

**EIGHTY-EIGHTH REPORT
COMMITTEE ON PUBLIC
UNDERTAKINGS
(1983-84)**

(SEVENTH LOK SABHA)

NATIONAL SMALL INDUSTRIES CORPORATION LTD.
(Ministry of Industry, Department of
Industrial Development)



Presented to Lok Sabha on

Laid in Rajya Sabha on

**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1984 (Katsakha, 1906 (Saka))

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COMMITTEE ON PUBLIC UNDERTAKINGS

(1983-84)

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COMPOSITION OF STUDY GROUP IV OF COMMITTEE ON PUBLIC UNDERTAKINGS ON LIFE INSURANCE CORPORATION OF INDIA, ANDAMAN & NICOBAR ISLANDS FORESTS & PLANTATION DEVELOPMENT CORPORATION LTD. AND NATIONAL SMALL INDUSTRIES CORPORATION LTD.

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INTRODUCTION

1. The Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Eighty-Eighth Report on National Small Industries Corporation Ltd.

2. The Committee took evidence of the representatives of National Small Industries Corporation Ltd. on 15th September, 1983 and of Ministry of Industry (Department of Industrial Development) on 5 and 6 December, 1983.

3. The Committee considered and adopted the Report at their sitting held on 4 April, 1984.

4. The Committee wish to express their thanks to the Ministry of Industry (Department of Industrial Development) and National Small Industries Corporation Ltd. for placing before them the material and information they wanted in connection with examination of the Company. They also wish to thank in particular the representatives of the Department of Industrial Development and the Company who gave evidence and placed their considered views before the Committee.

NEW DELHI ;
21 April, 1984

1 Vaisakha, 1906 (Saka)

MADHUSUDAN VAIRALE,
Chairman,
Committee on Public Undertakings.

CHAPTER I

ROLE AND ACHIEVEMENTS

A. Achievements

1.1. The National Small Industries Corporation was formed and registered under the Companies Act in 1955 as a consequence to the recommendation of an International team of experts. Originally, the NSIC was primarily concerned with assisting small industries in obtaining a fair share of Government contracts and also marketing their products through mobile vans and show rooms. With the passage of time, various other activities came under its fold.

1.2 At present the main activities of the Corporation are as under:—

- (i) Supply of both imported and indigenous machines to small scale units on hire purchase basis;
- (ii) Registration of Small units for participation in Government Stores Purchase Programme;
- (iii) Supply and distribution of raw materials, including import;
- (iv) Internal marketing of small industries' products, mainly through consortia approach and export marketing of small industries' products;
- (v) Development of prototypes of machines, equipment and tools at the Prototype Development and Training Centres and training in various technical trades in the PDTCs.

1.3 The table below illustrates the growth of small scale industries in the country during the last five years :—

	1977-78	1978-79	1979-80	1980-81	1981-82
No. of units (In lakhs)	6.70	7.34	8.05	8.80	9.61
(i) Registered	2.96	3.34	3.92	4.54	5.23
(ii) Unregistered	3.74	4.00	4.13	4.26	4.39
Production at current prices (Rs. crores)	14000	15790	21635	280.60	326.00
Employment (In lakhs)	54.00	63.80	67.00	71.00	75.00
Exports (Rs. crores)	844.80	1069.20	1226.30	1550.00	2026.00

1.4 The following table gives details regarding performance of the NSIC during the last 5 years :—

(Rs. in lakhs)

	1978-79	1979-80	1980-81	1981-82	1982-83
1. Hire Purchase Sales	103.47	307.90	551.27	763.35	1103.83
2. Marketing Sales					
(a) Internal (Including Nutan Stoves)	18.85	63.68	152.13	160.68	175.36
(b) Raw Materials	177.95	220.94	64.87	74.16	136.94
(c) Product Export.	58.17	44.07	81.64	105.30	137.26
(d) Project Export	132.61	61.00	8.18	102.11	47.91
TOTAL SALES	491.05	697.59	858.09	1205.60	1601.30
3. PDTCs					
(a) Sales	72.78	70.15	86.87	138.88	136.93
(b) Trainees (Nos.)	662	554	608	510	721
4. Govt. Stores Purchase Programme					
(a) Registration (Nos.)	759	870	1315	1626	2015
(b) DGS&D Purchases from NSIC enlisted units (Rs. in crores)	61.14	74.68	71.90	82.28	107.22

1.5 During the course of evidence of the representatives of NSIC, the Committee enquired as to how far the Corporation has achieved its objectives. The Chairman, NSIC stated as follows :—

“The objective of the Corporation has been by and far fulfilled through the performance and by the assistance which it has been providing for the development and growth of small-scale industries in the country. I may point out some of the attempts which have been made by this Corporation since its inception. This Corporation has helped the industries in one way or the other. One out of five registered small scale units existing in the country today is estimated to have been helped by the Corporation either directly or indirectly. It is estimated that there is a total of one million small industries within the country. Out of these, some are registered and some are unregistered. We have provided assistance in one way or another to about 100 thousand registered units since the inception of this Corporation. They have all multiplied themselves and in terms of their growth, many units have got their people trained and have further grown. They have added more machines in their own units. Apart from that, we have approximately trained 12,500 trainees since the inception of the Corporation. Keeping these in view, we feel very strongly to submit before you that our Corporation has fulfilled the objectives set out.”

1.6 In the same context the Additional Secretary, Department of Industrial Development stated :—

“Achievements in different areas of activity of NSIC have been progressively improving. But at the same time it cannot be said that further progress and improvement cannot be made. The Ministry is on the whole satisfied about the achievements and the achievements have been set out for the NSIC to accomplish. In order to make NSIC a more effective tool in the development of small scale sector, various areas of activities have been taken up from time to time. The activities of NSIC cover large area of marketing the products; their exports and especially in running proto-type development centres, etc. The small-scale sector being a vast sector is spread over the entire country and the role of the NSIC is reviewed from time to time and new areas of activities allocated for operation.”

1.7 The achievements of the Corporation in the area of Hire Purchase, which is its main activity at present, upto the end of March, 1983 have been as indicated below :—

(i) No. of units assisted (Under Hire Purchase)	17509
(ii) Value of Machines supplied. (Rs. in crores)	139.42
(iii) No. of Machines supplied	37,730
(iv) Employment generated	4 lakhs
(v) Annual production capacity generated (Rs. in crores)	700

1.8 The NSIC, under its Marketing Programme, envisages not only larger markets for the products of small scale industries but tries to ensure availability of certain scarce indigenous as well as imported raw materials. It has been stated that nearly 500 small scale units participate every year in NSIC's marketing assistance programme. The total turnover of NSIC during 1982-83 in the various marketing activities was Rs. 497.47 lakhs as compared to Rs. 442.25 lakhs in 1981-82.

1.9 Under the Government Stores Purchase Programme, which is one of the two promotional activities undertaken by NSIC for rendering assistance to the small scale units, NSIC has till 31st March, 1983 registered only 7114 units. About 2000 new units are registered every year for participation in Government Stores Purchase Programme.

1.10 NSIC is presently running 4 proto-type development and training centres in Okhla, Rajkot, Howrah and Madras. It has been stated that these 4 centres have since their inception developed 124 proto-types of machines and equipment; trained 12666 people in various technical trades and rendered 30,000 common facilities services to small scale units.

1.11 Referring to the achievements of the NSIC in its various activities, the Committee pointed out that the role of NSIC in the matter of provid-

ing assistance to small scale industries appeared to be only marginal. Asked whether the management was satisfied with their present performance, the Chairman, NSIC stated in evidence :

“The Corporation could have done better. I am sure it can do much better in the years to come. There is need for continuous availability of funds and if that is there, the Corporation has got a great potential to reach more sections of people and generate more employment ”

1.12 The Additional Secretary, Department of Industrial Development stated in this connection as under :—

“There is always room for doing more work, improving the quality of work being done. I concede that if there is an efficient Corporation it should do more and more. But there are limitations beyond which it would be little difficult to expect from one single organisation to perform.”

Explaining it further, he added :—

“It (NSIC) started as a very small organisation in 1955-56. When it was started, it had an equity capital of Rs. 10 lakhs. Their activities have kept on increasing, may be in some years not so successfully and in others a little more successfully. It was a learning process. This was a field in which we were entering for the first time in 1955. Today the equity of this Corporation is Rs. 13.5 crores. So, there has been a growth. We may not be satisfied with every aspect of their work but there has been a growth and the endeavour is that in the areas where they can do some useful work, they should grow more.”

1.13 In the statement of ‘Objectives and Programmes’ of the NSIC it has been stated :—

“After an initial period of spectacular growth, the Corporation, during the last few years, witnessed considerable diminution in its activities. The setting up of a large number of State level financing institutions, increased bank lending to the small sector, liberal imports contributed to the decline in the demand for its services. Similarly, in the field of technology development the Corporation failed to relate its tasks to the changing needs to the small scale sector. No attempt was made to define a new role for the Corporation in the changing environment. The loss of identity led to erosion of its credibility, depletion of performance standards, even in the limited areas it was functioning.”

1.14 The Committee enquired whether the role and functions of NSIC have been clearly spelt out or there was need for redefining the role and

responsibilities of the Company. The Chairman, NSIC stated during the evidence :—

“We consider that the roles and functions of NSIC have been clearly spelt out. However, the possibility of enlarging its roles and functions may be considered.”

1.15 According to NSIC, its role can be made more effective with the following provisions :—

- (i) Enlarged equity base of the Corporation;
- (ii) Designating NSIC as a nodal agency for setting up small industrial projects on Government to Government basis;
- (iii) Obligatory registration with NSIC of small scale units exporting their products to various countries so as to establish their bonafide and creditability. (This would be a corollary to the registration of units for participation in Central Government Stores Purchase Programme);
- (iv) Making it obligatory for all Central Government Departments and Public Sector Enterprises to buy their stores from units enlisted with NSIC;
- (v) Making legal provision so that the recoveries of NSIC's dues on account of supply of machines on Hire Purchase basis can be made on the same lines as recovery of land revenue;
- (vi) Making NSIC a canalising agency for import and distribution of certain raw materials mostly required by small scale units;
- (vii) Allowing NSIC to take up the role of the apex body to coordinate the work of State Small Industries Corporations;
- (viii) Designating NSIC as the Central apex body to undertake development of Industries in backward areas.

1.16 Asked about the Ministry's views on each of the above points, the Ministry stated in a written reply as follows :

- (i) Equity of the Corporation has been increased from an original amount of Rs. 10 lakhs in 1955 to the present Rs. 13.5 crores based on the requirements of the Corporation from time to time. Mere enlargement of the equity base would not necessarily increase the effectiveness of the role.
- (ii) There are many public undertakings like National Industrial Development Corporation, Engineering Projects India Limited, Projects & Equipment Corporation, Engineers India Limited etc. who are setting up large scale and small scale industrial projects on Government to Government basis. Therefore it would not be appropriate to designate one public undertaking as a nodal agency for setting up small industrial projects on Government to Government basis.

- (iii) Obligatory registration with National Small Industries Corporation of small scale units exporting their products to various countries is not considered desirable. If registration is made obligatory with the NSIC, their competitiveness will be reduced as NSIC would impose a service charge which would make their products a little costlier and besides this, there are Export Promotion Councils and a large number of recognised Export Houses which do their exports directly. Moreover, it is felt that any interference in the working of small scale industries which are able to stand on their own legs would not be a right step.
- (iv) Where a small scale unit is able to compete with the others on its own, it need not necessarily seek NSIC's assistance for participating in the Government Purchases Programme. If a unit finds it difficult in participating in the programme it can always get enlisted with the NSIC. It is felt that obligatory registration with NSIC for Government Stores Purchase Programme may prove to be counter-productive.
- (v) National Small Industries Corporation is a Company registered under the Company Act. They are operating their Hire Purchase activity on commercial basis. Therefore, it would not be possible to make legal provision for recovery of hire purchase dues as land revenue.
- (vi) There are already canalising agencies like State Trading Corporation, Minerals & Metals Trading Corporation, Steel Authority of India Ltd. etc. which import and distribute raw materials in the country to both large scale and small scale sectors. It is not considered necessary to have a separate canalising agency specifically for import and distribution of raw materials required by small scale units.
- (vii) No particular advantage would appear to lie in declaring any organisation as the apex body for the Small Scale Industries Corporations. In so far common functions performed by the NSIC and the State Corporations are concerned there is already a certain degree of cooperation. It is not as if NSIC is the organisation which lays down policy and programmes. State Corporations have in any case formed an association of their own in the shape of a Council. Areas of common interest are already being taken care of.
- (viii) Backward areas are fairly widespread all over the country. Requirements of each area would be different from others. Besides, the States are taking lot of interest in the development of backward areas. It is felt that the State Government will be in a better position to assess the requirements of the areas and draw plans for the development of such area. State Government also provide different kinds of services for encouraging the setting up of industrial units in the State. It would hardly be possible for a Central Corporation to take

more interest in the development of the backward areas than the State Organisation can. This is particularly so in the case of NSIC, which has only a limited role to play."

1.17 Asked as to what should be the appropriate role for NSIC, the representative of the Ministry stated during evidence that for the present NSIC should pay maximum attention to hire purchase, marketing processes both the external and internal market.

B. Organisations for development of Small Scale Industries

1.18 At Central level, the Small Industries Development Organisation (SIDO) acts as a policy formulating, co-ordinating and monitoring agency for development of small scale industries. It maintains close liaison with the Central Ministries, Planning Commission, State Governments, financial institutions and other organisations concerned with the development of small scale industries. SIDO provides a comprehensive range of consultancy services and technical, managerial, economic and marketing assistance to the small scale units through its net-work of 25 Small Industries Services Institutes, 20 Branch Small Industries Services Institutes, 41 Extension Centres, 4 Regional Testing Centres, one Product and Process Development Centre, 2 Footwear Training Centres and 4 Production Centres.

1.19 The National Small Industries Corporation is the other Organisation at the national level which is entrusted with the work relating to development and promotion of small scale industries. As far back as 1959-60, the Estimates Committee felt that if the existing dual organisational structure is continued, the functions of the Development Commissioner, SSI and the National Small Industries Corporation should be clearly demarcated so that the National Small Industries Corporation may devote itself more and more to trading activities. The Committee wanted to know whether the roles of Small Industries Development Organisation (SIDO) and NSIC were clearly demarcated or there was over-lapping of functions of the two organisations. The Chairman, NSIC, stated during evidence :

"I will submit that there are agencies or institutions at the Central level as well as the State Government level. In my opinion they are all playing complementary role. Among the Central Agencies, there is Small Industries Development Organisation which is operated through the SISIs. As the Government of India agency it looks after the policy, co-ordination and monitoring of work in respect of small scale units through the network of SISIs, Branches Extension Centres and provides consultancy and Extension Services. Whereas the National Small Industries Corporation is playing a developmental role like giving hire purchase facilities, providing industrial training facilities, development of proto-type of machines and providing marketing facilities to small scale industries."

1.20 Clarifying it further the Corporation stated in a written reply as follows :—

"Roles assigned to SIDO and NSIC are very clearly defined. In fact the roles of these two Organisations are complementary to

one another. While SIDO looks after policy planning, consultancy and extension services etc., NSIC attends to applied promotional areas like supply of machinery on hire-purchase, marketing support, industrial training, development of new machines and common facility services. Coordination and cooperation at various levels like participation of SIDO Officers in registration of small units for Government Purchase Programmes, Advisory Committees of PDTCs, and training programmes etc. is continuous. Similarly, officers from NSIC participate in several committees of SIDO. This complementary support helps in the growth of the small scale sector and enables best utilisation of talents. The areas assigned to the two should continue in the present form namely; policy planning, studies for promoting small industries and extension etc. with SIDO and the applied work being attended to by NSIC in providing inputs like machinery and market support, common facilities services etc."

1.21 In reply to a query as to whether it would not be beneficial if SIDO acts as a development and coordinating agency for small scale sector and NSIC engage itself with commercial activities as a public undertaking, the Chairman, NSIC reacted during evidence as follows :—

"NSIC is a service-oriented organisation engaged in the development of small scale industries. Its commercial role cannot be equated with that of the manufacturing or trading public enterprises. A certain amount of subsidy is in-built in the functioning of NSIC. A strict demarcation line between its commercial and promotional role is not possible. It performs commercial activities with a promotional content. In view of the complementary roles of SIDO and NSIC a clear demarcation between the two does not appear desirable."

1.22 On being pointed out by the Committee that many of the services rendered by the NSIC and the SIDO such as extension services, marketing, consultancy and the like were common, the Additional Secretary, Deptt. of Industrial Development stated :—

"The same kind of expertise may be available in the NSIC and the SIDO. But I will not say, it is over lapping "over lapping" implies that one or the other is under utilised."

He added :

"They are performing some similar functions to an extent, not in every area. In some areas it could be."

1.23 The Committee enquired whether it was over considered in the Ministry that in view of the fact that similar functions are being performed by SIDO and NSIC, there was need for strengthening of the two organisations. The Additional Secretary, Deptt. of Industrial Development stated :

"I may again submit that the NSIC and DC (SSI) are not similar kinds of organisations. One is set up to perform a limited

set of functions—the NSIC. But the DC (SSI) is supposed to have a whole range of technical back-up available with him.”

