

**ESTIMATES COMMITTEE  
(1967-68)**

**TWENTIETH REPORT**

(FOURTH LOK SABHA)

**MINISTRY OF INDUSTRIAL DEVELOPMENT AND  
COMPANY AFFAIRS**

(DEPARTMENT OF INDUSTRIAL DEVELOPMENT)

**SMALL SCALE INDUSTRIES**

**Action taken by Government on the recommendations  
contained in the Hundred and Fifth Report of the  
Estimates Committee (Third Lok Sabha)  
on the erstwhile Ministry of Industry—  
Organisation of the Development  
Commissioner, Small Scale  
Industries—Part I**



**LOK SABHA SECRETARIAT  
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CORRIGENDA

Twentieth

To

Report of the Estimates Committee on the Ministry of Industrial Development and Company Affairs - Small Scale Industries - Part I.

Page 1, line 26, Delete 'Small Industries' after.

Page 3, line 13-21 for the existing para read as under : " 5. In reply to each of the recommendations referred to above, Government have stated, "The anomalies pointed out in this paragraph arise out of the present patterns of assistance from the Centre to the States.... To remedy the situation it will be necessary to review the patterns of assistance on the lines suggested in the paragraph. Since this involves concurrence of the Ministry of Finance and Planning Commission, these have been referred to them separately. The final decision, when taken, will be communicated to the Estimates Committee."

Page 7, line 3, from bottom, for 'para 21' read 'para 11'.

page 17, line 2, for 'thought' read 'though'.

page 20, line 10, Delete asterisk over 'discriminated'.

page 21, line 3 from bottom, for 'dtribution' read 'distribution'.

page 22, line 12 from bottom, for 'administra-tives' read 'administrative'.

page 22, line 2 from bottom, for 'that' read 'the'

(P.T.O.)

Page 26, line 14 from bottom, for 'solutary'  
read 'salutary'

page 27, line 14, for 'edaquate'read 'adequate'

page 27, line 18, for 'SCIO' read 'CSIO'

page 27, line 19, for 'entrepreneur' read  
'entrepreneurs'

page 27, line 9 from bottom, for 'Intrepreneurs'  
read 'Entrepreneurs'

page 34, line 13 from bottom, for 'hope' read  
'hoped'.

page 34, line 6 from bottom, for 'has' read 'have'

page 38, line 21, for 'aggrevated' read 'aggravated',

page 43, line 23, for 'indusries' read 'industries'

page 43, line 4 from bottom, for 'white' read 'while'

page 55, line 4, for 'divident' read 'dividend'

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( iv )

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**Shri G. D. Sharma—*Under Secretary.***

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**(ESTIMATES COMMITTEE)**

1967-68

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Shri J. M. Lobo Prabhu

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**SECRETARIAT**

Shri B. B. Tewari—*Deputy Secretary.*

Shri G. D. Sharma—*Under Secretary.*



## INTRODUCTION

I, the Chairman of the Estimates Committee having been authorised by the Committee, present this Twentieth Report of the Estimates Committee on the action taken by Government on the recommendations contained in the Hundred and Fifth Report of the Estimates Committee (Third Lok Sabha) on the erstwhile Ministry of Industry—Organisation of the Development Commissioner, Small Scale Industries—Part I.

2. The Hundred and Fifth Report was presented to the Lok Sabha on the 21st April, 1966. Government furnished their replies indicating the action taken on the recommendations contained in this Report between 19th December, 1966 and 1st August 1967. The replies were examined by the Study Group 'E' of the Estimates Committee at their sitting held on the 1st December, 1967. The draft Report was adopted by the Committee on the 17th February, 1968.

3. The Report has been divided into the following chapters:—

I. Report.

II. Recommendations which have been accepted by the Government.

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

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

4. An analysis of the action taken by Government on the recommendations contained in the Hundred and Fifth Report of the Estimates Committee (Third Lok Sabha) is given in Appendix VI. It would be observed therefrom that out of 50 recommendations made in the Report, 34 recommendations i.e., 68 per cent have been accepted by Government and the Committee do not desire to pursue 8 recommendations i.e., 16 per cent in view of Government's reply. Replies of Government in respect of the remaining 8 recommendations i.e., 16 per cent have not been accepted by the Committee.

NEW DELHI;

February 20, 1968.

P. VENKATASUBBAIAH.

Chairman,

Phalguna 1, 1889 (Saka).

Estimates Committee.

## CHAPTER 1

### REPORT

#### *The Central Small Scale Industries Organisation—Need for Review of Staff position and Reorganisation of the CSIO*

##### **Recommendation Sl. No. 11, Para 21**

*In para 21 (Serial No. 11) of their Hundred and Fifth Report (Third Lok Sabha) on the Ministry of Industrial Development and Company Affairs (Organisation of the Development Commissioner, Small Scale Industries) the Estimates Committee pointed out the existence of surplus staff in the C.S.I.O., vacancies lying unfilled for long periods, high proportion of non-technical staff, large number of CSIO officers continuing on deputation to other Departments etc., and stressed the urgent and imperative need of a critical review of the existing organisation and the staff strength of the C.S.I.O. with a view to effect economy and improve its capacity to render effective assistance and guidance to small scale units. The Committee had suggested that Government should set up a high-powered committee to undertake such a review at an early date so that the Central Small Industries Organisation is rid of unnecessary non-technical staff and equipped with qualified and technical persons so as to enable the organisation to discharge adequately its responsibility during the Fourth Plan period. In reply the Government stated that 20 gazetted officers and 197 non-gazetted staff in the General Administration Division attended not only to general administration of the Headquarters but also to such work relating to the various Small Industries, Service Institutes in the various States and Extension/Production Centres under them. They also did special work such as implementation of the recommendations of Committees, rural industrialisation, inspection of institutes etc., for which it would not be correct to spare technical persons. The Government further stated that 23 gazetted officers and 793 Class III and 650 Class IV officers in the General Administration Division of the Small Industries Service Institutes, was the very minimum essential for efficient management. The Government finally stated that in view of the position explained above, a review as suggested by the Estimates Committee did not appear to be necessary.*

*2. The Committee are not at all convinced by the reasons advanced by the Government for not having a critical review of the existing organisation and staff strength of the C.S.I.O. as suggested in para 21 of their 105th Report (Third Lok Sabha). They feel that such*

a review by a high-powered committee is an essential pre-condition for toning up the organisational efficiency of the C.S.I.O. and removing the various deficiencies in the implementation of the small scale industries programmes to which attention has been drawn in the 105th Report and 106th Report of the Estimates Committee (Third Lok Sabha). The Committee, therefore, reiterate the aforesaid recommendation and hope that necessary action to implement it would no longer be delayed.

### **Development Programme and Progress (Third Five Year Plan)**

#### **Recommendation Sl. No. 21 to 25, Para 33**

##### **Progress of Expenditure and Central Assistance to States**

3. In para 33 (Serial Nos. 21 to 25) of the Report the Committee pointed out that although the bulk of the total expenditure on States' small scale industries programmes during the Third Five Year Plan period has been met through Central assistance to the States, the flow of Central assistance to the different States has not been on a uniform rate with the result that there are great disparities in the level of actual expenditure and actual development of small scale industries among the various States. It was stated in this connection that there was no clear relationship or ratio between the Central assistance (loans and grants) a State gets and the contribution that it makes from its own resources towards the development of small scale industries. Moreover, the element of grant in the total Central assistance was considerably higher in the case of certain States as compared to others.

4. In view of the aforementioned drawbacks in the existing procedure for the allocation of Plan funds among the various States the Committee urged its replacement by a more rational and equitable system, which would encourage the States to make greater effort for the development of small scale industries as also would contribute towards the balanced development of the country by bringing up the industrially backward States to a higher level. The specific steps recommended by the Committee in this connection are briefly indicated below—

- (i) A progressively higher proportion of the expenditure of the small scale sector should be borne by the States.
- (ii) Central assistance to the States should be given invariably on a matching basis to the contribution that each State makes from its own resources for the development programmes for small scale industries. However, to reduce

the existing disparities in the development of small scale industries in the various States (which are basically attributable to the faulty system of Central Assistance), the proportion of Central assistance should be higher in the case of less developed States than in the case of the other States.

- (iii) The division of Central assistance to each State into grants and loans should be in accordance with some definite criteria. Here again, it would be desirable to give due weightage to the less developed States so that the element of grants is higher in their case as compared to the more advanced States.

5. In reply to each of the recommendations referred to above, Government have stated, "The anomalies pointed out in this paragraph. Since this involves concurrence of the Ministry of Finance to the States. . . . . To remedy the situation it will be necessary to review the patterns of assistance on the lines suggested in the paragraph arise out of the present patterns of assistance from the Centre and Planning Commission, these have been referred to them separately. The final decision, when taken, will be communicated to the Estimates Committee."

6. The Committee are not satisfied with the reply of the Government. They feel that having admitted that there are anomalies in the allocation of Central assistance to the States for the development of small scale industries, Government should have taken urgent steps to remove the anomalies by remedial measures on the lines suggested by the Committee. As it is, although nearly two years have elapsed since the Report was presented, Government have not yet even taken a final decision on these recommendations. Meanwhile Central assistance to the States has presumably continued to be given on a basis which is, even on the Government's own admission, faulty and anomalous. The Committee would like to urge that they consider these recommendations to be of vital importance for remedying the imbalances and basic weaknesses in the development of small scale industries in most of the States. The Committee strongly urge that Government should expedite final decision in this matter and should take necessary steps to implement the recommendations urgently. They would also like to be intimated of the action taken in this behalf at a very early date.

#### Recommendation Sl. No. 26, Para 33

7. Further in para 33 (Serial No. 26) the Committee recommended that with a view to ensure proper utilisation of Plan allocations

for small scale industries, the CSIO should undertake regular and systematic evaluation of the actual progress made by the different States in promoting small scale manufacturing activity and give appropriate guidance to each State. In reply, the Government have again stated, "The anomalies pointed out in this paragraph arise out of the present patterns of assistance from the Centre to the States. . . . . To remedy the situation it will be necessary to review the patterns of assistance on the lines suggested in the paragraph. Since this involves concurrence of the Ministry of Finance and Planning Commission, these have been referred to them separately. The final decision when taken will be communicated to the Estimates Committee". The Committee would like to observe that the reply of the Government is not at all relevant to the point. They would like to reiterate the recommendation and urge its early implementation.

#### **Recommendation Sl. No. 27, Para 33**

8. In the same para (para 33, Serial No. 27), the Committee had stated that they did not approve of the existing practice whereunder the States were free to utilise the allocation for small scale industries for the programme of Khadi and Village Industries, Handloom, Handicrafts etc. While Khadi and Village Industries have an important role in the present state of our economy, that did not mean that they would be allowed to operate to the detriment of small scale industries. The Committee emphasised that to the extent funds allocated for the small industries programmes were diverted to the village or traditional industries, there was bound to be a slowing down of progress in all those important spheres where only small scale industry could deliver the goods. The Committee, therefore, suggested that in future, the allocation earmarked for small scale industries should not be utilised by the States for other purposes save in exceptional cases and that too only with prior approval of the Centre.

9. In reply the Government stated that "The anomalies pointed out arise out of the present pattern of assistance from the Centre to the States. To remedy the situation it will be necessary to review the pattern of assistance. Since this would involve concurrence of the Ministry of Finance and Planning Commission, these have been referred to them separately."

