

SEVENTH REPORT
COMMITTEE ON PUBLIC
UNDERTAKINGS
(1996-97)

(ELEVENTH LOK SABHA)

NATIONAL SMALL INDUSTRIES CORPORATION
LIMITED

MINISTRY OF INDUSTRY
(DEPARTMENT OF SMALL SCALE INDUSTRIES
& AGRO AND RURAL INDUSTRIES)

*[Action Taken by Government on the recommendations contained in the
49th Report of the Committee on Public Undertakings (10th Lok Sabha)]*



*Presented to Lok Sabha on 30.4.1997
Laid in Rajya Sabha on 30.4.1997*

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Corrigenda to the 7th Report of
Committee on Public Undertakings
(1996-97) on National Small
Industries Corporation Ltd.

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1996-97)

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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 Seventh Report (Eleventh Lok Sabha) on Action Taken by Government on the recommendations contained in the Forty-Ninth Report of the Committee on Public Undertakings (Tenth Lok Sabha) on National Small Industries Corporation Limited.

2. The 49th Report of the Committee on Public Undertakings was presented to Lok Sabha on 28th February, 1996. Replies of the Government to all the recommendations contained in the Report were received on 2nd September, 1996. Further information called for by the Committee on some of the recommendations was received on 15th November, 1996. The replies of Government were considered by the Committee on 21st April, 1997. The Committee on Public Undertakings considered and adopted this Report at their sitting held on 21st April, 1997.

3. An analysis of the Action Taken by the Government on the recommendations contained in the 49th Report (Tenth Lok Sabha) of the Committee is given in Appendix-II.

NEW DELHI;
April 25, 1997

Vaisakha 5, 1919 (S)

G. VENKAT SWAMY,
Chairman,
Committee on Public Undertakings.

CHAPTER I REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Forty-Ninth Report (Tenth Lok Sabha) of the Committee on Public Undertakings (1995-96) on National Small Industries Corporation Limited which was presented to Lok Sabha on 28th February, 1997.

2. Action Taken notes have been received from Government in respect of all 23 recommendations contained in the Report. These have been categorized as follows:—

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

Sl. Nos. 2, 5 to 12, 14, 19 and 20.

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies:—

Sl. No. 13.

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

Sl. Nos. 1, 3, 16 and 17.

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

Sl. Nos. 4, 15, 18, 21, 22 and 23.

3. The Committee desire that final replies in respect of recommendations for which only interim replies have been given by Government should be furnished to the Committee expeditiously.

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

A. Promotion of Small Industries in backward areas

Recommendation (Sl. No. 1)

5. According to one of the micro objectives of NSIC, it was to organise its support programmes in such a manner as would help the growth of small scale industries in the backward areas and by entrepreneurs belonging to weaker sections of the society. The Committee were astonished to learn that even after forty years of establishment of NSIC, Government had not undertaken any detailed analysis in regard to fulfilment of this important objective by the corporation. They had comforted themselves by putting the whole responsibility of development

of backward areas on the State Government agencies like the Director of Industries and the Small Industries Corporations. The Committee had, therefore, recommended that a detailed analysis of the impact of activities of NSIC in the development of small scale industries in the backward areas should be made by Government. In the light of such analysis NSIC should endeavour to identify the backward areas district by district which have potential for development of small industries and provide assistance depending on the type of activity which would be viable for them. If necessary separate funds should be provided by Government to NSIC for this purpose.

6. The Government have stated in their reply that the micro objectives of NSIC were approved in 1982 by the Board when the industrial scenario was different from the one that exists today. Now with the liberalisation and opening up of the economy there is need to provide different type of support to the small scale sector. Keeping this in view, the Corporation, in its corporate plan, has re-oriented its objectives for the promotion and development of Small Scale Industries. Industrialisation is the specific responsibility of the concerned State Government and the Central Government supplements the efforts of the States by offering incentives, concessions etc. for the growth and development of industries. However, the NSIC has been organising support programmes for weaker sections of the society as well as for the growth of small scale industries in the backward areas by organising Intensive Campaigns of supply of machinery on Hire Purchase Basis. The assistance provided by the Corporation has helped in employment generation in the rural areas and in backward areas. Out of the assistance of Rs. 41,064 lakhs provided by NSIC till 31st March, 1995 under its Hire Purchase Scheme, Rs. 11,804.64 lakhs has been provided to backward areas. However, Government will endeavour to provide separate funds for this in the 9th Plan by formulating suitable schemes.

7. The Committee are astonished with the reply of Government which is simply evasive. The Committee had specifically recommended a detailed analysis of the impact of activities of NSIC in the development of small scale industries in the backward areas to be made by Government. In the light of such analysis, NSIC should identify the backward areas district by district which have potential for development of small industries and provide assistance depending on the type of activity which would be viable for them. The Government have failed to undertake any such detailed analysis and have simply stated that NSIC has been organising support programmes for the growth of small scale industries in the backward areas. Even the impact of NSIC's efforts in backward areas in the matter of growth of small industries and employment generation has not been quantified. The Committee wonder how in the absence of identification of backward areas which have potential for development of small industries, separate funds are proposed to be provided for in the 9th Five Year Plan. The Committee,

therefore, reiterate that a detailed analysis of the impact of NSIC's activities in the backward areas should be undertaken and the Corporation should make special efforts for development of small industries in such areas depending on the type of activities which would be viable for them.

B. Delay in entering into of MOU

Recommendation (Sl. No. 3)

8. While commenting on the delay in signing of MOU for the year 1995-96 the Committee had observed that inspite of the assurance given to them by the Secretary, Department of Small Scale Industries & Agro and Rural Industries that the MOU would be signed by the end of September, 1995; the same could only be signed on 19th December, 1995. The Committee were not at all convinced with the argument of the Ministry that pending the signing of MOU, NSIC had been told to go ahead with their work. They had emphasised that if the MOU was not signed well in time it would not only lose its importance but would remain only an exercise on paper. They had recommended that in future it should be ensured that the MOU is signed in time.

9. Government in their reply have stated that the process of signing the MOU for the year 1996-97 was initiated in January, 1996. The NSIC submitted the draft MOU to the Department of Public Enterprises on 26th February, 1996 with a copy to the Department of Small Scale Industries and Agro and Rural Industries. The draft was examined in the Department and forwarded to DPE on 19th March, 1996. After the meetings held on 27th March and 6th June, 1996. NSIC was requested to make certain modifications and to send the revised MOU to the DPE for their consideration. The MOU between the Ministry of Industry and the NSIC is stated to have been signed on 23rd September, 1996.

10. The Committee deprecate the delay in signing of the MOU for the year 1996-97 between the Government and NSIC inspite of their categorical recommendation that the process should be completed well in time. It is disquieting to note that while the process of finalising the MOU is initiated in January, 1996, the MOU could finally be signed only in September, 1996. The Committee understand that the Department of Public Enterprises have recently issued guidelines for expediting the process of entering into MOUs. The Committee recommend that these guidelines should be followed in letter and spirit so that such delays do not recur.

C. Extension of Equipment Leasing Scheme

Recommendation (Sl. No. 6)

11. The Committee observed that Equipment Leasing Scheme which was relatively a new scheme of the Corporation showed an upward trend. During the years 1992-93 to 1994-95, the number of units assisted under this scheme were 109, 91 and 285 respectively while, the profit earned under this scheme was Rs. 102.41 lakhs, Rs. 131.34 lakhs and Rs. 145.33 lakhs respectively. However, what perturbed the Committee was the fact

that the scheme was extended only to the existing viable units which undertook on either modernisation or technology upgradation or expansion of the units simply because only such units were able to repay the dues in time. They had opined that the scheme should be extended to all units existing and new-based on merits of each case. While noting that the equipment leasing scheme was concentrated only in a few States like Delhi, West Bengal and Tamil Nadu and in some of the States like Himachal Pradesh, Karnataka, J&K and all the North Eastern States except Assam, the scheme was yet to be started. The Committee emphasized that the company should endeavour to provide assistance under this scheme evenly in all the States.