1.24 As to the linkage between NSIC and SIDO, the Additional Secretary, Deptt. of Industrial Development stated :—

“The Development Commissioner is a Member of the Board of Directors of NSIC. The representatives of the Office of the Development Commissioner interact with NSIC. They consider the applications for imported and indigenous machines. NSIC offers hire purchase facilities. Guidelines issued by the Development Commissioner are adopted for implementation by the Corporation. Whenever required, the Corporation seeks the advice of SIDO in technical matters. If NSIC does not have an expert at higher level, they come to my office. I can get them a better expert. There are a number of sub-committees on which both the NSIC and my officers are represented. They investigate and certify the qualitative and quantitative aspect of the units. Their reports form the basis for analysing the position in the marketing scheme of NSIC. The Branch Manager represents NSIC on the SISI Advisory Committee. The Corporation works closely with SISI in intensive campaigns and institutional group meetings. The SISI participates in the Advisory Committee attached to the Prototype Development and Training Centre of NSIC.”

C. Role and Function of Development Commissioner, Small Scale Industries

1.25 In regard to the role and functions of the DC (SSI), the Ministry have in a note stated as under :

“The primary important function of the Office of DC (SSI) is to advise the Government of India regarding formulation of policies and programmes for the development of small scale industries in the country. Besides this, the other main functions of the organisation are as below :—

- (i) Industrial Extension Service.
- (ii) Co-ordination.
- (iii) Small Industry Planning and Development.

The Organisation of the Development Commissioner (Small Scale Industries) has, in addition to its most important function regarding the provision of industrial extension service, to discharge a very important function relating to co-ordination of activities for the development of small scale industries at the operational levels. The most important functions in this category are the following :—

- (i) Programme of development of small scale industries vis-a-vis large scale industries.

- (ii) Acting as a liaison between different State and between the States and the Union Ministries, Planning Commission, State Bank of India, Reserve Bank of India etc.
- (iii) Co-ordination of the programme for the development of Industrial Estates and of Ancillaries all over the country.
- (iv) Co-ordination of the implementation of the Small Industries Programme in the various States.
- (v) Scrutiny of the State-wise plan outlays and targets of the small scale sector and appraisal of the requirement of the State Governments for Central assistance on the basis of their needs and potentialities.

The important functions relating to small industries planning and development, which the Organisation of the Development Commissioner (Small Scale Industries) is expected to discharge are given below :—

- (i) To identify areas or fields of production which are particularly suitable for small scale operation.
- (ii) To secure reservation of certain products for intensive development in the small scale sector.
- (iii) To advise the State Government on fields of production in which it is desirable not to encourage the setting up of new units for reasons of excess capacity, difficulty of procurement of basic raw materials etc.
- (iv) To assist the Planning Commission in preparing the programmes of development of small scale industries for successive Five Year Plans on the lines of the industrial programme for the large scale sector on a realistic assessment of present capacity, production, future scope of expansion, competitive outlook, etc.
- (v) Preparation of 'Performance Budget' for the entire Organisation including the Small Industries Service Institutes and its Branches and an evaluation of the achievements against targets laid down in the programme.

1.26 During the evidence of the representatives of Ministry, the Committee were informed that the Small Industries Development Organisation was an attached office of the Department of Industrial Development (Ministry of Industry). The Committee enquired whether in view of the vastness of the subject it was desirable to have a separate Government Department for small scale industries. The Additional Secretary and DC (SSI) stated that considering the importance of the subject the post of DC (SSI) had been upgraded from the level of Joint Secretary to an Additional Secretary. He further stated :

".....I can only submit that more and more importance is being given to this sector and it is being recognised by Government.

If Government, in its wisdom thinks that it deserves to be a separate department, I am sure, there will be a separate Department."

1.27 It also came out during evidence that that there have been 4 changes in the incumbents for the post of Development Commissioner (SSI) during the last 5 years.

D. Organising in the States dealing with small scale industries

Being a State subject, the responsibility for the execution of programmes for development of small scale industries mainly rests with the State Government. At the State level, there are several Organisations such as Directorates of Industries, State Small Industries Corporations and District Industries Centres which are providing guidance and assistance to small scale industries. The functions of the State agencies and those of the Central agencies at the State level over-lap in many respects in that many of the facilities are being provided both by the State agencies as well as the Central agencies.

1.29 Explaining the role of State agencies, the Chairman, NSIC stated in evidence :

"As far as the States are concerned, I may submit that they have Directorate of Industries. They are basically regulatory agencies. In terms of the regulatory agencies, they grant essentiality certificates for import of raw materials and that kind of activities they are doing. There are other State Small Industries Corporations. By far all these organisations are performing a role which mainly consists of supply of scarce materials. Some of the State Small Industries Corporations are performing their role as marketing institutions for the State. There are also State Financial Institutions. They are called State Financial Corporations."

He added :

"Now, looking at the size and the dimension of the county, looking at the number of small industries corporations, I believe all of them are performing their role. Some could be more effectively performing their role and some could be less effectively."

1.30 Asked as to what positive role NSIC was having in the development of small industries, the Additional Secretary, Department of Industrial Development stated as follows :—

"States are the sole master of this sector within their territory. The Government of India's role is necessarily to advise and to guide. But NSIC is not an agency to monitor or to control it. That control, in the nature of things, between the Centre and the States, is through various forums, various circulars, various guidelines, policies, fiscal incentives and so on and so

forth. NSIC an instrument of the Government of India for managing, controlling or directing any activity; they are engaged in an activity as may be allocated to them by the Central Government being a corporation at the centre."

1.31 During the course of examination of the Ministry, the Committee pointed out that there was multiplicity of agencies for developing small scale industries, rendering various kinds of services to them and there appeared over-lapping of functions of different organisations. Asked about the steps to be taken with a view to reducing multiplicity of the organisations and eliminating over-lapping of functions by clearly demarcating the duties and functions of different organisations, the Additional Secretary, Department of Industries Development and D.C. (SSI) stated as follows :—

The subject is so vast and requirements are so great, the areas in which work needs to be done they are so numerous that a stage has not yet come down when we say that there is over-lapping. There is a lot to be done."

He further explained :—

"This (NSIC) is not the only organisation that is operating in the small-scale sector in the country. Nor do we consider in view of the size of the country, the number of units that are likely to be set up and should be set up is it practical for one all-India organisation to pay equal attention everywhere. The NSIC acts more as a catalyst and carries out promotion development and even commercial work in such areas as the Central Government decides to give to it. So, NSIC is not expected to cover the entire country in its entirety. Nor does it cover the total cross-section of trade, skills and other aspects of the inputs required for the small-scale sector.

E. Coordination

1.32 As regards the overall coordination between the functions of Central and State level institutions, the Chairman, NSIC explained during evidence,

"As far as National Small Industries Corporation is concerned, it is working in very close cooperation with Development Commissioner, Small Scale Industries. The Development Commissioner is a Member of the Board of Directors of our Corporation. We are almost meeting him every second or third day and keep him informed of what are the complementary role we are performing. Then there is a Council of State Small Industries Corporations. We are a permanent invitee to their meetings. We exchange our views and try to interact and perform a complementary role with those State Corporations. As far as State Industries Directorates are concerned, DICs are an important instrument for the growth of small scale

industries at the district level. In any motivation campaign we do interact with them. When we receive applications for hire purchase, they are screened by a Committee consisting of representatives of SISI, Directorate of Industries DIC and NSIC. They jointly scrutinise those and see their feasibility and they try to sanction machinery, equipment etc. for them. Even at the field level there is a close interaction. Similarly at the Central level where applications are above Rs. two lakhs, we associate DC(SS), and other concerned agencies for the purpose of granting of loan."

1.33 As to the linkage established by NSIC with the State bodies, the Chairman NSIC stated :—

"Although small scale industries come under the State set up, the institutions set up by the Central Government have to play an important role. Marketing of the product of the small scale industries is too big a job to be left to the States. Its needs are too large to be met, NSIC has been playing a positive role in the development of small scale industries in the country. It has been helping the small scale industries in rural areas. The activities of State Corporation are restricted to marketing at the State level. We have been helping them in getting supplies of machines for the hire purchase units in the States. The State Corporations are drawing up schemes which are suitable to them and we help them in implementing these schemes. NSIC, is trying to motivate them and helping them to go a head with their plans."

1.34 In reply to a question about the coordination with the State Small Industries Corporations, the Chairman NSIC stated :—

"Areas of coordination have been identified for the setting up of industries NSIC and the State Industries Development Corporations have been working together in the supply of machines on hire purchase basis. Recently the Goa Small Industries Corporation wanted us to help in getting some machines on hire purchase basis and we helped them. Our experience in such cases was that the States are not very keen to take up such type of jobs. Most of the States which have taken up this activity of hire purchase have abandoned it. NSIC is helping the State Corporations wherever it is requested to do, and it would like to develop such projects and help them develop further, in different areas. In fact, recently, we have undertaken survey in several areas, as for example, as I mentioned just now, the Goa Small Scale and Handicrafts Corporation also wanted us to help them and we did. On a State-wise basis we are trying to establish small scale industries wherever there is an opportunity. We are in touch with them. Investigation of availability of raw materials and import of materials and the supply of raw materials to the units in the

country, like the ones wanting to get PVC rexin, plastic rexin, etc., are all done by us. We assess the requirements of different sectors in the country and help the State Corporations wherever they need it. We adopt what is called a consortium approach and for this, information from various sectors is pooled together especially from the State level agencies about the product for which consortia can be formed and we help the State units."

1.35 In a note furnished to the Committee it has been stated that there is at present limited meaningful coordination between NSIC and the SSICs. The areas of coordination or cooperation between NSIC and SSICs had been identified as under:—

- (a) An investigation of linkages that could be established between NSIC and SSICs in the supply of machines on hire purchase.
- (b) NSIC has acquired expertise in technology development and upgradation, and also extension of common facilities in its PDTCs, and is in a position to establish similar facilities on Craft—or Area basis. NSIC would like to take development of prototypes and technology for specific products or projects on behalf of SSICs or other State Agencies.
- (c) An investigation of linkages that could be established in import of raw materials as well as in export of small industries products.
- (d) NSIC has plans to expand its marketing services, based on the consortia approach, and for this purpose seeks information from State Level Agencies on the products for which Consortia could be formed.
- (e) An investigation in the areas of Cooperation in the Government Stores Purchase Programme.

1.36 It has been stated that NSIC was pursuing the matter with SSICs on the above lines.

1.37 Referring to the proposals at (d) & (e) in the foregoing para the Ministry have, in a note, stated:—

"These proposals have not been submitted by NSIC to the Ministry. In fact it is part of their functioning and the proposals when implemented will go a long way in expanding and increasing the cooperation and coordination of NSIC with the State Level Agencies."

1.38 The Sinha Committee (1973) appointed to Review the working of the Corporation had inter alia observed:—

"The NSIC has been functioning much in isolation from the State Governments or Union Territory Administrations, even though it had established the Regional Offices for looking after a

group of States and Union Territories. Though there are formal contacts, even after more than a decade and half, there has been no interaction between the NSIC and State authorities particularly in the Directorate of Industries. This inaction, if it were catalysed long back, would have consumed into an active and mutually beneficial partnership in the process of development of small industries in the States and Union Territories."

1.39 Referring to the above observations made by the Sinha Committee in 1973, the Committee enquired about the steps taken by the Ministry/NSIC to improve the coordination with State Agencies. In a note the Ministry have stated :—

"Sinha Committee's report was received in 1973 and the situation has changed since then. District Industries Centres were set up in 1978 and subsequently Council of Small Industries Corporations in India has also been formed. At present there is close coordination between the NSIC, DICs, Directorates of Industries and State Small Industries Corporations through CO SICI. There is also an Advisory Committee in each SISI where activities of SIDO, NSIC and SSICs and other agencies are coordinated. (Representatives of all being members)."

1.40 National Small Industries Corporation was formed and registered under the Companies Act in February, 1955. Originally, the Company was primarily concerned with assisting small industries in obtaining a fair share of Government contracts and also marketing their products through mobile vans and show rooms. Gradually various other activities have come under its fold. The Company is presently engaged in the supply of machinery, on hire purchase, registration of small scale units for the Government purchase programme, distribution of certain scarce raw materials, assistance in marketing of small industries products at home and in markets abroad and prototype development and training in use of machinery and equipment through its Prototype Development and Training Centres at New Delhi, Rajkot, Howrah and Madras. Thus besides rendering marketing assistance, the Company is expected to in general develop the small scale sector.

1.41 The Committee find that the number of small scale units in the country, the volume and range of products manufactured by them, the employment provided and the value of export by these industries have grown substantially during the last two decades. The number of small scale units has increased from 4.16 lakhs in 1973-74 to about 10.48 lakhs in 1982-83. Their production increased from Rs. 7200 crores to an estimated Rs. 35,000 crores over this period. Similarly the employment provided by small scale sector increased from about 40 lakhs in 1973 to about 79 lakhs in 1982-83. The production in this sector is stated to be almost 49 per cent of the total industrial production of the country. The growth of the small scale sector cannot however be attributed in any

significant extent to the role of the NSIC. The Committee are convinced that the growth could have been better had the Company involved itself better.

1.42 In the area of hire purchase, which is the main activity of NSIC since the inception of the scheme in 1956, and till the end of 1982-83, the Company has assisted only 17,509 units by providing 37,730 machines. Under its marketing programme it is providing some assistance to about 500 small scale units who participate every year in NSIC's marketing assistance programme. Similarly, under the Government Stores Purchase programme which is one of the two promotional activities undertaken by NSIC for rendering assistance to the small scale units, it has till 31st March, 1983 registered only 7114 units. Under the other promotional activity the Corporation has been running 4 Prototype Development and Training Centres, in which only 124 prototype are stated to have been developed so far, besides imparting training to 12666 people in various technical trades. During 1982-83, the total sales turnover of the Corporation including services rendered and sales of products by PDTCs was of the order of Rs. 16.88 crores against Rs. 13.17 crores in 1981-82. By any standard the achievements of the Company over a period of about 30 years of its existence do not add up too much. The Committee expect that a national level body set up to stimulate growth of small scale industries in the whole of the country should be able to show much better results and make an impact. The Committee therefore suggest that the impact that the NSIC has had on promotion and development of small scale industries should be scientifically assessed and based on the findings of such an evaluation the role of NSIC appropriately redefined and the scope of its activities suitably enlarged.

1.43 At the national level, apart from NSIC, there is another major organisation namely the Small Industries Development Organisation (SIDO) headed by the Development Commissioner, Small Scale Industries (DC, SSI) which provides institutional support for the growth and promotion of small scale sector. The Committee have been informed that SIDO, which was earlier headed by a Joint Secretary is now having an Additional Secretary as its head and is an attached office of the Department of Industrial Development. The SIDO acts as a policy formulating, coordinating and monitoring agency. It provides a comprehensive range of consultancy services and technical, managerial, economic and marketing assistance to the small scale units throughout the country. The SIDO has a net work of 26 Small Industries Service Institutes, 20 Branch SISIs, 40 extension centres, four regional testing centres, one product and process development centre, 2 footwear training centres and four production centres. Against this, NSIC's net work consists of 4 regional offices, 10 Branch Offices and 4 Prototype Development and Training Centres. The Committee have been informed that both the organisations were playing complementary roles and there was no overlapping of functions involving any duplication of effort. The Committee, however, feel that the spheres of activities of the two organisations should be spelt out clearly and that there should be perfect coordination between the activities performed by the institutions/offices working under these organisations so that together they can make a significant impact on small scale sector as a whole.

1.44 The Committee are of the view that the small scale sector which accounts for almost half the nation's industrial production and provides direct employment to about 75 lakh persons deserve better treatment at the level of Union Government. The tremendous potential of the sector towards the economic growth of the nation demands a better recognition of its needs. The least the Government can do is to have a separate Department in the Ministry of Industry headed by a Secretary exclusively incharge of the multifarious activities related with the small scale sector in order to give this sector the required thrust for coordinated development.

1.45 The Committee find that being a State subject, the responsibility for the execution of programmes for development of small scale industries devolved on the State Governments and the organisations under them. At the State level there are several organisations such as Directorates of Industries, District Industries Centres and State Small Industries Corporations which are engaged in providing guidance and assistance to small scale industries. The functions of the State agencies and those of the Central agencies at the State level overlap in many respects in that many of the facilities and services are being provided both by the State agencies as well as the Central agencies, thus resulting in duplication of efforts, which should be avoided. It has been stated that even though there appeared to be a multiplicity of agencies for aiding and promoting small scale industries and rendering various kinds of services to them particularly at the State level, there was enough scope for functioning of different organisations engaged in the same activity because of the vastness of the area to be covered.

1.46 Admittedly a very limited meaningful coordination between NSIC and the State Small Industries Corporations exists at present. Only recently, the Chairman, NSIC has suggested some areas where coordination and cooperation between NSIC and SSIC could be fostered. Even in some of these areas concrete proposals have yet to be submitted by NSIC to the Ministry for implementation. The Committee desire that the area of cooperation between NSIC and SSICs should be identified. The services provided by the two organisations can be suitably integrated with a view to afford better opportunities to small scale units for deriving maximum benefit.