10. The Committee are not satisfied with the reply furnished by the Government. They would like to reiterate their earlier recom-

*mendation and urge the Government to take effective measures to ensure that the funds earmarked for small scale industries are not diverted for other purposes.*

#### **GENERAL**

11. *While noting the action taken by Government on certain recommendations, the Committee desire that further information on the progress made in the implementation of some of the recommendations (included in Chapters II and III) may be furnished to the Committee in due course.*

## CHAPTER II

### RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

#### Recommendation (Serial No. 1, Para 3)

*Considering the fact that the financial and technical resources available with the Government as also the supplies of many essential raw materials fall even now much short of the requirements of the small scale sector, the Committee feel that an abrupt raising of the capital limit from Rs. 5 lakhs to Rs. 10 lakhs may not be advisable as it would entail a wider coverage of units and consequent dilution of the developmental assistance available to small scale units. At the same time the Committee recognise that since the existing definition of small scale unit was laid down, there has been a marked increase not only in the cost of land, machinery, building etc. but higher capital is also required in adopting modern technical and managerial process or in meeting quality requirements. It has, therefore, become necessary that the capital limit of small scale unit is adjustable in such a way that the units which would have been in the small scale sector but, for the rise in the prices of capital assets, are not kept out of it. In view of these considerations, the Committee consider that it would be reasonable to revise the definition of the small scale unit so that the value of plant and machinery alone is taken into account in computing the Rs. 5 lakhs capital limit, leaving out the value of land and buildings which varies widely from place to place.*

#### REPLY OF THE GOVERNMENT

The small scale industries Board at its 24th Meeting held at Bangalore on 8th and 9th July, 1966, considered the need for revising the definition of small scale industrial unit and recommended that the value of plant and machinery alone be taken into account in computing fixed investment for purposes of definition and that the ceiling should be increased to Rs. 7.5 lakhs. The Board considered that in view of recent devaluation, this increase was necessary. In the case of Ancillary Industries, it was recommended that the definition should be revised so as to exclude the value of land and build-

ings from the existing of Rs. 10 lakhs. This recommendation has been accepted by Government and orders have been issued.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66. SSI (C) dated 19.12.1966 and D.O. of even number dated 1st August, 1967.]

#### **Recommendation (Serial No. 3, Para 10)**

The Committee note that there are some important shortcomings in the existing arrangements for the registration of small scale units and the collection of data from them. These are:—

- (i) *The Annual Survey of Industries does not cover the entire small scale sector as units employing less than 10 workers when using power and less than 20 workers when not using power, are excluded from its purview. Moreover, the larger part of the small scale sector is covered on a sampling basis and reliable results at the district level are not available.*
- (ii) *The Ad hoc surveys conducted by the C.S.I.O. are only selective attempts which only serve the limited purpose of providing basic information on particular industries and particular areas.*
- (iii) *The Directories listing small scale units registered with the State Directorates of Industries are neither exhaustive, nor do they have uniformity of content.*
- (iv) *Registration of small scale units with the State Directorates being voluntary and necessarily incomplete, comparison over a period of time will not indicate growth during the period. Moreover, there is no uniform procedure for registration in the States and basic information is not regularly collected even for the registered units.*

#### **REPLY OF THE GOVERNMENT**

The Committee's recommendation has been noted.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66. SSI (C) dated 19.12.1966 and D.O. of even number dated 1st August, 1967.]

#### **Recommendation (Serial No. 4, Para 21)**

The Committee cannot too strongly emphasise that the collection of reliable statistics about all the important aspects of the small scale



sector is an essential pre-requisite for the planned development of small scale industries. They regret to note that although the recommendations made by them in this behalf in their 77th Report (Second Lok Sabha) were accepted by the Government, no real progress has been made in implementing them and a large part of the small scale industries functioning in the country still continues to remain out of the purview of industrial statistics.

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

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

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

#### REPLY OF THE GOVERNMENT

The Committee's recommendation has been noted. The matter has been under constant consideration in consultation with the CSO. Estimates of cost of collection of data have been prepared and in view of the high costs the scheme is getting postponed from time to time (it has been estimated that to cover completely 17 industries in the

factory sector alone, an amount of Rs. 60 lakhs would be required during the Fourth Plan period). The matter is being actively pursued, however, through the Central Statistical Organisation.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66. SSI (C) dated 19.12.1966 and D. O. of even number dated 1st August, 1967.]

#### COMMENTS OF THE COMMITTEE

The Committee would like that the progress made in the regular collection of data may be furnished to them, in due course.

#### Recommendation (Serial No. 5, Para 11)

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

#### REPLY OF THE GOVERNMENT

The State Governments have been asked to implement the recommendation and take up the matter immediately with the State Electricity Boards. A standard proforma for collection of information has also been suggested to them.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66. SSI (C) dated 19.12.1966 and D. O. of even number dated 1st August, 1967.]

#### COMMENTS OF THE COMMITTEE

The Committee would like that the reaction of the State Governments may be furnished to them, in due course.

#### Recommendation (Serial No. 6, Para 15)

*The Committee are of the view that even in normal times, a two-day meeting of the Small Scale Industries Board once a year can hardly be considered adequate for critical review and fruitful deliberations on the problems facing the small scale industries. They strongly feel that in the context of the emergency situation prevailing in the country, both on the economic and defence fronts, the*

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*prime need to achieve maximum self-reliance within the shortest time, and the grave problem of idle capacity in the small scale sector due to lack of essential raw materials and components, the Small Scale Industries Board should have been meeting more frequently to take stock of the situation from time to time and to suggest positive measures to strengthen the small scale sector and to increase its contribution to the national effort for achieving self-reliance and stepping up exports. The Committee consider that till the emergent conditions last, the Board should meet at least once in six months to take stock of the position and initiate remedial measures, as required.*

#### REPLY OF THE GOVERNMENT

The recommendation of the Committee has been accepted. This recommendation will be implemented to the extent possible.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5 (3)/66. SSI (C) dated 19.12.1966 and D. O. of even number dated 1st August, 1967.]

#### **Recommendation (Serial No. 8, Para 18)**

*The Committee are in agreement with the view of the International Perspective Planning Team that the progressively changing opportunities and needs of small industry require continuous high level attention for the formulation of Government policies and measures for ensuring the healthy growth of small industries. In subsequent Chapters of this Report the Committee have drawn attention to the disappointingly slow progress of some of the small scale industry programmes, such as the Common Production Programme and the development of Ancillaries, which the Central Small Industries Organisation has been expected to further ever since it was established more than eleven years ago.*

*The Committee consider that the Central Small Industries Organisation as the primary national agency for the development of small scale industries, should not have over-looked to provide in its elaborate organisation a cell for continuous evaluation of the development programmes so as to provide guide-lines for realistic policy planning. Evaluation would no doubt have brought to the notice of Government much earlier the little progress that had been made in the implementation of the programmes of Common Production and Ancillaries. The Committee urge that the evaluation cell should be set up without further loss of time by finding the requisite staff from within the existing strength of the Central Small Industries Organisation.*

**REPLY OF THE GOVERNMENT**

The recommendation of the Committee has been accepted. D. C. (SSI) has set up a cell in the manner recommended by the Estimates Committee.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5 (3) /66. SSI (C) dated 19.12.1966 and D. O. of even number dated 1st August, 1967.]

**Recommendation (Serial No. 9, Para 19)**

*The Committee are inclined to agree with the views of the International Perspective Planning Team regarding the functioning of the Central Small Industries Organisation that the "senior officials of the C.S.I.O. are presently too involved in the minutiae of day to day operations to devote adequate time and attention to the important functions of policy planning, co-ordination and control." They hope that the senior officers of this Organisation would make earnest efforts to remove this impression which appears to be widespread among the small scale industries.*

*The Committee need hardly stress that, to the extent possible, the Directors of the Small Industries Service Institutes should be made free from routine and administrative work so that their experience and knowledge are gainfully utilised in dealing with technical matters which are obviously their main concern. They would also like to suggest that a systematic effort should be made to rationalise the distribution of work and explore the possibilities of delegation of powers, not only in the Small Industries Service Institutes, but also at the Headquarters of the Central Small Industries Organisation so that the division of work between the various categories of officers could be put on a sound footing ensuring the best use of the technical know-how and talent available in the Organisation.*

**REPLY OF THE GOVERNMENT**

The D. C. (SSI) has been asked to review the position in the light of this recommendation and take necessary further action.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5 (3) /66. SSI (C) dated 19.12.1966 and D. O. of even number dated 1st August, 1967.]

**COMMENTS OF THE COMMITTEE**

The Committee would like to be informed as to how far the D.C. (S.S.I.) has implemented the recommendation.

**Recommendation (Serial No. 10, Para 20)**

*The Committee consider the frequent changes in the incumbency of the office of the Development Commissioner to be unfortunate. They feel that such frequent changes cannot but have a harmful effect on the efficient working of the whole Organisation by depriving it of sound leadership which the Development Commissioner can provide only if he stays in the Organisation some length of time to acquire the requisite experience and develop a genuine concern and a real sense of responsibility for the progress of the Organisation and its various schemes for the development of small scale industries.*

*The Committee, therefore, recommend that while selecting an officer for appointment as Development Commissioner, care should be taken to see that apart from the incumbent being technically and emotionally suitable for the post, he would ordinarily stay in the post for a period of five years to provide the necessary leadership in formulating and implementing the plans for the development of small scale industries.*

**REPLY OF THE GOVERNMENT**

The recommendation of the Committee has been accepted.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI (C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

**Recommendation (Serial No. 12, Para 22)**

*The Committee feel that in an Organisation like the Central Small Industries Organisation whose primary function is to bring about development of small scale industries, the performance of the officers and other staff should be judged by the success they achieve in this behalf. They would, therefore, suggest that an effective system of evaluating the performance of officers at all levels should be introduced without delay.*

**REPLY OF THE GOVERNMENT**

The officers of the CSIO are advisors to small industrialists on technical matters. They discuss technical & operational problems with small scale industrialists either in the office or in the factory. This type of work cannot be quantified and, therefore, difficult to evaluate. A suitable guide for judging the work of an officer under such circumstances is his reputation among the small scale indus-

trialists in the area. The D.C. (SSI) has been advised to keep a methodic watch/record of the work of the officers.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI (C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

#### COMMENTS OF THE COMMITTEE

The Committee would like to be informed about the method adopted for ascertaining the reputation of the officer. They would also like to be informed about the reaction of the State Governments on Planning Cell.