12. In their reply, the Government have stated that the base of the operationalisation of equipment leasing scheme has been further enlarged to cover Technocrats with B.E. degree, Export oriented units and units promoted by reputed associates/companies. There is also a list issued by the office of DC(SS1) covering industries where new units can be assisted under this scheme on the merit of the case. However, viability of the unit is taken into consideration before providing assistance under the scheme. The Ministry have also stated that the Corporation has been reviewing the modifications in its Hire Purchase/Leasing Scheme from time to time to ensure that the assistance is provided to the maximum number of viable units. During the last 10 years, a number of non-banking financial companies have come into existence and the SSI entrepreneurs have now a wider choice in the matter of availment of financial assistance and credit.

13. The Committee observe that the Equipment Leasing Scheme of NSIC has been further enlarged to cover Technocrats with B.E. Degree, Export oriented units and units promoted by reputed associates/companies. The Committee would like to emphasise that the scheme should be extended to more and more categories of small units. Besides efforts should be made to make available assistance under this scheme in all the States hitherto not covered by the scheme.

D. Refinancing Facilities to NSIC and surplus funds of foreign banks

Recommendation (Sl. Nos. 16 and 17)

14. The Committee had pointed out that if NSIC was expected to provide assistance to small scale sector at reasonable rates, it was imperative that the company should be able to raise resources at a lower rate. They had also noted that inspite of the assurance given by Reserve Bank of India to NSIC that it would get funds at three per cent less than the normal market rates, the same failed to fructify. Small Industries Development Bank of India (SIDBI) had also raised its rate of interest on direct loans to NSIC to 19% while the average rate of interest charged by NSIC was 17%. The Committee recommended that the matter providing funds to NSIC by financial institutions at concessional rates should be taken up by the Ministry with the RBI/Ministry of Finance. They also

recommended that SIDBI should also be persuaded to extend refinancing to NSIC as was done for State Government agencies, since NSIC was also engaged in the promotion of small industries. While noting that the foreign banks were required to deposit the shortfall in their mandatory lending to priority sector with SIDBI and NABARD, the Committee had desired that part of such surplus funds of Foreign Banks should also be deposited with NSIC since it is exclusively engaged in promotion and development of small business enterprises, a key priority sector.

15. In their reply the Government have stated that the matter regarding charging of lower rate of interests on the financial advances granted by Scheduled Commercial Banks to intermediary financial institutions for the purpose of on-lending to ultimate borrowers has been taken up along with the question of refinancing facilities to NSIC by SIDBI. The Ministry of Finance has been requested to specify NSIC as an eligible institution for refinance facilities under the Small Industries Development Bank of India Act, 1989. The response from the Ministry of Finance is awaited. In regard to the inclusion of NSIC as a recipient of surplus funds of foreign banks it has been stated that the Department of Economic Affairs have examined the matter in consultation with RBI. As per current instructions foreign banks are required to lend 32% of their new bank credit to the priority sector and those banks which fail to achieve the said target are required to deposit with SIDBI the shortfall in their priority sector lending for a period of one year at an interest of 8% p.a. As at the end of March, 1996 it has been observed that foreign banks as group have already surpassed the target as their priority sector advances constituted 39%. The deposits with SIDBI have also indicated a declining trend year to year. Hence RBI are not in favour of inclusion of NSIC as an eligible institution to receive deposits representing the shortfall from foreign banks.

16. The Committee are pained to observe that the Government have not so far been able to decide on the important issue of making available funds to NSIC at concessional rates and specifying NSIC as an eligible institution for refinance facilities under the SIDBI Act, 1989. Needless to say, that any further delay in the matter would ultimately have an adverse impact on the promotion of small scale sector by NSIC. The Committee, therefore, recommend that a decision in the matter should be taken within three months of the presentation of report and the Committee be apprised of the same.

17. The Committee are also not satisfied with the reply of Government in regard to inclusion of NSIC as a recipient of surplus funds of foreign banks. They wish to point out that although the foreign banks as a group have surpassed the target of lending 32% of their net bank credit to the priority sector, there might be some individual foreign banks which have failed to achieve the said target and which according to current instructions are required to deposit such shortfall with SIDBI. The Committee reiterate that a part of such surplus funds of foreign banks should be deposited with

NSIC with is exclusively engaged in promotion and development of small scale industries.

E. Definition of Small Scale Industry

Recommendation (Sl. Nos. 22 & 23)

18. The Committee were informed that at present an industry is termed a small scale industry if the investment of plant, machinery and equipment is less than Rs. 60 lakhs. NSIC submitted a proposal (in 1994) for raising this limit to Rs. 2 crores. The Committee had desired that in view of the need of technology upgradation on account of competition an early decision in regard to raising this limit should be taken by Government. The Committee had also desired that the study stated to have been undertaken on account of NSIC to find out the impact of liberalisation on small scale sector should be expedited. Having given to understand that the Government proposed to curtail the list of items reserved exclusively for the small scale sector, the Committee had recommended that in view of the importance of the small scale sector in the Indian context the curtailment of list be deferred till such time as the small industries were able to improve their quality and procure state of the art technology and could compete in domestic as well as international markets.

19. In their reply the Government have stated that the proposal for raising the limit of Rs. 60 lakhs on the investment of plant and machinery etc. has been under consideration since 1996. It was later on decided that as the Department of Small Scale Industries and Agro and Rural Industries have constituted an Expert Committee on small Enterprises under the Chairmanship of Dr. Abid Hussain former Member, Planning Commission to look into the promotional and protective policies related to the Small Scale Sector and other related aspects, a decision on raising the investment limit may be deferred till the receipt of recommendations of the Expert Committee. Based on the report, Government will also take suitable measures for the promotion and development of small scale industries in the company.

20. Since the Report of the Abid Hussain Committee has now been submitted to Government, the Committee desire that the decision in regard to raising the limit on investment of plant, machinery and equipment by a unit to qualify as a small scale industry as also the reservation of items exclusively for manufacture in the small scale sector should be taken immediately and the Committee apprised of the same within three months.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sl. No. 2)

The Committee find that the company prepares its Corporate Plan coterminous with the Five Year Plan. The corporate plan for five years i.e. 1992-97 was prepared in the year 1991. The Committee are of the opinion that in order to have a clear picture of the direction in which the company's activities are to be oriented, it would be more meaningful, if the corporate plan is prepared for a longer period. The Committee, therefore, recommend that the corporate plan of the company for the period beginning 1997 should be for a period of ten years which could be reviewed after five years. They also desire that as assured by the Secretary, Deptt. of Small Scale Industries & Agro and Rural Industries this corporate plan should be finalised by April, 1996.

Reply of the Government

The Corporation has prepared its Corporate Plan for the period 1997-2007. The Corporate Plan has been approved by the Board of Directors of the Corporation.

[Ministry of Industry, Department of SSI & ARI, O.M. No. 11/27/95-SSI(P), 2-9-96].