1.47 The Committee find that services and programmes of NSIC and SSICs have not as yet penetrated into interior, remote and undeveloped areas in the countryside with the result that the impact of these organisations has not been felt by farmers, artisans and small entrepreneurs of these areas. In order that the benefit of various schemes and services of these organisations is derived by the people at large in the rural areas, the Committee desire that activities of NSIC, jointly with SSICs, wherever possible, should be extended to such interior areas. The Committee would like to be informed of the concrete action taken in this behalf.

1.48 Though the responsibility for the execution of programmes for development of small scale industries mainly rests with the State Governments and State agencies like State Small Industries Corporations, DICs

etc. are implementing various schemes with this objective, an integrated approach is essential for spreading and popularising the programmes for development of small scale sector. The Committee, therefore, feel that the integrated approach followed by NSIC by providing facilities such as plant and machinery on hire purchase basis, multi-faceted assistance in internal and export marketing and training of technical personnel needs to be fostered. In this respect, NSIC should be encouraged to play a pivotal role in coordinating and guiding the activities of the State agencies. With the expertise built up in the specialised areas of its activities over years, NSIC can surely function as a pace-setter and guiding spirit for motivating the State Small Industries Corporations, DICs, etc. engaged in the development of small scale industries.

1.49 During the course of the visit to various places, the Committee got an impression that the District Industries Centres, which numbered 393 at the end of 1982-83, have not been actively associated with the activities of NSIC, so much that in some cases DIC's had no knowledge about the activities and schemes sponsored by NSIC. If the DICs are actively associated with various schemes of NSIC, the Committee feel that the schemes like hire purchase or single point registration would get the necessary push. Even if a minimum number, say 10 small scale units had been motivated by each DIC during a year to avail services rendered by NSIC, a larger number of units would have been provided machines on hire purchase basis or got enlisted under the single point registration scheme. There is, thus, need for more meaningful interaction between NSIC and DICs.

CHAPTER II

HIRE PURCHASE

A Supply of Machines on hire purchase

2.1 The scheme to supply machines on hire purchase basis was launched in March, 1956 to help establishment of new small and ancillary industries and to modernise the existing ones by supplying them appropriate, modern and sophisticated machinery and equipment. This scheme has remained the mainstay of NSIC's activities.

2.2 In financial terms, supply of machines on hire-purchase is one of the major activities of the Corporation. Under hire-purchase scheme, imported and indigenous machinery and equipment are supplied to the small scale industrial units on easy instalments spread over a period of 7 years. The achievements of the Corporation in the area of hire-purchase upto 31-3-1983 have been as under :—

1. No. of units assisted	17,509
2. No. of machines supplied	37,730
3. Hire purchase value of machines supplied	Rs. 139.42 crores.
4. Employment generated.	4,00,000
5. Annual production capacity generated	Rs. 700 crores (estimated)

2.3 During the course of examination of the Corporation, the Committee enquired whether any review was undertaken to evaluate the impact of the scheme on the development of small industries both in the developed states as also in the backward regions. The Chairman, NSIC stated :

“Some reviews were carried out some time ago. But no recent study has been available on the impact of the scheme. According to the earlier studies, a major portion of the hire purchase system was going to the developed areas, and that too in the metropolitan cities, where the necessary infrastructure was available. Now there is a change and almost one-third of the total turnover is in backward areas.”

2.4 The statement below gives details of the machines delivered state-wise, since the inception of the scheme :—

(Rs. in lakhs)

States	H.P. Value
Tamil Nadu	2004.47
Andhra Pradesh	615.96
Kerala	719.31
Karnataka	883.22
Pondicherry	29.91
TOTAL	4252.87
Maharashtra	1708.77
Gujarat	986.90
Madhya Pradesh	484.57
Goa	88.45
TOTAL	3268.69
West Bengal	1040.61
Bihar	331.66
Assam	162.49
Orissa	115.44
Manipur	20.33
Tripura	10.97
Andaman Nikobar	3.81
Meghalaya	1.55
Nagaland	3.25
Mizoram	9.33
Arunachal Pradesh
Sikkim	0.12
TOTAL	1699.56
Delhi	1242.25
Uttar Pradesh	1691.86
Punjab	546.14
Jammu & Kashmir	76.35
Rajasthan	425.1
Himachal Pradesh	53.83
Haryana	694.99
TOTAL	4720.53
GRAND TOTAL	13941.65

2.5 In regard to the steps taken by the Corporation to cover all States| Union Territories under the scheme, the Corporation has in a note stated :

“To reach units in all the States|Union Territories, NSIC operates through a network of Regional Offices in Delhi, Bombay, Madras and Calcutta and Branch Offices in Bangalore, Bhopal, Chandigarh, Cuttack, Gauhati, Hyderabad, Jaipur, Kanpur, Patna and Trichur. The Field Staff attached to the Regional and Branch Offices regularly maintain liaison with the SISIs DICs etc. Intensive campaigns are held covering 3-4 districts at a time to offer various services of NSIC to the entrepreneurs on the spot. During 1982-83, 43 Campaigns were conducted. During 1983-84, it is proposed to continue with conducting similar campaigns.”

2.6 The Committee have been informed that till 1982-83 55942 applications for supply of machines worth Rs. 424.54 crores were received. Of these 36574 applications for machines worth Rs. 215.19 crores were sanctioned. 37730 machines worth Rs. 139.42 crores (hire purchase value) were delivered till the end of 1982-83. It has been stated that during 1983-84 machines worth Rs. 22 crores were expected to be delivered.

2.7 The Committee enquired about the reasons for rejecting a large number of applications. The Chairman, NSIC stated as follows :—

“I may submit guidelines have been provided to reduce the period and also the possibility of rejecting the applications. The entrepreneurs do not supply all the documents required. Though the Corporation follows the case, sometimes they do not respond.”

2.8 Asked about the normal time taken in disposing off an application, the witness replied :—

“Internal direction is that we should endeavour to process the application within sixty days. But we are again monitoring and trying to work a way out thereby any delay which might happen should be avoided or reduced as much as possible.”

2.9 The Committee also wanted to know as to whether the procedure laid down for processing the applications for hire purchase was sufficiently streamlined or there was need for further refinement with a view to ensure proper operation of the scheme. The Chairman, NSIC stated as follows :

“There is need for further refining it. The present procedure for hire purchase requires review. It is our constant endeavour to review and bring about changes in accordance with the requirements. We have provided a check list and other things with a view to reduce incidence of rejection of the application, or delay in processing it.”

2.10 In reply to a question as to how often complaints were received about the delay in supply of the machines resulting from the procedure followed, the witness replied :

“Complaints do come that there has been some delay in disposing of the application. Those cases are individually investigated. We try to assist the units. We go through the reasons for delay. Once the application is complete, it is required to be processed through the State Level Committee or the Committee at the Head Office. There could be delay in holding Committee Meetings.”

2.11 The Committee further enquired as to whether any study had been made to ascertain the extent to which the tiny and really small units benefited from this scheme of NSIC. The Chairman, NSIC stated as follows :—

“As a result of shift in the policy of the Government to develop the tiny units, branch offices have been opened in the States and they have been delegated powers with a view to serving the tiny units. 40 per cent of our services go to the tiny sector. The trend has shown that the service has gradually increased. Even looking to the last three years’ figures, the supply orders placed in respect of tiny units are Rs. 1315 lakhs whereas supply orders for non-tiny sector were Rs. 1832 lakhs. Therefore, over the years we have been increasing supply of machine and equipments to the tiny sector and the price of average machine for the tiny unit is Rs. 17,000 and for non-tiny it is Rs. 54,000.”

B. Development of underdeveloped and backward areas

2.12 Under the hire purchase scheme, NSIC has supplied machines of the value of Rs. 139.42 crores upto the end of March, 1983. The following table gives the quantum of assistance to backward districts during the last few years :—

Year	(Rs. in lakh)	
	Total	Hire Purchase Value Backward areas
1976-77	294.39	55.02
1977-78	249.03	45.26
1978-79	150.05	36.26
1979-80	456.41	155.61
1980-81	431.32	308.75
1981-82	1151.76	392.70
1982-83	1754.25	539.39

2.13 The Sinha Committee set up in 1973 to review the working of NSIC had observed that major benefit of the scheme of hire purchase had gone mainly to a few developed States, there too to a few centres.

During the examination of the Corporation, the Committee enquired about the action taken by the Corporation on the observations of the Sinha Committee. The Chairman, NSIC stated as follows :—

“A shift has been brought about in the policy of the Corporation to render more services in the backward area and to the tiny units. The number of machines supplied in the backward area has increased. The service is also sought by entrepreneurs both for imported machines as well as modernisation and expansion. A balanced view is being taken in the supply of machines with a particular emphasis for rendering service to the declared backward areas.”

He further added :—

“The percentage of assistance to backward areas during the last three years is 42 per cent in the terms of machines and 33 per cent in terms of value. In backward areas, 3120 machines have been supplied in three years with hire-purchase value of Rs. 12 crores. The number of machines supplied in the non-backward areas is 4283 and in terms of value it comes to Rs. 25 crores.”

2.14 The Committee further pointed out that many of the State Small Industries Corporations were also providing financial assistance to small scale units in one form or the other and enquired whether it would not be appropriate for the NSIC to concentrate its activities particularly under the hire purchase only in backward areas while the other areas could be taken care of by the State bodies. The Corporation replied in a written note that the Corporation's role was supplementary to that of State Corporations with greater emphasis on backward areas.

2.15 It has been stated that with a view to promoting industrialisation in backward areas and among weaker sections of society such as Scheduled Castes/Scheduled Tribes, physically handicapped persons etc., the terms have been liberalised in form of service charge, interest rate etc.

2.16 In reply to a question as to whether the entrepreneurs came from outside or from the backward area itself, the Chairman, NSIC stated :—

“It would be difficult for me to categorically state that all the people to whom the machines have been supplied in the backward areas come from the backward areas.”

2.17 The Committee further enquired as to whether any study had been made regarding the ‘benami’ industrial units set up by large industrial houses in the backward areas under the assistance provided by NSIC. The NSIC stated in a written reply that NSIC has not carried out any study specifically regarding ‘Benami’ industrial units set up by large industrial

houses in the backward areas with the assistance provided by NSIC. However, on the basis of general review carried out of assisted units, the Corporation has not come across any case which has been set up as 'Benami' by large industrial houses. Further, in respect of non-tiny units, checks have been provided in the system to weed out any application sponsored by large industrial houses or by people having interests therein.

2.18 As to the number of entrepreneurs belonging to SC/ST and handicapped, who have been given assistance by NSIC, the Corporation stated in written reply that the concessional terms for hire purchase assistance to SC/ST and physically handicapped persons have been introduced w.e.f. 1-3-1980 and 2-8-1982 respectively. Maintenance of separate record of assistance provided to these sections of entrepreneurs has been started w.e.f. 1-4-1983. No separate record had been maintained earlier in respect of assistance rendered to these categories of entrepreneurs.

C. Losses in the operation of scheme

2.19 The sale turnover *vis-a-vis* targets and the financial results of the Hire Purchase Scheme are given below :

Year	(Value in Rs. lakhs)		
	Target of hire purchase Sales	Actuals	Loss/profit
1980-81	500	551.27	(-)65.87
1981-82	700	763.35	(-)107.90
1982-83	1200	1103.83	21.38

It is seen that although targets in terms of sales turnover have been achieved in the last 3 years except in 1982-83, the scheme has continuously resulted in a financial loss to the Corporation except in 1982-83 when the scheme achieved in the last 3 years except in 1982-83, the scheme has continuously resulted in a marginal profit of Rs. 21.38 lakhs. In the earlier years also the activity resulted in heavy losses to the Corporation. The losses suffered on this account during the years 1978-79 and 1979-80 were of the order of Rs. 130.42 lakhs and Rs. 132.61 lakhs respectively.

2.20 As far back as 1959-60, the Estimates Committee had recommended that the scheme should be operated on a no-loss basis if not on a profit basis. Again in 1973, the Sinha Committee set up to review working of the Corporation recommended that the Hire Purchase Scheme should be made commercially viable and independent of Government aid.

2.21 During the course of examination of the Corporation, the Committee enquired as to whether there was any Government directive to operate the scheme on subsidised basis. The Chairman, NSIC stated during evidence :—

“There is no directive from the Government to operate the scheme on subsidised basis. However, the terms of our hire-purchase scheme are approved by the Government.”

2.22 Explaining the reasons for the loss in operating the scheme, Chairman, NSIC stated during evidence :

"The basic reasons is that the total volume has to be increased. There are more losses because the volume is low.....If we increase the volume and economics on a larger scale, the scheme could be helpful as a development activity and it will also be very viable and its benefits would flow to the weaker sections and backward areas of the country.... it would be in consonance with the national policy to have a continuous flow of funds to this scheme."

He also added :

"We have been trying to reach out to different sections of society and our investments are basically without collateral in a majority of cases for machinery or for equipment supplied upto Rs. 6 lakhs. Therefore, we have cases of bad debts."

2.23 Asked about the steps taken to make the scheme self-supporting, the Chairman, NSIC stated as follows :—

"...last year by increasing the volume of the total business and by keeping the establishment cost as low as possible, we have been able to generate a small profit of Rs. 21.38 in Hire Purchase Activity. This is a turning point as far as the Corporation is concerned, and we hope that in this year and in subsequent years also, with more emphasis on improving the recovery of funds from the hirers and also on trying to improve the total business, we should be able to turn this into a profit making one."

2.24 The Committee enquired whether the Ministry had looked into the reasons because of which the scheme has been continuously operated at a loss. In a note, the Ministry have stated :

"The details of the hire purchase scheme (including rate of interest, moratorium period, quantum of earnest money, repayment schedule etc.) are approved by Government and it is normally anticipated that there would be no losses in these operations. To make the scheme more attractive for the entrepreneur certain element of subsidy in matters of interest is built into the scheme whereas there is no directive as such that the scheme should be operated on a subsidised basis. The losses in this scheme have primarily been on account of defaults in matters of repayment and on account of provisions made in the balance sheets for bad and doubtful debts. Increased volume of business could also result in changing the position which is being reflected in the results of the scheme now."

2.25 In reply to a question as to what should be the optimal turnover of the scheme so as to make itself self-sustaining, the Chairman, NSIC stated during evidence that the optimum turn-over yearly of the scheme should be of the order of Rs. 18 crores to make it self-sustaining.

2.26 Asked about the measures taken to achieve optimum turnover, NSIC stated in a written reply as follows :

- “(i) The vital input for increasing the turnover is timely availability of funds for which action has been initiated.
- (ii) Administrative action to motivate the employees to achieve higher turnover, fast processing of data with the help of computer etc. are also being taken.”

2.27 During the course of examination of Ministry, the Committee enquired whether the financial requirements of the Corporation could not be met by the Ministry. The Additional Secretary and DC (SSI) stated :

“The Committee is very well aware of how the projects or plans of any organisation are hammered out and finally settled in Government. There is sometimes an ambitious or may be an impractical proposal put up by the Corporation or an organisation. But it is not that the whole thing is not given serious thought, considered and examined in Government. The various wings of the Government in consultation with the organisation, the Finance and the administrative Ministry, consider and examine the proposal. Finally, it is approved at the Planning Commission level, at the national level.”

He added :

“Whatever was committed by the Government for this Corporation has been met. They were promised an equity of Rs. 6 crores and, even before the Plan period is over Rs. 6 crores have already been made available. We will release a little more next year, may be of the order of Rs. 2 crores. They had projected in their document a turnover of about Rs. 75 crores for the hire purchase scheme. The actual achievement in 1980-81 was Rs. 5.5 crores. So, it was considered that there would be Rs. 70 crores left over for which a subsequent provision was required to be made. This was to be made, according to their projections, by Rs. 10 crores equity, Rs. 40 crores from IDBI and Rs. 20 crores from the earnest money and the repayments that they get from machines and so on and so forth. The IDBI has already approved Rs. 12 crores out of which Rs. 9 crores have been released to them. The Government had also already agreed to Rs. 6 crores equity.”

The Additional Secretary, Department of Industrial Development further stated :

“Rs. 2 crores have been made available by the Punjab National Bank on a Government guarantee. The requirements as projected, though it can be said, have not been met in full but, what is considered realistic, practical and something that can be accomplished and carried out by the Government machinery has been provided for and is hoped to be met by the Government.

The equity part is the most important direct contribution by Government. That is already done. So, somebody can ask for Rs. 100 crores but, it has to be seen whether it is something that is within the realms of achievement or not, considering the infrastructure, the capabilities, the man-power availability and all that."

2.28 In regard to the financial help given by the Banks, the witness stated :

"In principle, we think that the bank should give more loans for such activities which are essentially is commercial. But unfortunately even the Rs. 2 crores has been given by the bank, only against a Government guarantee. Even the IDBI is asking for the Government guarantee and we are trying to persuade them for considering this as a commercial operation and advance them for the purpose of commercial activity. We are working on this and we hope we can persuade the banks to agree to this."

2.29 The Committee further wanted to know whether any cost benefit analysis of the scheme was ever done. The Chairman, NSIC stated :

"The cost benefit analysis is considered to be very necessary. Keeping in view the present situation we are conducting a diagnostic study by a reputed firm of chartered accountants to analyse the various cost elements and identify possible areas of improvement and it is going to start probably from first of October this year."