#### Recommendation (Serial No. 13, Para. 25)

*As the development of small scale industries is mainly the responsibility of the States, the Committee need hardly stress that urgent measures should be taken to staff the State Directorate of Industries with competent technical officers who are well equipped by training and temperament, to identify and to effectively deal with the needs and problems of small scale industries.*

*The Committee would also like to suggest that each State Directorate of Industries should have a planning cell to assist in policy formulation and programme evaluation. This group may also be entrusted with the tasks of co-ordinating the work of the District Officers and maintaining close liaison with the C.S.I.O.*

*The Committee have been informed that there is a proposal to introduce a promotional element in the small scale industries programme at the district level. The Committee welcome the proposal. The Committee consider that if the industrialisation programme is to make headway in districts, particularly in smaller towns or villages, it is imperative that promotional activities are handled by competent technical men both at the district and field levels.*

#### REPLY OF THE GOVERNMENT

This has been conveyed to the State Governments.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5 (3)/66-SSI (C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

#### Recommendation (Serial No. 15, Para. 26)

*The Committee hope that keeping in view the main objective of promoting the healthy growth of the small scale sector, efforts will be made to secure close and effective co-ordination between the*

*Development Commissioner and the Director General, Technical Development in all important matters having a bearing on the development of small scale industries such as the allocation of raw materials and foreign exchange; licensing of additional capacity in the large scale sector; supply of components produced by large scale units to small scale units, purchase of components by large scale industries from small scale ancillary units, etc.*

*The Committee would like to stress that the need for close co-ordination between these two organisations is all the more necessary now as, under the new arrangements, the Director General, Technical Development comes under the Ministry of Supply while the Central Small Industries Organisation remains under the Ministry of Industry.*

#### REPLY OF THE GOVERNMENT

The representatives of the DC (SSI) and the DGTD meet during the Licensing Committee Meetings and the Officers Level Committee meetings. These two committees meet fortnightly and are responsible for licensing/registration of large scale/medium scale enterprises. There is thus adequate formal coordination. Orders have also been issued that all applications for licences/registration should be shown to the D.C. (SSI) and that his comments should be noted on the agenda papers before the applications are placed before the licensing Committee/Officers Committee. Informally representatives of the two organisations meet, as frequently as necessary, at various levels and in particular they meet weekly at the coordination meetings convened by the Secretary, Ministry of Industry.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI (C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

#### Recommendation (Serial No. 16, Para 27)

*The Committee regret to note the delay of nearly 18 months in the appointment of the Organisational Committee in pursuance of the recommendation contained in their 77th Report (Second Lok Sabha). They are also unhappy to find that although the Organisational Committee submitted its report as far back as January, 1962 the implementation of some of its recommendations has been held over to the Fourth Plan period (1966-71) and in some cases indefinitely. Now that the Fourth Plan has commenced, the Committee hope that the matter will be examined thoroughly and that vigorous efforts will be made to give effect to such of the recommendations of the Organisational Committee as have not been implemented so far.*

The Committee further regret to point out that they came across other instances also in which the recommendations made by the Committee in their previous report on this subject (77th Report, 2nd Lok Sabha) have not been properly and timely implemented by Government even though the Committee have been informed of the acceptance of those recommendations. The Committee expect that after Government have accepted a recommendation of the Committee, there should not be any undue delay or hesitation in its implementation.

#### REPLY OF THE GOVERNMENT

The recommendation of the Committee has been noted for compliance.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI (C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

#### COMMENTS OF THE COMMITTEE

The Committee would like to be informed in due course about the progress made towards actual implementation of the recommendation.

#### Recommendation (Serial No. 17, Para. 29)

The Committee regret that the Advisory Committees attached to the Small Industries Service Institutes have so far failed to make the expected impact on small scale industries even though these can go a long way towards ensuring the necessary coordination between the various Central and State agencies for the development of small scale industries. They hope that the Advisory Committees would be energised.

The Committee urge that each Advisory Committee should meet at least once in three months and more often, if necessary, and should watch and ensure the implementation of the decisions reached at each meeting.

The proceedings of the Advisory Committee and the action taken thereon should be regularly submitted to the headquarters of the Central Small Industries Organisation which should collate the experience of the various States and provide necessary guidance. The Committee suggest that the Development Commissioner may review the working of these Advisory Committees with special reference to



*action taken by State Governments on their recommendations at his periodical meetings with the Director of Industries of the State concerned.*

*The Committee would also like to suggest that the Advisory Committees should be strengthened by getting into them representatives of the State Bank, Commercial Banks and State Productivity Councils, and a few more small industrialists.*

#### REPLY OF THE GOVERNMENT

The recommendation of the Committee has been accepted.

The matter has been taken up with the State Governments and replies from some of them are still awaited.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967.]

#### Recommendation (Serial No. 19, Para. 29)

*The Committee welcome the recently adopted practice of the Development Commissioner, Small Scale Industries holding periodical meetings with the State Directors of Industries. They hope that such meetings will be held regularly and that they will prove a useful means of bringing about a broad uniformity in the provision of requisite facilities and services for the development of small scale industries in the various States.*

#### REPLY OF THE GOVERNMENT

This meeting is being regularly conducted and Directors of Industries from all States are attending it.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967.]

#### Recommendation (Serial No. 20, Para. 29)

*While taking note of the present arrangements for coordinating the activities of the various agencies concerned with the development of small scale industries, the Committee would like to suggest the appointment of an ad hoc committee by the Small Scale Industries Board to consider whether the existing powers of the Central Small Industries Organisation are adequate to enable it to secure the necessary coordination and uniformity in regard to the development of*

*small scale industries, and make suitable recommendations. The Committee wish to stress that though they do not consider a rigid uniformity in these matters to be either necessary or desirable, they, however, feel that it is necessary to guard against a situation where the Central Small Industries Organisation finds itself unable to implement agreed policies and objectives for lack of adequate powers.*

#### REPLY OF THE GOVERNMENT

The recommendation of the Committee has been accepted. A Committee has since been appointed.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967.]

#### COMMENTS OF THE COMMITTEE

The Committee would like that a copy of the report of the ad hoc Committee may be furnished to them, in due course.

#### Recommendation (Serial No. 28, Para. 34)

*The Committee are in general agreement with the conclusions of the Memorandum on the Fourth Plan regarding the deficiencies and limitations in the sphere of development of small scale industries. In addition, they would like to refer here to a other basic deficiency of the small scale sector—the lack of comprehensive data about the sector—which has been dealt with in chapter I (See paras 8—11) and they feel, the data should be properly collected.*

#### REPLY OF THE GOVERNMENT

The recommendation of the Committee has been accepted by Government.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967.]

#### Recommendation (Serial No. 29, Para. 35)

*While extension of the coverage of small industrial units under the development programmes is desirable, the Committee feel that this should be brought about in a phased manner keeping in view the total resources—financial as well as technical and administrative—available for the programmes and the need to give special attention to these industries which are most important for economic development and defence needs.*

However, to sustain the growth of the small scale sector and encourage its diversification, as well as to create additional opportunities for the expanding labour force and make systematic arrangements to process the additional production expected from the special emphasis on agricultural development in the Fourth Plan, the Committee suggest that agro-based industries should no longer remain excluded from the Central and State programmes for the development of small scale industries.

#### REPLY OF THE GOVERNMENT

The recommendation of the Committee has been accepted by Government.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19.12.1966 and D.O. of even number dated 1st August, 1967].

#### COMMENTS OF THE COMMITTEE

The Committee would like to be informed of the specific action taken.

#### Recommendation (Serial No. 30, Para. 36)

The Committee agree with the view of the Working Group that the programme for the development of small scale industries during the Fourth Plan should take into account the serious problem of under-utilisation of capacities in the small scale sector. They have suggested in Chapter IV the introduction of a system of guided development of the small scale sector so as to check and regulate the setting up of new units requiring scarce raw materials. They would like to stress here that keeping in view the need for maximum self-reliance in all vital spheres of production, positive efforts should be made to diversify production in the small scale sector and thereby reduce its dependence on scarce raw materials, and also to enable the sector to play a significant part in the supply of defence requirements, and various agricultural inputs required for augmenting food production and in the manufacture of commodities helpful for earning and conserving foreign exchange. With this end in view, the Committee suggest that the various forms of assistance now made available to small scale industries under the Central and State programmes should be utilised in such a manner as to give preference and priority to the needs of industries which cater to higher national

priorities viz., industries falling under one or the other of the following categories:--

- (1) *Defence requirements.*
- (2) *Industries directly concerned with the development of agriculture such as improved agricultural implements, pesticides etc.*
- (3) *Export-oriented industries.*
- (4) *Import substitution industries.*
- (5) *Units producing components, etc., required in certain vital sectors like Railways, Transport and Power.*
- (6) *Industries for processing agricultural product and other industries not requiring use of scarce raw materials.*
- (7) *Producer goods and essential consumer goods industries.*

#### REPLY OF THE GOVERNMENT

The recommendations of the Committee have been noted and will be implemented to the extent possible. This recommendation has been brought to the notice of the State Directors of Industries and the D.C. (S.S.I).

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19.12.1966 and D.O. of even number dated 1st August, 1967].

#### **Recommendation (Serial No. 31, Para. 40)**

*The Committee note that in recent years, the total allocation of various items of scarce raw materials to the small scale sector have fallen far short of the demand. Moreover, the allocations to this sector have been proportionately much less compared of those made to the large scale sector.*

#### **Recommendation (Serial No. 32, Para. 44)**

*The Committee would like to recall the Lokanathan Committee's finding that, in general, the allotted scarce raw materials are adequate to meet only about one-third of the requirements of the small scale sector whereas units in the large scale sector are able to utilise between half and two-thirds of their production capacity from allotted scarce raw materials.*

*The Committee regret to note that although serious difficulties and competitive disadvantage experienced by the small scale units*

because of wholly inadequate and irregular supplies of scarce raw materials were brought out by the International Perspective Planning Team nearly three years ago, no action has been taken either to replace the system of ad hoc allocations to small scale units by an equitable and rational system or to provide some relief to such units through increased allocations.

The Committee are constrained to observe that although the declared policy of the Government is to favour small scale industry, in actual practice, small scale industry has not only not been favoured but discriminated\* against in respect of allocation of scarce raw materials.

The Committee consider it unfortunate that the implementation of the Lokanathan Committee's major recommendations for the equitable distribution of scarce raw materials between the large scale and the small scale sector should be deferred, as suggested by the representative of the Ministry during evidence, till the foreign exchange situation improves. As the country may have to live with foreign exchange shortage for a considerable time to come, the Committee would like to stress in this context of continuing shortage it is all the more necessary that solutions to the problems of equitable distribution of scarce raw materials to the small scale industries should be sought with expedition.

The Committee can see no valid reason why the small scale industries should be singled out to bear the brunt of the shortage of scarce raw materials. It is evident that if the impression of deliberate discrimination against the small scale sector is to be removed, the share of scarce raw materials allocated to this sector must be at least commensurate with its contribution to total industrial production. The Committee would, therefore, urge that the various measures suggested by the Lokanathan Committee to ensure the equitable distribution of scarce raw materials on the basis of the priorities of the end-products and irrespective of the size of the units should be initiated with all possible speed and earnestness.

#### REPLY OF THE GOVERNMENT

The system of ad hoc allocations of foreign exchange to the small scale sector was originally adopted to give it the benefit of higher allocations in the absence of data regarding production capacities created in this rapidly expanding sector. However, as foreign exchange situation deteriorated, the allocations, though increasing, did

not keep pace with the rise in the number of small scale units. Towards the end of 1962, it was clear that the small scale sector was not getting adequate foreign exchange allotments for its raw materials, but in view of the emergency additional allocations could not be made. The position was reviewed in March, 1963 by the Small Scale Industries Board which recommended increased allocations to the sector. This recommendation could not be implemented in view of foreign exchange difficulties. As the feeling that the small scale sector was being discriminated against in allocations of foreign exchange has continued, in August, 1964, the Lokanathan Committee was appointed to examine the position and to make suitable recommendations for equitable distribution of scarce raw material between the three sectors, large, medium and small scale. The recommendations of the Lokanathan Committee have been accepted and will be implemented as data on production capacities existing in the small scale sector become available. In the meanwhile, various measures of import liberalisation have been announced. It is hoped that these would mitigate the hardship of small scale units and to enable them to utilise their capacities more fully.

