

Report of
the Sub-Group
on Small Scale Industries
1965.

Ministry of Industry
& Supply.

INDIA

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**WORKING GROUP ON SMALL SCALE
INDUSTRIES, HANDICRAFTS & SERICULTURE**



**REPORT OF THE
SUB-GROUP ON
SMALL SCALE INDUSTRIES**

JULY 1965

**MINISTRY OF INDUSTRY & SUPPLY
DEPARTMENT OF INDUSTRY
GOVERNMENT OF INDIA**

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INTRODUCTION

1. A Working Group on Small Scale Industries, Handicrafts and Sericulture was set up by the Ministry of Industry, Government of India (*Vide* Office Memorandum No. 22(3)/63-ICC(1), dated the 20th August, 1963, issued by the Ministry of Industry), for assessing the progress of the third Plan and for carrying out the ground work for the formulation of projects for the fourth Plan. The following were the Members of the Working Group:—

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| 1. Shri K. V. Venkatachalam,
Joint Secretary,
Ministry of Industry, | <i>Chairman</i> |
| 2. Dr. D. K. Malhotra,
Joint Secretary,
Planning Commission. | <i>Member</i> |
| 3. Shri N. K. Mukarji, and later,
Dr. S. T. Merani,
Development Commissioner,
Small Scale Industries. | <i>Member</i> |
| 4. Shri T. R. V. Chari,
Deputy Secretary Incharge of
Small Scale Industries,
Ministry of Industry. | <i>Member</i> |
| 5. Shri A. Vishvanath, and later,
Shri P. Sitaraman,
Deputy Secretary Incharge of
Handicrafts & Sericulture,
Ministry of Industry. | <i>Member</i> |
| 6. Shri C. V. R. Panikar,
Deputy Financial Adviser,
Ministry of Finance,
Industries Division. | <i>Member</i> |
| 7. Shri L. N. Renu, and later,
Shri P. M. Mathai,
Director of Industrial Cooperatives,
Ministry of Industry. | <i>Member</i> |
| 8. Shri B. K. Chatterjee,
Staff Officer, State Bank of India. | <i>Member</i> |
| 9. Shri S. N. Dandona,
Chief Executive Officer,
All India Handicrafts Board. | <i>Member</i> |

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| 10. Shri T. S. Pattabhiraman, M. P.,
Vice Chairman,
Central Silk Board. | <i>Member</i> |
| 11. Shri S. R. Ullal,
Secretary,
Central Silk Board. | <i>Member</i> |
| 12. Shri A. R. Bhat,
President,
Federation of Associations of
Small Industries of India. | <i>Member</i> |
| 13. Shri L. C. Jain,
Member-Secretary,
All India Handicrafts Board. | <i>Member</i> |
| 14. Shri H. Nanjundiah,
Deputy Secretary,
Industries & Labour Department,
Government of Maharashtra. | <i>Member</i> |
| 15. Shri B. C. Mathur,
Director of Industries,
Orissa. | <i>Member</i> |
| 16. Shri G. Giriappa,
Joint Registrar of Industrial Cooperatives,
Mysore. | <i>Member</i> |
| 17. Shri Baldev Kapoor, and later,
Shri G. R. Bhai,
Department of Industries,
Punjab. | <i>Member</i> |
| 18. Shri S. V. S. Sharma,
Secretary,
Small Scale Industries Board. | <i>Member</i> |

The terms of reference of the Group were :—

- (i) To make a critical review of the progress of the programme and schemes of the Small Scale Industries, Handicrafts and Sericulture in the Third Plan period.
- (ii) To assess, in the light of the current trends and other available data, the position likely to be reached at the end of the Third Plan period.
- (iii) To formulate proposals for the Fourth Plan in the perspective, wherever possible, of 15 year period, 1966-81.

The Working Group was required to submit a preliminary report containing :

- (i) a provisional list of important projects/schemes which are proposed to be started during the first and second years of the Fourth Plan.

- (ii) the provision to be made in the annual plan for 1964-65 for advance action in regard to these projects/schemes, and, if possible,
- (iii) a broad idea of the objectives and tentative targets for the Fourth Plan which the Group may have generally in view.

2. At its first meeting held on 11th September, 1963, the Working Group decided to appoint three sub-groups, one each on Small Scale Industries, Handicrafts and Sericulture to carry out the terms of reference.

The Sub-Group on Small Scale Industries consisted of the following:—

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| 1. Shri K. V. Venkatachalam,
Joint Secretary,
Ministry of Industry. | <i>Chairman</i> |
| 2. Dr. D. K. Malhotra,
Joint Secretary,
Planning Commission. | <i>Member</i> |
| 3. Shri A. R. Bhat,
President of the Federation of Associations
of Small Industries of India. | <i>Member</i> |
| 4. Shri N. K. Mukarji, and later,
Dr. S. T. Merani,
Development Commissioner,
Small Scale Industries. | <i>Member</i> |
| 5. Shri T. R. V. Chari,
Deputy Secretary,
Ministry of Industry. | <i>Member</i> |
| 6. Shri L. S. Renu, and later,
Shri P. I. Mathai,
Director, Industrial Cooperatives,
Ministry of Industry. | <i>Member</i> |
| 7. Shri K. L. Nanjappa,
Director,
National Small Industries Corporation. | <i>Member</i> |
| 8. Shri C. V. R. Panikar, and later,
Shri R. Mahadevan,
Deputy Financial Adviser,
Ministry of Finance (Ind. Divn.) | <i>Member</i> |
| 9. Dr. S. L. Sharma,
Director,
Office of the Development
Commissioner,
Small Scale Industries. | <i>Member</i> |
| 10. Shri P. M. Mathai, and later,
Shri J. C. Verma,
Director (Industries),
Ministry of Community Development and
Cooperation. | <i>Member</i> |

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| 11. | Shri B. C. Mathur,
Director of Industries
Orissa. | <i>Member</i> |
| 12. | Shri H. Nanjundiah,
Deputy Secretary,
Government of Maharashtra. | <i>Member</i> |
| 13. | Shri Baldev Kapoor, and later,
Shri G. R. Bhai,
Department of Industries,
Punjab. | <i>Member</i> |
| 14. | Shri Anil De,
Director,
Inventions Promotion Board. | <i>Member</i> |
| 15. | Shri M. Samiyuddin, and later,
Shri A. B. Malik,
Director of Industries,
Uttar Pradesh. | <i>Member</i> |
| 16. | Shri B. K. Chatterji,
Staff Officer,
State Bank of India. | <i>Member</i> |
| 17. | A Representative of the Director-General
of Employment and Training. | <i>Member</i> |
| 18. | Shri S. V. S. Sharma,
Secretary,
Small Scale Industries Board. | <i>Convenor</i> |

3. The Members of the Sub-Group had an informal meeting with the Members of the Planning Commission on 20th September 1963 regarding the scope of the work of the Sub-Group. The Sub-Group itself later had two meetings on 19th October, 1963, and on 28th and 29th November, 1963. The draft interim report was circulated in December, 1963 to all members of the Sub-Group for comments. It was finalised at an informal meeting of the Sub-Group in Delhi on 10th February, 1964.

4. The State Governments were requested to furnish information regarding the implementation of small industry programmes during the third Five Year Plan and schemes for inclusion in the fourth Five Year Plan. The Union Minister of Industry invited State Ministers for Industries to give their suggestions. The Chairman of the Working Group invited the views of the State Secretaries of Industries Departments and the State Directors of Industries on various matters of interest in this connection.

5. Studies were initiated to assess the position and potentialities of the small scale sector in various industries. Other studies regarding raw material position, credit facilities, ancillary development, rural industrialisation etc. were also initiated. The results of the studies, however, were not available at the time of writing the Interim Report.

6. An Interim Report as required in the terms of reference was submitted in March, 1964.

7. The Sub-Group met again on 23rd and 24th February, 1965 to consider some chapters of the draft Report prepared by the secretariat in consultation with the Chairman. At this meeting, the broad outlines of the Report and the drafts of some chapters were finalised. The other chapters of the draft Report were considered at the next meeting of the Sub-Group on 10th, 11th and 12th March, 1965. The revised Report was considered and approved by the Sub-Group at its meeting on 30th April, 1965.

8. The Report is divided into 19 chapters 17 of which cover a separate aspect each of Small Industry Development.

9. The Sub-Group is grateful to the secretariat of the Small Scale Industries Board, Office of the Development Commissioner (Small Scale Industries) for providing secretariat assistance. The Sub-Group particularly wishes to record its deep appreciation of the very valuable work done by its Member-Convenor, Shri S. V. S. Sharma in the compilation of material for consideration by the Sub-Group and, later, in the drafting of this report.

CHAPTER 1

THE PRESENT POSITION

1.1. The growth of small scale industries during the last decade is one of the most significant features of planned economic development in our country. The increase in the number of units, the increase in the volume of production, the wide variety of new products requiring highly-developed skills taken up, the employment opportunities created, the entrepreneurial skills developed, the increases attained in productivity, the extent of industrial dispersal achieved—both spatial and ownership, the amount of capital mobilized for industrial purposes, the contribution to total industrial production—all these testify to the progress achieved and the vast potentialities that further exist in the small scale industrial sector.

A—PROGRESS THROUGH SUCCESSIVE PLANS:

1.2. In the first Five Year Plan document, small scale and village industries were broadly divided into three categories. These were:

- (1) those which formed an integral part of the village economy—these were called Village Industries;
- (2) those which represented traditional skills and crafts—these were called Handicrafts; and
- (3) those which were more developed and had intimate connection to the corresponding large-scale industry—these were called Small Scale Industries.

Thus, small scale industries were taken to include many newly organized industries worked with power as well as some of the old industries like handloom weaving, manufacture of utensils etc. In the organization of the newer industries, it was recognized that the middleman-trader had a less prominent role to play than in the older industries. The newer small industries, it was felt, offered a very promising field for the educated youngman who was prepared to make his career on the strength of his own skill and enterprise.

1.3. The small scale industries were again divided into three groups, viz.:—

- (1) those for which small scale production had certain advantages and were not affected by large-scale industry to any great extent;
- (2) those in which small scale industry was concerned with the manufacture of certain parts or with certain stages of production in a manufacturing process in which the predominant role was that of large-scale industry; and
- (3) those in which small scale industry had to meet the competition from the corresponding large-scale industry.

1.4. An idea of the type of items produced by small scale units at that time could be had from the items bought by the DGS & D from these units. The list included items like chappals, ammunition and ankle boots, leather shoes and boots, canvas shoes, hides, leather boxes, leather harness, leather strips and belts, wooden cases, packing boxes, batons and handles, stamp dampers, brushes, tin boxes, iron boxes, blankets, locks, metal polish, leather polish, sweeper's broom, etc.

1.5. Such of those engineering industries as were in existence at the beginning of the plan period had been established during the Second World War period in view of the defence needs and restricted imports. But after the cessation of hostilities, the units could not quickly adapt themselves to the changing needs and began to languish. The first Five Year Plan, therefore, provided for their resuscitation along with the traditional small scale industries like carpentry, blacksmithy, leather goods manufacture, etc.

1.6. A positive programme for the development of modern small scale industry was suggested by the Ford Foundation Team which visited the country in 1953-54. The major recommendations of the Team which related to (1) the establishment of four Regional Institutes of Technology for Small Industries (Small Industries Service Institutes) and (2) the establishment of a Marketing Service Corporation and a Small Industries Corporation (the National Small Industries Corporation) were accepted by the Government in June, 1954.

The Small Scale Industries Board was constituted towards the end of that year and the Central Small Industries Organization came into existence simultaneously. Programmes of assistance to small scale units like technical advice, supply of machinery on hire-purchase, liberalisation of procedures for granting loans under the State Aid to Industries Acts, participation in Government Stores Purchase Programme, construction of industrial estates, etc., were taken up in quick succession.

1.7. The provision for the development of small scale industries during the first Five Year Plan was Rs. 5 crores.

Second Five Year Plan

1.8. The Karve Committee which drew up plans for the development of village and small industries in the second Five Year Plan, recognized their importance for obtaining increased supplies of consumer goods and for reducing unemployment and under-employment. The second Five Year Plan endorsed this approach.

1.9. The Industrial Policy Resolution of 1956 while emphasizing the role of village and small industries mentioned that "the aim of the State Policy would be to ensure that the decentralised sector secures sufficient vitality to be self-supporting and its development is integrated with that of large scale industry. The State will therefore concentrate on measures designed to improve the competitive strength of the small scale producer. For this, it is essential that the technique of production should be constantly improved and modernised.....".

1.10. The second Five Year Plan envisaged that small industries would play an increasingly important role as ancillaries to large scale industries and went on to say that "such coordination between the two sectors of industry requires, however, that (a) purchase of articles or parts from small industries is specifically provided for while planning the production programmes of large units, (b) the small industries are brought up to a level where they can maintain an assured supply of products of the requisite standard and specifications".

1.11. Various schemes for the development of small scale industries were ushered in during the second Plan period. Common Production Programmes as recommended in the first Plan were drawn up in the case of sewing machines, bicycles and storage batteries. In addition, further expansion of capacity in respect of some items like certain varieties of agricultural implements, tanning and leather industry, radio receivers, bifurcated rivets, furniture, small hand tools, sports goods etc., was restricted in the large scale sector. A Sub-Committee of the Small Scale Industries Board drew up a list of the items which could be produced in the small scale sector and suggested tentative targets of production for them during the second Five Year Plan.

1.12. To give a speedy fill-up to the development of small scale industries, the Government launched an assistance programme on an extensive scale. The assistance programme included (i) providing information on prospects of industries, (ii) drawing up schemes for the manufacture of various items, (iii) technical assistance, (iv) assistance in procurement of machinery on hire purchase basis, (v) training, (vi) factory space in industrial estates, (vii) credit facilities on liberalised terms, (viii) participation in Govt. Stores Purchases and (ix) modernisation and technological development.

1.13. Although the development of small scale industries was primarily the responsibility of the State Governments, the Government of India through the SSI Board and the Central Small Industries Organization (CSIO) continued to play an increasingly important role in planning and coordinating the various developmental programmes. One of the most important and specific functions assigned to the CSIO was the operation of the Industrial Extension Service. This Service was set up as a direct servicing agency to small scale industries and functioned through the Small Industries Service Institutes and a network of Extension Centres set up all over the country. The salient functions of this service included advising small industries on improved technical processes and use of modern machinery and equipment and acquainting them with the latest tools and techniques of production, management, etc., imparting training in improved technologies and carrying out research on proper use of raw materials, improved design of machinery, etc. This technical assistance programme

resulted in a definite technological improvement in the production of the small scale sector not only quantitatively but also qualitatively. These developments were instrumental in the growth of the sector into something more sophisticated and it was poised to play a much greater and significant role.

1.14. Thanks to the various measures of assistance given by the Government, small scale industries rapidly developed and, even before the end of the second Five Year Plan, were in a position to produce articles requiring high degree of technical skill. They took up the production of many goods which were being previously imported. Amongst the newly developing industries like plastics and some chemicals, small scale units made notable progress. Production of items like radio amplifiers, transistor radios, various types of radio components, tape recorders, simple type of optical lenses including microscopic lenses, telescope lenses, simple camera lenses, etc., was taken up in the small scale sector.

