industrial Development) O.M. No. 1(26)/81—ICC dated 30th January, 1982].

Recommendations (Sr. No. 80—Para No. 6.59)

The Committee are of the opinion that the procedure followed by DGS&D in the matter of purchases for Government departments:

as an ideal procedure under which 95 per cent of the payment is made on proof of despatch of goods and remaining 5 per cent on acceptance of goods by the consignee. The Committee would like the Ministry to explore the feasibility of evolving a similar payment procedure to be followed by large and medium undertakings in private and public sector in respect of goods supplied to them by small scale sector.

Reply of Government

The Ministry of Industry is examining this recommendation.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15-10-1981].

Further reply of Government

The reconstituted Small Scale Industries Board, through a Working Group, is considering a frame-work of a Legislation for Small Scale Sector. One of the important aspects to be considered in the legislation will be the matter of prompt payments to the Small Scale suppliers. Government await the final recommendations of the Small Scale Industries Board.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated the 15th March, 1982].

Recommendation (Sr. No. 81—Para No. 6.60)

The Committee are aware that in the absence of any mandatory or regulatory support to enforce prompt payments, the efforts of the Ministry can only be persuasive and the outcome not certain in all cases. The Committee are of the positive view that any scheme to be successful in this field will have to be backed up by statutory power of intervention either by Government or by banks on whom the large and medium undertakings depend for their working capital and the like. If the small scale sector has to be helped out of financial problems created by large and medium undertakings, the sooner a suitable legislation is enacted, the better it would be.

Reply of Government

The question of enacting comprehensive legislation in respect of small scale industries is under the examination of the Standing Committee of the SSI Board, whose recommendations are awaited by the Government.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15-10-1981].

Further reply of Government

The legislative measures as recommended by the Bhatt Committee are still under the active consideration of the Government who await to considered recommendations of the reconstituted SSI Board. At its meeting held on 9th July, 1981, the SSI Board have remitted the matter to its Standing Committee which *inter-alia* has seen asked to consider the various aspects relating to legislation for small scale industries and report to the Board. The Standing Committee has set up a Working Group to up-date the data on various aspects of the Bhatt Committee proposals in the context of the growth of small scale industries during the recent past. The Working Group is expected to submit its report shortly.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15-10-1981].

Recommendation (Sr. No. 82—Para No. 6.61)

The Committee are informed that a number of bodies including the Bhatt Committee on Drafting Legislation for Small Scale Industries have made certain recommendations to solve the problem of delayed payments but it appears that the problem has not been solved satisfactorily so far. The Committee find that there is no dearth of ideas to attack this problem; what is missing is conclusive action and regular monitoring of the effectiveness of the measures introduced from time to time. The Committee would like the Ministry to examine critically all the idea thrown up by the various bodies and evolve a multi-pronged approach to tackle this problem effectively without any further delay. The Committee would like to be apprised of the packet of proposals which the Ministry would like to implement in this regard.

Reply of Government

Government has taken note of the recommendation. The Ministry of Industry is examining the suggestion.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15-10-1981].

Further reply of Government

It is proposed to take care of the question of delayed payments to small scale units in the proposed legislation for protection of small scale industries, or which Government await the recommendations of the reconstituted SSI Board.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81—ICC dated the 17 March, 1982].

Recommendation (Sr. No. 83—Para No. 6.62)

Certain guidelines have been issued to Public Sector Undertakings for enforcing prompt payment to small scale industries. According to these guidelines cases of delays have to be regularly placed before Board of Directors at their meeting and minutes of such meetings communicated, among others to BPE, DCSSI, SISI and State Directors of Industries. No such minutes have been received from public sector undertakings by the DCSSI. The Committee do not agree with the DCSSI that in the absence of any communication from public sector undertakings in this regard he could presume that there had been no case of delay in payment by public undertakings. The Committee would like the Ministry of Industry to arrange to make case studies of purchases made from small scale sector by public sector undertakings, say, during 1980, and see whether payments therefor were made within the prescribed period. The Committee would expect the Ministry to take effective measures in the light of the studies.

Reply of Government

The matter was taken up by the BPE in the first instance with public enterprises generally and even though the response received so far in regard to payments do not indicate an unsatisfactory position, it has been decided to pursue the recommendation concerning case studies on the basis of 1980-81 purchases. The Inter-Departmental Committee going into three selected units, viz. Instrumentation Ltd. Kota, BHEL, Hardwar, and HMT, Pinjore. has been requested to look into this aspect also. The question of conducting further case studies, and the format thereof would be decided on the basis of the reports of the case studies already under way.

[Ministry of Industry (Department of Industrial Development)
O. M. No. 1 (26) /81-ICC dated 15th October, 1981].

Further reply of Government

In addition to the fact that the BPE have already addressed the Public Sector Enterprises in the matter of making prompt payment to the small scale/ancillary units in the light of the recommendations of the Committee, the Officers of the DCSSI have also been emphasising this point during their discussions with the Public Sector Enterprises in various States. For the purpose, meetings have been organised with the Public Sector Undertakings in Hyderabad, Madras and Bangalore and Jaipur where the need for adhering to the guidelines in respect of prompt payment to small

scale industries was emphasised. The Inter-departmental Team comprising of the representatives from the DCSSI, the BPE and the Ministry of Industry which recently visited the HMT Pinjore had also emphasised the need for prompt payments within a specified time limit to the small scale units. The HMT Pinjore has reported that they are making 95 per cent of the payment against despatch documents and the balance 5 per cent after receipt and account of the materials and subsequent clearance of the Stores Receipt Voucher. They have assured the Team that payments are being made promptly to the small scale and ancillary units as far as possible. The Inter-departmental Teams, during their proposed visits to Instrumentation Ltd., Kota and BHEL Hardwar, will also go into the question of payments by these Undertakings to small scale units during 1980-81. If necessary, effective measures would be taken by the Ministry to ensure prompt payments to small scale/ancillary units in line with the BPE guidelines in the light of the studies by the Inter-departmental Team.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81—ICC dated 30th January, 1982].