A list of 59 priority industries has been announced. Industrial units in the small scale sector engaged in the priority industries will initially be allotted foreign exchange to the extent of 3 times/12 times the value of import licences obtained by them during 1964-65/1965-66. The idea is that these units should get an adequate foreign exchange to utilise their production capacities fully. It is hoped that this liberalisation will remove all discrimination so far as the units in the priority category are concerned. So far as the units in the non-priority industries are concerned, as data regarding their production capacity become available, allocations to them will be increased. In the meanwhile, the value of their import licences is being increased to 2 times/8 times the amount of licences obtained by them during 1964-65/1965-66.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19.12.1966 and D.O. of even number dated 1st August, 1967].

#### **Recommendation (Serial No. 33, Para. 48)**

*The Committee are constrained to observe that the existing arrangements for distribution of scarce raw materials among the small scale units leave much to be desired. In fact, these arrangements can hardly be said to constitute a system since there is little*

evidence of any agreed objectives, much less of any planned efforts to achieve the same. Thus, the procedure and priorities, if any, for allocation vary from State to State; at present allocation is not necessarily linked to production capacity and, of course, there is no uniform procedure for assessment of capacities. The Committee feel that any arrangement for the distribution of scarce raw materials which lacks well defined criteria and a clear cut procedure for allocation and an effective machinery for inspection of utilisation is very likely to lead to abuses as it leaves wide scope for the exercise of discretion on the part of the allocating authorities and of manipulation on the part of the receiving units.

The Committee also note that under the existing procedures the Central Small Industries Organisation has no effective role in the matter of allocation of raw materials. The Development Commissioner, Small Scale Industries does not check up or has no way of checking up whether, or to what extent, the demands for scarce raw materials furnished to him by the different States reflect the actual requirements of small scale units in the respective State. Still, he relies on these demands and distributes the allocation available for the small scale sector among the States on a pro rata basis of demands made by the States. This leaves scope for the States to inflate their demands or to make unrealistic assessments of their requirements.

The Committee consider that so far as the basic criteria and procedure for allocation of scarce raw materials or inspection of utilisation of such materials are concerned, there is hardly any justification for permitting each State to follow its own course in the name of local needs or peculiarities. They feel that as the Central agency responsible for coordinating and implementing the national small scale industries programme, and with its vast array of administratives and technical officers, Small Industries service Institutes etc., the Central Small Industries Organisation should not have rested content with playing a purely advisory role in such important matters as the allocation and utilisation of scarce raw materials.

The Committee hope that with the implementation of the Lokanathan Committee's main recommendation, viz., the distribution of scarce raw materials on the basis of uniform assessment of capacities of all industrial units and the priorities of their end products, there will be uniformity in all essential matters concerning the distribution of scarce raw materials. The Committee also trust that appropriate measures will be taken, in the light of that Lokanathan Committee's recommendations, to enable the Central Small Indus-

*tries Organisation to effective discharge its functions as the central co-ordinating and controlling agency for assessing the requirements, allocation and inspection of utilisation, of scarce raw materials.*

#### REPLY OF THE GOVERNMENT

A list of priority industries has now been announced. The procedure for allotment of foreign exchange to industrial units in the priority and non-priority categories has also been settled.

These paragraphs have been brought to the notice of the Development Commissioner (Small Scale Industries) and the State Directors of Industries for further necessary action.

*(Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967.)*

#### COMMENTS OF THE COMMITTEE

The Committee would like to be informed of the specific action taken by the D.C. (S.S.I.) and State Directors of Industries in the matter.

#### Recommendation (Serial No. 34, Para 49)

*On the basis of the data available, the Committee can only infer that under the present procedure, the distribution of non-ferrous metals among the States has not been equitable. The Committee hope that such discrimination would be removed without delay by introduction of a uniform system for the allocation of scarce raw materials to all industrial units on the basis of priorities of end-products and assessment of capacities.*

#### REPLY OF THE GOVERNMENT

The Development Commissioner (Small Scale Industries) has completed the assessment of capacities of non-ferrous metals using small scale units. The results of the survey have been accepted by the State Directors of Industries. Allocations will thereafter be made on the basis of the results of the survey.

*(Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967.)*



**Recommendation (Serial No. 37, Para 51)**

*The Committee would like to recall that the development of metal working and machinery industries is the most significant aspect of small industry development in recent years. They feel that the scope for the further development of the small scale sector in these particular branches of industry is enormous and hope that the necessary facilities in this direction will be provided by ensuring adequate supply of basic raw materials, viz., steel.*

*The Committee are struck by the anomalous situation where on the one hand the small scale industries are starved of essential raw materials like iron and steel, on the other the steel plants particularly those in the public sector are reported to be having difficulties in working to full capacity in the absence of firm orders from customers. The Committee cannot appreciate why procedural hurdles should be allowed to come in the way of working out the requirements of the small scale industries for steel and in placing a firm demand on the Joint Plant Committee. They also see no reason why the Central Small Industries Organisation should not have been able to present an integrated picture on behalf of all the States before the Joint Plant Committee so as to facilitate the manufacturing programme for items of iron and steel suited to the requirements of small scale industries sector. As regards distribution, the Committee have no doubt that suitable arrangements can be worked out by the Directors of Small Scale Industries of States, who are already running Raw Material Depots for distribution of scarce raw materials to small scale industries.*

**REPLY OF THE GOVERNMENT**

The small scale sector is facing scarcity of thinner gauges of B. P. sheets and all categories of G.P. sheets. The surplus capacity in the steel plants is for rails and similar other items not much in demand in the small scale sector.

The CSIO has been placing an integrated picture on behalf of the small scale sector before the Joint plant Committee through the Iron & Steel Controller. But in view of the limited production capacity of the items in high demand in the sector, scarcity is being felt from time to time.

The recommendation of the Estimates Committee so far as distribution of the raw materials from raw materials depots is con-

cerned, is already being implemented.

• [Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

### **Recommendation (Serial No. 39, Para. 54)**

The Committee are surprised to note that although allocations of scarce raw materials to large scale units are made on the basis of their production capacities, there are no effective arrangements to ascertain whether these units actually utilise their allocations for production purposes. This is a serious lacuna as it permits unscrupulous parties to obtain higher allocations by inflating their production figures—a possibility that has been accepted during official evidence. The fact that in general small scale units meet their requirements of scarce raw materials, either partially or even substantially sometimes, from the open market also confirms this apprehension.

The Committee consider that there is no justification for permitting a situation where some large scale units find it possible to obtain raw material allotments in excess of their real needs while a vast number of small units are faced with the grave problems of idle capacity because of inadequate and decreasing supplies of the scarce raw materials.

The Committee need hardly emphasise that the prevalent open market in scarce raw materials is not only an unmixed evil in itself, but is also a sad reflection on the ineffectiveness and inadequacy of the existing arrangements for checking the utilisation of these materials in both the large and small sectors.

The Committee need hardly stress that scarce raw materials, obtained at considerable expense of foreign exchange, should be properly utilised to sustain the industrial tempo of the country and to produce goods at competitive cost, particularly, in the small scale sector. The Committee believe that following two recommendations of the Lokanathan Committee, would go a long way towards ensuring that the raw material allocations are, in fact, utilised by the allottees and not sold in the open markets

- (a) annual inspection of all industrial units in both the large scale and the small scale sectors according to a uniform procedure drawn up jointly by the Directorate General of Technical Development and the Central Small Industries Organisation, and

(b) *random checking up of a few large and small scale units by Central Teams consisting of representatives of the Director-General Technical Development and the C.S.I.O.*

*The Committee, would therefore, urge that immediate steps should be taken to set an effective machinery for inspection of utilisation of scarce materials on these lines.*

#### REPLY OF THE GOVERNMENT

The Government have accepted the principle underlying the recommendations of the Lokanathan Committee regarding inspection of utilisation of scarce raw materials by small scale and scheduled units. It is proposed to make a beginning in this direction, though it may not be possible to visit each of the units once a year till the staff is sufficiently strengthened.

[*Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967*].

#### Recommendation (Serial No. 40, Para 54)

*The Committee would, like to suggest that particulars of allocations of scarce raw materials to all units, whether large or small, should be regularly published and suitably displayed at the offices of the CSIO, the State Directorates of Industries and District Industries Offices, Small Industries Service Institutes, etc., as is done by the Director of Industries, Delhi. They feel that such publicity would act as a salutary check on malpractices relating to the allocation and utilization of scarce raw materials.*

#### REPLY OF THE GOVERNMENT

Some State Directors are already giving publicity to the allocations of scarce raw materials through their journals where they are published and circulated. Attention of all State Governments has been drawn to this recommendation for implementation.

[*Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967*].

#### COMMENTS OF THE COMMITTEE

The Committee would like to be informed about the action taken to publish the allocations of scarce raw materials by the C.S.I.Os and S.I.S.Is.

**Recommendation (Serial No. 41, Para 55)**

Considering that the shortages of scarce raw materials are likely to persist for quite some time the Committee feel that to check the further aggravation of these shortages as also of the concomitant problem of idle capacities in the small scale sector, it is necessary to discourage the setting up of new units requiring scarce raw materials.

The Committee note that Government have been trying to secure foreign loans for meeting the maintenance requirements of industry. The Committee hope that with the grant of loans and resumption of aid by the United States etc., it may be possible to ease the position regarding import of raw materials and spares for maintenance. The Committee would like Government to ensure that the existing units in the Small Scale Industries are provided adequate supplies of raw material and that entrepreneurs intending to set up new small scale units using scarce raw material are provided definite information about the scarce availability of such material. The Committee also suggest that SCIO may devise suitable procedure to be followed in all States, so that prospective entrepreneur are dissuaded from starting new units in cases where the existing capacities in the small scale sector are not substantially utilised because of inadequate supplies of raw materials.

The Committee would also like to suggest that the Central Small Industries Organisation and the State Directorates of Industries should provide positive incentives to encourage the establishment of small scale units in industries where the raw materials are indigenously available in adequate quantities.

**REPLY OF THE GOVERNMENT**

A list of industries in which applications for setting up new units may be discouraged has been circulated to all State Directors of Industries. In view of the recent import liberalisation and other consequent measures, the position has been considerably altered. A list of priority industries from the national point of view is now available. Entrepreneurs setting up units in the non-priority industries are being appraised of the difficult foreign exchange situation and are being dissuaded from setting up the units.

The CSIO and the State Directors have always been encouraging the establishment of small scale units with indigenously available raw materials.

[Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI (C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

**Recommendation (Serial No. 43, Para 59)**

The Committee note that in many States the amounts actually disbursed to small scale industries under the State Aid to Industries Act are likely to fall considerably short of the provision made in this behalf in the Third Five Year Plan. As the coordination of the State Aid to Industries Scheme is the responsibility of the Central Government which also supplies 2/3rds of the amount earmarked for purposes of advances in each State and gives subsidy to cover the difference between the normal rate and concessional rate of interest, the Committee suggest that the Central Government/Central Small Industries Organisation should take positive measures to identify and to secure the removal of the causes for the unsatisfactory progress of the scheme in States such as Rajasthan, Bihar, Mysore, Madhya Pradesh, etc. so that the development of small scale industries is carried on in each State according to the programme.