2.30 The Committee pointed out that so far the benefit of the scheme has been derived only by 17509 small scale units in the country and enquired whether sufficient publicity was made to popularise the scheme. The Chairman, NSIC stated :

"I had submitted the methodology being used by us in trying to publicise our scheme and activities so as to reach the people, the prospective industrialists and entrepreneurs. We had conducted 43 campaigns last year and pamphlets were distributed and advertisements inserted. Our staff kept constant liaison with the District Industries Centres and the Directorates of Industries for promoting small-scale units. In the local papers and through the hand-bills we give advertisements."

2.31 The Committee drew the attention of the representatives of the Corporation to the fact that the publicity material was in English. To this the Chairman, NSIC replied :

"I submit that we give advertisements in vernacular papers many times. But as far as the publication of literature in other regional languages is concerned, we will see it is done."

2.32 On being pointed out by the Committee that publicity through television media could be more effective, the witness stated that they have two films which have been projected through the Doordarshan in the National Programme.

He further added :

“... We are also using many more methods to reach the people one is intensive campaign. Secondly we are participating in quite a few regional fairs, trade fairs and symposiums. Budding entrepreneurs do go and see what is going on there. Our people sitting there explain to them all. The activities and facilities that we can provide.”

D. Recovery of dues outstanding

2.33 The following table gives details of the amounts due on account of hire purchase instalments and the amounts realised during each of the last 3 years :—

	(Rs. in lakhs)		
	1980-81	1981-82	1982-83
1. Amount due at the beginning of the year	1,293	1,300	1,304
2. Amount due during the year	537	573	605
3. Total	1,830	1,873	1,909
4. Amount received adjusted during the year	530	569	574
5. Balance	1,300	1,304	1,335
6. % of (4) to (3)	28%	30%	30%

It is to be seen from the above that the rate of recovery during the last 3 years has not shown any improvement. The overall arrears of instalments due are also increasing from year to year.

2.34 It has been further stated that since inception, bad debts amounting to Rs. 84.38 lakhs have been written off. Besides this, Rs. 55.39 lakhs on account of penal/normal additional interest, which is considered as income on realisation, has also been written off. One of the reasons for losses in the operation of the scheme has been stated to below recoveries.

2.35 As regards the reasons for defaults in payment the NSIC has stated :

“Small scale entrepreneurs are spread throughout the country and most of them being new units with lack of inputs (power, raw materials etc.) managerial skills and trained personnel find it difficult to timely repay the hire purchase dues to the Corporation. Keeping in view the inadequacy of their economic

means, the machines are supplied without any collateral security upto Rs. 6 lakhs, though, this causes difficulties in realisation of dues in cases of defaults."

2.36 Asked about the measures taken for having a better appraisal system while sanctioning the loans under hire purchase scheme to avoid subsequent problems in collecting the dues, the Chairman, NSIC stated :—

"Basically we adopted several measures with a view to improving recoveries, so that the Corporation could continue providing assistance to more and more units. I do feel that no system is perfect so also ours. In fact, we have a Default Review Committee. We go to each region. I personally go and sit on the Committee. We review most of the cases where default is there, or visit them along with the local Manager and Manager-in-charge of recoveries. We try even to settle cases by giving some concessions wherever there is penal interest, we consider writing it off also.

We go by the advise of the DICs and make our own analysis. We make enquiries to see whether the fund provided is enough or not, and that wrong investment is reduced to the minimum. Moreover, we do not want to have more sick units."

2.37 The Committee also wanted to know whether the Corporation was giving further machines to the defaulters. The Chairman, NSIC stated :

"Normally to the person who had defaulted we do not give any machine, by and large, but there might be one or two stray cases. For example, if a unit is likely to go sick because it is not able to get adequate electricity and providing an input like generator will help that unit, we take a conscious decision because the unit needs help. After delivering the machine and equipment to the hire, our people visit them and establish regular contacts with them. The first instalment is naturally difficult for the hirer to pay because the gestation period in the case of small units is rather long and they have to get off the ground and start marketing their production. Therefore, there may be some problem in the payment of first instalment. But once they start getting off the ground, we keep on realising the recoveries."

2.38 Asked as to whether, the Corporation also approach courts to get the payment, the witness replies :

"We have a continuous dialogue, a continuous follow-up with all our units to whom we have given machine and equipment. We do not want to go to the court if the intentions of the party are good because nothing good will come out by our going to the court. Therefore, we do not go to court if the inten-

tions of the party are good. But where we find that the party is defaulting many times deliberately, he does not want to pay, then we have no choice but to go to court."

2.39 During the course of examination of the Ministry, the Committee pointed out the NSIC has been experiencing difficulties in realising dues from hire under the scheme and enquired whether the Government have evolved any fool proof and more easier way of collecting such dues to avoid necessity of litigation. The Additional Secretary and DC (SSI) stated as follows :—

"A foolproof system can be evolved. But it will become so rigid and stringent that the usefulness of the scheme to these sections of the people whom you want to reach will become practically zero."

In a note furnished subsequently the Ministry have stated :

"Till 31-3-1983 the Corporation supplied machinery on hire purchase basis valuing about Rs. 139.42 crores and out of this Rs. 105.07 crores had fallen due. As against this hire purchase amount due and outstanding recovery was Rs. 13.35 crores till then representing 12.6% of the accrued hire purchases amount. According to this Ministry's view this position is not very unsatisfactory though the Ministry has always been stressing upon the Corporation to further improve its recovering position.

The written off bad debts, in most cases represent penal/additional interest. In case of chronic defaults, action is first taken to seize the machines and to file a case in the Court for recovery of outstanding dues. The disposal of seized machines through public tender is also taken up. A bad debt is written off after exhausting all efforts for its recovery."

2.40 The Committee have been informed "the details of law suits pending and amount involved as on 31-3-83 and 30-9-83 as under :—

	No. of Cases	Amount (in Rs. lakhs)
As on 31-3-1983	421	617.28
As on 30-9-1983	421	615.41

The total cost of litigation in the above cases is about Rs. 40 lakhs. It may be mentioned that the suits awarded by the courts in favour of the Corporation are with costs.

The steps taken to speed up clearance are as under :—

- (i) follow up with the entrepreneur for out of court settlement.
- (ii) follow up with the Solicitors/Advocates.
- (iii) change of Solicitors/Advocates wherever necessary. Generally, in 85% of the cases time taken ranges from 4 years to 8 years. In few cases, Court decisions are received within 4 years but there are certain cases which get stuck up in the courts for period even beyond 8 years."

2.41 In financial terms the supply of machines on hire purchase is one of the major activities of the NSIC. Under this scheme imported and indigenous machinery and equipment are supplied to the small scale industrial units on easy instalments spread over a period of 7 years. Till 1982-83, the Corporation is reported to have assisted 17,509 units by supplying them 37,730 machines worth Rs. 139.42 crores. It has been estimated that the machines supplied by NSIC have resulted in creation of employment avenues for over 4 lakh persons and account for annual gross output of about Rs. 700 crores. The Committee cannot, however, view with any sense of satisfaction the role of a national level organisation in this regard being limited to a few thousand units out of about a million units dispersed all over the country. It is needless to emphasize that there is need to make the Hire Purchase Scheme extensive and commensurate with the national need in the small scale sector.

2.42 The Company has been continuously highlighting in its annual reports the fact of its operating the hire purchase scheme below its actual level of capacity because of paucity of funds and that less than an optimal turnover adversely affected its efficiency. The Committee do not find any justification why the Corporation should be denied adequate resources for carrying out its hire purchase activity at optimal level if the Government are convinced of the efficacy of the scheme and the capability of the Corporation to operate the same more extensively. The Committee recommend that the Government should provide more funds to NSIC for promoting the Hire Purchase Scheme.

2.43 It has been argued that financial help for the scheme could be obtained from the banks. As a matter of fact IDBI is reported to have sanctioned an amount of Rs. 12 crores out of which Rs. 9 crores have already been released. Similarly, Punjab National Bank is stated to have been made available Rs. 2 crores. Both these institutions are, however, insisting on Government guarantee for the loans advanced to NSIC for its hire purchase activity. The Committee feel that this is a matter which should be sorted out early at Government level.

2.44 The Sinha Committee set up in 1973 to review the working of NSIC had observed that major benefit of the scheme of hire purchase had gone mainly to a few developed States and that too to a few centres. The details regarding machines delivered state-wise since the inception of the scheme furnished to the Committee only reinforce this point. The Chairman, NSIC was also can did in his admission that the major portion of

the hire purchase system had been going to the developed areas and that too in the metropolitan cities, where the necessary infrastructure was already available. Thus development has been allowed to take its normal course rather than deliberately inducing development of backward areas. Only recently this trend has been sought to be reversed. During the last 3 years ending 1982-83, out of the total quantum of assistance of Rs. 33.36 crores provided under the hire purchase scheme, about Rs. 12.40 crores have gone to under-developed and backward areas. The Committee consider this as a step in the right direction and recommend that the company's activities in the declared backward areas should be more widespread and extensive. There should be periodic and effective monitoring at the Government level to ensure this.

2.45 The Committee feel that since commercial banks and State Finance Corporations were also lending a helping hand by granting loans against hypothecation of machinery, it is worth considering if NSIC could be asked to concentrate its activities under the hire purchase scheme particularly in backward areas while the other areas could as well be taken care of by financial institutions. For this purpose NSIC could be designated as the central apex body to encourage and develop industries in specified backward and semi-backward areas. With the expertise built up over the last so many years in this particular field, NSIC should be able to render a significant service in this field.

2.46 It is heartening to note that with a view to promoting industrialisation in backward areas and mong weaker sections of society, such as Scheduled Castes/Scheduled Tribes, physically handicapped persons, technocrats etc. special concessional terms have been introduced in the matter of payment of earnest money, rate of interest and service charges. The Committee, however, wish to emphasise that there is need for exercising caution lest the facilities extended to weaker sections are not misused by large industrial units by setting up 'benami' units in the backward areas.

2.47 As a result of shift in the policy of the Government to develop the tiny units, NSIC has reportedly opened Branch offices in various States for helping the tiny units. The Committee are glad to note that 40 per cent of the services of the Company were now going to the tiny sector. It is needless to point out that even among the small scale units it is only the tiny or very small units which really need the fostering care of an organisation like NSIC. The Committee would like the NSIC to pay more attention to this segment of the small scale sector.

2.48 The Committee feel that the Company can provide avenues for the educated unemployed youth through its various promotional schemes and thus play a significant role in the implementation of the Prime Minister's New 20-Point Programme. The Company can also play its part in correcting regional imbalances in the growth of small scale industries. The Committee would expect the Company to reorient its activities with a view to realising these objectives.

2.49 It is a matter of concern to the Committee that no separate record had been maintained earlier in respect of assistance provided to the entrepreneurs belonging to Scheduled Castes/Scheduled Tribes and those who were handicapped, under the concessional terms of assistance. This deficiency needs to be rectified. It is only on the basis of such records that NSIC could project success of this scheme in relation to such categories of people.

2.50 The operation of the hire-purchase scheme by NSIC has all along resulted in a loss except in 1982-83, when the scheme resulted in a marginal profit of Rs. 21.38 lakhs. This is disturbing in view of the fact that as far back as 1959-60, the Estimates Committee had recommended that the scheme should be operated on a no-loss basis if not on a profit basis. Again in 1973, the Sinha Committee set up to review the working of the Company had recommended that the hire purchase scheme should be made commercially viable and independent of Government aid. It has been stated that increased volume of business could result in changing the position from one of loss to a profitable activity. This only strengthens the management's point that the scheme has not been allowed to work at optimal level because of resource constraint. The Committee would like the Government to review the matter with a view to fixing an optimum turnover and then provide for the necessary wherewithal so as to make the scheme self-sustaining.

2.51 As stated earlier the benefit of the scheme has so far been derived only by 17509 small scale units in the country. The Committee were informed that the scheme was publicised through pamphlets and advertisements. During 1982-83 the Company is reported to have conducted 43 motivational campaigns with a view to informing and enthuse the prospective entrepreneurs. More concerted efforts are needed to be put in to reach out to a much larger section of the population through advertisements and also other mass media, like All India Radio, especially for villagers to whom publicity literature cannot reach and common people are not educated. It will also be desirable to bring out the publicity material in regional languages.

2.52 It is disconcerting to note that at the end of 1982-83 an amount of as much as Rs. 13.35 crores on account of overdue instalments was in arrears. The value of machines supplied on hire purchase during the year 1982-83 was of the order of 11.03 crores. Thus the outstanding dues of the Company were much more than its annual turnover. This would imply that the company could more than double its annual turnover if only it were in a position to realise the arrears of instalments. The Committee find that during the last 3 years the rate of recovery has not shown any perceptible improvement. As a matter of fact the rate of default appears to be on the increase in that, the overall arrears of instalments are increasing from year to year. This calls for more vigorous efforts to ensure prompt recovery. The Committee feel that the entire position needs to be thoroughly reviewed not only to expedite recovery of arrears but also to streamline the methods of scrutiny of applications for loans before sanction and proper appraisal of parties regarding their

soundness and capability to repay the amounts etc. There should also be proper follow up action for recoveries.

2.53 The Committee note that a large number of law suits involving an amount of more than Rs. 5 crores are pending in courts. The total cost of litigation in the above cases was estimated to be about Rs. 40 lakhs. The Committee understand that the Company retains the ownership of the machine till the full hire purchase value of the machinery is paid and the hire purchase agreement provides for the NSIC the authority to repossess the machine on the ground of default. The Committee would like to know why this provision has not been made extensive use of.

2.54 The Committee have come to the conclusion that NSIC's machinery for recovery of instalments and overdues from parties concerned is very weak. NSIC should take more strong and more imaginative measures to recover dues. The Committee urge the Government to pay serious attention to this problem and strengthen the machinery of NSIC in this regard.

CHAPTER III

MARKETING ACTIVITIES

A. Overall Performance

3.1 Marketing has been identified as one of the critical areas in which institutional support is required by the small scale sector. There are major gaps in information on customers' needs quality control, standardisation and optimal production processes, which need to be bridged.

The main activities undertaken by the Marketing Division of NSIC are as follows :—

- (1) Internal Marketing including sale of Nutan Stoves;
- (2) Supply and distribution of raw materials including imports;
- (3) Export of products of small scale units and project exports.

3.2 It has been stated that in the area, of internal marketing, NSIC has, since 1976, adopted a consortia approach in which a number of small units producing the same products are associated in the form of a consortium. The bulk orders secured by NSIC are then farmed out to small units in tune with their production capacity. The products which have been taken up for internal marketing on above lines are hosiery items, hand-made paper, tapioca starch, electric fans, air pollution control equipment and Acid lead batteries. These consortia are being assisted in quality up-gradation, market information and in identifying opportunities and technologies for increasing productivity.

3.3 In the matter of supply of raw materials, NSIC has been having a depot at Pondicherry for stocking and distribution of certain essential raw materials. NSIC has also been importing raw materials for small scale units under its own Additional Import Licences.

3.4 It has also been stated that nearly 500 small scale units participate every year in NSIC's marketing assistance programme.

3.5 The total turn over of NSIC during 1982-83 in the various marketing activities was Rs. 497.47 lakhs as compared to Rs. 442.25 lakhs in 1981-82. The Corporation plans to expand its internal marketing programme. The target for 1983-84 is Rs. 4.5 crores and for 1984-85 Rs. 6 crores.

3.6 The following table gives targets and achievements of NSIC in the areas of internal marketing, export and supply and distribution of raw materials.

(Value in Rs. lakhs)

	1980-81		1981-82		1982-83	
	Target	Achievement	Target	Achievement	Target	Achievement
(i) Internal Marketing (including Nutan Stoves)	225.00	152.13	334.00	160.63	350.00	175.36
(ii) Raw Materials	50.00	64.87	130.00	74.16	150.00	136.94
(iii) Product Export	80.00	81.64	150.00	105.30	200.00	137.36
(iv) Project Exports	100.00	8.18	100.00	102.11	200.00	47.91

It is evident from the above that the achievements in different areas of marketing have been generally much less than the targets set down.

3.7 Asked about the reasons for not achieving the target the Chairman NSIC stated in evidence :—

“Looking to the statistics of marketing, we find that our marketing support is given basically to the units—i.e. to those who need marketing support e.g. weaker ones among the small units. During the last three years, our turnover has almost doubled.

As far as the comparison of targets is concerned, we have made a deliberate attempt to motivate our people. We have fixed the targets higher, so that we should attempt to fulfil them. Compared to our previous performances, we have done better. For the current year, we have fixed a target of about of Rs. 30 crores.”

In regard to over estimation of targets, he further stated :

“It is a conscious effort. We want to attempt something high. This is an area where I strongly feel that these small scale units need more inputs.”

3.8 The Committee pointed out that the total turnover of NSIC in various marketing activities in the context of the total marketing functions of small scale industries was only marginal. Asked about the reasons for it, the Chairman, NSIC stated during evidence as follows :—

“You are very right these are the weaker units whom we assist. This is a continuous process. But certainly we need to expand our scope of activity.”