Recommendation (Sr. No. 90—Para Nos. 7.27 & 7.28)

7.27 In pursuance of Government policy to produce in small scale sector whatever can be so produced, 834 products have been reserved for exclusive production in small scale sector. In the case of large units producing such items prior to the date of reservation, capacity of such units was frozen as on the date of reservation according to a prescribed formula. No new licence or expansion has been permitted thereafter. In other words, though products have been reserved for exclusive production in small sector, in actual practice, the 'reservation' did not give them any immediate advantage as large sector was allowed to continue production at the small level as on the date of reservation and thus prevent the small scale sector from increasing production to meet the then existing market demand; this approach, at best, gave them a prospect of increasing production of those items to meet the future growth in demand.

7.28 The Committee think the reservation policy as now followed would not do small scale sector much good in the immediate future unless the production of reserved products in large sector is reduced especially in areas where such technology is not needed. The Committee are aware of the legal hurdles in this respect but these will have to be overcome if reservation policy has to be made a success. The Committee would like the Government to examine this matter with a view to arming themselves with powers to tilt

decisively the production balance in favour of small scale sector, wherever possible, keeping in mind the capacity and quality of production in small scale sector *vis-a-vis* the demand.

Reply of Government

The Government is examining this recommendation.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15-10-1981].

Further reply of Government

Government have taken note of the observation of the Estimates Committee.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81—ICC dated the 17 March, 1982].

Recommendation (Sr. No. 97—Para No. 8.46)

The Committee would like information under these heads for the years 1979-80 and 1980-81 to be furnished to them for their perusal.

Reply of Government

The DC, SSI has been asked to collect the necessary information for being furnished to the Committee.

[Min. of Ind. (Dept. of ID) O. M. No. 1(26)/81—ICC dt. 15-10-81]

Further reply of Government

The various Departments of the Central Government and the State Governments have been requested to furnish the requisite information. Most of the Departments of Central Government have written to their attached and subordinate offices to collect the necessary information. The required information has not yet been received. These Departments have been reminded to send the information. The information when received will be passed on to the Estimates Committee.

[Ministry of Industry (Deptt. of Industrial Development) O.M.
No. 1(26)/81-ICC, dated the 17th March, 1982].

Recommendation (Sr. No. 101—Para No. 8.51 & 8.52

8.51 The items not included in the list of items for exclusive or preferential purchase but included in the list of items reserved for production in small scale sector are given price preference upto 15 per cent. The Committee regret to note that there is at present no system to monitor the price preference programme effectively and there is no regular and systematic flow of information regarding price preference accorded by purchasing organisations at the Central and state levels.

8.52 The Committee were disappointed to learn that during 1978-79, when items worth about Rs. 114 crores were purchased by DGS&D from Small Scale Sector, price preference accorded by DGS&D to this sector worked out to a little more than Rs. 1 lakh and in first nine months of 1979-80, it was merely Rs. 31,000. From this it appears that price preference is perhaps no more than a myth. The Committee would urge that the Ministry should undertake a study into the working of price preference policy at Central and State levels and take measures to implement it effectively. The Committee would like to be apprised of the outcome of the study and the follow-up action taken in this regard.

Reply of Government

The Government has taken note of the recommendation. The DC (SSI) is taking action to examine the suggestion.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 1(26)/81-ICC dated 15-10-1981].

Further reply of Government

It has been decided to review the policy as a whole and take action so as to make implementation of the price preference policy more effective.

[Ministry of Industry (Deptt. of Industrial Development) O. M.
No. 1(26)/81—ICC, dated the 17th March, 1982].

NEW DELHI;
16 April, 1982
26 Chaitra, 1904 (Saka).

S. P. B. PATTABHI RAMA RAO
Chairman,
Estimates Committee.

APPENDIX

(Vide Introduction)

Analysis of action taken by Government on the 14th Report of the Estimates Committee (7th Lok Sabha)

	Page
I. Total number of Recommendations	108
II. Recommendation which have been accepted by Government	85
Percentage to total	80%
III. Recommendations which the Committee do not desire to pursue in view of Governments reply (Nos. 4, 19, 21, 23, 38, 88 & 94)	7
Percentage to total	6%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (Nos. 28, 29, 49, 55, 93, 95, 106)	7
Percentage to total	6%
V. Recommendations in respect of which final replies of Government are still awaited (Nos. 24, 72, 80, 81, 82, 83, 90, 97, 101)	9
Percentage to total	8%

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI.					
24.	Jain Book Agency, Connaught Place, New Delhi.	11	33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi—1.	68
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	35.	The United Book Agency, 48, Anand Kaur Market, Pahar Ganj, New Delhi.	88
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	36.	Hird Book House, 82, Janpath, New Delhi.	95
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	37.	Bookwell, 4, Sant Naran-kari Colony, Kingsway Camp, Delhi-9.	96
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	MANIPUR		
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	38.	Shri N. Chaoba Singh, News Agent, Ram Lal Paul High School Annexe, Imphal.	77
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	27	AGENTS IN FOREIGN COUNTRIES		
32.	Jayana Book Depot, Chaparwala Kuan, Karol-Bagh, New Delhi.	66	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W. C.—2.	59

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