**REPLY OF THE GOVERNMENT**

The recommendation of the Committee has been noted. Suitable action will be taken. Also at the time of Annual Plan discussions, the State Governments representatives will be persuaded to increase the provision.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August 1967.

**Recommendation (Serial No. 44, Para 60)**

The Committee feel that both as regards the number of small scale units assisted and the total amount of loans disbursed to such units the performance of the State Financial Corporations has not been impressive. They also consider it unfortunate that the State Financial Corporations should have developed a preference for investing their funds in the medium scale units and to the bigger among the small scale units, with the result that the really small units, which need institutional credit most, are left to fend for themselves.

The Committee suggest that a specific portion of the finance available with each State Financial Corporation should be earmarked for the small scale sector. The Corporations should also be given clear instructions to liberalise their procedures and cut down unnecessary formalities, and induced to adopt a developmental outlook towards small scale industries.

Government may also consider the feasibility of channelising loans to small scale industries through the State Small Industries Corporations who are fully acquainted with the requirements of this sector.

## REPLY OF THE GOVERNMENT

This has been brought to the notice of the Reserve Bank of India.

There are various institutions catering to the financial requirements of small industrial units. These include State Directorates of Industries for loans under the State Aid to Industries Act, State Financial Corporations, State Bank of India, Commercial Banks, Co-operative Banks etc. It is, therefore, not considered desirable to channelize all loans through the S.S.I. Corporation.

[Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

## COMMENTS OF THE COMMITTEE

The Committee would like to be informed about the views of the R.B.I.

## Recommendation (Serial No. 45, Para 61)

*The Committee are happy to note that short-term credit advances to small scale industries by the State Bank have increased from Rs. 11 lakhs in 1959 to Rs. 44.96 crores in March 1965. The Committee also like to put on record the general appreciation expressed by the small scale industries, of the financial help rendered by the State Bank of India. They hope that the Bank will be able to progressively increase the volume of its assistance to the small scale sector considering the sector's growing credit and credit worthiness needs.*

## REPLY OF THE GOVERNMENT

The recommendation of the Committee has been noted. This has been conveyed to the State Bank of India.

[Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

## Recommendation (Serial No. 46, Para 62)

*The Committee note that out of the 42 companies floated under the Orissa Scheme during 1957-61, only 31 have been in production since 1961-62 after which years no new companies have been started under this scheme. Further, although 30 of the 42 companies had been established during 1957-59, even in the year 1962-63 only 16 companies earned profit. Keeping these facts in view, the Committee consider that the Orissa experiment in State participation in equity capital of small scale units cannot be claimed to be a success.*

*The Committee are of the view that the basic defect of the Orissa Scheme lies in the very high percentage of State participation in the share capital which tends to leave little incentive for the entrepreneur to run the industry with drive and imagination. The Committee feel, moreover, that with the State contributing as much as 90 per cent of the initial capital, the possibility of the scheme attracting spurious entrepreneurs who may manage to go into liquidation after obtaining the funds from the Government cannot be ruled out. The scheme also leaves scope for political and personal patronage. From the performance of the companies started with Government participation in Orissa, the Committee apprehend that in many cases the entrepreneurs might not have been properly selected.*

*The Committee consider that the entrepreneur's stake in the small scale unit should not be unduly reduced so that the urge for keeping the unit solvent and efficient is not diminished.*

#### REPLY OF THE GOVERNMENT

The recommendation of the Committee has been noted. This recommendation has been communicated to the Govt. of Orissa. It may, however, be pointed out that the pilot project scheme was started in Orissa as a 'demonstration' scheme to persuade prospective entrepreneurs to set up units and demonstrate to others about the feasibility of running such units in Orissa. The scheme has, therefore, been discontinued after some time when the State Govt. felt that necessary climate has been created. The State Govt. now welcome private entrepreneurs to set up small scale units.

In the Ministry of Commerce and Industries Circular letter No. 6-SSI(B)(17)/60, dated 20th February, 1961, (Appendix III) the State Governments were advised that the State participation should not exceed 50 per cent. of the total share capital with a ceiling of Rs. 1 lakh.

[Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

#### Recommendation (Serial No. 47, Para 62)

*There should be regular arrangements for the inspection of the units concerned to ensure that the funds made available to them by the State are properly utilised for the purpose for which they are given.*

*Though the Maharashtra scheme of Government participation in equity shares appears to be an improvement on the Orissa scheme,*

*the Committee would like the Central Small Industries Organisation to take an active interest in the operation of such schemes keeping in view the experience of Orissa State and give appropriate guidance and advice to the concerned State agencies.*

#### REPLY OF THE GOVERNMENT

This recommendation has been brought to the notice of the State Governments. The CSIO will watch the experiment in Maharashtra State. After it makes some progress, it would be evaluated so that suitable guidelines might be provided for other States.

[Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

#### Recommendation (Serial No. 48, Para 65)

*The Committee are unhappy to note that the role of the commercial banks in meeting the credit needs of small scale industries has been not only negligible but has been showing, in relative terms, a tendency to become smaller in recent years. The Committee are particularly distressed to find that even the Credit Guarantee Scheme of the Reserve Bank has had little success, so far, in inducing the commercial banks to provide greater credit assistance to small scale industries.*

*The Committee need hardly stress that an adequate supply of bank credit is a prerequisite for the steady growth of the small scale sector. They would, therefore, suggest that early steps be taken to induce commercial banks to make a greater contribution towards meeting the credit requirements of small scale industries.*

*In particular, the Committee would like the Government to consider the feasibility of modifying and liberalising the Credit Guarantee Scheme of the Reserve Bank so as to induce a larger number of commercial banks to utilise the scheme.*

#### REPLY OF THE GOVERNMENT

The commercial banks have been covering under the credit guarantee scheme only marginal cases unlike the State Bank which made it a practice to cover all its loans to eligible small scale units, it, thus, *prima facie*, seems that the Credit Guarantee Scheme has not had the desired success. But in fact, the scheme has given the necessary confidence to commercial banks to increase the volume of their business with small scale units. This recommendation has however been brought to the notice of the Reserve Bank for necessary action. The working of the Credit Guarantee Scheme has recently



been reviewed and its scope and coverage have been considerably increased. Details, in this regard, are attached (Appendix—IV).

The recommendation of the Estimates Committee is noted and possibility of further liberalising and extending the Credit Guarantee Scheme is being explored.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

#### COMMENTS OF THE COMMITTEE

The Committee would like to be informed of the progress made in further liberalising and extending Credit Guarantee Scheme.

#### Recommendation (Serial No. 49, Para 65)

The Committee are surprised to find that although the Maharashtra Scheme of credit guarantee to selected banks in respect of loans granted to small scale industries has been in operation since September 1963, as late as November, 1965, the Ministry and the Central Small Industries Organisation had not been able to get adequate information about the scheme. The Committee would like the Central Small Industries Organisation to closely study the working of the scheme, consider whether any improvements could be made, and commend the beneficial features of the scheme to other State Governments for adoption by them.

#### REPLY OF THE GOVERNMENT

The Maharashtra State Scheme of credit guarantee was available with the DC (SSI). It is regretted that the information on this subject was not submitted in time to the Estimates Committee. The information has since been circulated to all States for their information.

[Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

#### Recommendation (Serial No. 50, Para 66)

The Committee feel that the setting up of a high level expert committee to suggest effective ways to meet the credit needs of the small scale sector is long overdue. They would like the Government to set up such a Committee without delay so that whatever changes in the existing system, including the creation of a new financial institution to cater exclusively to the needs of small scale sector, are

considered necessary, can be made fully operative at an early stage of the Fourth Plan.

The Committee hope that Government would work out a well-coordinated and practical scheme to give effect to their proposal to set apart Rs. 10 crores for purposes of advancing loans to technician entrepreneurs.

#### REPLY OF THE GOVERNMENT

This recommendation of the Estimates Committee was placed before the 24th meeting of the SSI Board. The Board unanimously recommended that a separate institution might be set up at the Centre to cater to the financial needs of small scale units exclusively. The Ministry of Finance to whom this recommendation of the SSI Board has been referred feel that in view of the existing financial institutions viz., the State Financial Corporations, the State Industrial Development Corporations etc. catering to the needs of the small scale industries, and the progress already made by them vide statement attached (Appendix—V) the time is not opportune for the setting up of a separate institution for financing small scale units exclusively. A Committee as recommended will be set up to suggest effective ways to meet the credit needs of the small scale sector.

A suitable scheme will be drawn up and placed before the SSI Board as soon as the Schemes for the IV Five Year Plan are finalised. The recommendations of the Estimates Committee will be borne in mind while formulating the scheme.

[Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

#### COMMENTS OF THE COMMITTEE

The Committee would like to be apprised of the action taken regarding the setting up of the expert Committee.

## CHAPTER III

### RECOMMENDATIONS WHICH THE COMMITTEE DO NOT WANT TO PURSUE IN VIEW OF GOVERNMENT'S REPLY

#### Recommendation (Serial No. 2, Para 6)

*The Committee appreciate the significant contributions of the small scale sector to the creation of new employment and to the total industrial production of the country. The Committee therefore wish to stress that proper development of this sector with the gradual introduction of modern technology and standardisation, is crucial for accelerating the industrial and economic progress of the country and for providing broader and economically and socially more justifiable industrial base. The Committee further feel that the sphere of activity between the small scale and large scale sector should be clearly demarcated.*

#### REPLY OF THE GOVERNMENT

The small scale sector has made considerable progress during the last 10 years and many small industrial units are in a position to undertake the production of highly-sophisticated, precision items and compete with large scale units producing similar items. The recent decision to revise the definition of small scale units, namely, to raise the fixed investment ceiling of a small scale unit from Rs. 5 lakhs including land and building to Rs. 7.5 lakhs excluding land and buildings will further facilitate development. The recent measures of liberalization of imports are also intended to improve the competitive position of the small scale units. In view of this, it is hoped that the distinction between large scale and small scale sectors would gradually narrow down and that industrialists will be able to choose the size of their unit entirely on the economic criteria. Under these circumstances, the demarcation of spheres between large scale and small scale sectors may not be wholly advantageous to the latter, since it may act as a barrier against the expansion and growth of capable small scale units. Meanwhile, certain industries have been generally reserved for development with small scale sector and that reservation continues and is reviewed from time to time.

[Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

### Recommendation (Serial No. 7, Para 15)

The Committee recommend that in the context of the growing need for national self-reliance, the Small Scale Industries Board should constitute Standing Committees to review, and suggest appropriate ways and means for increasing the contribution of the small scale sector to (1) Defence requirements, (2) Production of Agricultural inputs like improved agricultural implements, (3) Exports and (4) Import substitution.

The Committee would also like to suggest the constitution of a Standing Committee on Industrial Estates since, as pointed out in Chapter VI, the Industrial Estates Programmes does not seem to have made much headway.