Recommendation (Sl. No. 5)

Hire Purchase Scheme is one of the oldest schemes which the Corporation is running to benefit the small scale industries and which has been very well received by first generation entrepreneurs. However, the Committee find that of late NSIC has accorded low priority to this scheme. It is seen that the number of units assisted in 1989-90 was 925, with the hire purchase value being at Rs. 2757.47 lakhs. The number of units assisted sharply declined to 67 during 1994-95 with the value of hire purchase at Rs. 292 lakhs. The profits in this activity also declined from Rs. 63.98 lakhs in 1989-90 to just Rs. 11.19 lakhs in 1993-94. The main reason of squeezing assistance under this scheme according to NSIC is the non-availability of funds, which resulted in restricting this scheme only in the backward areas and to the areas where subsidy was available. According to the Ministry this scheme has been accorded low priority due to problems of the recovery of instalments. The Committee recommend that as assured by the Chairman, NSIC's Hire Purchase Scheme should be given boost as this is the scheme which has been found to be quite useful in stimulating the growth of small scale units in the country and is acknowledged by the first generation entrepreneurs and has also been

extended to old units. The Committee urge that NSIC should revitalize this Scheme by raising their own resources to the extent possible. The Committee recommend that special attention needs to be given to recovery aspect of this scheme.

Reply of the Government

It is a fact that the Hire Purchase Scheme was accorded low priority due to problems of recovery of dues on investments made earlier. The Govt. agree that the activities of the Corporation should be revitalised. Since the Hire Purchase, Leasing etc. are commercial activities of the Corporation, the Govt. is supporting them by way of equity support etc. However, it is also enjoined up on the Corpn. to make necessary changes in these schemes so that while serving the interest of Small Scale Industry, the interest of the Corporation also does not suffer and they earn sufficient margin out of these activities so as to fund their promotional activities. The Corpn. has decided to continue the Hire Purchase in full swing so that it may stimulate the growth of small scale units in the country. It is also laying more emphasis on the recovery aspect so that past outstandings are brought to a minimum low.

[Ministry of Industry, Department of SSI&ARI, O.M. No. 11/27/95-SSI(P), 2-9-96]

Recommendation (Sl. No. 6)

The Committee note with degree of satisfaction that Equipment Leasing Scheme which is relatively a new scheme of the Corporation is showing an upward trend. During the years 1992-93 to 1994-95, the number of units assisted under this scheme was 109.91 and 285 respectively while, the profit earned under this scheme was Rs. 102.41 lakhs, Rs. 131.34 and Rs. 145.33 lakhs respectively. However, what perturbs the Committee is the fact that the scheme is extended only to the existing viable units which undertake either modernisation or technology upgradation or expansion of the units simply because only such units are able to repay the dues in time. The Committee understand that Equipment Leasing Scheme has recently been extended to the 'New Units' called Small Scale Services and Business (Industry Related) Enterprises. While not undermining the re-payment aspect, the Committee are of the firm opinion that this scheme should not be restricted to a few selected categories of units but should be extended to all units—existing and new—based on merits of each case. In the coming years, if this scheme is able to earn handsome profits, the same could also be utilised to sustain a part of the promotional activities of the company. The Committee also note that at present the equipment leasing scheme is concentrated only in a few States like Delhi, West Bengal and Tamil Nadu. In some of the States like Himachal Pradesh, Karnataka, J&K and all the North-Eastern States except Assam, the scheme is yet to be started. The Committee need hardly emphasize that the Company should endeavour to provide assistance under this scheme evenly in all the States.

Reply of the Government

The base of the operationalisation of equipment leasing scheme has been further enlarged to cover:

- (i) Technocrats with B.E. degree.
- (ii) Export oriented units &
- (iii) Units promoted by reputed associates/Cos.

There is also a list issued by the office of DC(SSl) covering industries where new units can be assisted under this scheme on the merit of the case. However, viability of the unit is taken into consideration before providing assistance under the scheme.

The Corporation has been reviewing the modifications in its Hire Purchase/Leasing Scheme from time to time to ensure that the assistance is provided to the maximum number of viable units.

During the last 10 years, a number of non-banking financial companies have come into existence and the SSI entrepreneurs have now a wider choice in the matter of availment of financial assistance and credit.

[Ministry of Industry, Department of SSI&ARI, O.M. No. 11/2795-SSI(P), 2-9-96]

Comments of the Committee

Please see Para 13 of Chapter I of the Report

Recommendation (Sl. No. 7)

The Committee note that NSIC has five Prototype Development and Training Centres at Okhla, Howrah, Rajkot, Madras and Hyderabad. In addition to that it has 6 subcentres also at Aligarh, Dindigul, Kashipur, Guwahati, Rajpura and Khammam. These centres provide technical support to small scale sector by providing trained manpower, developing prototypes, providing common facilities and quality testing facilities etc. These activities are stated to be more or less promotional in nature. The Committee desire that efforts should be made to set up more such centres particularly in the rural and backward areas. The Committee also came to know that these centres have so far incurred a deficit of about Rs. 1190 lakhs upto the end of 1994-95. The NSIC wants that since PDTs are not engaged in commercial operations Government should meet full cost of running them and also reimburse the deficit incurred so far. The Government's view on the contrary is that NSIC should make the activities of the PDTs commercial to a certain extent in order to raise some resources for running them and the rest can be provided by Government. The Committee are of the opinion that if at all the activities of PDTs are to be commercialized, it should be done to the minimum extent while maintaining their predominant promotional character. In any case, a decision in this regard should be taken without further delay and NSIC should be reimbursed at least the amount incurred on the promotional part

of the activities. The Committee also desire that for the specialised training which is imparted in these PDTCs the company must have liaison with employment exchanges also apart from the industrial houses so as to leave no stone unturned to get the trainees an opening in the industry.

Reply of the Government

The Govt. of India reimburses the expenditure incurred by the Corporation in running the PDTCs and Sub-Centres. The Prototype Development & Training Centres at Okhla, Howrah and Rajkot are funded out of the non-plan grants. The grants are provided as reimbursement to the Corporation for running these PDTCs. The deficits have occurred in respect of the three PDTCs which are funded out of non-plan grants. This matter has been taken up with the Min. of Finance again with the suggestion that it should be a one time settlement and that henceforth there will be a pattern of assistance for these PDTCs. Further, the Government as has already been stated, assists the Corporation by way of equity support etc. and expect the Corporation to increase its profitability so that they are able to meet part of the running cost on these promotional activities including PDTCs. As regards opening of more PDTCs, the Govt. has other schemes being operated by the Small Industries Development Organisation (SIDO). Moreover, the emphasis is on involvement of Non-Governmental Organisations (NGOs) in training and other related activities. However, Govt. is of the view that existing PDTCs should be modernised and their training programmes re-structured so as to keep in tune with the changes taking place in technology and in the present industrial scenario in the era of liberalisation.

The Liaison with the Employment Exchange is a good idea and will be followed up. However, this may not be of much benefit to the trainees as the Employment Exchanges generally get requisition from Govt. Departments only. Most of the Trainees get placed in private sector. A large number of trainees get placement from the Campus itself. This is a faster and more effective route. However, the Corporation will establish Liaison with Employment Exchanges.

[Ministry of Industry, Department of SSI&ARI, O.M. No. 11/2795-SSI(P), 2-9-96]

Recommendation (Sl. No. 8)

The Committee find that marketing is one of the important commercial activities of the Corporation. The Corporation's role in this field cannot be over emphasised as it markets the products of small and tiny industry which is otherwise difficult for them if they do it individually. But the Committee are perturbed to find that the value of marketing support declined sharply from Rs. 40.50 crores in 1993-94 to Rs. 19 crores in 1994-95. The Committee strongly recommend that marketing of SSI products should be given a fillip so that small industries can fight the glamorous marketing campaigns launched by Multinational Corporations who have

entered lately into consumer products also. The Committee are unhappy to note that the marketing assistance programme is also maximum in four States viz. Delhi, Tamil Nadu, Maharashtra and Gujarat. They have yet to start this scheme in almost all the North-Eastern States except Assam. They desire that vigorous efforts should be made to provide assistance under this scheme in all regions of the country.