3.9 The Committee desired to know whether NSIC had drawn up any plans for enlarging the marketing assistance services. In a note it has been stated :

“The NSIC’s Marketing Operations in relation to the total marketing functions of small scale industries apparently look to be small but the figures furnished do not take into account the indirect assistance provided by NSIC to the Small Scale Units in their marketing operations. For example the assistance rendered by NSIC through the Single Point Registration Scheme to the small scale units to take part in Government purchases is not reflected in these figures. Moreover, constant efforts are being made to broaden the marketing operations through diversification of marketing activity. The marketing support by the NSIC is catalytic in nature and is offered to the relatively weaker small scale units. The normal units are able to be on their own. In respect of weaker units, as soon as they are able to stand on their own the Corporation diversifies into other units and other areas. There are similar instances where units have been coming in and going out of the consortia in respect of Hosiery, Starch, Handmade Paper and Export.”

3.10 The Committee pointed out that marketing assistance to Small Scale Units was also being provided by almost all the State Small Industries Corporations/Bodies and enquired whether the handling of this activity by NSIC did not involve duplication of efforts. The Chairman, NSIC stated during evidence :

“Some State Small Industries Corporations are providing support to the small scale units to some extent. Others are not at all giving support. Madhya Pradesh particularly is giving extremely good support. It is so in Maharashtra, also. But there are many other States where no work is being done at all.

As far as NSIC is concerned, it is giving an exposure to the small scale units throughout the country looking into totality of productivity in that sector. For the weaker sections among them it is better that there are a large number of bodies.”

3.11 The following table shows the working results of the marketing activities of the corporation during the years 1979-80 to 1982-83 :

Year	Profit/Losses (Rs. in lakh)
1979-80	(-) 12.29
1980-81	(-) 14.41
1981-82	(+) 4.75
1982-83	(-) 17.53

3.12 The following reasons have been advanced by the Corporation for the losses in the marketing activity:—

- (i) The distribution of brass scrap from the ordnance factories to the small scale industries through NSIC has been discontinued with the result the level of marketing operations have fallen below the level of capability of the Corporation.
- (ii) The marketing activity is service-oriented as only nominal service charges varying between 3 to 5 percent are levied. Due to fall in marketing activities as indicated above, it has not been possible to recover the full costs. Efforts are being made to enhance the volume of activities. The turnover achieved during 1982-83 was Rs. 497.47 lakhs as against the achievement of Rs. 442.25 lakhs in the preceding year. The target of the year 1983-84 is Rs. 900.00 lakhs."

3.13 The Committee enquired about the reasons for discontinuance of supply of scrap to NSIC for distribution by ordnance factories and depots and also wanted to know whether the matter had been taken up with the concerned authorities.

The NSIC replied in a written note as under :—

"The ordnance depots/factories were supplying Brass Scrap to NSIC for distribution to the small scale units. The Corporation distributed raw-material after obtaining from the ordnance factories/depots worth about Rs. 10 crores annually. Subsequently, the Ministry of Defence felt that the material could be re-processed/recycled for use by them. It was also felt that after reprocessing the scrap left may be a very small quantity which could be disposed off by them by inviting tenders from the Industry. The NSIC has again represented to the Ministry for allocation of this material to NSIC rather than tendering so that large number of small scale units could be assisted in the procurement of raw-material as they may not be in a position to tender for the material in their individual entity. The proposal being pursue.

3.14 The Committee also wanted to know as to how the service charge of NSIC compared with that of STC and other State level organisations. The NSIC stated in written reply as follows :—

"The PEC and some of the State Small Industries Corporations usually charge 2 to 5 per cent service charges from the units in respect of the marketing done by them. The NSIC is charging 3 to 5 per cent service charges. As regards STC their charges are understood to be between 1 to 2 per cent as a canalising agency and their volume of turnover is very large which gives economy of scale. Considering the package of services rendered by the NSIC the service charges are quite competitive and not high."

3.15 As to the difference between services rendered by NSIC and that rendered by other Public Sector Organisations, the Corporation informed the Committee :

“The service rendered by NSIC are of a much wider magnitude. The Corporation not only assists the industry in exposing their products to the buyers through participation in Exhibitions in India and abroad, Buyer-Seller Meet etc., but also assists them in booking the orders. The Corporation extends broadly the following assistance to its associate units :—

- (a) Financial assistance by means of advances against despatch of material.
- (b) Financial assistance in the procurement of indigenous and imported raw-material.
- (c) Supply of balancing machinery.

In brief the services rendered are of a comprehensive nature. The Corporation not only books orders for the small industry, but also enables them to build up necessary infrastructure which would assist them in executing the orders.”

3.16 The Committee further enquired about the prospects for stepping up the marketing activity to a level that would enable the NSIC to break even on this activity. The Corporation replied in a note as follows :—

“The prospects of stepping up marketing activity are very bright and Corporation is constantly endeavouring to broaden its marketing operations. The marketing performance is expected to be of the order of Rs. 1300 lakhs during 1983-84 which will amount to an increase of over 135 per cent over the actual performance in the year 1982-83. This envisages that NSIC will be able to break-even on this activity in the current year.”

3.17 During the course of examination of the Ministry, the Committee pointed out that the marketing activities of the Corporation were only marginal in the national context. To this Additional Secretary, Department of Industrial Development and DC (SSI) stated as follows :—

“It is not as if every unit in the small scale sector either requires or asks for marketing support. A very large amount of production from the sector is marketed by the units themselves, without having any marketing problem. It is only in marginal cases that marketing through a separate agency is asked for. So, any relationship between the total output and marketing contribution made by NSIC would not be a dependable indicator.”

He further added :

“NSIC’s contribution is only marginal. I say that a very large number of small scale units do not really need the assistance of a third agency.”

3.18 As regards the extension of marketing activities of NSIC, the Department of Industrial Development stated in a written reply :

“The proposal which NSIC is considering for extending its marketing activities are as under :

- (a) Setting of market development centres in which a wide variety of products produced in the small scale sector will be displayed and sold.
- (b) Instalment selling in which consumer durables will be made available to the buyers on instalment basis.
- (c) Bulk purchase including import of raw materials for distribution to several small scale units on off the shelf basis.
- (d) Bill discounting.
- (e) Taking up agency, particularly for marketing machine tools and machinery.”

B. Supply of raw material

3.19 Asked about the rationale behind running of a solitary depot for supply of raw materials at Pondicherry, the Chairman, NSIC stated as follows :—

“We had one depot each in Ludhiana and Delhi. Over a period of time we had handed them over to the State Governments. Therefore, we are not going in this direction. This Pondicherry depot was taken over at the instance of the local Government. I think, within the financial constraints it is not possible for us to open depots at all the places. It is also not necessary to do so. However, if we do have some more funds available, we would certainly like to make more inputs available to the small industries so that they can take advantage of it. In this year we have started this activity. We would like to expand this activity as far as possible.”

3.20 From the ‘Review of Performance’, 1982-83 of NSIC, the following facts emerge :

“It has been identified that a large number of SSI units are finding difficulties in getting such raw materials in time as are not being

handled by State Small Industries Corporations i.e. iron and steel, pig iron, mutton tallow; parafin wax etc. The Corporation has intensified its efforts in providing such raw materials both indigenous & imported as also components for the small scale sector.

"The Corporation is presently managing only one Raw Materials Depot in Pondicherry. It is in touch with other State Governments, particularly in the North-Eastern Region and if required will open new depots."

C. Product Exports

3.21 It has been stated that the NSIC has adopted a 'single-window' assistance approach for export of small industries products, NSIC's services to its export associates comprise of the following :

- To obtain enquiries, specifications and samples through its indenting agents, participation in exhibitions, trade fairs, and buyer-seller meets and visits to foreign countries, and to pass them on to small scale units.
- To assist small scale units in the development of counter samples and to despatch them for approval of the foreign buyers.
- To negotiate contracts with the foreign buyers, and farm them out to small scale units.
- To attend to the entire export documentation work.
- To pay 85 per cent to 90 per cent of the value on proof of despatch of goods.
- To arrange import of raw materials, wherever necessary.
- To finance and supply balancing machinery for modernisation, expansion and testing, wherever necessary.
- To pay in advance upto 90 per cent of export incentive allowances, such as cash incentive, duty-drawback, etc.
- To monitor production, inspect the products for quality and specifications and arrange to export.

3.22 The products which are presently exported by NSIC are: non-ferrous builders' hardware, safety razors, brass components, brass hand-crafts, industrial fasteners, locks and padlocks, ready-made garments including knitweares, machine tools, handtools, hand gloves, diesel engines, sanitary and bathroom fitting, sports goods, leather goods etc.

3.23 The following table gives the performance of NSIC in product exports over the years :—

Year	Rs. in lakhs
1975-76	16.20
1976-77	70.49
1977-78	33.23
1978-79	58.17
1979-80	44.06
1980-81	81.64
1981-82	105.30
1982-83	137.25

It has been stated that the export operations were reviewed in 1975-76 and a new strategy was adopted for better results. In this strategy, firstly the Corporation took up increasing participation in international Trade Fairs and deputation of delegations to foreign countries. Secondly, a package of incentives was reportedly devised for the export associates of the Corporation.

3.25 From the information supplied to the Committee, it is seen that during the last 5 years as many as 47 officers of NSIC went abroad. The total expenditure incurred by the Corporation on this account was of the order of Rs. 14,51,423 including Rs. 6,11,349 spent in 1982-83 alone.

3.26 It has been stated that the Corporation plans to continue with its 'Single Window' assistance approach in the export of small industries' products. The target for 1983-84 is Rs. 2.75 crores and for 1984-85 Rs. 4 crores.

3.27 The Committee pointed out that the total exports, of small scale industries were of the order of more than Rs. 1700 crores a year. However, the product exports of the Corporation during the years 1980-81 to 1982-83 were only Rs. 81.64 lakhs, Rs. 105.30 lakhs and Rs. 137.26 lakhs respectively. The Committee enquired whether it was not possible to diversify the range of Corporation's exports, the NSIC replied in written new markets :—

"There is considerable scope for diversification of exports. The Corporation is constantly making efforts to diversify markets and also diversify products for export. The Corporation has already identified new products for export which include Aluminium Hardware, Industrial Gloves, Hand Tools, Readymade Garments including Hosiery, Handicrafts, Carpets etc., besides large number of light engineering products which it hitherto has been exporting. The Corporation is endeavouring to expand its area of operation by trying to get into the following new markets:—

Australia, Bahrain, Denmark and Germany. Besides the diversification is also in the area of project exports to African and developing countries."

3.28 On being pointed out by the Committee that in the context of the total exports of the small scale industries being of the order of more than Rs. 2,000 crores in a year, was not the performance of NSIC in the matter of exports too insignificant as to have any real impact on the promotion of small scale industries, the Committee were informed in a note :

"The total exports of the NSIC targetted for 1983-84 are of the order of Rs. 700 lakhs. Though the quantity is relatively small as compared to the total exports of SSI units, the NSIC's contribution in export may not be judged by its direct export, but from the exposure it gives to the small industry in developing exports from the small scale sector. The Corporation sponsors SSI representatives to participate in the foreign exhibitions under its umbrella. The export orders are booked by the sponsored units and where the SSI units have the necessary competence and infrastructure to export directly, the Corporation does not force them to export through NSIC. Many major exporters in the small scale sector were inducted to the export field by the NSIC initially but on developing the competence have started exporting directly."

3.29 In reply to a query as to what type of expertise and institutional arrangement NSIC have to handle exports competently, the Corporation stated in a note :—

"The Corporation has trained personnel to handle exports. The Regional Offices of the NSIC assist the shipment of the merchandise. The NSIC by virtue of expertise in the export front undertakes preparation of export documents, negotiates documents for payment with foreign bankers/buyers, claims incentives for and/or behalf of small scale units and also other incentives available to exporters.

These incentives are passed on to the small scale units venturing for export. The Corporation has the expertise through its technical manpower to do pre-shipment inspection to ensure quality."

3.30 In another note, the Corporation has stated :—

"The assistance in the export front of NSIC was considered to be quite substantial as much as it promoted exports from relatively weaker small scale industries, who of their own could not have exported but for the assistance of NSIC. With a view to helping SSI units wherever necessary, the Government has allowed NSIC to assist them in the export of their products."

D. Project Exports

3.31 One of the objectives of NSIC is to have cooperation with other developing countries in setting up small scale industrial projects on turnkey basis. The Corporation took up export of Turnkey Projects for the first time in 1975. A delegation of the Government of India visited Tanzania in 1973 and proposed the setting up of Small Industries Development Organisation in Tanzania on the same lines as in India. The Government of India made available to the Government of Tanzania through Industrial Development Bank of India a loan for the purchase of machinery and equipments. NSIC entered into a bilateral agreement with SIDO, Tanzania against the above credit facilities. The Corporation has also done some work in sharing technologies and export of machines for setting up projects on Turnkey basis in other developing countries like Kenya, Nigeria, Uganda, Botswana, Indonesia, Zambia, Bangla Desh etc. The following table sums up the performance in this area :—

Year	Total Volume (Rs./ lakhs)	Profit/ Loss (Rs./ Lakhs)
1980-81	8.18	(-).02
1981-82	102.17	8.32
1982-83	47.91	1.95

3.32 As per targets fixed by the Corporation it was anticipated that there would be project exports of the order of Rs. 200 lakhs during 1982-83. The actual materialisation during the year was only of the order of Rs. 51.67 lakhs. Asked about the reasons for the non-achievement of targets in the activity, the Corporation stated in a written note that the target of project exports could not be achieved as the opening/cost extension of L/Cs were delayed by importing agencies due to their internal problems in which the Corporation has no control.

3.33 It has been stated that the target for export of machinery, equipment, raw materials for turnkey projects abroad during 1983-84 and 1984-85 are Rs. 4 crores and Rs. 8 crores respectively.

3.34 The marketing activities of NSIC mainly comprise of assisting the small scale units in marketing of their products in India as well as abroad, supply of distribution of raw materials and project exports. It has been stated that in the area of internal marketing, NSIC has since 1976, adopted a consortia approach in which a number of small units producing the same products are associated in the form of a consortium. The bulk orders secured by NSIC are then farmed out to small units in tune with their production capacity. The products which have been taken up for internal marketing on above lines are hosiery items, hand-made papers, tapioca starch, electric fans, air pollution control equipment and acid lead batteries. The Committee have been informed that

these consortia are being assisted in quality upgradation, market information and in identifying opportunities and technologies for increasing productivity. This approach needs to be intensified.

3.35 The Committee were impressed by the useful work done by NSIC in sponsoring a consortium of hosiery manufacturers and providing them with necessary inputs as also marketing facilities. NSIC should introduce consortia in other segments of small scale industries like TV producing units. Time bound programmes for such units may be taken up in phases. Another area which can be explored for extending the marketing consortia is to the suppliers of ancillary items.

3.36 The Committee feel that NSIC should play a greater role and try to diversify its marketing activities by introducing new products. There is need to identify items which are in great demand in foreign markets. The Corporation can interact with large scale industries in identifying opportunities for the small scale sector both for domestic consumption and exports.

3.37 In the matter of supply of raw materials, NSIC has been running a depot at Pondichery for stocking and distribution of certain essential raw materials. NSIC has also reportedly been importing raw materials for small scale units under its own Additional Import licences. The rationale behind running a solitary depot for supply of raw materials in one corner of the country is not clear. The Committee need hardly emphasize that activities should be undertaken on a scale that the efforts made by the Company do have some impact on the growth of small scale units. Such token services do not serve any national cause or the realisation of the primary objective of the Company in a significant manner. The Company should intensify its efforts in providing raw materials both indigenous and imported as also components for the small scale sector. In order to increase activity in the supply of raw materials to small units all over the country, NSIC would definitely need more depots at various central points.

3.38 The Company has adopted single window approach in providing assistance to its export associates. The Company's services to its export associates comprise of obtaining enquiries, specifications and samples, product development, contract negotiations, monitoring production and arranging exports etc. The Company's performance in the field of export has been that in 1981-82 and 1982-83 it has exported goods worth about Rs. 1.05 and Rs. 1.37 crores respectively. The target for 1982-83 is stated to be Rs. 2.75 crores and for 1984-85 Rs. 4 crores. When considered in the context of the total exports of small scale industries, which were of the order of more than Rs 1700 crores a year, the Company's performance is too insignificant to have any impact. It has been pleaded that the assistance in the export front of NSIC should be viewed from the angle that it promoted exports from relatively weaker small scale units, who of their own could not have exported but for the assistance of NSIC. This all the more underscores the need for expending this activity by diversification of range of exports so as to ensure benefit to a larger number of not so strong units. The Company should set its sights higher and plan for more ambitious targets.

3.39 The Committee note that the Company has been having plans for cooperating with several other developing countries in setting up small scale industries on turnkey basis. According to the Company there exists tremendous potential for the supply of Indian know-how and equipment to these countries. This is an area where, the Committee feel, the Company should intensify its efforts and aim at much larger targets compared to the total volume of Rs. 47.9 lakhs reached in 1982-83. The Committee recommend that whenever foreign delegations arrive in India in connection with economic & technical cooperation, NSIC should be associated with their deliberations.

3.40 The Committee were informed that during the last 5 years as many as 47 officers of NSIC went abroad. The total expenditure incurred by the Company on this account was of the order of Rs. 14,15,423 including Rs. 6,11,349 spent in 1982-83 alone. The Committee wish to stress that the Ministry should carefully monitor the expenditure on foreign tours to ensure that it is commensurate with the benefit derived from such tours and there is no avoidable waste of money on this account.