#### REPLY OF THE GOVERNMENT

The Small Scale Industries Board has now three Standing Committees, viz., (i) Raw Materials, (ii) Ancillary Industries, and (iii) Credit Facilities. It is proposed to constitute two more Standing Committees, viz. (i) Export Promotion and (ii) Industrial Co-operatives. Besides these Standing Committees of the Board, the DC (SSI) has set up panels for advising him on the development of various industries in the small scale sector. A panel on Electronics, Machine Tools, Agricultural implements, Ceramics, Plastics and Organic Chemicals Industries have been set up. These panels will bring together representatives of large and small scale industries, besides Government Officers, to plan the development of the respective industries in the small scale sector. The panels consist of specialists in the different fields, and are thus in a position to advise the Development Commissioner about the scope of further development in their respective fields of specialisation. The work relating to defence requirements and import substitution is actually being looked after by the Ancillary Standing Committee and Raw Material Standing Committee. It is felt that separate standing committees on defence requirements, agricultural implements and import substitution are not required since the type of work envisaged by the Estimates Committee for these standing committees is already being attended to by similar other committees. Since matters relating to industrial estates, viz. supply of raw materials, finance, etc. are already being dealt with by separate functional Standing Committees, it is felt that a separate Standing Committee on Industrial Estates would not serve any additional useful purpose.

[Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

**Recommendation (Serial No. 14, Para 26)**

*The Committee feel that the powers of Development Commissioner for the proper development of small scale industry are not at par with those enjoyed by the Director-General of Technical Development in respect of large scale industry. The Committee would like Government to remove all such handicaps which come in the way of Development Commissioner performing his duties efficiently in respect of small scale industries.*

**REPLY OF THE GOVERNMENT**

The DGTD has the same position in relation to large scale industries as the State Directors of Industries have in relation to small scale industries. The DGTD does not enjoy any Special statutory powers which the DC (SSI) does not have. DGTD is the sponsoring authority for foreign exchange allocation to large scale industries, but the DC (SSI) does not have such powers since that is the work of the State Directors of Industries, the allocation work being decentralised in this case.

[Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

**Recommendation (Serial No. 18, Para 29)**

*The Committee would like to see closer coordination and cooperation between the Small Industries Service Institutes and Directorates of Industries in the States. They are glad to note that the need for pooling together the resources of the two organisations is recognised. In view of the fact that most State Directorates do not have an adequate organisation for inspection, the Committee would like the Union Government to consider whether the Small Industries Service Institutes could help them in conducting inspections of small scale units for assessment of production capacity, necessity and utilisation of raw materials etc. till such time as the Directorates are themselves suitably strengthened for the purpose.*

**REPLY OF THE GOVERNMENT**

The existing staff of the Small Industries Service Institutes is inadequate even to meet the demands of small industrialists for industrial extension work. The staff of the SISI are technical advisers to small scale industrialists and have to establish their reputation as advisers by infusing confidence in the small industrialists about their reliability and technical competence. If these officers undertake inspection of utilisation of raw material also, it is feared:

this confidence would be undermined and would effect their primary role as technical advisers. Moreover, inspection is primarily the responsibility of the State Directorates of Industries and they will have to strengthen their staff to meet the additional demand.

[Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

#### **Recommendation (Serial No. 35, Para 50)**

The Committee note that the small scale sector's annual capacity for aluminium has been estimated at 10,369 metric tonnes in 1963. As against this, the allocations of aluminium made to the sector in 1964-65 totalled only 2,191 metric tonnes. Further, while the non-ferrous metals requirements of small scale wire-drawing plants have been placed at 39,000 tons, only 5,500 tons of aluminium wire rods were allotted to these units for the half-year ending March, 1964.

The Committee consider that out of the non-ferrous metals, aluminium is of special importance in view of its growing indigenous production, its versatility and possibilities of being used as a substitute for imported copper and zinc. They are unhappy to find that although small scale units are prepared to switch over to aluminium the share of this metal allotted to them falls much short of their requirements. They consider it particularly unfortunate that even the existing users of aluminium in the small scale sector should find their very existence threatened because of the failure of the large scale producers of aluminium to supply requisite quantity to them.

The Committee need hardly stress that the present situation calls for intensive efforts to replace imported raw materials by aluminium wherever possible. It is obvious, however, that if small scale units are expected to minimise the use of the imported raw materials, substitute raw materials should be made available to them in adequate quantities. The Committee, therefore, urge that Government should take immediate steps to augment the supply of aluminium to the small scale sector. The Committee feel that in such a vital matter as providing adequate facilities for fuller utilisation of the installed capacity of small scale industrial units any policy decision should not be frustrated or nullified by administrative lapses

#### **REPLY OF THE GOVERNMENT**

The recommendations of the Committee have been noted. This recommendation will be implemented to the extent possible. However, it may be pointed out that it will not be possible to induce large scale units producing raw materials/intermediate/components

to supply to small scale units fixed quantities at fixed prices unless price and distribution control is introduced on those items. In the present context of liberalisation of procedure and removal of control, it may not be feasible to implement this recommendation fully.

[Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19th December, 1966 and D.O. of even number dated 1st August, 1967].

**Recommendation (Serial No. 36, Para 50)**

*The Committee would also like the Government to take appropriate measures to see that in all cases where small scale units producing end-products are dependent on large scale processing units for obtaining their raw materials or components, the latter are required to set apart a prescribed portion of their products for the small scale units at reasonable prices.*

**REPLY OF THE GOVERNMENT**

Please see reply against S. No. 35 in Chapter II.

**Recommendation (Serial No. 38, Para 52)**

*The Committee regret to observe that under the existing arrangements the auction of non-ferrous scrap available with Government and semi-Government undertakings is likely to lead to profiteering and black-marketing and has further aggravated the difficulties experienced by small scale industries in regard to the availability of scarce raw materials.*

*The Committee consider that in view of the scarcity of non-ferrous metals in the country and the consequential demand for the scrap of such metals by the small scale industries, there is need to ensure that the non-ferrous metal scrap is made available to the small units at reasonable prices. The Committee suggest that a substantial portion of the scrap available with public/departmental undertakings should be made available to the State Directorates of Industries or State Small Industries Corporation at reasonable prices for equitable distribution to the small scale industries having regard to the end-products manufactured by them and their capacities.*

**REPLY OF THE GOVERNMENT**

There is no price and distribution control over scrap-ferrous and non-ferrous Public sector undertakings which are commercial units would like to sell their scrap at the maximum price that they can get in open auction and may not readily agree to make it available

to small scale units at reasonable prices. The matter, however, is being further examined.

[Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19th December, 1966 and D.O. of even number dated 1st August, 1967].

#### COMMENTS OF THE COMMITTEE

The Committee would like to be informed of the result of examination as and when it is over.

#### Recommendation (Serial No. 42, Para 56)

*The Committee regret that no serious attention was given to the implementation of the Third Plan targets for copper, zinc, lead, sulphur, etc.*

*The Committee consider it extremely unfortunate that the production achieved in copper is only 38.2 per cent of the target and that India continues to be largely dependent on imports for this important non-ferrous metal. They are also distressed to note that the projects for expansion of zinc and lead refining should not have been completed within the Third Plan period. The only metal which could facilitate substitution is aluminium, but here again there has been a shortfall in the public sector plan for its manufacture at Koyna. They note that Government have appointed a committee to take stock of the existing capacity for production of non-ferrous metals and to suggest suitable measures for its augmentation and reorientation to meet the defence requirements. The Committee would suggest that Government should carefully review the position after taking into account the requirements particularly of defence and small scale industries and take necessary measures to ensure that the production targets in these key metals are reached in the shortest possible time so as to reduce dependence on imports and to save valuable foreign exchange.*

#### REPLY OF THE GOVERNMENT

This recommendation has been brought to the notice of the Ministry of Mines and Metals and the Ministry of Supply and Technical Development and Material Planning. The Ministry of Mines and Metals have stated that:—

1. The Third Plan target for production of aluminium was 88,000 tonnes and it is likely to be achieved during the current year.
2. As regards copper, every effort is being made for the speedy implementation and completion of the projects whose



progress has been hampered by the lack of technical knowhow and required plant and machinery.

3. Regarding zinc and lead it may be stated that the undertaking of the Metal Corporation of India Ltd. which owned the Zinc smelter (under construction) at Udaipur, the lead smelters at Tandoo as also the Zawar mines was acquired by the Central Government in October, 1965 as it was found that the Metal Corporation of India Ltd. was not in a position to complete the project due to its financial difficulties. The Central Government have since then formed, in January, 1966, a Government company viz., the Hindustan Zinc Ltd. to run and manage the undertaking. The work on the project is now progressing satisfactorily. The production from the mines is proposed to be expanded from present 500 tonnes per day to 2,000 tonnes of ore per day. The zinc smelter is expected to go into production by the end of this year. Expansion of production from the lead smelter is also envisaged.

[Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19th December, 1966 and D.O. of even number dated 1st August, 1967].

## CHAPTER IV

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

#### **Recommendation (Serial No. 11, Para. 21)**

*The Committee note that two 6-day sample studies of the working of the Head Office of the Development Commissioner, Small Scale Industries, conducted by the Staff Inspection Unit in November-December, 1964, have disclosed a surplus of as many as 58 hands in the Organisation—most of them non-technical. The Committee are, therefore, unable to appreciate the Ministry's contention that all the posts that have remained vacant for long periods in the Central Small Industries Organisation are 'very necessary' for the efficient working of the Organisation.*

*The Committee would like to recall in this connection the view of the International Perspective Planning Team that at the Headquarters of the Central Small Industries Organisation "Supporting staff should be kept at the minimum consistent with the programming, co-ordination and control function which must be the responsibilities of the Development Commissioner's Office". The Committee entirely agree with the above view of the International Perspective Planning Team. They would like to refer to Appendix III which shows that out of the 264 staff and officers at the Headquarters of the Central Small Industries Organisation as many as 201, including 19 gazetted officers, are engaged in purely administrative work. Again, in the Small Industries Service Institutes nearly half the strength is engaged in non-technical work. The Committee are convinced that the existence of such a high proportion of non-technical elements is neither conducive to nor necessary for, the efficiency of an organisation which is primarily meant to render technical assistance and expert guidance to small scale industries. They feel that the Central Small Industries Organisation should be a compact body of technically competent leaders who have first-hand experience of problems facing the small scale industries and can be of concrete assistance to the small entrepreneurs in resolving their problems.*

*In the later Chapters of this Report (Parts I and II) the Committee have pointed out the deficiencies in the various programmes with which the Central Small Industries Organisation is concerned.*

The Committee feel that basically these deficiencies are attributable to the organisational weakness of the Central Small Industries Organisation. They would, therefore, like to stress the urgent and imperative need of a critical review of the existing organisation and staff strength of the C.S.I.O. with a view to effect economy and improve its capacity to render effective assistance and guidance to small scale units. They suggest that Government should set up a high-powered committee to undertake such a review at an early date so that the Central Small Industries Organisation is rid of unnecessary non-technical staff and equipped with qualified and efficient technical persons so as to enable the Organisation to discharge adequately its responsibilities during the Fourth Plan period.

#### REPLY OF THE GOVERNMENT

Recommendations of the Staff Inspection Unit have been implemented.