1.15. As the small scale units began to take up the production of items previously imported, there came a demand for foreign collaboration in such industries as electric lamps, beam lights, electronic instruments, water meters, precision measuring instruments, engine valves, textile accessories, portable typewriters, hypodermic needles, switch gear, clockwork and electrically-operated toys, transistor radios, diamond and tungsten carbide dies, etc. On the non-engineering side, industries for which collaboration was sought included glass fibre, reinforced plastic helmets as a substitute for steel helmets, leather finish and shoe adhesives, nylon spindle tapes for textile industry, capillary glass tubes for thermometers, glass tubes for hypodermic syringes, cellulose acetate, laminating process, etc.

1.16. In view of the interest evinced by small scale industrialists in various items requiring high degree of technical skill and as a measure of development of the sector, phased production programmes were approved in the case of certain industries. These industries included electrical industries like domestic refrigerators, water coolers, air conditioners, photo flash bulbs, cameras, clocks and watches, scientific instruments like microscopes, etc.

1.17. The provision for the development of small scale industries during the second Five Year Plan was Rs. 61 crores: (later revised to Rs. 55.57 crores).

Third Five Year Plan

1.18. With regard to small scale industries it had been specifically mentioned in the third Five Year Plan that "these will need to be developed further in line with the larger tasks set by the third Plan. In addition to increase and diversification of production, programmes in the third Plan must aim at securing closer integration between small scale and large scale units over a wide range of industries and the development of small industries as ancillaries."

1.19. Regarding coordination of programmes between small scale and large scale sectors, it was mentioned that "in each branch of industry, with a view to planned development, it is essential to take a comprehensive view of the requirements of the community, the contribution which the small industries can make in relation to large scale industries and the extent to which processes and the stages of production can be decentralised. During the first and second Plans, spheres of production of small and large units were demarcated in the case of some industries, such as cotton textiles and agricultural implements. In few other industries, such as bicycles, sewing machines and storage batteries, after estimating the requirements, separate targets of production were laid down for the large scale and small scale sectors. Various aspects of integration between large and small industries have to be considered in detail for each industry. Among industries which are at present being studied are agricultural implements and machinery, machine and hand tools, bicycles and bicycle parts, sewing machines and sewing machine parts, automobile and diesel engine parts, radio receivers and amplifiers, tanning and footwear, fruit and vegetable preservation, cotton textile machinery parts, electric motors (fractional) and fans, paints and varnishes, storage batteries, scientific and table glassware, surgical and mathematical instruments and plastic products." However, the steps contemplated in the third Five Year Plan did not materialise and targets for production of the above items in the small scale sector were not set.

1.20. An idea of the present position of the small scale sector can be had by studying the comparative contribution of the units in this sector to the total industrial production in those industries in the country. Data culled out from the Industry Prospect Sheets prepared by the Central Small Industries Organisation during the years 1956-62 have been summarised in Appendix 1.1.

1.21. The following list of items for which phased production programmes in the engineering and non-engineering side are being currently approved also indicates the type of items which the small scale sector is now in a position to freely undertake for production:

1. Refrigerators, Air-conditioners and allied equipment.
2. Electric stoves.
3. Multimeters.
4. Ammeters, voltmeters, Moving Coil Instruments.
5. Postal Franking Machines.
6. Electronic Instruments—C. R. Oscilloscope, R.C. Oscillator, Beat Frequency Oscillator, etc.
7. Electric fuel pump for automobiles.
8. Wind screen wipers.
9. Hearing aids.
10. Radio components—I.F. Transformers, loud speakers, paper cones, variable gang condensers, capacitors.
11. Tape recorders.
12. Mechanical gramophone meters.

Common Production Programme is being continued for the following six industries on the engineering side:—

1. Sewing machine (industrial type).
2. Pressure gauge.
3. Microscopes.
4. Taxi meters.

5. Airport ground equipment like air crash tenders and refuellers.
6. Scooters.

1.22. Among the non-engineering industries, plastics have made rapid progress. The Government had taken a decision during the year 1962-63 to reserve certain items of production for development exclusively in the small scale sector. These items were:—

1. Compression moulded items such as bottles.
2. Fabrication of plastic articles from sheets, rods or tubes.
3. Injection moulded articles on upto 12 oz. machine.
4. Polyethylene films of less than 1 mm thickness and the products made from the film.
5. Monofilaments from polyorefines.
6. Containers and similar products by blow moulding technique.
7. Polystyrene foam and foam products, except beads.
8. Spectacle frames made from sheets by fabrication technique or by injection moulding.
9. Polyester sheets for buttons and processing of these sheets.

1.23. Approved production programmes are in vogue for as many as 25 dyestuff items besides a variety of items under pesticides formulations. Rubberised coir, spectacle lenses, instrument lenses, hydrometer, lactometer, electronic ceramic material, etc. are some of the items which have been recently taken up by small scale industries.

I. P. P. Team Findings

1.24. The International Perspective Planning Team reporting in July, 1963 recorded that "with equal access to raw materials there are many lines of industry in which the scale, flexibility, low capital costs, location advantages, other competitive factors favouring small units assure them of continu-

ing and healthy growth in Indian economic development. This growth can and should be achieved without special financial subsidies or concessional benefits." The team also found that "small factories are not confined to consumer goods but already contribute significantly to India's manufacture of producer or investment goods". In 16 out of the 22 industry groups into which the ASI 1960 data was summarised, small registered plants produced more than 40% of the gross output. Small factories acquired significant position along with medium and large factories in many key modern industry goods. The Team mentioned that "production increase by small manufacturers have been striking in many lines, particularly in products newly produced in India". The Team also noted with special interest the close mixture of large and small scale activities in many products and shifts between large and small as market and supply conditions changed and confirmed that small manufacturers had shared very closely in the total expansion of factory output in India in the last decade which had approximated an average rate of 8%. The Team also emphasised that small industries' "positive contribution to development should be the principal criterion by which it is judged. This is to say that economic test should be paramount. Will a small firm in this product and place be efficient, competitive in cost terms and capable of growth? Subsidies are to be avoided except and strictly in pioneering areas and they should be temporary. Efficiency in use and conservation of materials and in cost and quality of production must receive every encouragement and incentive".

1.25. It can thus be concluded that small scale industrial units, specially some of those in the light engineering and chemical industries have developed a degree of technical skill comparable to that of the corresponding units in the large scale sector and the choice between the large-scale and small scale, in many cases, can now be made solely by economic criteria.

B—THE SIZE OF THE SECTOR

1.26. Comprehensive data on the size of the small industries sector, especially the part of it which comes under the purview of the CSIO, is not available. This is a major lacuna in the industrial statistics of our country.

1.27. There is a system of voluntary registration of small scale units by the State Directorates of Industries. Nearly 59,000 units were registered by 1963 in this way. The State-wise details of these units are given in Appendix 1.2. But registration being voluntary and necessarily incomplete, comparison over a period of time will not indicate growth during the period. Moreover, information regarding investment, employment, output, etc. is not regularly collected even for the registered units. The number of units registered with State Directorates of Industries as on 31st March, 1965 was 85,000.

1.28. The surveys conducted by the CSIO are of an *ad hoc* nature and provide information on certain industries at a certain time and thus, do not provide comparable information over a period of time. However, the results of a few All-India Surveys conducted by the CSIO throw light on the growth and present position of certain sectors of the small scale industry.

1.29. The CSIO conducted in 1958, a unit-to-unit survey of 21 industries on an All India basis. In 1962, the survey was repeated in the case of six industries, viz., soap, leather footwear and other leather products, machine tools, cycle and cycle parts, sewing machines and sewing machine parts, and paints and varnishes. During the 1958 survey, 1933 units engaged in these six industries were surveyed but in 1962, for want of resources, only 1087 units were covered. The following table indicates the growth of the surveyed units:—

—	1958	1962
No. of units	1935	851*
Average employment per unit	15.3	15.9
Total fixed capital per unit Rs.'000s.	26.5	45.8
Total capital Rs. '000s	56.9	96.3
Gross output Rs. '000s	99.6	163.2
Capacity Rs. '000s	223.7	333.1

*Data collected from some units was rejected at the final tabulation stage. Hence the difference.

It is thus clear that the capital invested and production in the small scale units was much greater in 1962 than in 1958.

1.30. The CSIO, in collaboration with the State Directorates of Industries conducted a survey of all non-ferrous metal-using units in 1964. All units in existence on 31st December, 1963 were contacted and their capacities assessed, initially by the State Directorates of Industries and later, on a sample basis, by joint teams of CSIO and State Directorates of Industries. This survey disclosed that there were 11,870 units all over the country using various non-ferrous metals. Appendices 1.3 and 1.4 A to 1.4 F show the State-wise and industry-wise distribution of these units. It has been estimated that out of the 11,870 small scale units utilising various types of non-ferrous metals the utensils-making units numbered nearly 7,000. Only 4,100 units were covered under what were called industrial users, supplying finished products and components. 848 units were manufacturing semis. West Bengal and Orissa had the largest number of units making utensils, while Punjab, followed by Uttar Pradesh and Maharashtra accounted for the bulk of the units manufacturing industrial products. Of the non-ferrous metals whose requirements were assessed, copper had the highest demand, the requirements being about 81,594 m. tons per annum. Zinc claimed the next place of importance, the requirements being 28264.2 m. tons per annum. This data gave an idea of the present position of these units, but did not present the picture, over a period of time.

1.31.1. Presented here are the results of a unit-to-unit survey conducted by the SISI, Kanpur in all the districts of Uttar Pradesh during the years 1961-63. The units actually in existence were contacted and enumerated. The study, thus excluded all units proposed to be set up. Since the survey extended over a period of nearly 2½ years, data for all the districts were not strictly comparable and the Statewise total also was bound to be an underestimate. However, even with these limitations, the survey brought out that there was a significant growth of small units in Uttar Pradesh. Similar studies in respect of the other States of the country are unfortunately not available.

1.31.2. The growth of the sector is measured mostly by the increase in the number of units since the present levels of employment and output are unrealistic in view of the acute shortage of raw materials. Appendices 1.5 and 1.6 summarize the data. It is seen that even after 1961 there had been continuous growth of small industries in spite of

shortages of raw materials. The rate of growth particularly in electrical and mechanical engineering line had been noteworthy. It is also seen that nearly half of the small industries employed less than 10 workers and thus did not come under the purview of the Factories Act. Nearly, 2,250 out of 3,613 units employed a total capital of less than Rs. 50,000. This shows that bulk of the small scale units—nearly two-third—employed total capital of less than Rs. 50,000. Only 215 out of 3,600 units had capital of more than Rs. 3 lakhs. The average annual rate of growth for the third Plan period could not be calculated since the data relating to different districts were collected at different periods over a period of 2½ years time. We wish that what had happened in Uttar Pradesh should have happened in other States also.

1.32. The various studies reviewed above bring to light the vigorous progress made by the small scale sector during the second and third Plan periods. It has not been possible to make more specific evaluation of the progress during the third Five Year Plan in view of paucity of data. We did not also attempt to collect data for evaluation since the whole programme was recently evaluated by the I.P.P. Team.

1.33. The International Perspective Planning Team sponsored by the Ford Foundation assessed the position of small scale industries sector in 1963. The Team sponsored various intensive studies during the year 1962 and based their final evaluation on the findings of these studies.

1.34. Small scale industrial units fall broadly under two categories, viz., (1) small factories registered under the Factories Act but having a fixed capital of less than Rs. 5 lakhs and, (2) non-household, non-factory manufacturing establishments. Reliable data on the latter, especially that part of it which falls under the purview of the CSIO, are not available. The Team therefore assessed the present position of small scale factories with the help of the data available from the Annual Survey of Industries—1960 and made a rough estimate of the number of units likely to exist under the other category. The following extracts from the Report of the Team summarize the position of the sector during the year 1960 :

1.35. "Small factories, even excluding units not registered under the Factories Act, contribute a surprisingly large share of India's manufacturing output today. More significant, their share of the output of different industries shows that small plants have established a broad base of operations in important modern producer goods, particularly in metal products and machinery. An overall measure of the weight of small registered factories in the different industry sectors is given in Table I, based on comprehensive data now available for the first time."^{1*}

1.35.2. "In summary, Table I shows that approximately 36,400 factories registered under the Factories Act had fixed capital (owned, not leased) of less than Rs. 5 lakhs in 1960². These small registered factories represent over 92 per cent of all registered factories and, in 1960, employed over 1,330,000 persons, or 38 per cent of total registered factory employment. Fixed capital owned by these small plants amounted to about 17 per cent of total fixed capital in the registered factory sector. Their gross value of output exceeded Rs. 1,230 crores³, or about 33 per cent of total output, representing about 25 per cent of the value added or net output of the registered factory sector.

¹This comprehensive estimate is now possible because of the great improvement and expansion of industrial statistics in recent years, starting with the Annual Survey of Industries for 1959. For the present report, the Central Statistical Organization (CSO) made a rapid special tabulation that gave us an authoritative picture not only of the magnitude but also the industry groups in which small factories are important, within the framework of the whole organized manufacturing sector. Table I shows the industry groups having the largest volume of small factory activity, ranked by the value of small factory output.

*This table is reproduced as Appendix 1·5.

²Fixed capital as defined in the Annual Survey of Industries for 1960, upon which Table I is based, represents book value of fixed assets, including land, buildings, plant and equipment, and other fixed assets. Use of this definition of fixed capital to separate small factories from the total registered sector, as in Table I, somewhat overstates the small factory population in comparison with the official definition which refers to gross assets. To some extent this is offset by small factories which lease fixed assets, not included in Table I. Starting from 1961, for which returns are not yet complete, the Annual Survey of Industries attempts to distinguish book from gross value of assets. If successful, this will permit analysis of small registered factory activity based precisely on the official definition.

³Crore=10,000,000.

1.35.3. "It is at once evident from Table I that small registered factories have their greatest output, employment, and investment in the basic necessities of life: food products, grain milling, ginning and pressing of fibres, and textile weaving and finishing. In the agricultural based groups, small factories account for the major share of industry volume. In textiles, on the other hand, small factories have only a small share of total output, despite their large volume of activity. In absolute terms, small plants in the food, fibre and textile groups shown in Table I produced over Rs. 617 crores in 1960, employing some 507,600 persons.

1.35.4. "Metal working and machinery industries are the next most important sector for small registered plants, confirming the well-known evidence of their recent growth. Contributing many producer as well as consumer goods, small plants in this industrial sector had a total output of Rs. 218 crores and employment of 217,600 in 1960. In fabricated metal products, small plants produced 60 per cent of the total output of all registered factories, with 66 per cent of the persons employed but only 41 per cent of fixed investment. In non-electrical machinery, small plants produced 46 per cent of gross output, employed 52 per cent of the workforce, and 35 per cent of fixed capital. The share of small factories in basic iron and steel (largely iron castings), non-ferrous metal products and electrical machinery is also significant.