Reply of the Government

According to NSIC in the recent years, a trend has been noticed that majority of the Government Departments and major buyers have started giving lesser weightage to the NSIC sponsored units participating in tender marketing. Consequently, lesser number of units have been participating in Govt. Purchase Programme because of the non-exemption of EMD and Performance Guarantee. This Ministry is taking up with the concerned Departments whenever instances of such nature are brought to its notice. As regards the question of extending the role of the Corporation to other parts of the country, their assistance is available to them also. However, they are being directed to make vigorous efforts to increase the quantum of assistance.

[Ministry of Industry, Department of SSI&ARI, O.M. No. 11/2795-SSI(P)
2-9-96]

Recommendation (Sl. No. 9)

The Committee note that NSIC has set up Market Development Centres at Delhi, Madras and Cochin for the promotion of marketing of Small Industries products. The Committee expect that such centres at Patna, Ahmedabad and Calcutta would be set up within this year. The Committee desire that keeping in mind the feedback, such centres may be set up at other places also to provide an effective marketing outlet to the small scale units. They would also suggest that the profit and loss account of each of these centres should be maintained separately in order to ensure effective monitoring of their performance. They also desire that the proposed Market Information Centre should be set up expeditiously.

Reply of the Government

Market Development Centres are being made more purpose oriented by proper relocation, keeping in view the viability of such Centres. Instructions have been issued by the Corporation to the concerned offices to maintain separate profit and loss account of Marketing Development Centres in order to ensure effective monitoring of their performance.

The Corporation has been asked to evaluate the performance of the existing Centres and come up with proposals for opening of more Centres if potential for such centres exists.

[Ministry of Industry, Department of SSI&ARI, O.M. No. 11/2795-SSI(P), 2-9-96]

Recommendation (Sl. No. 10)

The Committee find that the NSIC participates in around ten National and six International Fairs/exhibitions in a year for giving an exposure to SSIs to the national/international market. The business generated from such fairs/exhibitions for the small scale industries during 1992-93 to 1994-95 was Rs. 16.47 crores, Rs. 19.11 crores and Rs. 26.32 crores, respectively. The Committee urge that NSIC should participate in larger number of fairs and concerted efforts should be made to increase the number of units which participate in these exhibitions and to generate more and more business for them. NSIC should also organise on its own exhibitions of SSI products at different places in the country. Also, in their Techmart, which coincides with the India International Trade Fair, all out efforts should be made for maximum participation of foreign companies. Besides, the Committee concur with the views of the Ministry that more and more small sector entrepreneurs should be taken in the delegation to foreign countries instead of officials.

Reply of the Government

The Government agrees with the views of the Committee. NSIC has already initiated action to organise exhibitions of SSI products in different parts of the country. Recently, an exhibition was organised in Rajkot, Gujarat. As regards participation of foreign companies in Techmart, the Corporation has already established contacts with counterpart agencies in developed countries. The Corporation will endeavour for participation by foreign companies who are interested in transfer of technology to Indian small and medium enterprises. However, the NSIC has already organised visit of business delegation to Taiwan, South Korea and Germany facilitating one-to-one discussions on the transfer of technology, joint venture, technical collaboration, etc. Even during the exhibitions, visit of entrepreneurs is facilitated to ensure conclusion of business deals without any delay.

Keeping in view the recommendations of the Committee that NSIC should also organise its own exhibitions of SSI products at different places in the country. Corporation organised Udyog Expo'96 at Rajkot and is planning to organise more such exhibitions at other Centres.

[Ministry of Industry, Department of SSI&ARI, O.M. No. 112795-SSI(P), 2-9-96]

Recommendation (Sl. No. 11)

The Committee observe that notwithstanding the fact that NSIC is making efforts to increase the exports of SSI, the actual benefits accrued to Small Scale Industries seem to be marginal. During 1993-94, against a total export turnover of SSI units of Rs. 24149 crores the exports through NSIC was only Rs. 13.21 crores. The Committee cannot but recommend that NSIC must pay much more attention to the export aspect of SSI

sector in order to increase export earnings of this sector. The Committee also desire that the Administrative Ministry, in consultation with Ministries of Commerce and External Affairs should initiate action for forming special task force to monitor and assist in exports of small scale industries. The action taken in this regard should also be intimated to the Committee.

Reply of the Government

According to NSIC, the units who seek initial assistance from NSIC for export are gradually able to export on their own, once they establish linkages and learn how to process the documents, thereafter, new units are inducted in place of them.

NSIC has now decentralised the exports to the regions and with the total involvement of regional and branch offices, the interaction with the local industry is more effective and hence there is likely to be an extensive participation by the SSI in export market.

There is Standing Committee on Exports in this Deptt. under the chairmanship of Secretary (SSI&ARI) which also includes the representatives of Min. of Commerce, various organisations under this Deptt., representatives of State Govts. and SSI associations. It has also been set up with the objective of coordinating and promoting exports from the small scale industries. Besides, on the recommendations of the Min. of Commerce, this Deptt. has set up a one Man Export Promotion Cell, under the Joint Secretary incharge of SSI in the Deptt. This is to review the bottlenecks/impediments if any, which are faced in the field of exports by units which come under the purview of this Deptt.

[Ministry of Industry, Department of SSI&ARI, O.M. No. 11/2795-SSI(P), 2-9-96]

Recommendation (Sl. No. 12)

The Committee are happy to note that NSIC is doing fairly well in its project export business. The project exports during 1991-92 to 1993-94 amounted to Rs. 133.69 lacs, Rs. 62.64 lacs and Rs. 168.29 lacs, respectively. But they are of the view that on account of the increasing demand from the developing countries in the supply of projects on turnkey basis there is still lot of scope in this area. They therefore, desire that NSIC should conduct a study in this regard and make an earnest effort for expanding this business not only in Africa and Asia but in all the third world countries specially the SAARC nations. The seven projects which are stated to be under negotiation should also be finalised soon. For giving a boost to the project export business, NSIC should also keep itself abreast of the latest technology which could be available at cheaper rates from other countries.

Reply of the Government

The Corporation is taking steps to give priority to project exports. Pamphlets are being made to acquaint the entrepreneurs in developing countries with the project ideas that could be realised in their own country. Close contacts have been maintained with SAARC nations especially Sri Lanka and Nepal. The Corporation has already taken action to organise exposition in Mali for display of projects. This exposition facilitate entry into other Franco phone countries for setting up of Industrial Projects. Studies have also been carried out in Namibia, Zimbabwe for setting up of Technology dissemination and Training Centres under ITEC programmes. An entry has also been made in Saudi Arabia for Tunc Mill Project.

[Ministry of Industry, Department of SSI & ARI, O.M. No. 11/2795-SSI(P) Dated 2-9-1996]

Additional Information called by the Committee

Recommendation (Sl. No. 12)

Whether the Government have conducted any study to boost the export of projects on turnkey basis to developing countries? If so, the details may be given.

Reply of the Government

NSIC is involving in supply of Turnkey projects to different countries in Asia and Africa. It has carried out studies for exports in Zimbabwe, Mali and other countries. In Zimbabwe, a three members team visited, studied in detail for setting up of a Training-Cum-Technology Dissemination Centre for dissemination of information on various projects. In Mali, an exhibition will be held in December, 1996 for display of small industrial projects. NSIC office in South Africa has already established liaison with Chamber of Commerce and other institutions for supply of projects on Turnkey basis to that country. Normally, the assessment of requirement of projects is undertaken through participation in exhibition, discussions with the delegations visiting them periodically. NSIC also participates in delegations being sponsored by different Associations/Organisations to assess the requirement of turnkey projects in developing countries.