A statement showing the staff at headquarters and the Institutes of the CSIO category-wise is attached (Appendix I). It will be seen therefrom that at the Headquarters, there are 20 gazetted officers and 197 non-gazetted staff (144 Class III and 53 Class IV) in the General Administration Division. The non-gazetted staff shown under the General Services also serve the officers and sections in the Technical and Specialists Services. The details of the 20 gazetted officers of the General Administration Division at the Headquarters are given in Appendix II. It will be seen therefrom that these are very essential for attending to the work indicated against each. It may be mentioned that these officers attend not only to general administration of the headquarters but also to such work relating to the various Small Industries Service Institutes in the various States and Extension/Production Centres under them. They also do special work such as implementation of the recommendations of Committees, rural industrialization, Inspection of Institutes etc. for which it would not be correct to spare Technical persons.

In respect of the Small Industries Service Institutes also it will be seen that there are only 23 gazetted officers and 793 class III and 650 Class IV staff in the General Administration Division. The number of gazetted officers, namely 23, for 16 Small Industries Service Institutes, 5 Branch Institutes and 65 Extension/Production Centres is the very minimum essential for efficient management. As regards the non-gazetted staff it will be appreciated that the number cannot be considered large, if the work entrusted to the 16 Small Industries Service Institutes, 5 Branch Institutes and 65 Extension/Production Centres under them spread over the country, is taken into account.

- In view of the position explained above, a review as suggested by the Estimates Committee, does not appear to be necessary.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI (C) dated 19th December, 1966 p-68 D.O. of even number dated 1st August, 1967].

#### COMMENTS OF THE COMMITTEE

Reply of Government is not convincing. Please see comments in para 2 of Chapter I of the Report.

#### Recommendation (Serial No. 21, Para. 33)

The Committee note that, during the Third Five Year Plan period, the progress of expenditure on the small scale industries programmes in the different States has been determined very largely by the quantum of Central assistance, in the form of loans and grants, sanctioned to a State. For instance, in Mysore and Rajasthan where the percentage of Central assistance to the Plan outlay is relatively low (31.08 per cent and 37.2 per cent respectively), the percentage of short-fall in Plan expenditure is very high (63.82 per cent and 58.61 per cent). On the other hand, in Madras, which has received central assistance to the extent of 89.71 per cent of its Plan outlay, there is not only no shortfall, but the actual expenditure is likely to exceed the Plan target by about 18.1 per cent.

The Committee regret to note that although the bulk of the total expenditure on the States' small scale industries programmes, during the Third Five Year Plan period, has been met through Central assistance to the States, the flow of Central assistance to the different States has not been on a uniform rate with the result that there are great disparities in the levels of actual expenditure for and actual development of small scale industries among the various States. The Committee fail to understand how the ratio of Central assistance to different States for the development of small scale industries can vary so widely.

The Committee also consider it highly unsatisfactory that there should be no clear relationship or ratio between the Central assistance (loans and grants) a State gets and the contribution that it makes from its own resources towards the development of small scale industries. They would like to cite a few concrete instances in this connection. Thus, in the case of Bihar, Central assistance covers only 32.34 per cent of the Plan outlay on small scale industries; while for Madras the percentage of Central assistance to the Plan outlay is as high as 89.71 per cent. The corresponding figures for West Bengal and Andhra Pradesh are 48.7 per cent and 49.78 per cent respectively.

The Committee also find it difficult to appreciate why in the case of some States like Madras and Andhra, the percentage of grant in the total Central assistance should be considerably higher than in the case of some other States, such as Bihar, Gujarat, Madhya Pradesh and Rajasthan.

On an analysis of the data available, the Committee are constrained to observe that the present procedure for the allocation of Central assistance to States has, in practice, worked to the disadvantage of the industrially less developed States like Bihar, Rajasthan and Madhya Pradesh, inasmuch as they have not been given even their proportionate share in Central assistance and Central grants.

#### REPLY OF THE GOVERNMENT

The anomalies pointed out in this paragraph arise out of the present patterns of assistance from the Centre to the States. This has been fully explained in the written notes as well as during oral evidence before the Estimates Committee.

To remedy the situation it will be necessary to review the patterns of assistance on the lines suggested in the paragraph. Since this involves concurrence of the Ministry of Finance & Planning Commission, these have been referred to them separately. The final decision, when taken, will be communicated to the Estimates Committee.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19th December, 1966 and D.O. of even number dated 1st August, 1967].

#### COMMENTS OF THE COMMITTEE

The Committee are not satisfied with the reply of Government. Please see comments in para 6 of Chapter I of the Report.

#### Recommendation (Serial No. 22, Para 33)

In view of the many drawbacks in the present procedure for allocation of Plan funds among the various States for the development of small scale industries, the Committee would like to urge its replacement by a more rational and equitable system, which would encourage the States to make a greater effort for the development of small scale industries as also would contribute towards the balanced development of the country by bringing up the industrially backward States to a higher level.

### REPLY OF THE GOVERNMENT

The anomalies pointed out in this paragraph arise out of the present patterns of assistance from the Centre to the States. This has been fully explained in the written notes as well as during oral evidence before the Estimates Committee.

To remedy the situation it will be necessary to review the patterns of assistance on the lines suggested in the paragraph. Since this involves concurrence of the Ministry of Finance and Planning Commission, these have been referred to them separately. The final decision, when taken, will be communicated to the Estimates Committee.

[*Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19th December, 1966 and D.O. of even number dated 1st August, 1967*].

### COMMENTS OF THE COMMITTEE

The Committee are not satisfied with the reply of Government. Please see comments in para 6 of Chapter I of the Report.

#### **Recommendation (Serial No. 23, Para 33)**

*A progressively higher proportion of the expenditure on the small sector should be borne by the States. This is necessary not only to make the States feel a real stake in the success of the various programmes for small scale industries, but also because in view of the many pressing demands on the Centre, it is difficult to envisage any substantial increase in the quantum of Central assistance to meet the growing needs of the small scale sector.*

### REPLY OF THE GOVERNMENT

The anomalies pointed out in this paragraph arise out of the present patterns of assistance from the Centre to the States. This has been fully explained in the written notes as well as during oral evidence before the Estimates Committee.

To remedy the situation it will be necessary to review the patterns of assistance on the lines suggested in the paragraph. Since this involves concurrence of the Ministry of Finance & Planning Commission, these have been referred to them separately. The final decision when taken, will be communicated to the Estimates Committee.

[*Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967*].

**COMMENTS OF THE COMMITTEE**

The Committee are not satisfied with the reply of Government. Please see comments in para 6 of Chapter I of the Report.

**Recommendation (Serial No. 24, Para 33)**

*Central assistance to the States should be given invariably on a matching basis to the contribution that each State makes from its own resources for the development programmes for small scale industries. However, to reduce the existing disparities in the levels of industrial development, the proportion of Central Assistance should be higher in the case of less developed States and of States with untapped industrial potentialities than in the case of the other States.*

**REPLY OF THE GOVERNMENT**

The anomalies pointed out in this paragraph arise out of the present patterns of assistance from the Centre to the States. This has been fully explained in the written notes as well as during oral evidence before the Estimates Committee.

To remedy the situation it will be necessary to review the patterns of assistance on the lines suggested in the paragraph. Since this involves concurrence of the Ministry of Finance & Planning Commission, these have been referred to them separately. The final decision, when taken, will be communicated to the Estimates Committee.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

**COMMENTS OF THE COMMITTEE**

The Committee are not satisfied with the reply of Government. Please see comments in para 6 of Chapter I of the Report.

**Recommendation (Serial No. 25, Para 33)**

*The division of Central assistance to each State into grants and loans should be in accordance with some definite criteria. Here again, it would be desirable to give due weightage to the less developed States so that the element of grants is higher in their case as compared to the more advanced States.*

**REPLY OF THE GOVERNMENT**

The anomalies pointed out in this paragraph arise out of the present patterns of assistance from the Centre to the States. This has

been fully explained in the written notes as well as during oral evidence before the Estimates Committee.

To remedy the situation it will be necessary to review the patterns of assistance on the lines suggested in the paragraph. Since this involves concurrence of the Ministry of Finance & Planning Commission, these have been referred to them separately. The final decision, when taken, will be communicated to the Estimates Committee.

[Ministry of Industrial Dev. and Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

#### COMMENTS OF THE COMMITTEE

The Committee are not satisfied with the reply of Government. Please see comments in para 6 of Chapter I of the Report.

#### Recommendation (Serial No. 26, Para 33)

*To ensure the proper utilisation of Plan allocations for small scale industries, the C.S.I.O. should undertake regular and systematic evaluation of the actual progress made by the different States in promoting small scale manufacturing activity and give appropriate guidance to each State.*

#### REPLY OF THE GOVERNMENT

The anomalies pointed out in this paragraph arise out of the present patterns of assistance from the Centre to the States. This has been fully explained in the written notes as well as during oral evidence before the Estimates Committee.

To remedy the situation it will be necessary to review the patterns of assistance on the lines suggested in the paragraph. Since this involves concurrence of the Ministry of Finance & Planning Commission, these have been referred to them separately. The final decision, when taken, will be communicated to the Estimates Committee.

[Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967].

#### COMMENTS OF THE COMMITTEE

The Committee are not satisfied with the reply of Government. Please see comments in para 7 of Chapter I of the Report.



### Recommendation (Serial No. 27, Para 33)

The Committee do not approve of the present practice whereunder the States are free to utilise the allocations for small scale industries for the programmes of khadi and village industries, handloom, handicrafts etc. The Committee recognise that khadi and village industries have an important role in the present state of our economy, but that does not mean that they would be allowed to operate to the detriment of small scale industries. The small scale industries have a definite and distinct role to play in the industrial development of the country; and this role, the Committee would like to stress is very different from that of the khadi and village industries. Thus, the Committee note that the small scale industries have made a significant contribution to the diversification of the country's industrial production and the manufacture of machinery and components and have potentialities of playing an important part in development of import substitution and supplying defence requirements and the khadi and the other village industries are confined to certain traditional lines of production. Again, small scale industries programme aims at encouraging the small entrepreneurs with limited capital to set up fully viable units, providing employment to skilled and semi-skilled workers, which can compete, largely on their own strength, with large scale industries; but the village industries are not expected to compete with other industries and require a large measure of subsidy and are often taken as measures intended to provide self-employed vocation to the large number of under-employed and unemployed rural people—even on the basis of part-time or periodical employment.

Thus, to the extent funds allocated for the small industries programmes are diverted to the village or traditional industries, there is bound to be a slowing down of progress in all those important spheres where only small scale industry can deliver the goods. The Committee, therefore, suggest that, in future, the allocations earmarked for small scale industries should not be utilised by the States for other purposes save in exceptional cases and that too only with prior approval of the Centre.

#### REPLY OF THE GOVERNMENT

The anomalies pointed out in this paragraph arise out of the present patterns of assistance from the Centre to the States. This has been fully explained in the written notes as well as during oral evidence before the Estimates Committee.

To remedy the situation it will be necessary to review the patterns of assistance on the lines suggested in the paragraph. Since this involves concurrence of the Ministry of Finance & Planning Commission,

these have been referred to them separately. The final decision, when taken, will be communicated to the Estimates Committee.

[*Ministry of Industrial Dev. & Company Affairs O.M. No. 5(3)/66-SSI(C) dated 19-12-1966 and D.O. of even number dated 1st August, 1967*].