1.35.5. "A third set of industry groups, based mainly on direct conversion of primary resources and centering on construction goods, may next be noted: tanneries, wood and cork, and products of stone, clay, cement and glass. Small plants' share in the output of these industry groups ranges from 59 to 89 per cent, representing Rs. 103 crores and employment of 150,200 persons in 1960.

1.35.6. "Finally, we note from Table I the substantial output of small plants in certain chemical groups and rubber products, as well as their employment levels in service industries such as printing or motor vehicle repair.

1.35.7. "This short review of the industry groups in which small registered factories are important demonstrates the size and diversity of small industry in India. Small factories are not confined to consumer goods but already contribute significantly to India's manufacture of producer or

investment goods.ⁱ In 16 of the 22 industry groups shown in Table I, moreover, small registered plants produce more than 40 per cent of the industry output. Small factories have thus acquired a significant position alongwith medium and large factories in many key modern industry groups. More specific instances of such competitive and complementary inter-relationships among small, medium, and large plants are apparent from a study of the growth and share of small plant output in individual product lines.

1.35.8. "Of the vital and integral role of small factories in India's present industrial structure there can be no doubt from the summary data provided in Table I. Forming such a large share of the organized manufacturing sector, the modernization and growth of small factories is obviously critical for increased productivity and absolute growth in industry as a whole.

1.35.9. "As of 1960, about 16,500 small registered factories were directly within the range of CSIO activities, mainly in the industry groups marked with an asterisk in Table I. These small factories employed approximately 615,000 persons, with a gross output of about Rs. 530 crores. They may be considered to constitute the central object of the CSIO's technical, management, and development services.

1.35.10. "Employment in non-registered small factories in industries generally covered by the CSIO thus appears to be more than half again as large as that in small registered factories in the same types of industry (1,000,000 as compared to 615,000). Average employment per unit is unknown, but if it is assumed to be 4 to 5, the number of non-registered non-household small factories potentially under CSIO coverage is 200,000 to 250,000 units, at a minimum. Obviously only the most highly promising small plants of this category can be given CSIO technical assistance, if complete dilution of efforts is to be avoided."

1.36. Estimates of the contribution of the small scale sector to national income are not available as per the definition of small industries adopted by CSIO. The estimates of small enterprises contribution to national income include all village and small industries, both household and non-household, while the contribution of small scale factories is included under the heading of "Factory establishments".

1.37. Studies made by S/Shri Dhar, Subramaniam and A. G. Majumdar have thrown some light on the contribution of the small scale sector to national income but, these again do not conform to our definition.

1.38.1. A Working Group set up by the IPP Team studied this question in detail and estimated, subject to some limitations, the contribution of the CSIO type of small industries to national income. These estimates and the conclusions drawn by the Working Group are reproduced here:

*National Income Contribution of Small Scale Industries**

Year	(Rs. crores)	(At current prices)		
	Reg. small scale units	Non-reg. small scale units	Total	Growth (1955/56 to 1959/60)
1955-56	60.5	192.2	252.7	..
1959-60, Estimate I	88.0	292.2	380.2	50.4%
1959-60, Estimate II	88.0	284.2	372.2	74.2%

*This table and the following conclusions are from an unpublished memiographed report submitted to the IPP Team by one of their Working Groups.

1.38.2. "The estimates of net value added by small scale industries presented in the foregoing table give an approximate idea of the relative importance of the sector in the context of the entire economy and of the rate of growth of the sector during the period 1955-56 to 1959-60. The major findings emerging from the study are summarised below:—

"(1) In 1955-56, small scale industries accounted for 2.7% of India's national income."

"(2) According to Estimate I, the small scale sector in 1959-60 accounted for 3.1% of the country's national income. The net output of the sector at current prices had increased by 50.4% during the period under review."

“(3) According to Estimate II, the national income contribution of the sector in 1959-60 was 3.0%. The net output of small scale industries at current prices had increased by 47.2% during the period under study.”

“(4) The two estimates may be regarded as indicative of the range within which the actual net value added by modern small scale industries lies. The difference between the two estimates is not substantial. Both estimates show that the relative importance of the sector is growing. Given the rate of general growth of the Indian economy during this period, this change in the relative importance of small industry is very significant.”

“(5) During the period 1955-56 to 1959-60, the net output of small scale industries at current prices rose by 47—50% while that of factory establishments increased by 47% and national income rose by 35%.”

“(6) This rate of growth estimate, approximating that of factory establishments, corroborates both the partial estimates of the growth of certain selected industries (see Table I), and the impressions gained from observing Indian development. Firstly, modern small industries are of recent origin in India and have developed largely in response to the programmes of the CSIO and the States which were launched in the mid 1950's. Starting from a small base, they have grown rapidly, showing significant relative rates of growth, although in absolute terms, their contribution to national income has not gone up substantially. The small base is explained by the fact that the CSIO definition of small industry excludes from the small scale sector the traditional industries which account for the relatively large size of “Small enterprises” as defined by the CSIO.”

“Secondly, the comparison of the rate of growth of the small scale sector with that of “factory establishments” must be viewed in the proper perspective. The large scale sector's growth rate reflects the influence of the established industries which have not been growing rapidly in recent years. The relative weight of cotton and jute textiles in the index of industries production is 48. If these old industries are taken out and the net output of the newer industries alone is estimated, there is no doubt that the growth rate of factory establishments would have to be revised upwards substantially. The relevant comparison must be between the modern small scale sector and the newer large scale factory sector.”

“The national income statistics and its methodology tend to ignore the fact that there is a modern segment in the largely unorganized sector of “small enterprises” whose rate of growth compares favourably with that of the large scale industry sector. In fact the CSIO type small scale industries represent a new sector that lies between the large scale factories and the traditional small enterprises, and whose growth potential is of considerable significance to the Indian economy.”

“(7) The study points to the major shortcomings of official data and the limitations of the present methods of data collection. The need for a better system of data collection giving more reliable and comprehensive estimates of the structure and growth of small industry is indicated by the analysis.”

C—III PLAN OUTLAY ON SMALL INDUSTRIES

1.39. The outlay proposed for the third Five Year Plan on small scale industries sector was Rs. 114.2 crores. Of this, Rs. 84 crores were for small scale industry schemes and Rs. 30.2 crores for industrial estates. Of the amount proposed for small scale industries, Rs. 22 crores were for Central Schemes and the balance for States and Union Territories. As against these proposals, the expenditure likely to be incurred as per present estimates is as below:

<i>States sector :</i>	Rs. lakhs
(i) Small industry schemes	4781.52
(ii) Industrial Estates	2764.79
TOTAL	<u>7546.31</u>
 Of this :	
(a) Central assistance :	
(i) Grants*	1257.48
(ii) Loan for small industry schemes	1956.81
(iii) Loan for industrial estates	2764.79
TOTAL	<u>5979.08</u>
(b) States' own contribution	<u>1567.23</u>
Wholly Central Schemes	1979.18
GRAND TOTAL (CENTRE & STATES)	<u>9525.51</u>

<i>Loans :</i>	Rs. lakhs
(i) To States for small industry schemes	1956·81
(ii) To States for industrial estates	2764·79
(iii) To N. S. I. C.	781·50
TOTAL	<u>5503·10</u>
<i>Grants :</i>	
To States	1257·48
<i>Recurring and non-recurring expenditure :</i>	
Central schemes	1197·68
	<u>7958·26</u>
<i>Grants plus recurring and non-recurring expenditure :</i>	<u>2455·16</u>

* Statewise details are given in Table 1.8A.

The total expenditure thus is likely to be of the order of Rs. 95.25 crores as against Rs. 114.2 crores proposed.

We consider briefly here the progress under different schemes.

Central Schemes

1.40. Outlays of the expenditure likely to be incurred during the third Five Year Plan under Central Schemes as against the original proposal of Rs. 22 crores are given in Appendix 1.7. The expenditure is likely to be of the order of Rs. 19.79 crores. The variations are due to the following reasons:—

1.41. The additional Extension Centres proposed to be established by the CSIO were not taken up in view of the Emergency. Similarly, construction work and expansion of laboratories, workshops, etc. had been deferred. These accounted for a shortfall of about Rs. 2.5 crores on account of the Central Schemes. The actual expenditure on training of Indian technicians abroad was less than Rs. 20 lakhs as against the provision of Rs. 1 crore.

1.42. The outlay on the National Small Industries Corporation, however, substantially increased from the proposed amount of Rs. 7 crores to Rs. 11.15 crores. This was due to

the large amount of loans granted to NSIC for the hire-purchase scheme for which a loan of an amount of Rs. 7.82 crores was earmarked. However, the expenditure of Rs. 3 crores proposed to be incurred for PTC, Howrah was not utilized in view of the Emergency.

State Schemes

1.43. The expenditure likely to be incurred by the different State Govts. during the third Five Year Plan on small industry schemes is shown in Table 1.8 in the Appendix. Statewise details are given in Table 1.8B in the Appendix. The total expenditure has further been analysed into various categories. Details about each category are presented in Table 1.9 to 1.14.

1.44. It is seen that as against the revised third Plan provision of Rs. 59.87 crores, the total expenditure on all the schemes is likely to amount to Rs. 47.81 crores. The original allocation proposed at the commencement of the third Five Year Plan was substantially revised by different State Govts. soon after the declaration of the Emergency.

1.45. The important schemes implemented by the State Govts. are (i) loans under the State Aid to Industries Acts (block loans), (ii) industrial co-operatives, (iii) service schemes, (iv) commercial schemes, (v) subsidy on supply of power and (vi) strengthening of staff of Industries Departments. An examination of the Statewise, schemewise tables reveals various interesting details regarding the type of development in the different States.

1.45.1. On an average about 40% of the total outlay on small industries was used for block loans. However, the percentage utilization under this head was rather low in Andhra Pradesh, Madras, Mysore, Orissa and Bihar while it was very high in certain other States like Punjab and Uttar Pradesh.

1.45.2. Considering Service Schemes, Madras utilized over 50% of the total outlay on small scale industries on such schemes while certain other States like Jammu & Kashmir, Gujarat, Madhya Pradesh, Maharashtra, Orissa, etc. have not incurred expenditure on Service Schemes to an appreciable extent.

1.45.3. Commercial schemes which accounted for one-eighth of the total outlay on schemes received special attention in Madras, Bihar and Assam, while Uttar Pradesh, West Bengal, Punjab and Orissa spent very small amounts on them.

1.45.4. It is, thus, seen that the pattern of outlay varies quite substantially between different States. Even amongst the States in which small industry schemes have made an appreciable progress, there is no discernible, uniform pattern of utilization of funds on different schemes. In Madras, the emphasis has been on Service Schemes; while in Punjab and Maharashtra, the emphasis has been on block loans. It may be that these differences are due to local requirements. We feel that a more detailed examination of the patterns of expenditure during the last ten years in the different States would throw light on the effectiveness of different types of schemes as instruments of development of small industries. Besides, it will be useful to have an annual review of the expenditure in different States; the conclusions emerging from the review may be circulated to all States for their guidance.

1.46. Though the scheme of subsidized power supply was in vogue in almost all the States, the outlay itself was very small. Supply of power on subsidized rates did not seem to have worked as an effective instrument of the development of small industries, as was expected. The subsidy itself was restricted to units using less than 20 H.P. and was of not much use to small scale units.

1.47. As against the Plan provision of Rs. 3.38 crores for strengthening the Industries Departments, the total expenditure is likely to be of the order of Rs. 2.45 crores. Some recruitment plans might have been deferred in view of the Emergency. However, the position needs to be reviewed in the light of the emerging needs.

1.48. The position regarding the collection and compilation of operational data on small industries leave much to be desired. The expenditure incurred under various schemes in different States is not readily available. It does not seem to be regularly tabulated and reviewed as a basis for future planning. We have already stated about the absence of adequate data on the progress of small industries in the private sector. We have also suggested elsewhere measures necessary to improve the position.

1.49. The actual physical progress of the schemes is as important as, perhaps more important than, the financing of these. There is need for an evaluation of the physical achievements. In terms of the benefits arising from the block loans, results of the service schemes in the shape of persons trained, common facilities rendered, etc. will have to be compiled, analysed and circulated to all the States for their mutual benefit.

D—REVIEW OF THIRD PLAN ACHIEVEMENTS

1.50. An idea of the growth of the small scale sector during the second and third Five Year Plan periods may be had from the estimates of investment and employment in the sector, presented below:—

		(Rs. crores approx.)	
Fixed investment		II Plan	III Plan
1. Institutional/Govt. sources :			
(i) State Aid to Industries Act	. . . . .	12.91	18
(ii) State Financial Corporations	. . . . .	7.25	15
(iii) Hire-Purchase of machinery	. . . . .	5.69	15
(iv) Industrial Estates	. . . . .	10.22	28
		36.07	80
2. Private resources of entrepreneurs	. . . . .	72.14	160
TOTAL		108.21	240

*The figures for the III Five Year Plan period are estimates based on the actual figures for the first three years and anticipated outlays for the other two years.

1.51. The ratio of investment by private entrepreneurs to investment by institutional/Govt. sources has been very conservatively estimated at 1:2. Actually, the ratio is bound to be much higher. A study conducted by the CSIO in 8 industrial estates disclosed that "for every rupee invested by the combined resources of the NSIC and the Government towards fixed capital, the entrepreneurs themselves have invested about 4.8 times from the combined sources of private savings, friends, relatives and money lenders". Similarly, a

study** of 250 small scale industrial units selected at random from all over the country showed that "in the year 1962, the ratio of institutional investment to private investment was 1:7". The Working Group which prepared programmes for small industries for the third Five Year Plan was of the view that this ratio would be of the order of 1:4 or 5 but felt that it would be safe to assume a ratio of 1:2 in the absence of data collected on an all India basis. The same ratio has been adopted here, though, on the basis of the studies mentioned, a much higher ratio is justified.

Employment

1.52. Comprehensive data on the number of persons employed in the small scale sector are not available since many of the units in this sector are outside the purview of the Factories Act. However, from the Annual Survey of Industries, 1960, it is known that there were 36,457 small scale factories in existence in that year employing over 13.38 lakh persons (of these 14,629 factories employing over 5.54 lakh persons belong to industry groups which were being specifically encouraged during the last ten years).

1.53. A number of studies conducted by different agencies during the last few years have been analysed to estimate the per capita fixed investment in the small scale sector. The data examined were those available from (i) the Annual Survey of Industries 1960, (ii) the Ancillary Industries Surveys in Mysore, Kerala and West Bengal, (iii) the unit-to-unit survey conducted by the CSIO covering over 1,000 units in six different industry groups, (iv) the unit-to-unit surveys conducted in various districts of Uttar Pradesh by SISI, Kanpur and (v) the Model Schemes prepared by the CSIO. From the data available from all these sources, nearly 300 ratios were calculated showing the fixed capital invested per worker in different industries. It was found that the fixed capital investment exceeded Rs. 3,000 in 60 out of the 300 cases. In all other cases, it was less than Rs. 3,000 varying from Rs. 735 to Rs. 3,000. If this is any guide, it may be concluded that the fixed investment required to create a job opportunity in the small scale sector is about Rs. 3,000 during the third

***"Financing of Small Scale Industries" published by CSIO in 1963.

Five Year Plan. The Working Group which prepared schemes for third Five Year Plan estimated that the fixed investment per worker at that time was about Rs. 2,583 on the basis of the data available from the Census of Manufacturing Industries, 1954. However, to be on the safer side, we might estimate the fixed capital investment per worker at Rs. 3,000 both during the second and the third Five Year Plan periods. On this basis, the employment opportunities created in the small scale sector will be as follows :

	II Plan	III Plan
1. Total fixed investment (Rs. cores) .	108.21	240 approx.
2. Employment		
(i) Job opportunities created (on the basis of Rs. 3,000 per job) .	3.6 lakhs	8 lakhs.
(ii) Supervisory, managerial & other indirect jobs, estimated at 25% of of the above .	0.9 lakhs	2 lakhs.
(iii) Total employment potential .	4.5 lakhs	10 lakhs.