[Ministry of Industry, Deptt. of SSI & ARI, O.M. No. 11/2795-SSI (P) Dated 15.11.1996]

Recommendation (Sl. No. 14)

The Committee are concerned to note that the profitability of NSIC has been very low over the years. The net profit earned during 1992-93 to 1994-95 was only Rs. 124 crores, Rs. 1.31 crores and Rs. 1.60 crores respectively. The Committee would like to point out and that according to the statement of micro-objectives of the company, though its prime

objective was development, it would endeavour to earn a reasonable rate of return on investments. But during 1993-94, the rate of return was a meagre 2.11% on equity and 7.73% on investment while according to the Ministry, the ideal rate of return on investment for NSIC would be 12%. The Committee were given to understand that the return was low because of higher rates of interest on borrowing raised by the company and because a part of such borrowings raised for commercial activities had to be diverted for promotional activities due to inadequate grants from Government for the latter. The Committee, therefore, recommend that in order to have a proper evaluation of its performance the promotional and commercial roles of NSIC should be clearly demarcated under intimation to the Committee. Once its role is clearly defined, NSIC should strive to earn a reasonable rate of return on investment. The Committee also recommend that as assured by the Chairman, NSIC, the Company should maintain quarterly profit and loss accounts in order to facilitate quick corrective action whenever required.

Reply of the Government

Government is of the view that NSIC should not borrow funds for their promotional activities. However, the Govt. does not have any objection if part of the profits are diverted for promotional development in case Govt. grants are not adequate.

With efficient utilisation of resources and with increasing volume of business the Corporations' return on investment will improve. In addition, with the reimbursement of past deficits of PDTC, it is expected that profit of the Corporation will increase further.

NSIC will maintain hereafter quarterly profit and loss account.

[Ministry of Industry, Department of SSI & ARI, O.M. No. 11/27/95-SSI(P) Dated 2-9-1996]

Additional Information called by the Committee

Recommendation (Sl. No. 14)

In order to have a proper financial evaluation of the Corporation what action, if any has been taken to demarcate its promotional and commercial roles as recommended by the Committee.

Reply of the Government

The demarcation between the promotional and commercial activities of the Corporation already exists *i.e.* their financial assistance to the SSI units under various schemes of the Corporation are treated as commercial activity and the operation of PDTCs, Sub-Centres, Govt. Purchase and Marketing Promotion are promotional activities. Even in respect of PDTCs, the emphasis of the Govt. is that they should become self-sufficient over a period of time.

[Ministry of Industry, Department of SSI & ARI, O.M. No. 11/27/95-SSI(P) Dated 15-11-1996]

Recommendation (Sl. No. 19)

The Committee are perturbed to note that the outstanding dues to NSIC have been increasing over the years in the case of all schemes except leasing. The total outstandings as at the end of 1993-94 and 1994-95 were Rs. 115.11 crores and Rs. 127.27 crores respectively. Out of the outstandings as on 31 March, 1995 as much as Rs. 87.74 crores were on Hire Purchase Schemes only. The Committee desire that the debt recovery machinery in the company should be strengthened and concerted efforts should be made to recover the outstandings early.

The Committee express concern over the high level of inventories in the company particularly in the case of PDTCs. Out of total inventory of Rs. 6.61 crores at the end of 1994 the inventory with the PDTCs was as high as Rs. 5.87 crores. The Committee desire that company should make all possible efforts including disposal of the seized machine etc. to reduce the inventory to the lowest. The realisation from the sale of surplus machinery would also add to the profits of the company.

Reply of the Government

The Corporation is in the process of strengthening the recovery mechanism. Frequency of meetings to discuss various issues of default have been increased. The monitoring is done on monthly basis with respect to the recovery on current dues as well as over dues. Legal cases are being scrutinised periodically. The Corporation has stated that all out efforts will be made to increase the recovery rate. They are also in the process of introducing an incentive scheme for this purpose.

The Corporation has issued instructions to all the Centres to reduce the level of inventory of non-moving and slow moving items. The current level of inventories is about Rs. 4.5 crores as against Rs. 5.97 crores reported at the end of 1994. Efforts are being made to reduce the non-moving inventories by utilising the items for training purpose, wherever possible.

[Ministry of Industry, Department of SSI & ARI, O.M. No. 11/27/95-SSI(P) Dated 2-9-1996]

Recommendation (Sl. No. 20)

The Committee have been informed that according to a study carried out by Billimoria Consultants, the optimum requirement of manpower in NSIC is 1000. Against this the present manpower strength of the company was stated to be 1940. While about 500 people are expected to retire in the next three years, NSIC has made a proposal for offering voluntary retirement scheme to about 450 people. For this a proposal was made to the Ministry in September, 1994 for making available to NSIC an amount of Rs. 7.05 crores from National Renewal Fund during 1994-95 and

1995-96 which was requested to be increased to Rs. 8.55 crores in December, 1994. The Committee regret to note that against this, an amount of Rs. 3.68 crores only was provided for in June, 1995. Even this amount has not so far been released and was expected to be released only after the first supplementary budget. The Committee deprecate the lackadaisical attitude of NSIC in preparing a detailed proposal in this regard as also of the Government in releasing the amount which will go a long way in solving the problem of over employment in NSIC. They recommend that this amount should be released to NSIC without further delay and action initiated in regard to the next instalment to be provided from the National Renewal Fund. They also feel that the suggestion of the consultants for handing over machinery to the employees instead of cash deserves serious attention.

Reply of the Government

In the financial year 1995-96, a sum of Rs. 3.68 crores was released to the NSIC by the Government for their Voluntary Retirement Scheme. The Corporation has released the amount for payment to the employees who had opted the V.R.S. During the current year, a sum of Rs. 3.50 crores has been provided.

[Ministry of Industry, Department of SSI & ARI, O.M. No. 11/27/95-SSI(P) Dated 2-9-1996]

Additional Information called by the Committee

Recommendation (Sl. No. 20)

(a) Whether the Government have acceded to the request of NSIC for increasing the amount to be released from National Renewal Fund for VRS from Rs. 7.05 crores to Rs. 7.55 crores?

(b) What is the actual amount released during the current year i.e. 1996-97 to NSIC for augmenting Voluntary Retirement Scheme?

Reply of the Government

A sum of Rs. 3.68 crores was released to NSIC during the financial year 1995-96 under Voluntary Retirement Scheme. Further, a provision of Rs. 3.50 crores has been made in the current years' budget for this purpose. The Corporation has sent a proposal for releasing Rs. 1.48 crores (Approx.) for the implementation of Voluntary Retirement Scheme in the current financial year which is under examination. The allocation of fund for implementation of VRS in NSIC will be considered on year to year basis.

[Ministry of Industry, Department of SSI & ARI, O.M. No. 11/27/95-SSI(P) Dated 15-11-1996]

CHAPTER III

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

Recommendation (Sl. No. 13)

The Committee find that under the Enterprises Building Programme, NSIC was to take up 200 areas over the period 1992-97 for development of industries in rural and backward areas. However, 55 areas only could be covered so far and now the company plans to reduce the target to 100 areas. Considering the fact that hardly 20 per cent of the people trained under the programme have put up their own enterprise, the Committee suggest that there is a need for rethinking about continuing with this programme by NSIC. This is all the more necessary since there are already four national institutions for entrepreneurship development. They agree with the views expressed by Government that this programme should be rationalized. The Committee therefore, recommend that a study in regard to EDP's being carried out by various organisations should be carried out by Government with a view to rationalising efforts in this direction and assign a precise role to NSIC in order to avoid any duplication of efforts. The Committee should also be apprised of outcome of the study.