COMMENTS OF THE COMMITTEE

The Committee are not satisfied with the reply of Government. Please see comments in para 10 of Chapter I of the Report.

NEW DELHI;  
February 20, 1968.  
Phalguna 1, 1889 (Saka)

P. VENKATASUBBAIAH,  
Chairman,  
Estimates Committee..

# APPENDIX I

(Vide page 42)

Statement showing the staff at Head quarters and the Institutes of the

C. S. I. O. Category-wise

## HEAD QUARTERS

	HEAD QUARTERS		INSTITUTES	
	Gazetted	Non-gazetted	Gazetted	Non-gazetted
	Class III	Class IV	Class III	Class IV

### A. TECHNICAL SERVICES

I. Engineering Division	2	..	*761	..	*Lower Technical staff (e.g.
Mechanical Engg. Section	4	..	9	..	Skilled worker,
Electrical Engg. Section	3	1	88	147	Mistry, Mechanic,
Metallurgical Section	..	..	11	23	Carpenter,
Hosiery Section	..	..	28	20	Welder, etc.)
Civil Engg. Section	..	..	1	5	
Cane Making & Tailoring Sec.	..	5	3	13	
	..	..	..	2	
II. Non-Engineering (Technical) Dn.	1	..	4	..	
Chemical Section.	3	2	27	33	
Leather/Footwear Section.	1	1	32	33	
Glass/Ceramics Section	..	..	14	27	
Metal Finishing Section	..	..	4	10	
Fruit Preservation Section	..	..	..	..	

III. Industrial Design Division] .. .. . 9 2

**B. SPECIALIST SERVICES**

IV. Economic Investigation and Statistical Division.

Economic Section	6	16	25	81	..
Statistical Section	1	3	..	11	..

V. Industrial Management and Training Division

	5	3	29	36	..
--	---	---	----	----	----

VI. Publicity Division

	2	..	..	..	..
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VII. Accounts Section

	1	2	2	14	
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**C. GENERAL SERVICES**

VIII. General Administrative Division . . . . .

	20	114*	23	793†	..
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IX. Class IV Staff . . . . .

	..	53	..	650	..
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\* Ministerial  
Non-Ministerial

135	† Ministerial	664
9	Non-Ministerial	129
<hr/>		<hr/>
144		793
<hr/>		<hr/>

Note:—The non-gazetted Class III and Class IV staff shown under the General Services also serve the offices and sections in the Technical and Specialist services.

## APPENDIX II

(Vide page 42)

Statement showing the details of general Administrative Gazetted Staff at Headquarters Office

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- |   |    |   |
|---|----|---|
| (1) Development Commissioner                | —I | Head of the Central Small Industries Organisation.  |
| (2) Joint Dev. Commissioner                 | —I | Second-in-command. Incharge of all Administrative and coordination work at the Headquarters as well as in the field (States).                     |
| (3) Director (Grade I) Shri P.M. Mathai     | —I | Rural Industrialisation.  |
| (4) Director (Grade II) Shri S.V. S. Sharma | —I | Incharge of Planning and Secretary to the Small Secale Industries Board and its various Committees.   |
| (5) Deputy Director (Admn.)                 | —I | Establishment work of field staff.  |
| (6) Deputy Director . . .                   | —I | Inspection of Institutes and Centres in the States.   |
| (7) Deputy Director                         | —I | Work connected with the Industrial Estates and State Government Schemes.  |
| (8) Deputy Director . . .                   | —I | Implementation of Mathur Committee Report (Prt. I and II) with special ref. to clearance of banned items.   |
| (9) Asstt. Director (Admn.)                 | —I | Dealing with house keeping of headquarters staff.   |
| (10) Asstt. Director (Admn.)                | —I | Coordination Committees, Conferences etc.   |
| (11) Asstt. Director (Gr. I)                | —I | Dealing with the work connected with permanency, confirmation, quasi-permanency, recruitment rules, principles of service & other allied matters. |
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- |                               |   |
|-------------------------------|---|
| (12) Asstt. Director (Gr. II) | —1 Work connected with vigilance, cases coming under disciplinary rules, conduct rules etc. |
| (13) Section Officer          | —8 Supervisory heads of Sections.   |

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*Note:*—The officers at Headquarters are not only dealing with administrative work of the Headquarters but also of the various subordinate offices located in the States.

## APPENDIX III

(Vide page 30)

### STATE PARTICIPATION

*Copy of letter No. 6-SSI(B) (17)/60 dated 20th February, 1961 from Ministry of Commerce and Industry to all State Governments*

The Small Scale Industries Board has for some time been giving thought to various measures that might be taken to encourage and accelerate the development of small scale industries in areas which are at present industrially backward. A committee set up by the Board to make recommendations regarding dispersal of industries has in its interim report suggested certain criteria for determining what are backward areas and also made proposals regarding various facilities and direct and indirect assistance which might be provided for attracting entrepreneurs to such areas. Recently, in the light of the third report of the Sub-Committee on Credit Facilities, the Board has recommended that the experiment should be tried of Government participation in the share capital of deserving small scale industrial concerns of limited liability, including limited liability co-operatives.

2. The recommendation has been considered in consultation with the Ministry of Finance and the Planning Commission. It is felt that adequate arrangements have already been made under the Guarantee Scheme and the State Bank of India Scheme for the provision of working capital for small industrialists through institutional and banking agencies. Loans for working capital are also available under the State Aid to Industries Acts. As regards fixed capital requirements, e.g. land, building, machinery and equipment assistance is provided to a considerable extent by means of loans under the State Aid to Industries Act and by the programmes for industrial estates and the supply of machinery on hire-purchase terms. In view of all these provisions there should not ordinarily be need for State participation in the share capital of small scale enterprises. It is felt, however, that such participation might be useful as an additional incentive to attract entrepreneurs to establishing themselves in industrially backward areas. There might also be a few cases where such participation could be justified with a view to assisting persons with little capital but good technical qualifications to set up in business. The Small Scale Industries Board has suggested that such State participation

might suitably take the form of holding redeemable non-cumulative preference shares which would be repayable in not more than 4 annual instalments beginning from the end of the third year of the formation of the company with a dividend rate not exceeding 5 per cent and with the right to vote and appoint directors. It is also suggested that the State participation should not exceed 50 per cent of the total share capital with a ceiling of Rs. 1 lakh. Further more, in cases where participation was envisaged the ratio of loans advanced for fixed capital to the total share capital should not, as a rule, exceed 2:1 till the liability to the Government is cleared.

3. A number of State Governments have made some provision in their Third Plan for State participation in the share capital of small scale industries. The Government of India consider that for the purposes mentioned in paragraph 2, viz., to attract entrepreneurs to industrially backward areas and possibly, to a lesser extent, for assisting persons with little capital but with good technical qualifications, it might be useful to try out on a limited scale the possibilities of State participation on the pattern suggested by the Small Scale Industries Board. Those State Governments which have not already made provision for such participation in their plans may now like to consider doing, so, it being understood that, to begin with, such participation should be on a limited scale. Funds required for such participation could be found from the provision for loan assistance under the State Aid to Industries Acts. It is suggested that an Advisory Committee may be constituted by the State Industries Directorate consisting of the representatives of the State Bank of India, the State Financial Corporation, the Small Industries Service Institute, and any other suitable association or financial institution with a view to assisting the Directorate mainly in regard to assessing the technical and financial soundness of the proposals, watching the working of the concerns, etc.

4. The view of the State Governments on this matter and the action which they propose to take on the above suggestions may kindly be communicated to the Ministry of Commerce and Industry at an early date.



## APPENDIX IV

(Vide page 32)

### *Review of the working of the Scheme*

The working of the Scheme has been periodically reviewed by the Reserve Bank of India and its provisions have been liberalised from time to time in the light of suggestions received from the credit institutions. On the basis of the recent review the Credit Guarantee Scheme has been further liberalised from the 1st August, 1966. The following are the steps taken:

(1) *Expansion of the list of specified credit institutions:*

The list of credit institutions eligible for seeking the credit has been expanded to include 8 non-scheduled banks and 358 central co-operative banks, as such the number of eligible credit institutions as on 1st August, 1966 was 463.

(2) *Extent of guarantee:*

Under the revised and liberalised scheme the share of the Government in the amount in default would work out to between 64 per cent and 68 per cent as against between 52½ per cent and 60 per cent earlier. The maximum amount of loss recoverable from the Government against a guarantee in respect of any one advance has also been increased from Rs. 1 lakh to Rs. 2 lakhs.

(3) *Period of guarantee:*

The maximum period for which guarantee can be issued in respect of term loans has been increased from 7 years to 10 years. In the case of advances other than the term loans viz., cash credits, overdrafts, etc., guarantees could be issued for a period of one year only. The credit institutions can now seek at their option guarantee in respect of such advances either for one year or for two years.

(4) *Issue of guarantee in respect of term loans with the facility of payment of guarantee fee annually of the outstanding balance.*

The credit institutions can now seek guarantee for the term advance for one or more years or the full period of the advance (subject to a maximum period of 10 years) with the facility of payment the fee annually on the basis of the amount outstanding at the commencement of each successive year of the period of guarantee

instead of on the amount originally guaranteed. This will result in considerable saving of the guarantee fees for the borrowers.

*(5) Payment of guarantee fee in respect of enhancement in guarantee cover:*

In respect of enhancement in guarantee cover, the fee on the amount of enhancement is at present payable for the full period of the guarantee. It will now be payable for the unexpired period of the guarantee subject to a minimum period of three months or the next higher multiple thereof. This is intended to effect some saving of guarantee fee for the borrower.

## APPENDIX V

(Vide page 33)

*Statement showing the progress in various forms of financial assistance from Government and institutions to small scale industries*

(rupees in crores)

	Position as on	Amount disbursed during the Third Plan	Assistance given during Second Plan period
	1	2	3
State Aid to Industries (Block Loans)	31·3·1966	18·18	12·91
State Financial Corporation	31·12·1965	15·08	5·62 (as on 31·3·61)
Commercial Banks (Including S.B.I.)	31·3·1965	73·83	26·46 (Jan. June, 61 average)
Credit Guarantee Scheme (outstanding guarantees)	31·3·1966	49·70	1·75 (as on 31·3·1961)
National Small Industries Corporation (Hire Purchase of Machinery)	31·3·1966	18·67	5·69
State Small Industries Corporation (Supply of raw materials and Hire purchase of machinery).	1964-65 & 1965-66	13·01	

## APPENDIX VI

(Vide Introduction)

*Analysis of the action taken by the Government on the recommendations contained in the 105th Report of the Estimates Committee (Third Lok Sabha):*

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I. Total number of recommendations . . . . .	50
II. Recommendations which have been accepted by Government (vide recommendations at S. Nos. 1, 3-5, 6, 8-10, 12, 13, 15-17, 19, 20, 28-34, 37, 39-41, 43-50).	
Number . . . . .	34
Percentage to total . . . . .	68
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (vide recommenda- tions at Sl. Nos. 2, 7, 14, 18, 35, 36, 38, 42)	
Number . . . . .	8
Percentage to total. . . . .	16
IV. Recommendations in respect of which replies of Govern- ment have not been accepted by the Committee (vide recom- mendations at S. Nos. 11, 21-25, 26, 27).	
Number. . . . .	8
Percentage to total . . . . .	16

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