The employment potential estimated above might not have become fully effective due to (1) the inevitable time-lag between investment in fixed assets and the actual employment of workers and (2) the non-availability in adequate quantities of certain kinds of essential scarce raw materials.

Production

1.54. Comprehensive data on the gross and net output of the small industries sector as a whole is not available, the units in the sector being classified partly as factory establishments and partly as small enterprises for purposes of national income calculation. There is also no regular, organized, scientific system of collection of data regarding the non-factory sector of small scale units. The position is quite unsatisfactory ; we refer to this in the next section again. However, with the available data, useful assessment can be made of the contribution of small scale factories to total gross output and net output in the factory sector as a whole. Incidentally, this also reveals the position of small scale factories in our economy.

1.55. The following table presents estimates of the gross output and net output of small scale factories during the third Five Year Plan :—

	1960		1965-66*	
	Gross output	Net output	Gross output	Net output
All factories (Rs. crores).	3929.46	1020.29	7124.6	1912.8
Small Scale factories (Rs. crores).	1289.35	266.61	2244.4†	465.6
Small Scale as % of total.	32.9%	26.2%	31.50%	24.34%

* Estimated by Perspective Planning Division of the Planning Commission.

† Estimated at 15.3% of gross output of census sector plus the entire sample sector.

1.56. It is, thus, seen that the small scale factories alone contribute about a third of the total gross output and 25% of net output of all factories in the country. The contribution of the non-factory non-household sector to gross output and net output is not known but in view of the large number of persons employed in the sector, their contribution is bound to be substantial. According to the census of 1961, a total of 79.57 lakh persons were employed in manufacturing other than household industries (excluding registered factories).

Technical Development

1.57. During the third Five Year Plan period, the small scale industrial units have taken up the production of various new, import-saving and sophisticated items (both engineering and non-engineering). The position in this respect has already been reviewed in section A—pages 8 and 9.

E—DEFICIENCIES

1.58. A review of the overall position of the small scale sector as presented above discloses various deficiencies and limitations in the programme.

1.59. Consequent on the declaration of Emergency, the States had to review the priorities of their Plan and small industries seem to have suffered on this account. While the

important role of small industries in Defence supplies has been recognized, the allocations of this sector have been revised downwards and in some cases deferred. The programme has, thus, suffered a set-back.

1.60. The CSIO programme of assistance does not include the entire range of small scale manufacturing activity. Some of the conventional industries like rice milling, oil crushing, cotton ginning etc., though well-developed, need to be modernized and rationalized. Moreover, these industries offer good scope for decentralization on a cooperative basis. It, therefore, seems necessary to bring the entire small scale manufacturing activity under the purview of the small industry programme, in order to effect technological improvement.

1.61. The Common Production Programme, according to which targets of production are set for industrial units in the large and small sector together has not been pursued in the third Five Year Plan. As we have mentioned, studies which were expected to be conducted were not undertaken with the result that the units in the small scale sector could not get definite allotments of raw materials like their counterparts in the large scale sector.

1.62. It has been repeatedly mentioned above that comprehensive data on the small scale sector are not available. The need for regular collection of information on important aspects of the small scale sector as a whole (including the factory and non-factory sectors) is clearly indicated. No real progress has been made in this direction during the last decade.

1.63. The most acute problem now facing the small scale units is the shortage of what are called scarce raw materials. Production capacities and employment potentialities remain significantly underutilised.

1.64. While we appreciate the technical assistance now provided to the small scale industrial units, we feel that there is need for a continuous review and reappraisal of the type of the service that is needed. In particular, the need for applied research to solve complicated technical problems and to evolve new processes and methods has not received adequate attention. Similarly, there is an urgent need to provide technical information to small industry extension workers and entrepreneurs to keep them abreast of the developments in other countries.

1.65. The progress achieved in certain programmes like export promotion, dispersal of industries, development of ancillaries, etc. has been meagre. We propose to review these programmes in detail in their respective Chapters and to recommend suitable measures for implementation during the fourth Five Year Plan period.

APPENDIX 1.1

Contribution of Small Scale Sector to Total Production in selected industries

Name of Industry	Actual Percentage share in capacity established	
	Large scale sector	Small scale sector
1	2	3
100 PER CENT		
1. Clinical Thermometers	Nil	100.00
2. Bifurcated Rivets	Nil	100.00
3. Paper Pins and Gem Clips	Nil	100.00
4. Measuring Tapes (cotton)	Nil	100.00
5. Mechanical Toys	Nil	100.00
6. Spindle Inserts	Nil	100.00
7. Glass Ampules	Nil	100.00
8. Plaster Board	Nil	100.00
9. Chalk Crayons	Nil	100.00
10. Graphite Crucibles	Nil	100.00
11. Wood Wool	Nil	100.00
12. Pencil Sharpeners	Nil	100.00
13. Hair Clippers	Nil	100.00
14. Artists' Colours—Oil, Water & Pastel	Nil	100.00
80 to 99 PER CENT		
15. Rolling Shutters	5.18	94.82
16. Electric Irons	5.45	94.55
17. Gun Metal Bushes	5.57	94.43
18. Shoe Tacks	10.65	89.35
19. Picking Sticks	11.56	88.44

	1	2	3
80 to 99 PER CENT—Contd.			
20. Wire Netting and Wire Mesh		11·91	88·09
21. Oil Pressure Stoves		15·21	84·79
22. Metal-clad Switches		16·16	83·84
23. Barbed Wire		16·67	83·33
24. Fountain Pens		18·80	81·20
60 to 79 PER CENT			
25. Industrial Brushes		22·54	77·46
26. Snap Fasteners		26·15	73·85
27. Upholstery Coil Springs		26·42	73·58
28. Polythene Tubing		25·68	74·32
29. Machine Screws		31·37	68·63
30. Hair Pins		36·39	63·61
31. Shoe Eyelets		36·79	63·21
32. Stapling Machines		37·85	62·15
40 to 59 PER CENT			
33. Spectacle Frames		42·04	57·96
34. Pressure Cookers		47·06	52·94
35. Ball Bearings		48·02	51·98
36. Automobile Batteries		52·30	47·70
37. Expanded Metal (iron & steel)		53·87	46·13
38. Flashlight Torch Cases		56·31	43·69
39. Nuts, Bolts and Rivets		55·95	44·05
40. Bicycle Free-wheels		57·42	42·58
41. Automobile Radiators		58·40	41·60
30 to 39 PER CENT			
42. Starters		64·75	35·25
43. Scientific Instruments		65·57	34·43
44. Safety Pins		67·88	32·12
45. Drums & Barrels		67·81	32·19
46. Pistons		68·61	31·39
47. Air Compressors		69·87	30·13

1	2	3
20 to 29 PER CENT		
48. Loud Speakers	70·81	29·19
49. Electric Motors	71·82	28·18
50. Bicycle Chains	72·42	27·58
51. Bicycles	73·89	26·11
52. Domestic Refrigerators	76·59	23·41
53. Clocks and Watches	78·57	21·43
54. Domestic Wireless Receiver Sets	79·27	20·73
55. Crown Corks	80·00	20·00
UP TO 20 PER CENT		
56. Electric Fans	83·24	16·76
57. Pencils	85·65	14·35
58. Piston Rings	85·48	14·52
59. Water Meters	91·43	8·57
60. Thermos Flasks	96·16	3·84

NOTE:—Such figures for other industries are not available.

SOURCE:—Industry Prospect Sheets, Central Small Industries Organisation, New Delhi. The information was collected during 1959-62.

APPENDIX 1.2

*Statement showing the No. of units registered by
Directors of Industries*

Sl. No.	State	31-8-63	31-12-64
1.	Andhra Pradesh	2546	2546
2.	Assam	386	556
3.	Bihar	850	923
4.	Gujarat	2724	2724
5.	Jammu & Kashmir	672	717
6.	Kerala	1708	2210
7.	Maharashtra	7798	17899
8.	Madhya Pradesh	971	2048 (till March '65)
9.	Madras	5061	7471
10.	Orissa	1590	1788
11.	Punjab	14923	16583
12.	Rajasthan	2800	4950
13.	U.P.	4761	4761
14.	W. Bengal.	6121	8109
15.	Mysore	2948	2948
<i>Union Territories :</i>			
1.	Delhi	1566	1566
2.	Himachal Pradesh	85	85
3.	Pondicherry	127	176
4.	Manipur . . . . .	..	..
5.	Tripura . . . . .	..	28
6.	Andman & Nikobar . . . . .	..	161
7.	Goa . . . . .	..	..
TOTAL .		59297	78249

APPENDIX 1.3

*Non-Ferrous Metal Survey 1964**Details of non-ferrous metal using units*

State/Territory	Total coverage	No. of utensils mfrs.	No. of units covered by semis-manufacturers*	No. of units covered by Industrial users**	Percentage
1	2	3	4	5	6
1. Andhra Pradesh	569	374	49	146	3.6
2. Assam	30	N.A.	10	20	0.5
3. Bihar	454	215	67	172	4.2
4. Gujarat	753	293	66	394	9.6
5. J. & K.	339	326	3	10	0.2
6. Kerala	197	91	45	61	11.5
7. Maharashtra	828	230	85	513	12.5
8. Madhya Pradesh	623	406	46	171	4.2
9. Madras	128	19	29	80	1.9
10. Mysore	636	446	32	158	3.9
11. Orissa	1329	1276	31	22	10.5
12. Punjab	1178	402	55	721	17.6
13. Rajasthan	461	268	33	160	13.9
14. Uttar Pradesh	1258	590	182	546	13.3
15. West Bengal	2362	1875	75	412	10.0
<i>Union Territories :</i>					
1. Delhi	632	48	98	486	11.8
2. Himachal Pradesh	12	5	..	7	0.2
3. Pondicherry	27	10	1	16	0.4
4. Manipur	21	21	..	..	..
5. Tripura	1	..	1	..	..
6. Goa	32	21	..	11	0.2
TOTAL	11870	6916	848	4106	100
%	100	58.3	7.1	34.6	

*Semis Manufacturers include : Items 1 to 4 listed in Appendix 1-4A.

**Industrial users include : Items 6 to 27 listed in Appendix 1-4A.

APPENDIX 1.4A

Requirements of Copper-Using Industries—All India

(In Metric Tonnes)

Gp. No.	Name of the Industry	No. of Unit	Net requirements		
			Total	Virgin	Semis
'A' SEMIS MANUFACTURERS					
1.	Re-rolling Factories— Sheets, Circles, Strips etc.	200	5114.7	5114.7	..
2.	Wire Drawing Units	218	30539.1	30539.1	..
3.	Extruded Sections—Pipes, Tubes, Rods, etc.	17	3144.1	3144.1	..
4.	Alloys—Gun Metal, Alu- minium, German Silver etc.	164	11181.8	11181.8	..
5.	TOTAL 'A'	599	49979.7	49979.7	..
'B' UTENSILS MANUFACTURERS					
		3726	7036.0	2802.3	4233.7
'C' INDUSTRIAL USERS					
6.	Die-cast Products of all types.	21	560.5	560.5	..
7.	Castings and Mouldings	1506	26432.5	26432.5	..
8.	Wire Products	314	9013.2	..	9013.2
9.	Sheet Products	728	4690.9	..	4690.9
10.	Articles of Industrial Components made from extruded & other sections	70	573.0	..	573.0
11.	Hospital Equipment	19	57.0	14.2	42.8
12.	Surveying, Drawing, Ma- thematical & Precision Instruments.	33	229.5	57.4	172.1
13.	Agricultural Equipment and Hand Tools.	46	146.2	36.6	109.6
14.	Printing Press Accesso- ries.	45	190.1	47.5	142.6
15.	Chemical Industries-re- quiring Non-ferrous Metals.	52	1272.8	1272.8	..
16.	Galvanising Electropla- ting and anodizing plants.	62	366.0	366.0	..
17.	Miscellaneous (not cov- ered above)	6	98.1	24.5	73.6
TOTAL 'B & C'		6628	50665.8	31614.3	19051.5
Net Requirements :			81594.0		

APPENDIX 1.4B
Requirements of Zinc-Using Industries—All India
(In Metric Tonnes)

Grp. No.	Name of the Industry	No. of units	Net requirement		
			Total	Virgin	Semis
*A' SEMIS MANUFACTURERS					
1.	Re-rolling Factories—Sheets, Circles, Strips, etc.	185	6823.2	6823.2	..
2.	Wire Drawing Units	67	456.8	456.8	..
3.	Extruded Sections—Pipes, Tubes, Rods, etc.	39	123.4	123.4	..
4.	Alloys—Gun Metal, Aluminium, German Silver etc.	165	848.6	848.6	..
	TOTAL 'A'	456	8252.0	8252.0	..
'B' UTENSILS MANUFACTURERS					
		2927	7505.4	3001.5	4503.9
'C' INDUSTRIAL USERS					
5.	Die-cast Products of all types.	46	1228.5	1228.5	..
6.	Castings & Mouldings	1621	5384.0	5384.0	..
7.	Wire Products	86	124.6	..	124.6
8.	Sheet Products	660	1185.4	..	1185.4
9.	Articles of Industrial Components made from extruded & other sections.	61	172.4	..	172.4
10.	Hospital Equipment	21	57.5	14.4	43.1
11.	Surveying, Drawing, Mathematical and Precision Instruments.	32	18.8	4.7	14.1
12.	Agricultural Equipment and Hand Tools.	47	9.6	2.4	7.2
13.	Printing Press Accessories.	42	4.0	1.0	3.0
14.	Chemical Industries requiring Non-ferrous Metals.	58	5579.5	5579.5	..
15.	Galvanising, Electroplating & anodizing Plants.	403	4787.0	4787.0	..
16.	Miscellaneous (not covered above).	6	37.0	9.2	27.8
	TOTAL 'B' PLUS 'C'	6062	26093.7	20012.2	6081.5
			Net requirements : 28264.2		

APPENDIX 1.4C

Requirements of Lead-Using Industries—All India

(In Metric Tonnes)