Reply of the Government

There is no duplication of efforts. The Enterprise Building Programme of the Corporation is basically aimed at motivating people to set up their own enterprises in a particular area. The prospective entrepreneurs are made aware of the facilities that will be available to them in case they start their own enterprises. While the Entrepreneurship Development Programme is basically aimed at imparting finer skills on enterprise management, training etc. However, NSIC has been asked to rationalise its Enterprise Building Programme to be in tune with the present industrial scenario and to avoid duplication of efforts if any.

[Ministry of Industry, Department of SSI & ARI, O.M. No. 11/27/95-
SSI(P) Dated 2-9-1996]

CHAPTER IV

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

Recommendation (Sl. No. 1)

The NSIC was set up in the year 1955 to promote, aid and foster the growth of Small Scale Industries in the country. The company provides a wide range of services to small scale industries which are registered with the company or which approach them directly. The main objectives of the company are to provide supervised credit services through its Hire Purchase and Leasing Schemes to provide comprehensive marketing services, to procure and supply raw materials and to take up upgradation of tools and techniques of production.

According to one of the micro-objectives of NSIC, it was to organise its support programmes in such a manner as would help the growth of small scale industries in the backward areas and by entrepreneurs belonging to weaker sections of the society. The Committee are astonished to learn that even after forty years of establishment of NSIC, Government have not undertaken any detailed analysis in regard to fulfilment of this important objective by the corporation. They have received an impression that this aspect has not been given the attention it deserves by NSIC and the Government also have comforted themselves by putting the whole responsibility of development of backward areas on the State Government agencies like the Director of Industries and the Small Industries Corporations. The Committee recommend that a detailed analysis of the impact of activities of NSIC in the development of small scale industries in the backward areas should be made by Government within three months of presentation of this Report. In the light of such analysis NSIC should endeavour to identify the backward areas district by district which have potential for development of small industries and provide assistance depending on the type of activity which would be viable for them. If necessary separate funds should be provided by Government to NSIC for this purpose. The action initiated in this regard should also be intimated to the Committee.

Reply of the Government

The micro-objective of NSIC were approved in 1982 by the Board. At that time, the industrial scenario was different from as of today. Now with the liberalisation and opening up of the economy there is need to provide

different type of support to the small scale sector. Keeping this in view, the Corporation, in its corporate Plan, has re-oriented its objectives for the promotion and development of Small Scale Industries, keeping in view the changing scenario. Industrialisation is the specific responsibility of the concerned State Govt. and the Central Govt. supplements the efforts of the States by offering incentives, concessions etc. for the growth and development of industries. However, the National Small Industries Corporation has been organising support programmes for weaker sections of the society as well as for the growth of small scale industries in the backward areas by organising Intensive Campaigns for supply of machinery on Hire Purchase basis. The assistance provided by the Corporation has helped in employment generation in the rural areas and in backward areas.

The Corporation has paid attention and has provided assistance of Rs. 41,063.88 lakhs till 31st March, 1995 under its Hire Purchase Scheme out of this assistance of Rs. 11,804.64 lakhs has been provided to backward areas. Due to the assistance provided by the Corporation employment has been generated in the backward areas. However, Government will endeavour to provide separate funds for this in the 9th Plan by formulating suitable schemes.

[Ministry of Industry, Department of SSI & ARI, O.M. No. 11/27/95-SSI(P) Dated 2-9-1996]

Comments of the Committee

Please see Para 7 of Chapter I of the Report.

Recommendation (Sl. No. 3)

The Committee observe that NSIC started entering into MOU with the Government since 1992-93. The Company has secured 'excellent' and 'very good' ratings for the years 1992-93 and 1993-94 respectively while the evaluation for the year 1994-95 was yet to be done. The Committee are very much perturbed over the delay in signing the MOU for the current year i.e. 1995-96. It is disquieting to note that spite of the assurance given to the committee by the Secretary, Department of Small Scale Industries & Agro and Rural Industries that the MOU would be signified by the end of September, 1995, the same could only be signed on 19th December, 1995. The Committee are not at all convinced with the argument of the Ministry that pending the signing of MOU, NSIC had been told to go ahead with their work. The Committee would like to draw the attention of Government to their 36th Report (1994-95) and 45th Report (1995-96) where they have dealt in detail with the question of delays in signing the MOUs. They would again emphasize that if the MOU is not signed well in time, it would not only lose its importance but would remain only an exercise on paper. They recommend that in future it should be ensured that the MOU is signed before the end of first month of the concerned financial years.

The Committee regret to note that the financial support committed by

Government in the MOU during the last 3 years i.e. 1992-93 to 1994-95 was not released fully till the end of the financial year. During the year 1994-95 against an MOU obligation of Rs. 8.95 crores Government released only an amount of Rs. 99 lakhs to NSIC. They would like to be informed whether the balance assistance has since been released. The delay in signing the MOU for 1995-96 also was reportedly due to the hesitance on the part of Government in regard to financial commitment. The Committee deprecate such apathetic attitude of Government and recommend that keeping in view the importance of providing financial support to the small scale sector, not only adequate provision of necessary funds should be made in the MOU to be signed with NSIC but the same should also be released in time without which the provision would have no relevance whatsoever.

Reply of the Government

The process of finalising the MOU was initiated in Jan. '96 itself. We had requested NSIC to send the draft MOU for 1996-97 and the Corporation submitted the same to the Deptt. of Public Enterprises (DPE) on 26.2.96 with a copy to this Deptt. The draft was examined in the Deptt. at appropriate levels and forwarded to DPE on 19.3.96. NSIC's MOU meeting was fixed on 27.3.96. Thereafter, the next meeting for finalising the MOU between this Deptt. and the Corporation was held on 6.6.96. In the meeting, the Corporation was requested to make certain modifications and to send the revised MOU to the DPE for their consideration. The Corporation has submitted the revised draft MOU. As soon as the final MOU is received from the DPE, it will be immediately signed with the Corporation.

In the Financial Years 1992-93 to 1994-95, the amount of Plan and Non Plan grants approved by the Government and the amount released by the Govt. is given as under:—

(Rs. in Crores)

	1992-93		1993-94		1994-95	
	Plan	Non-plan	Plan	Non Plan	Plan	Non Plan
a) Total amount of grant approved	5.00	8.40	8.00	7.34	8.00	4.40
b) Amount released by the Government	5.00	8.40	5.46	7.34	6.13	4.40

The amount of Rs. 8.95 crores mentioned in the MOU of 1994-95 pertained to Exchange Variation Losses of KFW Loan availed by National Small Industries Corporation, the losses on account of exchange rate variation on K.F.W. loans are reimbursed by Government of India. Out of Rs. 8.95 crores, the Government released Rs. 4.92 crores as under:

Non Plan Provision for 1993-94	Rs. 0.99 crores
The amount provided by way of reappropriation during 1993-94 under Non Plan	Rs. 2.94 crores
Non Plan Provision for 1994-95	Rs. 0.99 crores
Total:	Rs. 4.92 crores

The remaining Amount of Rs. 4.03 crores has been released alongwith part of Exchange Variation due for the year, 1995-96 have been released in 1995-96 as under:—

Non Plan Provision of 1995-96	Rs. 0.99 crores
By way supplementary grant during 1995-96	Rs. 3.61 crores
Total	Rs. 4.60 crores

[Ministry of Industry, Department of SSI & ARI, O.M. No. 11/27/95-SSI(P), Dated 2.9.96]

Comments of the Committee

Please see para 10 of Chapter I of the Report.