3.41 From the information placed before them, the Committee cannot but conclude that in the area of marketing, where NSIC can play a very important role in ensuring larger markets for the products of the small scale industries, has contributed to a very limited extent. Infact, in the context of the total production of goods worth over Rs. 35,000 crores and exports worth Rs. 1700 crores per year by the small sector, the actual performance of NSIC, which achieved a level of Rs. 5 crores in 1982-83 is too insignificant. In order that the NSIC has a meaningful role in the growth and promotion of small scale industries its turnover in the sphere of marketing needs to be stepped up several fold. The Committee desire that the Corporation should work out a strategy to give a new boost to this activity consistant with the total requirements of the small scale sector. Enhanced turnover in this field will not only help a larger number of small scale units in their sales promotion but will also enable the NSIC to make this activity self-sustaining and profitable. The Government should provide guidance for evolving such strategy and provide financial support to the extent considered necessary.

CHAPTER IV

GOVERNMENT STORES PURCHASE PROGRAMME

4.1 This is one of the two promotional activities undertaken by NSIC for rendering assistance to the small scale units, the other being Prototype Development and Training Centres. The cost of this service is met by the grants received from the Ministry. Small scale units are registered under the "Single Point Registration" scheme of the Corporation and the units so enlisted are not required to have further registration with DGS&D, Railways, Defence and P&T. The benefits of the registration are that the units start getting tender sets free of cost, condition of earnest money deposit is waived, price preference given upto 15 per cent over large units. Further, NSIC issues competency certificates by virtue of which the small scale industrial units are not required to deposit security money with the Purchase Officers.

4.2 The table below gives details of the Purchases made by DGS&D from the small scale industries and the NSIC registered units :—

(Rs. in crores)

Year	Small Industries	NSIC Units
1980-81	135.69	71.91
1981-82	221.50	82.28
1982-83	197.07	107.22

It is seen from the above that NSIC registered units are getting a fair share of the total purchases of DGS&D from small industries. It has, however, been stated that the registration by NSIC covers only 7114 units as on 31st March, 1983. During 1982-83, 2015 additional units were registered for participation in Government Purchase Programme.

4.3 It has been stated that the Corporation proposes to add another 4000 units on its role for participation in the programme during the years 1983—85.

4.4 The Committee enquired whether it was not desirable to enlarge this activity of the Corporation so as to enlist a far larger number of Small Scale Units and whether the scheme of enlistment is given any publicity so as to bring more units under its fold. The Corporation replied in a note furnished after the evidence as follows :—

"It is very much desirable that the Government Purchase activity of the Corporation be encouraged further and enlarge number of Small Scale Units under the Single Point Registration Scheme. NSIC has printed pamphlets indicating the advantage of the

Single Point Registration Scheme and the procedure for enlistment circulated to Small Scale Units, Associations and District Industries Centres for distribution in their areas to register more and more Small Scale Units under this Scheme. The procedure for registration has been simplified and powers for granting registration to small scale units have been delegated to Branch Managers at Bhopal, Bangalore, Cuttack, Jaipur, Chandigarh, Gauhati, Hyderabad, Kanpur, Patna and Trichur to accelerate the registration of Small Scale Units situated in their areas in addition to Regional Offices at Bombay, Calcutta, Madras and Delhi w.e.f. 2nd October, 1982.

Intensive Campaigns|Workshops are being held in Backward areas and also in other areas throughout the country by NSIC with the help of State Associations|DICS|SISIs and on-the-spot registration is granted to the units."

4.5 Asked about the coordination, maintained by NSIC with the State Small Industries Corporations|Bodies in so far as the registration of Small Scale Industrial Units for Government Purchases was concerned, the NSIC stated in a note that while enlisting the units, support of the District Industries Centres is taken. Publicity material alongwith application forms, Check Lists are made available to the District Industries Centres|Small Industries Service Institutes throughout the country for distribution to the Small Scale Units in their areas. Various tenders floated by DGS&D are forwarded to the DICS|State Small Industries Corporations|Bodies and Associations in their respective area for giving more publicity and encouraging registered small scale units to quote against the tenders.

4.6 It has been further stated that NSIC has published Government Directory, copies of which have been supplied to all the Small Industries Development Corporations and other State Government Agencies. Further, the Public Sector Undertakings at the State Level have been requested to adopt the Government Purchase Policy in toto and the circulars issued by various Administrative Ministries and Bureau of Public Enterprises are forwarded to purchasing Agencies and State and Central Public Undertakings for adoption of the Government Purchase Policy.

4.7 The Government stores purchase programme is one of the two promotional activities undertaken by NSIC for rendering assistance to the small scale units. Small scale units are registered under the "Single Point Registration" scheme of the company and the units so enlisted are not required to have further registration with DGS&D, Railways, Defence and P&T Departments. The benefits of the registration are that the units start getting tender sets free of cost, condition of earnest money deposit is waived and price preference upto 15 per cent is given. It is seen that during 1982-83 the share of NSIC registered units in the total purchases of DGS&D from the small industries was of the order of Rs. 107.22 crores against the total figure of Rs. 197.07 crores. However under this scheme, NSIC has registered so far only 7114 units as on 31st March, 1983 and during the whole of the year 1982-83, only 2015 additional units were registered for participation in Government purchase programme. Another 4,000 units

are targetted to be covered under the scheme during the next 2 years. This is again an area where the Committee feel, the NSIC can play a more positive role by enlisting a far larger number of small scale units.

4.8 The scheme needs to be widely publicised and the State Small Industries Corporations can be involved more deeply and purposefully for enlarging the scheme with a view to cover more units. It need hardly be emphasized that greater involvement of small scale units in the Government Stores Purchase Programme will not only give a boost to their morale by giving them self-confidence but will also improve their performance and make their position all the more sound.

CHAPTER V

PROTOTYPE DEVELOPMENT AND TRAINING CENTRES

5.1 NSIC is presently running four Prototype Development & Training Centres in Okhla (New Delhi), Rajkot, Howrah and Madras. The locations were selected on the advice of the foreign collaborators for development of small scale industries in respective areas and infrastructural facilities available. The objectives of these Centres are as under :—

- (a) To impart practical and class-room training in several industrial trades. Special training programme have been introduced for rural artisans.
- (b) To develop prototypes of machines, equipment and tools. These prototypes are then passed on to manufacturing units for commercial production.
- (c) To provide common facilities in such areas as machining, castings, electroplating etc.
- (d) To take up batch production of machines and equipment, as incidental to training, for sales.
- (e) To instal testing and inspection facilities for use by small scale units.
- (f) To develop technology and equipment in such critical areas as waste utilisation, energy-saving, etc.
- (g) To design, develop and produce improved tools for use by rural artisans for increasing their productivity and earning capacity.

5.2 According to the Corporation, the achievements of these centres so far have been as under :—

4 PDTCs of NSIC have since their inception :

- (a) Developed 124 prototypes of machines and equipment
- (b) Trained 12666 people in various technical trades.
- (c) Rendered 30,000 common facilities services to small scale units.
- (d) Provided vital technological support to small scale industries in some of the important industrial sectors like machine tools, sheet metal, metal casting, PVC extrusion, wood working, diesel engine development, leather working and measuring instruments and gauges etc.

5.3 The Administrative Reforms Commission had recommended that the NSIC should be divested of this activity, which should be transferred to an independent organisation. The Committee appointed to review the Financial Operations of NSIC (1972) had also observed :—

“.....The ability of NSIC to develop a full fledged institution will be hindered by its association with and responsibility of Research-cum-Training Organisations such as the PTCs. It is therefore, suggested that the PTCs should be allowed to operate independently as is being done by similar other institutions such as the SIET, the Central Institute of Tool Designing.....”

5.4 Asked about the difficulty in implementing the above recommendation, the Corporation replied in a note as follows :—

“In March 1974 Board of Directors of NSIC considered the proposal of transfer of management of PDICs to a society and desired that the proposal may be brought to the notice of employees also. After the response was not found encouraging and considering the complementary nature of activities of PDTCs with other activities of NSIC, the PDTCs are being run by NSIC. Further, the Government of India has recently appointed a review committee to look into, *inter alia*, the set up of PDTCs.”

5.5 Asked about the views of the Corporation in regard to transfer of PDTCs management to an independent organisation, the Committee were informed in a written reply :

“PDTCs play a complementary role to other promotional activities of NSIC. Entrepreneurs take machinery on Hire Purchase from NSIC and seek support of PDTCs for common facility services in critical areas like :

- (a) Machine Design
- (b) Pattern Making
- (c) Precision Machining
- (d) Precision Metal forming and Casting
- (e) Electroplating
- (f) Metal Forging
- (g) Testing

Similarly, entrepreneurs seeking marketing assistance from NSIC seek help from PDTCs for necessary testing and product development so as to make their end products acceptable to various Government departments. It may, therefore, be seen that there is strong complementarity between activities of NSIC. Any separation of PDTCs will have immediate adverse effect both on the other developmental measures of NSIC as well as in the growth of small industries, which is increasingly becoming more technology oriented. NSIC has no difficulty in running the PDTCs.”

5.6 It has been further stated it would be desirable that NSIC should continue to run PDTCs and further strengthen the facilities in the PDTCs.

5.7 During the course of examination of the Ministry, the Committee enquired about their views in regard to proposed transfer of PDTC's to an independent body. The Additional Secretary, Department of Industrial Development and DC(SS1) stated as follows :—

“We have already set up a Committee to review the working of these centres and one of the terms of references of the Committee is about their future. We are awaiting the report of the Committee and will take a decision on the basis of that Report. A study is being conducted.”

5.8 Asked about the terms of reference, the witness stated that it included the review of the functioning of the PDTC's, the proposal for modernisation, suggestions regarding future status and any other matter connected with it.

5.9 The Committee pointed out that there were only 4 centres in the country and wanted to know whether it was not possible to have one such centre in each State. The representative of the Ministry stated :—

“I would like to submit that I would like to see the report of the team and come to the conclusion as to how useful it has been and then we set up centres.”

He also informed the Committee that according to terms of reference, the team would submit their report by the first week of the next month. The Committee was also informed that the terms of reference of the Committee constituted to review the working of the PDTCs run by NSIC had been enlarged on 31-12-1983 to also cover the following matters :

- (a) Whether more PDTCs could be established by NSIC, and
- (b) Whether more trainees could be accommodated to cover persons from whole of India.

5.10 The Committee further pointed out that training centres were also being run by various State bodies and wanted to know whether it was not desirable to bring training programmes for artisans and entrepreneurs under the umbrella of one centralised agency for proper implementation. The Additional Secretary, Department of Industrial Development and DC(SS1) stated : “I don't think it is possible.” He further added :

“There are not too many of NSIC units. A majority of our Institutes are under DC(SS1).”

5.11 The Committee further desired to be furnished with a note on this aspect. The Department of Industrial Development have stated in a note as follows :—

“Training programmes for artisans and entrepreneurs are conducted by a number of agencies in the country. Some of the agencies

engaged in this activity are SISIs, National Institute for Entrepreneurship and Small Business Development, New Delhi, Management Development Institute, Gurgaon, SIET Institute of Hyderabad and Entrepreneurship Development Institute of India, Ahmedabad, Xavier Institute of Social Service, Ranchi, Technical Consultancy Organisations under IDBI, State Bank of India, Directorate of Industries of States/Union Territory Governments, DICs etc.

In respect of NSIC, there are 4 PDTCS which are located at New Delhi, Rajkot, Howrah and Madras. The training courses in these Centres include rural artisans course in maintenance mechanic and fitter, electrician, carpentry and wood-working, sheet-metal, welding, blacksmithy etc. Advance courses for workmen in the trades of mechanist turner, fitter, heat-treatment, electroplating, etc. are also available. Short-term courses on leather machinery in leather finishing machinery operations, upper closing operations, skiving, folding etc. are also imparted. All these training courses are rather technical in their nature. The activities of training under NSIC, which is a Corporation are coordinated by Executive Director (Technology) who reports to the Chairman.

As for the training programmes for entrepreneurs conducted by the SISIs under SIDO all activities are coordinated by the Office of the DC(SSSI). The courses are entrepreneurship development programmes for unemployed engineer graduates, rural artisans, women, technicians, physically handicapped persons, educated unemployed persons, students and weaker sections. These programmes are for the duration of one to three months. They are conducted by the 26 SISIs, and their Branch SISIs and Extensions Centres spreading throughout the country. There are also 11 institutes/agencies specially designated to conduct the EDP training courses for engineer entrepreneurs. The Directors of SISIs and designated Institutes report to the Office of the DC(SSSI).

The office of the DC(SSSI) is the apex Central level authority taking up the task of planning, coordinating, monitoring and evaluating works in respect of all the entrepreneurship development training programme under SIDO. In this task, the newly set up National Institute for Entrepreneurship and Business Development will assist the Office of the DC(SSSI). The NIESBD has been set up with an objective that it will serve as an apex national level Institute to undertake training of motivators, trainees and entrepreneurs and also to prepare model syllabi of training for various target groups of entrepreneurs. It will also provide a forum for direction and exchange of views.

Training programmes for entrepreneurs cannot be absolutely uniform throughout the country because such programmes are to be designed and conducted on the basis of requirements of the

particular area and particular target groups. In view of this, there is bound to be certain variations even though the broad objective and frame of the programme may be more or less the same throughout the country. It will, therefore, be possible that the training programmes for entrepreneurs may be coordinated by a single central agency to the extent that direction and guidance may be given to them. For this purpose the Office of the DC(SS1), with the assistance of the NIESBD, will be the appropriate central agency."

5.12 NSIC is presently running 4 Prototype Development and Training Centres in Okhla, Rajkot, Howrah and Madras. The achievements of these centres so far are stated to have been that 124 prototypes of machines and equipment were developed, 12,666 persons were trained in various technical trades and about 30,000 common facilities services were provided to small scale units. From these figures the Committee get the impression that with the functioning of the centres only in the metropolitan cities, the benefits of technological development and training facilities could not have percolated down to areas, where they were needed most. Further imparting of training to about 12,666 persons during a period of over 23 years could hardly be considered adequate. The Committee are surprised to note why the Company has all along been allowed to continue to function in such a limited manner, in a field which is so vast and big.

5.13 A Committee has been set up to review the functioning of the PDTs, consider proposals for modernisation and give suggestions regarding future status of these centres. At the instance of Committee on Public Undertakings the question of establishing more PDTs by NSIC and enlarging the number of trainees has also been referred to the Review Committee. The Committee would like to know the findings of the Committee as also the action taken in pursuance of its recommendations. The Committee would, further like to stress that there is need for imparting technical training to a far larger number of youths in greater number of trades to enable them to take up fruitful employment in small scale industries.

5.14 The Committee note that other agencies engaged in training activities like National Institute of Entrepreneurship and Small Business Development, New Delhi, Management Development Institute Gurgaon, SIET Institute, Hyderabad, Entrepreneurship Development Institute of India, Ahmedabad, Labour Institute of Social Service, Ranchi etc. mentioned by the Department of Industrial Development in their note to the Committee, do not provide such training facilities in various trades as the PDTs of NSIC. Training facilities in such courses and trades are lacking in the country. The Committee would, therefore, like to strongly recommend that more PDTs should be set up by NSIC and at least one in each State and, if possible, more than one in bigger States. The Committee feel convinced that setting up more PDTs will go a long way in solving problem of unemployment and in growth of small scale industries sector.

CHAPTER VI

INDUSTRIAL ESTATE, NAINI

6.1 The Industrial Estate at Naini was constructed and 34 sheds were completed in 1958 by NSIC at a total cost of Rs. 26.70 lakhs covering an area of about 23 acres. The Estate was to be taken over by the U.P. Government. The matter regarding transfer of the Estate to the U.P. Government has been considered many times in the past. U.P. Government have all along declined to take over the Estate by paying a reasonable amount to the NSIC, however, they had volunteered to run the Industrial Estate as Managing Agents of NSIC without any liabilities, and they had offered a token value of Re. 1 only for taking over the Estate. NSIC has now proposed that it will itself develop the Industrial Estate. They have prepared a scheme which envisages land development, so that about 137 industrial units could be set up in that area. Since this land was leased by U.P. Government, NSIC is trying to get their consent and thereafter they would submit the proposal for the consideration of the Ministry.

6.2 According to the Sinha Committee Report (1973), factory sheds in the Industrial Estate at Naini were on subsidised rent and the Corporation had involved itself in a number of litigations and other disputes with the allottees. According to them, neither the Corporation was equipped with the expertise to look after the estate nor to further develop it. The Committee had also recommended that the estate should immediately be transferred to the U.P. Government.

6.3 The Committee enquired as to what were the considerations which prompted the Corporation to construct the Industrial Estate Naini and why the Corporation wanted it to be transferred to the U.P. Government. The NSIC stated in a written note as follows :—

“As directed by Government of India, NSIC undertook construction of Industrial Estate at Naini, Allahabad in 1958 as a developmental measure for the growth of small scale industries. This work was taken up as an instrument of Industrial Policy of the Government. Subsequently, development of industrial estates was taken up by the State Governments and State Agencies like State Industrial Development Corporations or State Small Industries Corporations. In line with this policy, it was proposed to transfer industrial estate at Naini to U.P. Government.”