Gp. No.	Name of the Industry	No. of units	Net requirements		
			Total	Virgin	Semis
'A' SEMIS MANUFACTURERS					
1.	Re-rolling Factories— Sheets, Circles, Strips, etc.1	7	2302.0	2302.0	..
2.	Wire Drawing Units	7	49.1	49.1	..
3.	Extruded Sections— Pipes, Tubes, Rods, etc.	14	2737.9	2737.9	..
4.	Alloys—Gun Metal, Alu- minium, German Sil- ver etc.	207	12195.8	12195.8	..
	TOTAL 'A'	235	17284.8	17284.8	..
"C" INDUSTRIAL USERS					
5.	Die-cast Products of all types.	15	582.7	582.7	..
6.	Castings & Mouldings	412	367.3	367.3	..
7.	Wire Products	3	2.2	..	2.2
8.	Sheet Products	189	365.9	..	365.9
9.	Articles of Industrial Components made from extruded and other sections.	10	35.3	..	35.9
10.	Hospital Equipment	6	10.0	2.5	7.5
11.	Surveying, Drawing, Ma- thematical & Precision Instruments.	7	22.4	5.6	16.8
12.	Agricultural Equipment and Hand Tools.	19	44.9	11.2	33.7
13.	Printing Press Accesso- ries.	15	430.8	107.7	323.1
14.	Chemical Industries re- quiring Non-ferrous Metals.	15	1473.8	1473.8	..
15.	Galvanising, Electro- plating and Anodizing Plants.	60	13.7	13.7	..
16.	Miscellaneous (not covered above)	10	11.8	2.9	8.9
	TOTAL 'C'	761	3360.8	2567.4	793.4
			Net requirements : 19852.2		

APPENDIX 1.4D

Requirements of Tin-Using Industries—All India

(In Metric Tonnes)

Gp. NO.	Name of the Industry	No. of Units	Net requirements of Virgin Metal
'A' SEMIS MANUFACTURERS			
1.	Re-rolling Factories—Sheets, Circles, Strips, etc.	36	612.0
2.	Wire Drawing Units	43	202.7
3.	Extruded Sections—Pipes, Tubes, Rods, etc.	10	70.3
4.	Alloys—Gun Metals, Aluminium, German Silver, etc.	271	10995.6
	TOTAL 'A'	360	11880.6
'B' UTENSILS MANUFACTURERS			
		2228	1791.3
'C' INDUSTRIAL USERS			
5.	Die-cast Products of all types	6	51.6
6.	Castings and Mouldings	651	826.9
7.	Wire Products	65	214.3
8.	Sheet Products	228	171.0
9.	Articles of Industrial Components made from extruded and other sections.	11	95.2
10.	Hospital Equipment	14	3.4
11.	Surveying, Drawing, Mathematical & Precision Instruments	22	16.1
12.	Agricultural Equipments and Hand Tools	20	27.9
13.	Printing Press Accessories	15	159.0
14.	Chemical Industries requiring Non-ferrous Metals.	18	63.3
15.	Galvanising, Electroplating and Anodizing Plants.	124	218.2
16.	Miscellaneous (not covered above)	19	22.0
	TOTAL 'C'	1193	1868.9
	Net requirements :	15540.8	

Source : State Directorate of Industries.

APPENDIX 1.4E

Requirements of Nickel-Using Industries—All India

(In Metric Tonnes)

Gp. No.	Name of the Industry	No. of units	Net requirements of Virgin Metal
'A' SEMIS MANUFACTURERS			
1.	Re-rolling Factories—Sheets, Circles, Strips, etc.	34	19.0
2.	Wire Drawing Units	10	17.7
3.	Extruded Sections—Pipes, Tubes, Rods, etc.	1	0.9
4.	Alloys—Gun Metal, Aluminium, German Silver, etc.	19	43.0
	TOTAL 'A'	64	80.6
'B'	UTENSILS MANUFACTURERS	245	1134.8
'C' INDUSTRIAL USERS :			
5.	Die-cast Products of all types	4	2.7
6.	Castings and Mouldings	71	30.3
7.	Wire Products	11	14.9
8.	Sheet Products	26	3.8
9.	Articles of Industrial Components made from extruded and other sections.	2	(0.03)
10.	Hospital Equipment . . . . .	..	..
11.	Surveying, Drawing, Mathematical and Precision Instruments.	1	0.6
12.	Agricultural Equipment and Hand Tools.	..	..
13.	Printing Press Accessories . . . . .	..	..
14.	Chemical Industries requiring Non-ferrous Metals.	16	39.4
15.	Galvanising, Electroplating and Anodizing Plants.	176	119.1
16.	Miscellaneous (not covered above)	1	2.5
	TOTAL 'C'	308	213.3
Net Requirements : 1428.7			

APPENDIX 1.4F

Particulars of Aluminium-Using Industries—All India

(In Metric Tonnes)

Gp. No.	Name of the Industry	No. of Units	Net requirements of		
			Total	Virgin	Semis
'A' SEMIS MANUFACTURERS					
1.	Re-rolling Factories—Sheets, Circles, Strips, etc.	20	1183.9	1183.9	..
2.	Wire Drawing Units . . .	58	3283.7	3283.7	..
3.	Extruded Sections—Pipes, Tubes, Rods, etc.	1	12.4	12.4	..
4.	Alloys—Gun Metal, Aluminium, German Silver, etc.	22	88.5	88.5	..
	TOTAL 'A' . . .	101	4568.5	4568.5	..
"B"	U TENSILS MANUFACTURERS	58	2393.5	958.6	1434
"C" INDUSTRIAL USERS					
5.	Die-cast Products of all types .	19	356.8	356.8	..
6.	Castings & Mouldings . . .	66	603.7	603.7	..
7.	Wire Products	39	3085.9	..	3085.9
8.	Articles of Industrial Components made from extruded and other sections.	4	166.9	..	166.9
9.	Sheet Products	22	397.1	..	397.1
10.	Hospital Equipment	2	3.9	1.0	2.9
11.	Surveying, Drawing, Mathematical & Precision Instruments.	5	29.5	8.0	21.4
12.	Agricultural Equipment and Hand Tools.	3	15.2	3.8	11.4
13.	Printing Press Accessories . . .	..	..	..	..
14.	Chemical Industries requiring Non-ferrous Metals.	1	20.0	20.0	..
15.	Galvanising, Electroplating & Anodizing Plants.	9	13.0	13.0	..
16.	Miscellaneous (not covered above).	..	..	..	..
	TOTAL B+C . . .	299	7085	1965.0	5120.5
	Net requirements : 10369.2				

APPENDIX 1.5

Classification of Units in the Small Scale Sector in U. P.

Industry	Pre-1947 No.	Index	1947— 50 No.	Index	1951— 55 No.	Index	1956— 60 No.	Index	1961— & after No.	(63) Index
1. Mechanical	430	100	622	144.7	919	213.7	1527	355.1	1920	446.6
2. Chemical	135	100	197	145.9	288	213.3	475	351.9	599	443.7
3. Electrical	7	100	16	228.6	32	457.1	85	1214.3	104	1485.7
4. Glass & Ceramics	66	100	83	125.8	134	203.0	280	424.2	298	451.5
5. Leather	62	100	80	129.0	120	193.6	228	367.7	249	461.6
6. Wood & Cane Work	51	100	67	131.4	99	194.1	129	252.9	170	333.3
7. Miscellaneous	57	100	97	170.2	147	257.9	217	380.7	273	478.9
TOTAL	808	(100)	1162	(143.8)	1739	(215.2)	2941	(364.0)	3613	(447.2)
% Increase . . . . .	..	..	..	14.6%	99%	13.8%				

Source : Unit to Unit Survey Reports (U.P.).

APPENDIX 1.6

Details of Small Scale Industrial Units in Uttar Pradesh According to Employment & Investment Ranges (1963)

Capital investment ranges	Employment Ranges					Total
	No. of units having employment upto 10 workers	No. of units having employment between 11-20 workers	No. of units having employment between 21-50 workers	No. of units having employment between 51-100 workers	No. of units having employment 101 and more workers	
Upto Rs. 10,000	668	46	4	1	1	720
Rs. 10,001—Rs. 50,000	950	461	89	24	3	1527
Rs. 50,001—Rs. 1,00,000	161	345	86	29	9	630
Rs. 1,00,001—Rs. 3,00,000	51	168	227	50	25	521
Rs. 3,00,001—Rs. 5,00,000	13	31	58	33	31	166
Rs. 5,00,001 and Above	1	2	9	18	19	69
TOTAL	1844	1053	473	155	88	3613

APPENDIX 1.7

Expenditure on Small Scale Industries during the III Five Year Plan—Central Schemes

(Rs. in Lakhs)

	Third Plan Provision	Actuals 1961—62	Actuals 1962—63	Actuals 1963—64	Revised Estimate 1964—65	Budget Estimate 1965—66	Total
1. Central Small Industries Organisation	700·00						
2. Additional Extension Centres	270·00	133·64	141·49	143·09	157·65	179·98	755·85
3. Foreign Experts, Training of Indian Technicians abroad.	100·00	7·62	4·44	3·88	1·14	2·15	19·23
4. National Small Industries Corporation.	700·00	135·41	152·76	271·30	200·83	355·09	1115·39
5. P. T. C. Howrah	300·00	1·62	5·49	1·40	..	..	8·51
6. Inventions Promotion Board, N.D.I., SIETI etc.*	100·00	3·98	15·29	26·81	17·19	16·93	80·20
GRAND TOTAL	2170·00	282·27	319·47	446·48	376·81	554·15	1979·18
LOANS TO N.S.I.C.							
1961-62							86·00
1962-63							100·00
1963-64							207·50
1964-65							123·00
1965-66							265·00
TOTAL							781·50

*Includes Rs. 13·64 lakhs on account of Invention Promotion Board which is non-plan Expenditure.

N.D.I.—National Design Institute, Ahmedabad.

SIETI --Small Industry Extension Training Institute, Hyderabad.

APPENDIX I.8

Expenditure likely to be incurred by the State Govts. on Small Scale Industries during the III Five Year Plan
(Rs. in lakhs)

Sl. No.	State	II Plan actual expenditure	III Plan original proposed	III Plan allotment	Expenditure					Total
					Actual 1961-62	Actual 1962-63	Actual 1963-64	Anticipated 1964-65	Proposed 1965-66	
1	2	3	4	5	6	7	8	9	10	11
1	Andhra Pradesh	212.58	893.82	460.00	70.10	47.89	34.91	52.66	90.91	296.47
2	Assam	101.35	318.00	195.00	32.93	32.53	33.18	36.12	50.00	184.76
3	Bihar	239.42	771.11	575.50	56.04	28.23	43.11	80.14	89.24	296.76
4	Jammu & Kashmir	36.30	413.54	135.76	3.79	2.20	3.60	12.49	35.25	57.33
5	Gujarat	..	203.30	170.00	32.62	13.71	17.48	26.28	31.01	121.10
6	Madras	567.72	1166.90	692.83	80.29	147.67	135.93	211.87	206.54	782.30
7	Mysore	84.08	496.28	250.00	16.00	22.33	17.69	21.37	30.00	107.39
8	Madhya Pradesh	137.91	720.85	472.02	29.39	65.75	44.75	36.06	64.84	240.79
9	Maharashtra	136.97	74.22	388.00	4.04	24.15	47.72	74.45	83.76	234.12

10 Kerala	111·90	609·5	255·00	53·61	40·67	39·10	33·98	56·34	223·70
11 Punjab	300·03	894·62	725·77	108·88	103·27	94·24	109·92	154·62	570·93
12 Orissa	119·64	912·00	204·00	22·01	30·57	30·48	38·68	46·03	168·57
13 Uttar Pradesh	426·26	1269·65	891·74	170·68	126·16	125·54	184·69	209·53	816·60
14 Rajasthan	143·64	318·00	270·00	30·48	22·47	17·02	25·04	35·73	130·74
15 West Bengal	236·79	403·28	375·38	44·76	43·52	40·11	68·47	70·87	267·73

Union Territories :

1 Delhi	6·00	11·30	70·00	12·77	13·78	13·46	21·75	65·00	126·76
2 Andaman & Nicobar Islands	1·48	..	9·23	1·30	1·05	1·66	1·83	2·31	8·15
3 Himachal Pradesh . . . . .	..	..	45·00	10·72	11·01	16·95	14·40	14·80	67·88
4 Tripura	10·35	..	38·00	9·56	7·47	12·55	8·15	10·18	48·01

GRAND TOTAL . 2872·42 8776·67 6223·23 784·79 777·71, 759·85 1045·13 1334·30 4701·78

The above figures exclude figures for Pondicherry, Goa, Dadra & Nagar Haveli, Manipur, Laccadive & Minicoy Islands & Nagaland. The III Plan expenditure of these areas is estimated as follows :—

Pondicherry	Rs. 15·67 Lakhs	} Rs. 79·74 Lakhs.
Goa	Rs. 44·57 Lakhs	
Manipur	Rs. 15·84 Lakhs	
Laccadive & Minicoy Islands	Rs. 3·66 Lakhs	
Nagaland	Not Available	
Dadra & Nagar Haveli	Not Available.	

APPENDIX 1.8A
Small Scale Industries : Central Assistance to States in the Third Plan

(Rs. in Lakhs.)

Sl. No.	State	1961-62			1962-63			1963-64(provisional)			1964-1965***			1965-1966		
		Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total	Figures on the basis of approved central assistance and anticipated expenditure			as recommended by W.G.		
		Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
1	Andhra Pradesh	34.03	30.51	64.54	23.48	18.56	42.04	15.13	11.84	26.97				37.00	23.00	60.00
2	Assam	12.19	8.92	21.11	13.38	10.65	23.43	13.49	8.99	22.48				20.00	10.00	30.00
3	Bihar	26.80	17.93	44.73	14.46	9.98	24.44	28.72	18.09	46.81				37.50	12.50	50.00
4	Gujarat	23.16	10.72	33.88	8.83	4.83	13.66	9.50	7.17	16.67				11.50	7.50	19.00
5	Jammu & Kashmir	1.60	1.33	2.93	1.20	1.41	2.61	1.40	1.37	2.77				15.00	5.00	20.00
6	Kerala	15.60	10.62	26.52	17.35	10.10	27.45	16.48	10.10	26.58				24.00	14.00	28.00
7	Maharashtra	3.41	1.79	5.20	17.73	8.77	26.50	17.73	8.77	26.50				34.00	21.00	55.00
8	Mysore	6.65	6.79	13.44	14.56	9.16	23.72	12.31	7.00	19.31				13.00	5.00	18.00
9	Madhya Pradesh	20.28	12.37	32.65	41.90	16.81	58.71	19.60	13.54	33.14				26.00	14.00	40.00
10	Madras	46.54	35.84	82.38	75.31	64.53	139.84	54.27	54.24	108.51				85.00	52.00	137.00
11	Orissa	12.73	6.50	19.23	9.22	5.53	14.75	8.47	7.38	15.85				20.00	11.00	31.00
12	Punjab	53.74	26.86	80.60	53.95	23.62	77.57	54.50	27.00	81.50				52.00	38.00	90.00
13	Rajasthan	15.92	8.44	24.36	14.49	6.01	20.50	14.03	6.26	20.29				16.50	8.50	25.00
14	Uttar Pradesh	82.81	33.06	115.87	63.15	41.71	104.86	64.54	48.40	112.94				85.00	55.00	140.00
15	West Bengal	21.96	16.96	38.92	17.93	13.11	31.04	17.76	12.71	30.40				30.00	18.00	48.00
TOTAL		377.42	228.94	606.36	386.94	244.18	631.12	347.95	242.86	590.81	338.00	247.00	585.00	506.50	294.50	801.00