Recommendation (Sl. No. 16)

The Committee do not agree with the contention of the Ministry that the rate of interest at which NSIC receives money would not affect its functioning. They would like to point out that if NSIC is expected to provide assistance to small scale sector at reasonable rates, it is imperative that the company is able to raise resources at a lower rate. On the contrary, the Committee observe that inspite of the assurance given by Reserve Bank of India to NSIC that it would get funds at three per cent less than the normal market rates, the same has failed to fructify. Small Industries Development Bank of India (SIDBI) has also raised its rate of interest on direct loans to NSIC to 19% while the average rate of interest charged by NSIC is 17%. The Committee recommend that the matter of providing funds to NSIC by financial institutions at concessional rates should be taken up by the Ministry with the RBI/Ministry of Finance. SIDBI should also be persuaded to extend refinancing facilities to NSIC as is being done for State Government agencies, since NSIC is also engaged in the promotion of small industries.

Reply of the Government

This Ministry has taken up the matter with the Deptt. of Economic Affairs, Banking Division, Ministry of Finance and will pursue the matter.

[Ministry of Industry, Department of SSI & ARI, O.M. No. 11/27/95-SSI(P) Dated 2.9.1996].

Comments of the Committee

Please see para 16 of Chapter I of the Report.

Recommendation (Sl. No. 17)

The Committee note that for the last two years foreign banks are required to deposit the shortfall in their lending to priority sector from the mandatory 40% with SIDBI and NABARD at an interest rate of 10%. NSIC is exclusively engaged in promotion and development of small business enterprises, a key priority sector. The Committee, therefore, desire that a part of such surplus funds of foreign banks should also be deposited with NSIC.

Reply of the Government

This has been noted and as has been already mentioned in reply to recommendation No. 16, this matter is being taken up with the concerned department for necessary action.

[Ministry of Industry, Department of SSI & ARI, O.M. No. 11/27/95-SSI(P) Dated 2.9.1996].

Additional information called by the Committee

Recommendation (Sl. Nos. 16 & 17)

What is the final outcome in regard to (i) providing funds to NSIC by financial institutions at concessional rates, (ii) extending refinancing facilities to NSIC by SIDBI and (iii) depositing surplus funds of foreign banks with NSIC. Detailed reply may be given.

Reply of the Government

The matter regarding charging of lower rate of interests on the financial advances granted by Scheduled Commercial Banks to intermediary financial institutions for the purpose of on-lending to ultimate borrowers, has been taken up alongwith the question of refinancing facilities to NSIC by SIDBI. Secretary (SSI&ARI) has already written a letter to Finance Secretary regarding the constraint in the availability of resources for NSIC. The Ministry of Finance has been requested to specify NSIC as an eligible institution for refinance facilities under the Small Industries Development Bank of India Act, 1989. The response from the Ministry of Finance is awaited. The matter will be pursued. As regards inclusion of NSIC as a recipient of surplus funds of foreign banks, it may be stated that this matter will be discussed in the Inter-Ministerial Committee constituted by

this Department for monitoring the implementation of policies and programmes drawn by various Ministries for the development of small scale industries. This matter has also been taken up at Secretary's level with Ministry of Finance.

[Ministry of Industry, Department of SSI & ARI, O.M. No. 11/27/95-SSI(P) Dated 14.11.1996].

Comments of the Committee

Please see para 17 of Chapter I of the Report.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Sl. No. 4)

The Committee find that in the MOU signed by NSIC, 50 per cent weightage is being given to profit related criteria while calculating the ratings of the company. In view of the promotional nature of its operations, NSIC wants this weightage to be brought down to 40 per cent. The Committee have been informed that the criteria for evaluation are decided by the Department of Public Enterprises. The Committee desire that the role of NSIC should be clearly defined and in case it is expected to play a predominantly promotional role, the matter should be taken up with the Department of Public Enterprises for adjustment in the profit related criteria. The decision taken on this issue should also be intimated to the Committee.

Reply of the Government

The Government is of the view that the Corporation should lay more emphasis on its commercial activities so as to generate enough profits for sustaining some of the expenditure incurred on its promotional activities. This is because the Government provides equity support to the Corporation to enable it to go for borrowing from financial institution, banks etc. Hence NSIC has to earn sufficient income and profit. However, in the meeting held on 6.6.96 regarding MOU for 1996-97, this matter was discussed and since it was too late this year for reviewing the criteria for MOU reflecting the promotional activities of the NSIC adequately and more objectively. Adhoc Task Force (ATF) set up by the DPE decided that this would be examined in detail next year.

[Ministry of Industry, Department of SSI & ARI, O.M. No. 11/27/95-SSI(P). Dated 2.9.96].

Recommendation (Sl. No. 15)

The Committee have been informed that over the 5 years' period from 1995-96 to 1999-2000, it has projected a total turnover of Rs.10,000 crores. According to this plan, total additional funds of Rs.1292 crores would be required during the 5 years. NSIC proposes to meet this requirement partly by internal resources and equity support from Government and the remaining by way of borrowings from SIDBI, issue of Bonds, foreign lines of credit and deposit of surplus funds by foreign banks etc. However, the availability of resources from none of these sources seems to have been confirmed. The Committee recommend that since the matter needs serious and attention, it should be taken up by the administrative Ministry with

the concerned authorities particularly the Ministry of Finance in right earnest so that adequate funds could be made available to NSIC in time.

The Committee have also come to learn that against the allocation of Rs.65 crore for NSIC for the Eighth Five Year Plan, the company has been allocated Rs.67 crores during the first four years of the plan. Since the company has projected Rs.104 crores as equity capital support over the next five years, the Committee recommend that the matter regarding allocation of more funds to NSIC within the Eighth Plan period should be taken up with the Planning Commission and the Committee apprised of the results thereof.

Reply of the Government

Recommendation has been noted and this matter was discussed with the officials of NSIC also during the performance review meeting held with the Corporation on 13.6.96. Issues regarding mobilisation of additional resources from institution like SIDBI out of deposit of funds by foreign banks, foreign lines of credit and issue of bonds etc. are being taken up with appropriate Govt. departments and other agencies.

A sum of Rs.13 crores has been provided to NSIC during the financial year 1996-97 as Equity under Plan. As regards provision of more funds, as this is the end of the 8th Plan period, provision of adequate funds to the Corporation will be taken up during the 9th Plan period.

[Ministry of Industry, Department of SSI&ARI, O.M.No. 11/27/95-SSI(P), Dated 2.9.96].

Recommendation (Sl. No. 18)

The Committee have been informed that small scale units are provided relief/concessions in excise on a graduated scale if the turnover of the individual units is upto Rs. 300 lakhs. NSIC has also brought to the notice of the Committee that when it forms consortia of units manufacturing the same products, the benefit of excise relief is not available now as a result of which many small scale units are not able to take advantage of NSIC's Marketing Assistance Programme. Such benefits were in fact made available to the NSIC for one year only i.e. 1992-93 and the notification was not extended thereafter. The Committee deprecate the failure of the company in bringing the matter to the notice of the administrative Ministry. They would now recommend the administrative Ministry to take up the matter with the Ministry of Finance immediately and have the benefits of excise relief restored to NSIC under intimation to the Committee.

Reply of the Government

Action will be initiated on the recommendation and suitable proposal has been sought from NSIC.

[Ministry of Industry, Department of SSI, ARI, O.M. No. 11/27/95-SSI(P) Dated: 2.9.1996].