6.4 During the course of evidence of the representatives of the Ministry, the Committee wanted to know the reasons for delay in transferring the Industrial Estate at Naini to U.P. Government. The representative of the Ministry stated :

“I understand that two estates have been set up by NSIC. One was at Okhla and the other was at Naini. After establishment that should be transferred to the respective State Governments.

Okhla was smoothly transferred to the Delhi Administration. In U.P., there was some problem. The matter has been taken up with the U.P. Government requesting them to sort this problem out and they have agreed to meet the Ministry officials."

6.5 Subsequently, the Ministry submitted the following note on this aspect :

"The matter of transferring the Estate to the U.P. Government has been considered many times in the past. U.P. Government have continuously declined to take over the Estate by payment of a reasonable amount to the NSIC. In their last letter dated 28th August, 1980, they had offered a token value of Re. 1 only for taking over the Estate. The reason given by them is that it is a losing proposition for the State Government because it suffers from over capitalisation. The allottees in the Industrial Estate had not been paying rent and arrears of rent had mounted quite high. Lack of efforts in the realisation of rent has created a general atmosphere of default in the payment of rent. They had also stated that while the expenditure on the maintenance of the Estate comes to about Rs. 2 lakhs per year, a total income from the rent is about Rs. 85,000 only and that too when all allottees pay the rent regularly. Government of India had suggested to the U.P. Government that they should purchase the Industrial Estate for Rs. 15 lakhs but they are quite emphatic about their unwillingness to take over the Estate on the payment of the value indicated by the Central Government.

NSIC had contended that since it was entrusted with the construction of the Industrial Estate for the purpose of handing it over to the U.P. Government it is for the Ministry of Industry to take a decision on the value at which the Estate is to be transferred to the State Government. So far, NSIC had invested Rs. 20,79,736 out of its own funds and a balance of Rs. 6,39,286.00 is payable by them to the Government of India out of the loans made available to them. They had desired that this should also be adjusted while settling the accounts.

The main problem now is that the U.P. Government is not willing to pay any amount except a token fee of Re. 1 only for transfer of the Estate to them while NSIC had made their position very clear as may be seen above. The Government of India had been incurring recurring expenditure on this Estate by way of grants-in-aid to NSIC."

6.6 In regard to the latest position, the Corporation have stated that the proposal of transfer of Industrial Estate at Naini to U.P. Government was being followed up.

6.7 An Industrial Estate at Naini constructed by the NSIC in 1958 at a cost of Rs. 26.70 lakhs at the instance of Central Government as a developmental measure and subsequently expected to be transferred to the U.P. Government in accordance with the policy in this regard has not yet

been handed over to the State Government. The resistance of the State Government is primarily due to the over capitalisation of the Industrial Estate which, according to them, is a losing proposition even granting prompt realisation of rent from allottees, who are heavily in arrears. This reflects badly on the conception of the Estate and the manner in which it has been operated. The Committee desire that the matter should be sorted out with the U.P. Government early; else the Estate should be developed by the NSIC as a viable proposition without further loss of time. The Committee have received an impression that the uncertainty of the ownership of the Estate has inhibited its development badly.

CHAPTER VII

WORKING RESULTS

7.1 According to Annual Report for the year 1982-83, the cumulative loss incurred by the Corporation upto 31st March, 1983 amounted to Rs. 682.90 lakhs as against the paid up capital of Rs. 1,170 lakhs, even after receiving substantial grants from the Government from time to time. The following table shows the activity-wise working results of the Corporation during each of the last five years :

(Rs. in lakhs)

Particulars	1978-79	1979-80	1980-81	1981-82	1982-83
I. Hire Purchase	(-)130.42	(-)132.61	(-)65.87	(-)107.90	(+)21.38
II. Marketing	(+)16.79	(-)19.28	(-)14.41	(+)4.75	(-)17.53
III. Turnkey Projects	(+)1.95
IV. Other adjustments*	(-)0.10	(+)201.38	(+)31.83	(+)73.71	(-)0.51
Total profit/loss for the year	(-)113.73	(+)49.49	(-)48.45	(-)29.44	(+)5.29

7.2 It is seen from the above that the Corporation had been incurring losses continuously except for the year 1982-83, when it made a small profit of Rs. 5.29 lakhs. Commenting upon this, Chairman, NSIC stated during the evidence that they expects to make a substantial profit in 1983-84.

7.3 During the course of examination of the Corporation, the Committee enquired about the steps taken for improving the working of the Corporation so that it becomes economically viable. The NSIC informed in a written reply that they have taken following measures to improve the Corporation's economic viability :

(a) The volume of activities is sought to be increased substantially without commensurate increase in man-power and other overheads.

(b) During the year 1982-83, the turnover of the Corporation has increased by 28 per cent and this is proposed to be stepped up further substantially.

*The figures against IV-other Adjustments represent mainly the assistance provided by Govt. to N. S.I.C. to cover the losses due to exchange variations on machines imported for hire purchase purposes. The figures of Rs. 201.38 lakhs shown under the year 1979-80 represents reimbursement of losses during the proceeding few years as the decision to assist the corporation was taken in this year.

- (c) A strict control is now being exercised on man-power strength which is as on 31-3-1983 2414 as against 2444 at the beginning of the year. This is a reversal of the earlier trend. During the years 1980-81 and 1981-82, there was increase of 146 and 103 employees respectively.
- (d) A diagnostic study is being done by a leading firm of Chartered Accountants to analyse the various factors effecting economic viability of the hire purchase scheme and improve the scheme.
- (e) National Productivity Council is being engaged for review of organisational structure, man-power deployment and improving the productivity.
- (f) A computer is proposed to be installed to process data regarding Government Purchase, pay rolls, hire purchase, final accounting etc. to build up an effective Management Information System."

7.4 As to the grants received from the Government, NSIC has stated :

"The Corporation receives grants only for promotional activities. For the Hire Purchase activities, the Corporation receives the following financial assistance :

- (a) Interest subsidy to place borrowings from financial institutions at par with Government of India loans rates to the Public Sector Undertakings treated as financial institutions.
- (b) Reimbursement of the actual exchange variations loans towards repayment of the loan and interest to K.F.W., West Germany."

7.5 During the course of examination of the Ministry, the Committee enquired about the steps taken or directions issued by the Ministry from time to time to improve the working results of the Corporation. The Additional Secretary, Department of Industrial Development and D.C.(SSI) stated as follows :—

"There are no written directives or directions or instructions issued to the effect "Please improve your working conditions or working results". But there is a continuous and on-going inter-action with the Corporation for improving its performance. Various problems involved are discussed in different forums and improvement's suggested.

If the intention is to find out whether Government has issued any specific letters to the effect that "Your working results are not good, please improve them, anything like that", that kind

of thing has not been done. But the working of the Corporation is under constant review and there is discussion and interaction between Government and the Corporation. The Chairman comes and meets me and the Secretary in the Ministry. That kind of inter-action takes place any things do get done in other ways than just issuing letters on this subject."

7.6 The Committee further pointed out that as per guidelines issued by Bureau of Public Enterprises in March, 1975, the Ministry should hold performance review meetings every quarter, associating the representatives of BPE and the Planning Commission (Monitoring Division). However in case of NSIC only one such meeting was held by the Ministry during each of the years 1979-80 to 1981-82 and 2 meetings were held during the year 1982-83. Asked about the reasons for not holding performance review meetings as required by the BPE guidelines, the representative of Ministry stated :

"The QPR is not necessarily the forum. Only we review the performance of a Corporation. Actually, much more is happening and is required to be done to find out what is going on in a Corporation. It is true that QPRs have not been held as regularly as laid down in the BPE guidelines. But that does not imply that the performance of the NSIC or any other Corporation gets overlooked for want of it."

7.7 Enquired as to whether the Performance Review Meetings were not necessary to hold, the witness stated : "I do not say that they are not necessary at all."

He added :

"They are not dispensed with and there is no intention to dispense with. A meeting is fixed and something else comes along because of exigencies of work."

7.8 According to the Annual Report for the year 1982-83, the cumulative loss incurred by the Company upto 1982-83 amounted to Rs. 682.90 lakhs as against the paid up capital of Rs. 1170 lakhs. The cumulative loss represented 58.37 per cent of the total capital of the Company. This is undoubtedly an unsatisfactory state of affairs. It should be noted that for the promotional activities undertaken by the Company, it is receiving substantial grants from the Government from time to time. In respect of the main commercial activities like hire purchase and marketing operations, the Company has accumulated losses. The Company has been incurring losses continuously except in the year 1982-83, when it made a small profit of Rs. 5.29 lakhs. The Committee would like to emphasize that the commercial activities of the Company should in no case be allowed to run at a loss. In fact, the Committee would expect that the Company should so manage its affairs that it generates sufficient revenue from its commercial activities to meet the growing cost of its promotional activities.

7.9 The Committee have been informed about the measures taken or proposed to be taken to improve the Company's economic viability. They desire that concerted efforts be made to expeditiously implement the schemes for improvement. The Committee would await the action taken in this regard.

7.10 The Committee would also like the Ministry to keep a careful watch on the performance of the Company by holding regular Performance Review meetings in accordance with the guidelines of BPE on the subject by associating the representatives of BPE and Planning Commission.

NEW DELHI ;

21 April, 1984.....

1 Vaisakha, 1906 (Saka)

MADHUSUDAN VAIRALE, *Chairman*
Committee on Public Undertakings.

APPENDIX

Statement of Conclusions/Recommendations of the Committee on Public Undertakings contained in the Report

Sl. No.	Reference to Para No. in the Report	Conclusion/Recommendation
1	2	3
1.	1.40	<p>National Small Industries Corporation was formed and registered under the Companies Act in February, 1955. Originally, the Company was primarily concerned with assisting small industries in obtaining a fair share of Government contracts and also marketing their products through mobile vans and show rooms. Gradually various other activities have come under its fold. The Company is presently engaged in the supply of machinery on hire purchase, registration of small scale units for the Government purchase programme, distribution of certain scarce raw materials, assistance in marketing of small industries products at home and in markets abroad and prototype development and training in use of machinery and equipment through its Prototype Development and Training Centres at New Delhi, Rajkot, Howrah and Madras. Thus besides rendering marketing assistance, the Company is expected to in general develop the small scale sector.</p>
2.	1.41	<p>The Committee find that the number of small scale units in the country, the volume and range of products manufactured by them, the employment provided and the value of export by these industries have grown substantially during the last two decades. The number of small scale units has increased from 4.16 lakhs in 1973-74 to about 10.48 lakhs in 1982-83. Their production increased from Rs. 7200 crores to an estimated Rs. 35,000 crores over this period. Similarly the employment provided by small scale sector increased from about 40 lakhs in 1973 to about 79 lakhs in 1982-83. The production in this sector is stated to be almost 49% of the total industrial production of the country. The growth of the small scale sector</p>

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cannot however be attributed in any significant extent to the role of the NSIC. The Committee are convinced that the growth could have been better had the Company involved itself better.

3. 1.42

In the area of hire purchase, which is the main activity of NSIC, since the inception of the scheme in 1956, and till the end of 1982-83, the Company has assisted only 17,509 units by providing 37,730 machines. Under its marketing programme it is providing some assistance to about 500 small scale units who participate every year in NSIC's marketing assistance programme. Similarly, under the Government Stores Purchase programme which is one of the two promotional activities undertaken by NSIC for rendering assistance to the small scale units, it has till 31st March, 1983 registered only 7114 units. Under the other promotional activity the Corporation has been running 4 Prototype Development and Training centres, in which only 124 prototypes are stated to have been developed so far, besides imparting training to 12666 people in various technical trades. During 1982-83, the total sales turnover of the Corporation including services rendered and sales of products by PDTOs was of the order of Rs. 16.88 crores against Rs. 13.17 crores in 1981-82. By any standard the achievements of the Company over a period of about 30 years of its existence do not add up too much. The Committee expect that a national level body set up to stimulate growth of small scale industries in the whole of the country should be able to show much better results and make an impact. The Committee therefore suggest that the impact that the NSIC has had on promotion and development of small scale industries should be scientifically assessed and based on the findings of such an evaluation the role of NSIC appropriately redefined and the scope of its activities suitably enlarged.

4. 1.43

At the national level, apart from NSIC, there is another major organisation namely the Small Industries Development Organisation (SIDO) headed by the Development Commissioner, Small Scale Industries (DC, SSI) which provides institutional support for the growth and promotion of small scale sector. The Committee have been informed that SIDO, which was earlier headed by a Joint Secretary is now having an Additional Secretary as its head and is an attached office of the Department of Industrial Development. The SIDO acts as a policy formulating, coordinating

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and monitoring agency. It provides a comprehensive range of consultancy services and technical managerial, economic and marketing assistance to the small scale units throughout the country. The SIDO has a net work of 26 small Industries Service Institutes, 20 Branch SISIs, 40 extension centres, four regional testing centres one product and process development centre, 2 footwear training centres and four production centres. Against this, NSIC's net work consists of 4 regional offices, 10 Branch offices and 4 prototype Development and Training Centres. The Committee have been informed that both the organisations were playing complementary roles and there was no overlapping of functions involving any duplication of effort. The Committee, however, feel that the spheres of activities of the two organisations should be spelt out clearly and that there should be perfect coordination between the activities performed by the institutions/offices working under these organisations so that together they can make a significant impact on small scale sector as a whole.

5. 1.44

The Committee are of the view that the small scale sector which accounts for almost half the nation's industrial production and provides direct employment to about 75 lakhs persons deserve better treatment at the level of Union Government. The tremendous potential of the sector towards the economic growth of the nation demands a better recognition of its needs. The least the Government can do is to have a separate Department in the Ministry of Industry headed by a Secretary exclusively incharge of the multifarious activities related with the small scale sector in order to give this sector the required thrust for coordinated/development.

6. 1.45

The Committee find that being a State subject, the responsibility for the execution of programmes for development of small scale industries devolved on the State Governments and the organisations under them. At the State level there are several organisations such as Directorates of Industries, District Industries Centres and State Small Industries Corporations which are engaged in providing guidance and assistance to small scale industries. The functions of the State agencies and those of the Central agencies at the State level overlap in many respects in that many of the facilities and services are being provided both by the State agencies as well as the Central agencies, thus

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resulting in the duplication of efforts, which should be avoided. It has been stated that even though there appeared to be a multiplicity of agencies for aiding and promoting small scale industries and rendering various kinds of services to them particularly at the State level, there was enough scope for functioning of different organisations engaged in the same activity because of the vastness of the area to be covered.

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1.46

Admittedly a very limited meaningful coordination between NSIC and the State Small Industries Corporations exists at present. Only recently, the Chairman, NSIC has suggested some areas where coordination and cooperation between NSIC and SSIC could be fostered. Even in some of these areas concrete proposals have yet to be submitted by NSIC to the Ministry for implementation. The Committee desire that the area of cooperation between NSIC and SSICs should be identified.—The services provided by the two organisations can be suitably integrated with a view to afford better opportunities to small scale units for deriving maximum benefit.

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The Committee find that services and programmes of NSIC and SSICs have not as yet penetrated into interior, remote and undeveloped areas in the country side with the result that the impact of these organisations has not been felt by farmers, artisans and small entrepreneurs of these areas. In order that the benefit of various schemes and services of these organisations is derived by the people at large in the rural areas, the Committee desire that activities of NSIC jointly with SSICs wherever possible, should be extended to such interior areas. The Committee would like to be informed of the concrete action taken in this behalf.

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Though the responsibility for the execution of programmes for development of small scale industries mainly rests with the State Government and State agencies like State Small Industries Corporations, DICs etc. are implementing various schemes with this objective, an integrated approach is essential for spreading and popularising the programmes for development of small scale sector. The Committee, therefore, feel that the integrated approach followed by NSIC by providing facilities such as plant and machinery on hire purchase basis, multi-faceted assistance in internal and export marketing and training

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of technical personnel needs to be fostered. In this respect, NSIC should be encouraged to play a pivotal role in coordinating and guiding the activities of the State agencies. With the expertise built up in the specialised areas of its activities over years, NSIC can surely function as a pace-setter and guiding spirit for motivating the State Small Industries Corporations, DICs, etc. engaged in the development of small scale industries.

10 1.49

During the course of the visit to various places, the Committee got an impression that the District Industries Centres, which numbered 393 at the end of 1982-83, have not been actively associated with the activities of NSIC, so much so that in some cases DICs had no knowledge about the activities and schemes sponsored by NSIC. If the DICs are actively associated with various schemes of NSIC, the Committee feel that the schemes like hire purchase or single point registration would get the necessary push. Even if a minimum number, say 10 small scale units had been motivated by each DIC during a year to avail services rendered by NSIC, a larger number of units would have been provided machines on hire purchase basis or got enlisted under the single point registration scheme. There is, thus, need for more meaningful interaction between NSIC and DICs.