***Figures for the year 1964-65 relate to All India. The State-wise break-up is not available.

APPENDIX 1.8B

Details of State Government Schemes by Types of Schemes during the Third Plan Period

(Rs. in Lakhs)

Sl. No.	Type of scheme	Amount spent * (Central and State Schemes)						Total
		Third plan (provision)	1961-62 (actual)	1962-63 (actual)	1963-64 (actual)	1964-65 anticipated	1965-66 proposed	
I	Block Loans	1993.86	404.86	324.19	309.77	356.51	417.59	1812.15
II	Industrial Cooperatives	470.09	50.04	48.09	46.88	81.78	94.55	321.34
III	Subsidy on Supply of Power	90.96	4.22	5.89	11.30	20.10	22.42	63.93
IV	Service Schemes	2325.54	150.77	242.73	234.77	405.59	567.18	1601.04
V	Commercial Schemes	668.36	153.07	122.16	104.41	119.00	159.42	658.06
VI	Strengthening of Industries Department.	358.82	22.60	34.65	52.72	62.15	73.14	245.26
	Total	5907.63	784.79	777.71	759.85	1045.13	1334.30	4701.78

*The above figures exclude figures for Pondicherry, Goa, Dadra & Nagar Haveli, Manipur, Laccadive & Minicoy Islands & Nagaland. The III Plan expenditure of these areas is estimated as follows :-

Pondicherry	Rs. 15.67 lakhs	} Rs. 79.74 lakhs
Goa	Rs. 44.57 lakhs	
Manipur	Rs. 15.84 lakhs	
Laccadive & Minicoy Islands	Rs. 3.66 lakhs	
Nagaland	Not available	
Dadra & Nagar Haveli	Not available	

APPENDIX 1.9
Details of State Government Schemes
I. Block Loans

(Rs. in lakhs)

State/Territory	Amount spent (Central plus State's share)					1965-66 Propo- sed	Total
	Third plan provi- sion	1961-62 (actual)	1962-63 (actual)	1963-64 (actual)	1964-65 Antici- pated		
I	2	3	4	5	6	7	8
1. Andhra Pradesh	40.65	6.90	4.75	7.00	9.00	8.00	35.65
2. Assam	50.00	12.51	8.65	10.95	15.50	21.00	68.61
3 Bihar	115.00	20.56	6.94	13.58	16.05	15.00	72.13
4. Gujarat	41.50	24.59	4.21	1.85	3.30	6.05	40.00
5. Jammu & Kashmir	47.00	2.57	1.85	2.37	9.39	10.00	26.18
6. Kerala	105.00	32.74	21.64	21.00	15.30	24.00	114.68
7. Madhya Pradesh	200.00	10.84	30.73	20.33	18.00	28.50	108.40
8. Madras	127.60	34.07	29.52	25.03	30.00	30.00	148.62
9. Maharashtra	70.29	1.27	6.68	14.68	25.50	25.00	73.13
10. Mysore	44.30	3.00	9.00	3.76	3.00	2.69	21.45
11. Orissa	27.22	5.30	5.37	4.88	6.16	5.51	27.22
12. Punjab	339.30	73.51	69.38	62.05	41.04	70.79	316.77
13. Rajasthan	175.00	17.11	12.00	8.28	6.02	18.03	61.44
14. Uttar Pradesh	398.00	125.57	79.28	77.01	111.25	102.37	495.48
15. West Bengal	126.00	17.20	18.09	22.00	30.00	30.00	117.29
TOTAL (STATES)	1906.86	387.74	308.09	294.77	339.51	396.94	1727.05
<i>Union Territories :</i>							
1. Andaman & Nicobar Islands	2.00	..	..	0.40	0.40	0.40	1.20
2. Delhi	60.00	11.00	12.00	10.00	10.00	12.00	55.00
3. Himachal Pradesh	12.00	3.10	3.00	3.00	4.00	4.00	17.00
4. Tripura	13.00	2.25	1.10	2.00	3.00	4.65	13.00
TOTAL (TERRITORIES)	87.00	16.35	15.10	15.03	17.00	20.65	85.10
GRAND TOTAL	1993.86	404.09	324.19	309.77	356.51	417.59	1812.15

NOTES:—1. Figures for Union Territories are provisional.

2. Only consolidated figures for Union Territories not mentioned above were available at the time of compilation. These are Rs. 79.74 lakhs.

APPENDIX 1.10
Details of State Government Schemes
II. Industrial Cooperatives

(Rs. in Lakhs)

State/Territory	Amount spent (Central plus State's share)						Total
	Third plan provision	1961-62 (actual)	1962-63 (actual)	1963-64 (actual)	1964-65 Anti-cipated	1965-66 Propo-sed	
1	2	3	4	5	6	7	8
1. Andhra Pradesh	10.00	..	..	0.72	1.13	1.46	3.31
2. Assam . . . . .	..	1.42	..	0.15	2.95	4.36	8.88
3. Bihar	6.50	..	..	..	..	0.25	0.25
4. Gujarat . . . . .	..	..	..	..	..	..	..
5. Jammu & Kashmir	10.00	..	..	0.68	..	..	0.68
6. Kerala	5.00	0.59	0.47	0.07	0.50	0.75	2.38
7. Madhya Pradesh . . . . .	..	..	..	0.84	1.88	2.25	4.97
8. Madras	170.63	18.07	19.20	4.86	17.86	20.20	80.19
9. Maharashtra	59.64	2.32	5.40	21.16	22.21	19.00	70.09
10. Mysore	36.00	5.37	2.88	3.65	3.00	3.00	17.90
11. Orissa	37.03	..	3.01	5.31	10.40	18.31	37.03
12. Punjab	67.29	2.01	1.54	4.66	9.51	16.73	34.45
13. Rajasthan	5.00	0.05	0.02	0.21	0.30	0.30	0.88
14. Uttar Pradesh . . . . .	..	..	..	..	..	..	..
15. West Bengal	60.48	20.00	15.39	4.42	11.75	7.63	59.19
TOTAL (STATES)	467.57	47.83	47.91	46.73	81.49	94.24	320.20
<i>Union Territories :</i>							
1. Andaman & Nicobar Islands	0.80	..	..	0.10	0.29	0.31	0.70
2. Delhi . . . . .	..	..	..	..	..	..	..
3. Himachal Pradesh . . . . .	..	..	..	..	..	..	..
4. Tripura	1.72	0.21	0.18	0.15	0.29	0.31	0.44
TOTAL (TERRITORIES)	2.52	0.21	0.18	0.15	..	..	1.14
GRAND TOTAL	470.09	50.04	48.09	46.88	81.78	94.55	321.34

NOTES:—1. Figures for Union Territories are provisional.

2. Only consolidated figures for Union Territories not mentioned above were available at the time of compilation. These are Rs. 79.74 lakhs.

APPENDIX 1.11

*Details of State Government Schemes**III. Subsidy on Supply of Power*

(Rs. in lakhs)

State/Territory	Amount spent (Central plus State's share)						Total
	Third plan provision.	1961-62 (actual)	1962-63 (actual)	1963-64 (actual)	1964-65 Anticipated	1965-66 Proposed	
1	2	3	4	5	6	7	8
1. Andhra Pradesh	10.14	..	..	..	3.00	4.07	7.07
2. Assam	5.00	0.06	0.20	0.15	0.25	0.60	1.26
3. Bihar	10.00	..	..	..	3.00	2.00	5.00
4. Gujarat	10.00	2.28	2.18	3.38	3.00	3.00	13.84
5. Jammu & Kashmir . . . . .	..	..	..	..	..	..	..
6. Kerala	1.00	..	..	..	..	..	..
7. Madhya Pradesh	10.00	..	..	1.73	3.50	3.00	8.23
8. Madras	4.00	..	0.02	0.03	0.05	0.05	0.15
9. Maharashtra	10.07	..	1.52	2.41	2.00	2.50	8.43
10. Mysore . . . . .	..	..	..	..	..	..	..
11. Orissa	1.25	..	..	0.25	0.50	0.50	1.25
12. Punjab	5.00	0.80	0.31	1.00	0.50	1.88	4.49
13. Rajasthan	7.00	0.14	0.15	0.16	0.40	0.40	1.25
14. Uttar Pradesh	10.00	0.91	1.42	1.84	2.00	2.00	8.17
15. West Bengal	5.00	0.03	..	..	1.50	2.00	3.53
TOTAL (STATES)	88.46	4.22	5.80	10.95	19.70	22.00	62.67
<i>Union Territories :</i>							
1. Andaman & Nicobar Islands . . . . .	..	..	..	..	..	..	..
2. Delhi . . . . .	..	..	..	..	..	..	..
3. Himachal Pradesh	2.00	..	0.01	0.25	0.30	0.30	0.86
4. Tripura	0.50	..	0.08	0.10	0.10	0.12	0.40
TOTAL (TERRITORIES)	2.50	..	0.09	0.35	0.40	0.42	0.26
GRAND TOTAL	90.96	4.22	5.89	11.30	20.10	22.42	63.93

NOTES:—1. Figures for Union Territories are provisional.

2. Only consolidated figures for Union Territories not mentioned above were available at the time of compilation. These are Rs. 79.74 lakhs.

APPENDIX 1.12

Details of State Government Schemes
IV. Service Schemes

(Rs. in lakhs)

State/Territory	Amount spent (Central plus State's share)						Total
	Third Plan provision	1961-62 (actual)	1962-63 (actual)	1963-64 (actual)	1964-65 Anticipated	1965-66 Proposed	
1	2	3	4	5	6	7	8
1. Andhra Pradesh	242.49	35.69	30.28	17.36	27.47	46.13	156.93
2. Assam	98.50	8.39	9.21	5.53	9.84	16.01	48.98
3. Bihar	266.26	6.41	9.05	13.89	30.93	32.18	92.46
4. Gujarat	47.76	0.27	0.92	2.45	7.16	8.77	19.57
5. Jammu & Kashmir	40.55	0.18	0.35	0.55	2.80	8.25	12.13
6. Kerala	76.00	9.75	6.07	5.66	9.72	20.11	51.31
7. Madhya Pradesh	176.56	7.23	10.67	14.55	12.13	8.31	52.89
8. Madras	342.38	20.99	73.40	56.75	107.84	117.27	376.25
9. Maharashtra	96.06	..	0.42	0.81	6.44	21.24	28.91
10. Mysore	137.79	4.31	6.72	6.81	12.11	17.81	47.76
11. Orissa	84.33	4.43	19.11	17.46	21.62	21.71	84.33
12. Punjab	182.49	10.59	18.40	19.36	42.90	48.58	139.83
13. Rajasthan	43.00	4.37	4.13	3.29	11.37	10.36	33.52
14. Uttar Pradesh	359.49	18.77	33.39	41.51	60.60	100.16	254.43
15. West Bengal	111.77	5.39	6.96	10.52	19.38	25.20	67.45
TOTAL (STATES)	2305.43	136.77	229.08	216.50	382.31	502.09	1466.75

Union Territories :

1. Andaman & Nicobar Islands	4.55	1.12	1.01	1.11	1.03	1.49	5.76
2. Delhi	N.A.	1.50	1.50	2.45	10.25	51.00	66.70
3. Himachal Pradesh	N.A.	7.28	7.72	9.57	8.40	8.80	41.77
4. Tripura	15.56	4.60	3.92	5.14	3.60	3.80	21.06
TOTAL (TERRITORIES)	20.11	13.00	13.65	18.27	23.28	65.09	135.29
GRAND TOTAL	2325.54	150.77	242.73	234.77	405.59	567.18	1601.04

NOTES:—1. Figures for Union Territories are provisional.

2. Only consolidated figures for Union Territories not mentioned above were available at the time of compilation. These are Rs. 79.74 lakhs.

APPENDIX 1.13

*Details of State Government Schemes**V. Commercial Schemes*

(Rs. in lakhs)

State/Territory	Amount spent (Central plus State's share)					Total	
	Third Plan provision	1961-62 (actual)	1962-63 (actual)	1963-64 (actual)	1964-65 Anticipated		1965-66 Proposed
1	2	3	4	5	6	7	8
1. Andhra Pradesh	85.72	25.90	7.95	3.96	4.62	25.83	68.26
2. Assam	34.00	10.55	14.42	16.14	7.08	7.28	55.47
3. Bihar	90.00	24.71	8.12	9.49	22.85	30.41	95.58
4. Gujarat	12.25	..	..	..	..	..	..
5. Jammu & Kashmir	25.00	0.52	..	..	..	15.00	15.52
6. Kerala	48.00	7.33	9.53	9.28	5.35	8.28	39.77
7. Madhya Pradesh	67.46	11.32	24.35	7.11	0.08	11.11	53.97
8. Madras	120.39	4.34	29.50	37.84	49.94	32.46	145.58
9. Maharashtra	40.83	0.30	10.13	8.00	17.50	15.00	50.93
10. Mysore	26.44	1.72	2.55	2.45	2.06	5.20	13.98
11. Orissa	17.90	12.24	3.08	2.58	..	..	17.90
12. Punjab	43.37	20.15	8.20	0.39	5.91	6.93	41.58
13. Rajasthan	13.00	5.00	1.00	0.08	1.00	0.62	7.70
14. Uttar Pradesh	35.00	25.00	10.00	..	..	..	35.00
15. West Bengal . . . . .	..	0.95	0.54	0.10	2.05	0.75	4.39
TOTAL (STATES)	661.36	150.53	120.37	97.42	118.44	158.87	645.63
<i>Union Territories:</i>							
1. Andaman & Nicobar Islands . . . . .	..	..	..	..	..	..	..
2. Delhi . . . . .	..	..	..	..	..	..	..
3. Himachal Pradesh	2.00	0.34	..	2.75	0.30	0.30	3.69
4. Tripura	5.00	2.20	1.79	4.24	0.26	0.25	8.74
TOTAL TERRITORIES	7.00	2.54	1.79	6.99	0.56	0.55	12.43
GRAND TOTAL	668.36	153.07	122.16	104.41	119.00	159.42	658.06

NOTE:—1. Figures for Union Territories are provisional.

2. Only consolidated figures for Union Territories not mentioned above were available at the time of compilation. These are Rs. 79.74 lakhs.