Additional information called by the Committee

Recommendation (Sl. No. 18)

Please elaborate indicating *inter-alia* (i) when was the proposal sought from NSIC (ii) Has it since been received by Government (iii) If so, whether the matter has been taken up with the Ministry of Finance and with what results.

Reply of the Government

The Corporation was asked to send a suitable proposal on 16.9.96. We have been informed by NSIC that the proposal is under finalisation and will be sent very shortly. As soon as the same is received, it will be examined and will be sent to Ministry of Finance for their consideration.

[Ministry of Industry, Department of SSI & ARI, O.M. No. 11/27/95-SSI(P) Dated: 15.11.1996].

Recommendation (Sl. No. 21)

The Committee are surprised to learn that NSIC does not have full time Directors. In view of the vast area of operations of the company, the Committee desire that the recommendation of the consultants for appointing full time Directors for Marketing, Planning and Finance should be implemented immediately under intimation to the Committee.

Reply of the Government

This matter is already under consideration of the Government. The Corporation has been requested to send the proposal in this regard:

[Ministry of Industry, Department of SSI&ARI, O.M. No.11/27/95-SSI(P), Dated: 2.9.96]

Additional information called by the Committee.

Recommendation (Sl. No. 21)

Since when is the matter under consideration of Government? When was the Corporation asked to send the proposal? What is the latest position in the matter?

Reply of the Government

This is regarding appointment of full time Functional Directors on the Board of NSIC. The Corporation had informed that they will submit a proposal for appointment of two full time Directors, one for Finance and other for Technology, at the time of re-constitution of the Board. The Government are awaiting the consolidated proposal from NSIC.

[Ministry of Industry, Deptt. of SSI & ARI, O.M. No. 11/27/95-SSI(P), Dated 15.11.1996.]

Recommendation (Sl. No. 22)

The Committee find that at present if the investment on plant, machinery and equipment in a unit less than Rs.60 lakhs, it is termed a small scale industry. Based on the recommendations of the industry, NSIC submitted a proposal in 1994 for raising this limit to Rs.2 crores. No final decision in the matter has so far been taken. The Committee desire that in view of the need for technology upgradation on account of competition, an early decision in regard to raising this limit should be taken by Government.

Reply of the Government

There is a proposal under consideration of the Government for raising the present investment limit for plant and machinery and equipment for SSI units from the existing level of Rs. 60 lakhs.

[Ministry of Industry, Deptt. of SSI & ARI, O.M. No.11/27/95-SSI(P),
Dated 2.9.1996.]

Additional information called by the Committee**Recommendation (Sl. No. 22)**

(a) Since when is the proposal for raising the limit of Rs. 60 lakhs on the investment on plant, machinery etc. to Rs.2 crores for SSI units under consideration?

(b) Has any final decision since been taken in the matter? If not, at what state does the proposal stand and by when is the final decision expected to be taken?

Reply of the Government

The proposal for raising the limit of a Rs.60 lakhs on the investment on Plant & Machinery etc. has been under consideration since 1996. It was later on decided that as this Department has constituted an Expert Committee on Small Enterprises under the Chairmanship of Dr. Abid Hussain, former member, Planning Commission to look into the promotional and protective policies related to the Small Scale Sector and other related aspects, a decision on raising the investment limit may be deferred till the receipt of recommendations of the Expert Committee.

[Ministry of Industry, Deptt. of SSI & ARI, O.M. No. 11/27/95-SSI(P),
Dated 15.11.1996].

Comments of the Committee

Please see para 20 of Chapter I of the Report.

Recommendation (Sl. No. 23)

NSIC is stated to have got a study undertaken on their behalf to find out the impact of liberalization on small scale sector. The final report on the subject is still awaited. The Committee desire that the study should be

expedited and the findings together with the action taken thereon intimated to them. The Committee are dismayed to learn that Government proposes to curtail the list of items reserved exclusively for the small scale sector. They are of the firm opinion that inspite of the opening up of economy some kind of protection is still essential for small industries. They feel that already small sector is facing the onslaught of the multinationals whose technology is very much advanced and which can corner the Indian Small industries very easily. In view of the importance of the small scale sector in the Indian context, the Committee strongly recommend that this curtailment of list be deferred till such time as the small industries are able to improve their quality and procure state-of-art technology and can compete in domestic as well as international markets.

Reply of the Government

Since 1989, Govt. have not de-reserved any of the items reserved for exclusive manufacture in the small scale sector. However, Govt. of India have constituted an Expert Committee on Small Enterprises under the Chairmanship of Shri Abid Hussain, formerly Member, Planning Commission. The Committee would examine the promotional and protective policies relating to the small scale sector and other related aspects. Based on the report, Govt. will take suitable measures for the promotion and development of small scale industries in the country.

[Ministry of Industry, Department of SSI & ARI, O.M. No. 11/2795-SSI(P), Dated 2-9-96]

Comments of the Committee

Pl. see Para 20 of Chapter I of the Report.

NEW DELHI;
April 25, 1997

Valsakha 5, 1919(S)

G. VENKAT SWAMY
Chairman,

Committee on Public Undertakings.

APPENDIX I

MINUTES OF THE TWENTY-SECOND SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 21ST APRIL, 1997

The Committee sat from 1500 hrs. to 1615 hrs.

PRESENT

Shri G. Venkat Swamy—*Chairman*

MEMBERS

Lok Sabha

2. Shri Parasram Bhardwaj
3. Shri Somjibhai Damor
4. Shri Banwarilal Purohit
5. Shri Brij Bhushan Tiwary
6. Prof. (Smt.) Rita Verma

Rajya Sabha

7. Shri Vayalar Ravi
8. Shri Solipeta Ramachandra Reddy

SECRETARIAT

1. Shri J.P. Ratnesh — *Joint Secretary*
 2. Shri P.K. Sandhu — *Director*
 3. Shri P.K. Grover — *Dy. Secretary*
 4. Shri Raj Kumar — *Assistant Director*
- Office of the Comptroller & Auditor General of India*

Shri B. B. Pandit Principal Director (Comml.)

*2.	**	**	**	**	**
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*3.	**	**	**	**	**
	**	**	**	**	**
*4.	**	**	**	**	**
	**	**	**	**	**

* Minutes relating to items at Para Nos. 2 to 5 have been kept separately.

*5. ** ** ** ** **
 ** ** ** ** **

6. Thereafter the Committee considered the draft report on Action Taken by the Government on the recommendations contained in 49th Report of Committee on Public Undertakings (1995-96) on National Small Industries Corporation and adopted the same.

7. The Committee authorised the Chairman to finalise the Reports on the basis of factual verification by Ministries/Undertakings concerned and Audit and to present the same to Parliament.

The Committee then adjourned.

* Minutes relating to items at Para Nos. 2 to 5 have been kept separately.

APPENDIX II

Analysis of the Action Taken by Government on the recommendations contained in the 49th Report (10th L.S.) of the Committee on Public Undertakings on National Small Industries Corporation Limited.

I. Total number of Recommendations	23
II. Recommendations that have been accepted by the Government (Vide recommendations at Sl. Nos. 2, 5 to 12, 14, 19 and 20)	12
Percentage to total	52.17%
III. Recommendation which the committee do not desire to pursue in view of the Government's replies (Vide recommendation at Sl. No. 13)	1
Percentage to total	4.34%
IV. Recommendations in respect of which reply of Government has not been accepted by the Committee (Vide recommendation at Sl. Nos. 1, 3, 16 and 17)	4
Percentage to total	17.39%
V. Recommendations in respect of which final replies of Government are still awaited (Vide recommendations at Sl. Nos. 4, 15, 18, 21, 22 and 23)	6
Percentage to total	26.08%