11 2.41

In financial terms the supply of machines on hire purchase is one of the major activities of the NSIC. Under this scheme imported and indigenous machinery and equipment are supplied to the small scale industrial units on easy instalments spread over a period of 7 years. Till 1982-83, the Corporation is reported to have assisted 17,509 units by supplying them 37,730 machines worth Rs. 139.42 crores. It has been estimated that the machines supplied by NSIC have resulted in creation of employment avenues for over 4 lakh persons and account for annual gross output of about Rs. 700 crores. The Committee cannot, however, view with any sense of satisfaction the role of a national level organisation in this regard being limited to a few thousand units out of about a million units dispersed all over the country. It is needless to emphasize that there is need to make the Hire Purchase Scheme extensive and commensurate with the national need in the small scale sector.

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12	2.42	<p>The Company has been continuously highlighting in its annual reports the fact of its operating the hire purchase scheme below its actual level of capability because of paucity of funds and that less than an optimal turnover adversely affected its efficiency. The Committee do not find any justification why the Corporation should be denied adequate resources for carrying out its hire purchase activity at optimal level if the Government are convinced of the efficacy of the scheme and the capability of the Corporation to operate the same more extensively. The Committee recommend that the Government should provide more funds to NSIC for promoting the Hire Purchase Scheme.</p>
13	2.43	<p>It has been argued that financial help for the scheme could be obtained from the banks. As a matter of fact IDBI is reported to have sanctioned an amount of Rs. 12 crores out of which Rs. 9 crores have already been released. Similarly, Punjab National Bank is stated to have been made available Rs. 2 crores. Both these institutions are, however, insisting on Government guarantee for the loans advanced to NSIC for its hire purchase activity. The Committee feel that this is a matter which should be sorted out early at Government level.</p>
14	2.44	<p>The Sinha Committee set up in 1973 to review the working of NSIC had observed that major benefit of the scheme of hire purchase had gone mainly to a few developed States and that too to a few centres. The details regarding machines delivered state-wise since the inception of the scheme furnished to the Committee only reinforce this point. The Chairman, NSIC was also candid in his admission that the major portion of the hire purchase system had been going to the developed areas and that too in the metropolitan cities, where the necessary infrastructure was already available. Thus development has been allowed to take its normal course rather than deliberately inducing development of backward areas. Only recently this trend has been sought to be reversed. During the last 3 years ending 1982-83, out of the total quantum of assistance of Rs. 33.36 crores provided under the hire purchase scheme, about Rs. 12.40 crores have gone to under-developed and backward areas. The Committee consider this as a step in the right direction and recommend that the company's activities in the</p>

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15	2.45	<p>declared backward areas should be more widespread and extensive. There should be periodic and effective monitoring at the Government level to ensure this.</p>
16	2.46	<p>The Committee feel that since commercial banks and State Finance Corporations were also lending a helping hand by granting loans against hypothecation of machinery, it is worth considering if NSIC could be asked to concentrate its activities under the hire purchase scheme particularly in backward areas while the other areas could as well be taken care of by financial institutions. For this purpose NSIC could be designated as the central apex body to encourage and develop industries in specified backward and semi-backward areas. With the expertise built up over the last so many years in this particular field, NSIC should be able to render a significant service in this field.</p>
17	2.47	<p>It is heartening to note that with a view to promoting industrialisation in backward areas and among weaker sections of society, such as Scheduled Castes/Scheduled Tribes, physically handicapped persons, technocrats etc. special concessional terms have been introduced in the matter of payment of earnest money, rate of interest and service charges. The Committee, however, wish to emphasise that there is need for exercising caution lest the facilities extended to weaker sections are not misused by large industrial units by setting up 'benami' units in the backward areas.</p>
18	2.48	<p>As a result of shift in the policy of the Government to develop the tiny units, NSIC has reportedly opened Branch offices in various States for helping the tiny units. The Committee are glad to note that 40% of the services of the Company were now going to the tiny sector. It is needless to point out that even among the small scale units it is only the tiny or very small units which really need the fostering care of an organisation like NSIC. The Committee would like the NSIC to pay more attention to this segment of the small scale sector.</p>
		<p>The Committee feel that the Company can provide avenues for the educated unemployed youth through its various promotional schemes and thus play a significant role in the implementation of the Prime Minister's New 20-Point Programme. The Company can also play its part in correcting regional imbalances in the</p>

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		growth of small scale industries. The Committee would expect the Company to reorient its activities with a view to realising these objectives.
19	2.49	It is a matter of concern to the Committee that no separate record had been maintained earlier in respect of assistance provided to the entrepreneurs belonging to Scheduled Castes/Scheduled Tribes and those who were handicapped, under the concessional terms of assistance. This deficiency needs to be rectified. It is only on the basis of such records that NSIC could project success of this scheme in relation to such categories of people.
20	2.50	The operation of the hire-purchase scheme by NSIC has all along resulted in a loss except in 1982-83, when the scheme resulted in a marginal profit of Rs. 21.38 lakhs. This is disturbing in view of the fact that as far back as 1959-60, the Estimates Committee had recommended that the scheme should be operated on a no-loss basis if not on a profit basis. Again in 1973, the Sinha Committee set up to review the working of the Company had recommended that the hire purchase scheme should be made commercially viable and independent of Government aid. It has been stated that increased volume of business could result in changing the position from one of loss to a profitable activity. This only strengthens the management's point that the scheme has not been allowed to work at optimal level because of resource constraint. The Committee would like the Government to review the matter with a view to fixing an optimum turnover and then provide for the necessary where withal so as to make the scheme self-sustaining.
21	2.51	As stated earlier the benefit of the scheme has so far been derived only by 17509 small scale units in the country. The Committee were informed that the scheme was publicised through pamphlets and advertisements. During 1982-83 the Company is reported to have conducted 43 motivational campaigns with a view to informing and enthuse the prospective entrepreneurs. More concerted efforts are needed to be put in to reach out to a much larger section of the population through advertisements and also other mass media, like All India Radio, especially for villagers to whom publicity literature cannot reach and

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common people are not educated. It will also be desirable to bring out the publicity material in regional languages.

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2.52

It is disconcerting to note that at the end of 1982-83 an amount of as much as Rs. 13.35 crores on account of overdue instalments was in arrears. The value of machines supplied on hire purchase during the year 1982-83 was of the order of 11.03 crores. Thus the outstanding dues of the Company were much more than its annual turnover. This would imply that the company could more than double its annual turnover if only it were in a position to realise the arrears of instalments. The Committee find that during the last 3 years the rate of recovery has not shown any perceptible improvement. As a matter of fact that the rate of default appears to be on the increase in that, the overall arrears of instalments are increasing from year to year. This calls for more vigorous efforts to ensure prompt recovery. The Committee feel that the entire position needs to be thoroughly reviewed not only to expedite recovery of arrears but also to streamline the methods of scrutiny of applications for loans before sanction and proper appraisal of parties regarding their soundness and capability to repay the amounts etc. There should also be proper follow up action for recoveries.

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2.53

The Committee note that a large number of law suits involving an amount of more than Rs. 5 crores are pending in courts. The total cost of litigation in the above cases was estimated to be about Rs. 40 lakhs. The Committee understand that the Company retains the ownership of the machine till the full hire purchase value of the machinery is paid and the hire purchase agreement provides for the NSIC the authority to repossess the machine on the ground of default. The Committee would like to know why this provision has not been made extensive use of.

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2.54

The Committee have come to the conclusion that NSIC's machinery for recovery of instalments and overdues from parties concerned is very weak. NSIC should take more strong and more imaginative measures to recover dues. The Committee urge the Government to pay serious attention to this problem and strengthen the machinery of NSIC in this regard.

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25	3.34	<p>The marketing activities of NSIC mainly comprise of assisting the small scale units in marketing of their products in India as well as abroad, supply of distribution of raw materials and project exports. It has been stated that in the area of internal marketing, NSIC has since 1976, adopted a consortia approach in which a number of small units producing the same products are associated in the form of a consortium. The bulk orders secured by NSIC are then formed out to small units in tune with their production capacity. The products which have been taken up for internal marketing on above lines are hosiery items, hand-made papers, tapioca starch, electric fans, air pollution control equipment and acid lead batteries. The Committee have been informed that these consortia are being assisted in quality upgradation, market information and in identifying opportunities and technologies for increasing productivity. This approach needs to be intensified.</p>
26	3.35	<p>The Committee were impressed by the useful work done by NSIC in sponsoring a consortium of hosiery manufacturers and providing them with necessary inputs as also marketing facilities. NSIC should introduce consortia in other segments of small scale industries like T.V. producing units. Time bound programmes for such units may be taken up in phases. Another area which can be explored for extending the marketing consortia is to the suppliers of ancillary items.</p>
27	3.36	<p>The Committee feel that NSIC should play a greater role and try to diversify its marketing activities by introducing new products. There is need to identify items which are in great demand in foreign markets. The Corporation can interact with large scale industries in identifying opportunities for the small scale sector both for domestic consumption and exports.</p>
28	3.37	<p>In the matter of supply of raw materials, NSIC has been running a depot at Pondicherry for stocking and distribution of certain essential raw materials. NSIC has also reportedly been importing raw materials for small scale units under its own Additional Import licences. The rationale behind running a solitary depot for supply of raw materials in one corner of the country is not clear. The Committee need hardly</p>

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emphasize that activities should be undertaken on a scale that the efforts made by the Company do have some impact on the growth of small scale units. Such token services do not serve any national cause or the realisation of the primary objective of the Company in a significant manner. The Company should intensify its efforts in providing raw materials both indigenous and imported as also components for the small scale sector. In order to increase activity in the supply of raw materials to small units all over the country, NSIC would definitely need more depots at various central points.

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3.38

The Company has adopted single window approach in providing assistance to its export associates. The Company's services to its export associates comprise of obtaining enquiries, specifications and samples, product development, contract negotiations, monitoring production and arranging exports etc. The Company's performance in the field of export has been that in 1981-82 and 1982-83 it has exported goods worth about Rs. 1.05 and Rs. 1.47 crores respectively. The target for 1982-83 is stated to be Rs. 2.75 crores and for 1984-85 Rs. 4 crores. When considered in the context of the total exports of small scale industries, which were of the order of more than Rs. 1700 crores a year, the Company's performance is too insignificant to have any impact. It has been pleaded that the assistance in the export front of NSIC should be viewed from the angle that it promoted exports from relatively weaker small scale units, who of their own could not have exported but for the assistance of NSIC. This all the more underscores the need for expanding this activity by diversifications of range of exports so as to ensure benefit to a larger number of not so strong units. The Company should set its sights higher and plan for more ambitious targets.

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3.39

The Committee note that the Company has been having plans for cooperating with several other developing countries in setting up small scale industries on turnkey basis. According to the Company there exists tremendous potential for the supply of Indian know-how and equipment to these countries. This is an area where, the committee feel, the Company should intensify its efforts and aim at much larger targets compared to the total volume of Rs. 51.67 lakhs reached in 1982-83. The Committee recom-

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		mended that whenever foreign delegations arrive in India in connection with economic and technical co-operation, NSIC should be associated with their deliberations.
31	3.40	The Committee were informed that during the last 5 years as many as 47 officers of NSIC went abroad. The total expenditure incurred by the Company on this account was of the order of Rs. 14,15,423 including Rs. 6,11,349 spent in 1982-83 alone. The Committee wish to stress that the Ministry should carefully monitor the expenditure on foreign tours to ensure that it is commensurate with the benefit derived from such tours and there is no avoidable waste of money on this account.
32	3.41	From the information placed before them, the Committee cannot but conclude that in the area of marketing, where NSIC can play a very important role in ensuring larger markets for the products of the small scale industries, has contributed to a very limited extent. Infact, in the context of the total production of goods worth over Rs. 35,000 crores and exports worth Rs. 1700 crores per year by the small sector, the actual performance of NSIC, which achieved a level of Rs. 5 crores in 1982-83 is too insignificant. In order that the NSIC has a meaningful role in the growth and promotion of small scale industries its turnover in the sphere of marketing needs to be stepped up several fold. The Committee desire that the corporation should work out a strategy to give a new boost to this activity consistent with the total requirements of the small scale sector. Enhanced turnover in this field will not only help a larger number of small scale units in their sales promotion but will also enable the NSIC to make this activity self-sustaining and profitable. The Government should provide guidance for evolving such strategy and provide financial support to the extent considered necessary.
33	4.7	The Government stores purchase programme is one of the two promotional activities undertaken by NSIC for rendering assistance to the small scale units. Small scale units are registered under the "Single Point Registration" scheme of the company and the units so enlisted are not required to have further registration with DGS&D, Railways, Defence

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and P&T Departments. The benefits of the registration are that the units start getting tender sets free of cost, condition of earnest money deposit is waived and price preference upto 15% is given. It is seen that during 1982-83 the share of NSIC registered units in the total purchases of DGS&D from the small industries was of the order of Rs. 107.22 crores against the total figure of Rs. 197.07 crores. However under this scheme, NSIC has registered so far only 7114 units as on 31st March, 1983 and during the whole of the year 1982-83, only 2015 additional units were registered for participation in Government purchase programme. Another 4,000 units are targetted to be covered under the scheme during the next 2 years. This is again an area where the Committee feel, the NSIC can play a more positive role by enlisting a far larger number of small scale units.

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4.8

The scheme needs to be widely publicised and the State Small Industries Corporations can be involved more deeply and purposefully for enlarging the scheme with a view to cover more units. It need hardly be emphasized that greater involvement of small scale units in the Government stores Purchase Programme will not only give a boost to their morale by giving them self-confidence but will also improve their performance and make their position all the more sound.

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5.12

NSIC is presently running 4 Prototype Development and Training Centres in Okhla, Rajkot, Howrah and Madras. The achievements of these centres so far are stated to have been that 124 prototypes of machines and equipment were developed, 12,066 persons were trained in various technical trades and about 30,000 common facilities services were provided to small scale units. From these figures the Committee get the impression that with the functioning of the centres only in the metropolitan cities, the benefits of technological development and training facilities could not have percolated down to areas, where they were needed most. Further imparting of training to about 12,666 persons during a period of over 23 years could hardly be considered adequate. The Committee are surprised to note why the Company has all along been allowed to continue to function in such a limited manner, in a field which is so vast and big.

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36	5.13	<p>A Committee has been set up to review the functioning of the PDTCs, consider proposals for modernisation and give suggestions regarding future status of these centres. At the instance of Committee on Public Undertakings the question of establishing more PDTCs by NSIC and enlarging the number of trainees has also been referred to the review Committee. The Committee would like to know the findings of the Committee as also the action taken in pursuance of its recommendations. The Committee would, further like to stress that there is need for imparting technical training to a far larger number of youths in greater number of trades to enable them to take up fruitful employment in small scale industries.</p>
37	5.14	<p>The Committee note that other agencies engaged in training activities, like National Institute of Entrepreneurship and Small Business Development, New Delhi, Management Development Institute Gurgaon, SIET Institute, Hyderabad, Entrepreneurship Development Institute of India, Ahmedabad, Labour Institute of Social Service, Ranchi etc. mentioned by the Department of Industrial Development in their note to the Committee, do not provide such training facilities in various trades as the PDTCs of NSIC. Training facilities in such courses and trades are lacking in the country. The Committee would, therefore, like to strongly recommend that more PDTCs should be set up by NSIC and at least one in each State and if possible, more than one in bigger States. The Committee feel convinced that setting up more PDTCs will go a long way in solving problem of unemployment and in growth of small scale industries sector.</p>
38	6.7	<p>An Industrial Estate at Naini constructed by the NSIC in 1958 at a cost of Rs. 26.70 lakhs at the instance of Central Government as a developmental measure and subsequently expected to be transferred to the U.P. Government in accordance with the policy in this regard has not yet been handed over to the State Government. The resistance of the State Government is primarily due to the over capitalisation of the Industrial Estate which, according to them, is a losing proposition even granting prompt realisation of rent from allottees, who are heavily in arrears. This reflects badly on the conception of the Estate</p>

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and the manner in which it has been operated. The Committee desire that the matter should be sorted out with the U.P. Government early; else the Estate should be developed by the NSIC as a viable proposition without further loss of time. The Committee have received an impression that the uncertainty of the ownership of the Estate has inhibited its development badly.

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7.8

According to the Annual Report for the year 1982-83, the cumulative loss incurred by the Company upto 1982-83 amounted to Rs. 682.90 lakhs as against the paid up capital of Rs. 1170 lakhs. The cumulative loss represented 58.37 per cent of the total capital of the Company. This is undoubtedly an unsatisfactory state of affairs. It should be noted that for the promotional activities undertaken by the Company, it is receiving substantial grants from the Government from time to time. In respect of the main commercial activities like hire purchase and marketing operations, the Company has accumulated losses. The Company has been incurring losses continuously except in the year 1982-83, when it made a small profit of Rs. 5.29 lakhs. The Committee would like to emphasize that the commercial activities of the Company should in no case be allowed to run at a loss. In fact, the Committee would expect that the Company should so manage its affairs that it generates sufficient revenue from its commercial activities to meet the growing cost of its promotional activities.

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The Committee have been informed about the measures taken or proposed to be taken to improve the Company's economic viability. They desire that concerted efforts be made to expeditiously implement the schemes for improvement. The Committee would await the action taken in this regard.

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The Committee would also like the Ministry to keep a careful watch on the performance of the Company by holding regular Performance Review meetings in accordance with the guidelines of BPE on the subject by associating the representatives of BPE and Planning Commission.