APPENDIX 1.14

*Details of State Government Schemes**VI. Strengthening of Staff of Industries Department*

(Rs. in lakhs)

State/Territory	Amount spent (Central plus State's Share)						1965-66 Proposed	8
	Third Plan provision	1961-62 (actual)	1962-63 (actual)	1963-64 (actual)	1964-65 Anticipated	1965-66 Proposed		
1	2	3	4	5	6	7	8	
1. Andhra Pradesh	30 ⁰⁰	1.61	4.91	5.87	7.44	5.42	25.25	
2. Assam	7.50	..	0.05	0.26	0.50	0.75	1.56	
3. Bihar	84.93	4.36	4.12	6.15	7.31	9.40	31.34	
4. Gujarat	2.00	..	0.10	0.52	..	0.93	1.55	
5. Jammu & Kashmir	2.00	0.52	..	..	0.30	2.00	2.82
6. Kerala	20.00	3.20	2.96	3.09	3.11	3.20	15.56	
7. Madhya Pradesh	8.00	..	..	0.19	0.47	11.67	12.33
8. Madras	35.00	2.32	5.03	11.42	6.18	6.56	31.51	
9. Maharashtra	2.22	0.15	..	0.71	0.80	1.02	2.68	
10. Mysore	5.47	1.60	1.18	1.02	1.20	1.30	6.30	
11. Orissa	0.84	0.84	..	..	..	..	0.84
12. Punjab	62.47	1.82	5.42	6.78	10.06	9.71	33.79	
13. Rajasthan	25.00	3.81	5.17	4.00	5.95	6.02	25.95	
14. Uttar Pradesh	45.00	0.43	2.07	5.18	10.84	5.00	23.52	
15. West Bengal	20.00	1.19	2.54	3.07	3.79	5.29	15.88	
TOTAL (STATES)	350.43	21.85	33.55	49.26	57.95	68.27	230.88	
<i>Union Territories :</i>								
1. Andaman & Nicobar Islands	0.89	0.18	0.04	0.05	0.11	0.11	0.49	
2. Delhi	2.00	20.7	0.28	1.01	1.50	2.00	5.06	
3. Himachal Pradesh	3.00	..	0.28	1.38	1.40	1.40	4.46	
4. Tripura	2.50	0.30	0.50	1.02	1.19	1.36	4.37	
TOTAL (TERRITORIES)	8.39	0.75	1.10	3.46	4.20	4.87	14.38	
GRAND TOTAL	358.82	22.60	34.65	52.72	62.15	73.14	245.26	

NOTES:—1. Figures for Union Territories are provisional.

2. Only consolidated figures for Union Territories not mentioned above were available at the time of compilation. These are Rs. 79.74 lakhs.

CHAPTER II

APPROACH TO FOURTH PLAN

2.1. The Memorandum on the 4th Five Year Plan affirms that "the basic objectives which have been enunciated for the 15 years period commencing with the third Plan are to lay sound foundation for self-sustaining economic growth, to provide avenues and opportunities of employment to all those who seek it, and, while narrowing economic and social disparities, to ensure a minimum level of living to every family in the country. The third Plan was visualized as the first phase of a period of intensive effort to achieve these aims. The central problem for the 4th Plan continues to be one of generating a rapid increase in the national output without impairing social stability. More explicitly, basic goods and services required for consumption by the masses will have to be produced and, at the same time, investment in human and material resources should generate a much larger supply of those goods and services essential for future growth and for which we are now critically dependent on external assistance. It is these sophisticated goods and varied skills that help to diversify the productivity as well as the occupational structure of the economy." It is our view that the small scale industries sector has demonstrated unmistakably during the last 10 years that it can make a significant contribution to the realisation of these objectives in the coming years. It is in this context that programmes for the development of small scale industries in the IV Plan have to be drawn up.

2.2. As indicated in Chapter I, the small scale sector has shown great vigour, competitive strength and a capacity for multi-directional growth, has brought into the national economy new entrepreneurial skills from small and medium level people and has made a significant contribution to the creation of new employment and to the total industrial production of the country. In short, the small scale sector has definitely come into its own. One of the most important contributory factors to this remarkable development is the fact that the small scale sector has been a free sector and that

a small entrepreneur has been free to choose his line of production without any restriction regarding licensing, etc., subject only to the condition that the capital employed on his enterprise does not exceed Rs. 5 lakhs. This has enabled him to show great flexibility and an adaptability to a rapidly developing environment, where the industrial expansion of the country on a broad front has been continuously providing fresh opportunities for secondary and tertiary growth. While on the one side, further industrial expansion of the economy in the IV Plan will increase the opportunities for the small sector manifold, we must take serious note of the fact that the small scale sector has come up sharply against the shortage of foreign exchange for imported components and scarcity of some essential industrial raw materials such as steel, non-ferrous metals, certain chemicals, etc. In a regime where such raw materials are freely available and there is no limitation on foreign exchange, we have no doubt at all that the small scale sector will more than hold its own and what is more, put the large sector on its mettle. Such a regime would provide the best climate for the growth of the small scale sector which, with its capacity for taking advantage of every possible chance of growth and its penchant for improvisation, could be confidently expected to make a great and invaluable contribution to the national production and create continuously expanding opportunities for employment. In such a regime, the small sector would continue to be free as in the past. But unfortunately we are not having such a regime and the small scale sector has developed to a stage where its future growth will have to take note of the difficulties arising from certain aspects of the general industrial environment. As mentioned above, it is quite clear to us that while many new industrial raw materials will come into the economy during the IV Plan, we shall have to live for many years with scarcity to a more or less degree in the availability of special quality steels, non-ferrous metals, certain chemical items, etc. In areas of secondary and tertiary development where, the small scale sector is at its best, it requires to import small quantities of raw materials which are not available in the country and on a tapering basis, certain components. This means foreign exchange. While individually each unit's requirement may be small, if the sector were to remain free the total foreign exchange required on this account would be quite large and would continue to increase. The tightness of the foreign exchange resources of the country

automatically puts a limit to the foreign exchange available to the small scale sector. Even in regard to steel and aluminium where the country's production is expected to increase continuously, we do not see that we shall reach a stage during the next 5 years when these metals would be freely available to whosoever wants it. We thus cannot get away from the system of allocation of foreign exchange and scarce raw materials to various industrial units or groups. In this situation, if the growing vigorous small scale sector is to be enabled to make the share we envisage for it to the national economy and not to get into dangerous shoals and rapids, there seems to be no escape from following a course of guided development, which alone in our view will ensure for the sector an equitable share of foreign exchange and scarce raw materials. This means a departure from the regime of free unrestricted development which, as we have pointed out earlier, contributed in no small measure to the rapid and vigorous growth of the sector. But in present conditions, we have reluctantly come to the conclusion that there is no alternative to a system of guided development. If therefore the recommendations that we make for the development of the small industries sector in the IV Plan period are a mixture of developmental and to some extent restrictive measures, we wish to make it clear that they stem from the present industrial situation of the country. We, however, think that the mixture is a balanced one, conducive to healthy growth. We would stress that the proposals which are restrictive in nature should be worked lightly. They should be continuously reviewed and should not be allowed to get set into rigid patterns which would only freeze further development. We would desire that the greater emphasis should be on the developmental measures which we recommend.

Objectives

2.3. Our approach to the fourth Five Year Plan as defined in our interim report has been formulated, keeping in mind the basic objectives mentioned in the Memorandum on the IV Five Year Plan and the factors mentioned in the preceding paragraph. The objectives as outlined by us are reproduced below:—

1. To promote the coordinated development of large scale and small scale industries by—

- (a) reserving further expansion either exclusively or partly for the small scale sector in certain industries ;

- (b) developing small scale industries more vigorously as ancillaries to large scale industries; and
- (c) encouraging the participation of small scale industries in the export drive.

2. To decentralize the industrial sector by—

- (a) developing industries in rural and semi-urban areas; and
- (b) dispersal of industries both large scale and small scale.

(It is presumed that as a pre-condition to decentralization, adequate infra-structure facilities like power, transport, communications, water, technical training, etc., would be made available at appropriate places.)

3. To foster development of technical and managerial aspects of small industry so as to achieve continuous rise in productivity, improvement in quality, reduction in costs and efficient utilisation of available resources.

4. To encourage the organisation of cooperatives by small scale entrepreneurs for their supply, service and marketing activities.

Targets

2.4. As is well known, production targets for the small scale sector during the third Five Year Plan. We feel that on the basis of the limited studies at our disposal, it will not be feasible to set industry-wise targets for many industries in this report. However, targets for a few industries are indicated in Chapter III of our report. Our suggestions regarding one industry, viz., bicycles is also given as Appendix to that Chapter. We suggest that similar studies might be conducted, initially by the CSIO for all the industries for which we propose Common Production Programme or complete reservation to the small scale sector as given in the Chapter III. In this Chapter, we propose to give only broad targets for achievement during the IV Five Year Plan on the basis of certain general characteristics like fixed investment, gross output, net output, employment, etc., relating to the entire small scale sector.

2.4.1. In section 'C' of Chapter I, we made an estimate of the contribution of small scale factories to total gross output and net output in the factory sector in 1960 and 1965-66. It has been estimated that the small scale factories roughly contribute about a third of gross output or a fourth of the net output of the factory sector. The contribution of non-household non-factory small scale units is not known but it is bound to be substantial, as mentioned in that Chapter in view of the large numbers involved.

2.4.2. The fixed capital: gross output and fixed capital: net output ratios have been estimated for the small, medium and large scale sectors on the basis of the data available from the Annual Survey of Industries—1960 and 1961. They are as below:—

	1960		1961	
	Fixed capital: Gross output	Fixed capital: Net output	Fixed capital: Gross output	Fixed capital: Net output
Small Scale units . . .	1:7.11	1:1.51	1:7.27	1:1.53
Medium Scale units . . .	1:4.23	1:1.03	1:4.26	1:1.01
Large Scale units . . .	1:1.76	1:0.53	1:1.86	1:0.54

These ratios seem quite favourable to the small scale sector. While similar comparable ratios are not available for the non-household non-factory units, in the case of small scale factories coming under the purview of the Sample Sector of the Annual Survey of Industries, the fixed capital: net output ratio has been observed to be about 1. On the basis of the available evidence, it seems possible to conclude that the fixed capital: net output ratio in the small scale sector would vary between 1 to 1.5 and the fixed capital: gross output ratio would vary between 1:4 and 1:7. These ratios are higher than the corresponding ratios for the large scale sector. This indicates that the rate of growth per given investment would be higher in the modern small industry sector than in the large scale sector. The unit-to-unit survey conducted by the CSIO to assess the growth of certain industries during 1958-62 indicated that the rate of growth of the sector has been at the rate of 16 per cent per annum in the six industries surveyed.

2.4.3. In view of the recommendations that we make to further accelerate the growth of this sector, we deliberately set a target for the overall growth of this sector during the next Five Year Plan. We suggest that the gross output of the small scale registered factories which was Rs. 1,400 crores in 1961, estimated at Rs. 2,244 crores in 1965-66 should increase to about Rs. 4,500 crores by 1971. We refer here to all factories falling under the small scale sector, whether they come under the purview of the CSIO or not.

2.4.4. To achieve the above gross output target on the basis of the fixed capital: gross output ratio of 1:5 or 1:6, an additional fixed investment of the order of Rs. 425 to 480 crores will be required. This will be divided as to Rs. 120 to Rs. 130 crores from Government sources, Rs. 225 to Rs. 280 crores from private sector and the balance from institutional sources. We expect, that financial assistance from government and institutional sources will flow mainly to the present CSIO type of industries and that a major part of the private investment will go into conventional, agro-processing industries not so far covered by the small industry assistance programme.

2.4.5. The fixed investment of the order envisaged above will provide employment directly to about 12 lakh persons and indirectly to another 3 lakh persons, thus, creating employment potential of 15 lakhs during the 4th Five Year Plan.

2.4.6. The programme of development outlined in this report has been drawn up in accordance with the basic policy of reducing disparity in the levels of development as between different regions. Similarly, the need to provide opportunities of self-employment to the progressive, enterprising section of our educated youngmen has also been kept in view. We expect that during the fourth Five Year Plan the number of registered small scale units would nearly double, thus providing opportunity to about 50,000 new entrepreneurs to enter the industrial field.

2.4.7. We aim at creating clusters of industrial activity in all towns with a population exceeding 50,000. Besides, nearly half of the towns and villages with a population exceeding 15,000 will be developed as 'growth centres'.

The Strategy

2.5.1. In the light of our assessment of the present position, we suggest that the broad strategy, required to achieve the targets outlined above should be as follows:—

- (a) Any programme for the development of small industries during the 4th Plan period must take cognisance of the significant under-utilisation of existing capacities in various industries. The first task would, therefore, be one of consolidating the existing position so as to make fuller utilisation of the present capacities. It will also be necessary to divert existing capacities from industries with lower priority to those with a higher priority.
- (b) In many cases, even when new capacity is to be created, it may be more economic to expand the existing units rather than create new ones. Special efforts will, therefore, have to be made to identify units which could be quickly expanded or whose production capacity could be substantially increased by providing balancing equipment, etc. The emphasis should be on quick-maturing investments with high output prospects.
- (c) The most important problem facing small industries today is the acute shortage of what are called the 'scarce raw materials'. Besides the inequality involved in a segmented approach to the distribution of available scarce raw materials, there is the question of overall shortage of these in the country. As recommended in our interim report, it is worthwhile to explore the possibilities of obtaining these scarce raw materials by special foreign aid, if necessary. We feel that these imports would be more than justified by the quantum of additional goods produced, the new incomes and employment generated, the import substitution that is possible and the increased contribution that this sector can make to defence and export efforts.
- (d) It is agreed that there is urgent need to augment the growth of our agricultural sector. Small industries can sustain this growth by providing various material inputs like ready-mixed fertilizers, pesticides, improved implements etc. The growth of the agricultural sector, in turn, will provide various raw

materials which could be processed in the small scale sector. Similarly, small industry growth can be based on, and in turn, sustain the housing, construction, rural electrification, export, etc., programmes. The opportunities that arise in this connection, will have to be fully exploited.

- (e) The conventional industries like agricultural processing, beverage and food industries need to be modernized. There will be tremendous scope to organize these on a decentralized and cooperative basis. Similarly, 'service' industries need to be modernized and strengthened. The opportunities afforded by newer industries like electronics, petrochemicals, etc., should also be carefully explored and utilized for the development of the small scale sector.
- (f) Consequent on the overall economic development of the country, the demand for various types of consumer goods will continue to increase. These should be provided, wherever possible, by the small scale sector.
- (g) The programme of small industry development will have to be coordinated, to mutual advantage, with other development programmes like technical training, housing, construction, town planning, export promotion, defence, etc., so that the programme in general and that of 'growth centres' in particular, might be carried out successfully.
- (h) Subsidies and assistance under various programmes now made available to small scale units should be used in a discriminating manner so as to foster the growth of certain industries and at certain desired places. While we should not discourage the establishment of new units at any place, the aim will be to direct and guide growth into desired channels.
- (i) The machinery and equipment needed for the new small scale units will have to be progressively manufactured within the country itself. Special studies will have to be undertaken to assess the requirements of different categories of machines for the small scale sector and suitable provision made therefor, if not already done, either in the large scale sector or in the small scale sector.

- (j) A programme of research to enable small industries to adopt appropriate technologies in various industries will have to be organized.
- (k) The potentialities for the development of ancillaries should be vigorously exploited. Also, the Government Stores Purchase Programme should be shaped as a more effective means of small industry development.
- (l) The assistance now provided for industrial design, prototype production and improvement of traditional technologies will have to be further intensified.

2.5.2. The approach to the development of small industries during the IV Plan period and the strategy outlined in the foregoing, are in accordance with the accepted principle of ushering in the socialist pattern of society and the basic objectives of our social and economic policy. These broad objectives have already been accepted in the Industrial Policy Resolution of 1956.

2.5.3. Before concluding this chapter, we would like to bring to attention one or two important aspects of small scale industries development. The most outstanding testimony for the success of India's small scale industries programme is that thousands of small entrepreneurs who started with capital less than Rs. 5 lakhs are now crossing or have crossed this Rs. 5 lakhs limit. This is a result of their growth, which in turn is due to the vigour, enterprise and self-reliance of the entrepreneurs. By crossing the Rs. 5 lakhs capital limit, these persons are finding themselves in a situation in which there is nobody responsible for meeting their requirements of scarce raw material. They are as a matter of fact in a "no man's land"; the State Directors of Industries who looked after them, albeit within the limited means at their disposal, so long as their capital was less than Rs. 5 lakhs, are no longer responsible for them; the Department of Technical Development at the centre would take charge of only those enterprises which had either been "registered" or "licensed". The present system is thus arresting development and stunting the growth of those entrepreneurs who have shown enterprise and vigour. These persons no longer want financial or technical assistance from Government—in respect of these they can stand

on their own legs—precisely the kind of development which Government wanted of their small scale industries programme. But these entrepreneurs need a continuing supply of raw material and for this they do not know whom to approach. We are of the view that Government should immediately have this problem examined. As we go along, this problem will get accentuated, as the number of entrepreneurs crossing the Rs. 5 lakhs capital limit will rapidly increase and in our opinion they are an asset to the economy who have proved themselves.

2.5.4. There is one other point which we would just like to touch, only to indicate that the stage has been reached where there is need for further careful thought to be given to it. With the shining examples of many thousands of successful small scale entrepreneurs, we could expect that new persons would be coming into industry in increasing numbers, particularly from the class of Engineers, Technologists and Technicians. A way will have to be found to help them with their fixed capital requirements. Engineers, Technologists, etc., would not be able to satisfy the normal banking requirements in regard to security. Their only security would be their technical competence and the fact that their schemes were well-conceived.

CHAPTER III

DEVELOPMENT POLICY

3.1. The broad targets for the small sector for the fourth Five Year Plan outlined in the previous Chapter can, in our opinion, be attained through special, intensified efforts. In this Chapter we consider in some detail the administrative policy required to facilitate the achievement of the targets.

A—LICENSING POLICY

3.2. The licensing policy as implemented at present will have to be reoriented so as to ensure that the growth of the small scale sector which has shown vitality is not impeded. The various measures required in this connection are:—

(i) The representatives of the Central Small Industries Organisation should be more closely associated with licensing at various stages of processing the applications so as to study the proposition from the small industry development angle from the beginning. A pre-study of applications is absolutely essential to safeguard and promote small industries.

(ii) Licensing for the capacities required in the fourth Five Year Plan should be taken up only after a realistic estimate of production capacities available in the small scale sector in different industries has been taken into account. To facilitate this, the Central Small Industries Organisation should, as a matter of top priority, collect information on all such industries and make it available to the Licensing Committee.

(iii) The targets of production for different industries should be set on a more realistic basis so that there may be no over-licensing in the large scale sector, as has happened during the third Five Year Plan. Capacity and end-products should be co-related since certain units start production of one item but later change over to some other items as well.

(iv) As far as possible, manufacturers of raw materials/intermediates should not be allowed to produce end-products

and, subject to an assessment of the economies of production, the assembly or fabrication of end-products should be left to the small scale sector.

(v) To the extent information about ability to produce components by ancillary industries is available licences to large scale units both in the public and private sectors should contain definite requirements regarding the development of ancillaries.

(vi) While creating additional capacities, established small scale units should be given preference over new units proposed to be established in the large scale sector. Small scale units should be encouraged to expand and enter the medium scale and large scale sector, gradually.

(vii) We take note of the decision of the Government to exempt units having a fixed capital of less than Rs. 25 lakhs from the present licensing procedure. This relaxation has been in operation for over a year. We feel that it is now time to analyse the industries coming under this category and assess the effect of this relaxation on the future growth of small scale sector. This study should be undertaken immediately by the DGTD and CSIO jointly. We also suggest that the representatives of the CSIO should be associated with the DGTD in scrutinising the applications for registration under this liberalised procedure.

B—COMMON PRODUCTION PROGRAMME

3.3. The principle of Common Production Programme was recommended in the first Five Year Plan document and it was considered to be an important means of encouraging the growth of small scale sector. The Programme, as the name implies, is applicable to those products which are or can be produced both by large and small scale establishments. In such cases, production is to be progressively developed and reserved for small scale sector by non-expansion of existing capacities in the large scale sector. In accordance with this policy, targets of production were laid down for bicycles, sewing machines and storage batteries in the small scale sector and further expansion of capacity in respect of some items like certain varieties of agricultural implements, tanning and leather, radio receivers, bifurcated rivets, furniture, small hand tools, sports goods and pencils had been restricted in the large scale sector.

3.4. The Common Production Programme, unfortunately, has not attained the desired degree of success. An analysis of the programme discloses the factors which influence its successful working. They are:—

- (1) selection of the industry ;
- (2) selection of the participating units ;
- (3) equitable distribution of raw materials and components ; and
- (4) technical assistance.

These factors, it may be emphasized, are more a reflection on the implementation of the scheme rather than on its suitability. We, therefore, recommend that the scheme be revised suitably and extended to many other industries.

3.5. In an appendix to Chapter II of our Interim Report, we had suggested an illustrative list of industries for which Common Production Programme may be adopted and another list where further expansion may be completely reserved for the small scale sector. The items suggested are merely illustrative and many more could be added after detailed studies. (The lists are reproduced as Appendix 3.1 and Appendix 3.2.). We have also given in Appendix 3.3 broad targets that we propose for some items. A detailed note on the bicycle industry, as an illustration of the notes we have in mind, is given in Appendix 3.4. The targets proposed are tentative and could be finalised after detailed studies are completed by the CSIO.

3.6. Generally speaking, industries in which the economies of mass production and distribution are offset by increased production and marketing costs are suitable for implementing Common Production Programme. Most of the light engineering and some consumer end-product industries come under this category. The particular industries in which the programme can be introduced have to be studied with reference to existing capacities in the large scale and small scale sectors and the present and likely future demand for the product. Industries in which production capacities at present remain largely unutilized in the large scale sector may not be immediately suitable for the purpose.

3.7. Small scale units selected for participation in the Programme should be of economic size, have a good record of production, possess proper modern equipment, etc. Units attracted by the lure of imported packets of components have been the main cause of its failure.

3.8. An important factor in the successful working of the Programme is the supply of raw material and components. The Programme had been a success so long as components were allowed to be imported. As indigenous production capacity for the components was developed in the large scale sector, small units found themselves at a disadvantage since they were to buy their original equipment components at retail prices while their counterparts in the large scale sector were buying almost at ex-factory prices. The disadvantage was more apparent when the producer of the components was himself an assembler of the end-product also. We suggest that raw material and components, both imported and indigenous should be made available on equal terms to participating units both in the large scale and small scale sectors. Towards this end, a suitable formula might be evolved and enforced by the Government.

3.9. In the case of industries in which small scale units have demonstrated their capacity by accounting for a major portion of production, we suggest that the entire future expansion might be reserved for the small scale sector. An illustrative list of these items is also given in the appendix mentioned above. As suggested in our Interim Report, studies should be initiated immediately to determine the industries in which Common Production Programme or exclusive reservation is to be resorted to. The representatives of the DGTD, Planning Commission and the CSIO should jointly undertake this work, while the basic material might be furnished by the CSIO.

C—ANCILLARIES

3.10. One of the important future lines of growth for small scale industries is the manufacture of components/parts for supply to units in the large scale sector. Ancillaries are now being developed for 16 selected large scale industries through a special assistance programme with the active co-

operation of the representatives of the concerned industries. As ancillary units prove their capacity and adhere to quality and cost standards, further progress could be expected in this line. The following further steps are recommended for the rapid development of ancillaries:—

- (a) Suitable provisions regarding development of ancillaries should be made in the licences of large scale units. In the case of public sector undertakings, the planning and development of ancillaries should go along with that of the concerned large scale unit.
- (b) Raw material and other resources may be supplied to ancillary units directly by curtailing, if necessary, the same from the allocations of the concerned large scale units.
- (c) Suppliers to the DGS & D and the large scale sector might be required to buy components and parts from small scale units.
- (d) Close scrutiny of applications for licences in the large scale sector at the State level, jointly by the Directorate of Industries and Small Industries Service Institute to determine the parts and components which could be made in the small scale sector so that suitable endorsement might be made in the recommendations from the State Government.
- (e) Provision of technical and managerial assistance at the required level.
- (f) The CSIO should collect information about the items which can be made in the small scale sector and pass it on to the DGTD for consideration while licensing new units. There should be a closer liaison between DGTD and CSIO to exchange information regarding the requirements of parts/components and the capacities available to manufacture the same.

D—AGRO-INDUSTRIES

3.11. As we have already mentioned, the programme of development of small industries does not bring within its fold the entire small scale manufacturing activity. Processing industries like rice milling, flour milling, oil crushing, cotton ginning, breakfast food, cereal processing, poultry and dairy

products, etc., have been excluded from the purview of the programme. The whole group of "service industries" including "repairing workshops" have not also been given the required attention. We feel that it is now time to bring the entire range of small scale industrial activity under the ambit of this programme.

3.12. The conventional or processing industries offer great scope for development on a cooperative and decentralized basis. The following table shows the expected increases in production in the case of some important agricultural commodities during the fourth Five Year Plan.

Estimates of Production

Commodity	Anticipated production in 1965-66	Anticipated Additional Production by end of IV Plan
Foodgrains	92 mil. tons.	2.8 mil. tons.
Oil seeds	7.75 mil. tons.	2.5 mil. tons.
Cotton	6.3 mil. bales	2.2 mil. bales.
Jute	6.2 mil. bales	1.8 mil. bales.

It is essential to make systematic arrangements to process this additional production.

3.13. It is expected that by the end of the fourth Five Year Plan at least a lakh of the villages will have the benefit of electric power. This again offers vast scope for development of small industries to facilitate the execution of the programme by supplying inputs and accessories. The scope for production of domestic electrical appliances and electrical accessories will have to be carefully assessed and exploited.

3.14. The whole field of packaging industry offers excellent opportunities for the development of small industries and has not yet been properly exploited.

3.15. Recent developments in the plastics industry have offered a good ground for a number of small units. While this will continue, the scope for new units in such lines as electronics, petro-chemicals etc., will have to be carefully studied and exploited.

3.16. There is need for continuously studying various types of industrial and agricultural wastes like rice bran, tobacco wastes and tobacco seeds, by-products of fruit and vegetable processing, lac wastes, fishery wastes, marine algae, wastes and by-products from slaughter house and dead animals, industrial wastes and by-products like blast furnace slag, basic slag, by-products of coal carbonisation, bitters, coal ash and mica waste, etc., and other newer raw materials with a view to utilizing them for the development of small scale sector.

3.17. We suggest that at the headquarters of the CSIO, a separate cell should be created specially for undertaking this planning and development work.

E—INDUSTRIAL ESTATES

3.18. The Industrial Estates programme has been reviewed in Chapter V. We suggest, as a matter of policy, the development of small scale units in suitable clusters in industrial estates or suitably-developed industrial areas. We are aware that many entrepreneurs would still be anxious to start new units in their own or rented premises and we do not suggest that they should be discouraged but, the promotional activities of the Government should aim at inducing as many new units as possible to join these clusters.

3.19. In each industrial estate/industrial area, besides providing infra-structure like water, power, transport, communications, banking, etc., facilities, the State or Central Government should provide common facilities, quality marking, testing etc., facilities, raw material depots, etc.

3.20. In the case of "growth centres", as suggested in the next Chapter, intensive studies should be undertaken to decide a suitable cluster of industries conducive to the successful growth of the centre.

F—GOVERNMENT STORES PURCHASE PROGRAMME

3.21. The participation of small scale sector in the Government Stores Purchase Programme has been reviewed in Chapter XII. We suggest that the programme might be shaped as a more effective means for the development of

small scale industries, especially of engineering, chemical and other newer type of industries which have shown vigorous growth during the last five years and over.

3.22. A suitable policy agreement between the departments of Industry and Supply in this regard is indicated.

G—EXPORT DRIVE

3.23. Our export drive offers great potentialities for the development of the small scale sector. We suggest that a systematic effort should be made to exploit this fully. We suggest that the Central Small Industries Organization should be made responsible for the coordination work in this regard while the National Small Industries Corporation and the State Trading Corporation should undertake actual implementation as in the case of the Government Stores Purchase Programme.

3.24. A number of cooperative export houses will have to be started in the different States.

3.25. Scarce raw materials should be provided, preferably, by opening a sort of a revolving fund, to the units participating in the export work.

H—INTENSIVE CAMPAIGNS

3.26. The industrial extension work of the CSIO is confined mostly to urban areas though some efforts have been made to reach the rural areas through what are called, intensive campaigns or group extension services. These campaigns which aim at contacting local entrepreneurs in the rural and semi-urban areas should be intensified. The latent resources of capital and entrepreneurial and managerial talent available in the countryside should be more fully harnessed, especially to make the programme of growth centres a success. A special group of officers representing the State Directorates of Industries and SISI should continuously follow up these intensive campaigns so as to harness the enthusiasm created by them.

I—RAW MATERIALS

3.27. One of the most important policy decisions immediately needed to sustain the growth of small scale sector is about the supply of scarce raw materials.

3.28. There have been serious complaints not only from small scale industrialists and their associations but also from impartial observers like the Raj Committee and the International Perspective Planning Team that the present system of distribution of scarce raw materials is inequitable. A Committee headed by Dr. P. S. Lokanathan is now considering this question. Without anticipating the recommendations of the Committee, we feel that the following measures should be adopted to sustain the growth of small scale industries during the Fourth Five Year Plan.

(1) The system of allocation of raw materials sectorwise depending on the size of the unit should be discarded in favour of allocation on the basis of the priorities of the end-products. Units producing similar products should be allotted raw materials on the basis of their production capacity without reference to the size of the unit.

(2) For small industries which do not have their counterparts in the large scale sector but which provide essential consumer goods and services to the economy, a special allocation of scarce raw materials should be made.

(3) We have examined the recommendations of the Raj Committee and I.P.P. Team regarding the price-tax system. Scarce raw materials especially those imported, are no doubt selling in the open market at premium prices and the tax revenue of the Government can be increased by putting up their prices. The money which now flows into the pockets of unscrupulous traders and bogus industrialists will then add to the resources of the Government. The recommendations however apply to the whole area of imported and scarce indigenous raw materials which are now subject to the system of allocations by Government and require further detailed study as regards their feasibility at the present stage and whether, if given effort to, would secure the desired results. Without such further study we feel it difficult to suggest that the price-tax system should be introduced in place of the existing allocation system.

(4) The representatives of small industries should be associated in scrutinizing the eligibilities of individual units for supply of scarce raw materials.

(5) We endorse the suggestion made by the Chairman at the 22nd Meeting of the Small Scale Industries Board that all new entrants requiring scarce raw materials should be subject to a system of guidance by the State Directors of Industries. The growth of small scale units based on indigenous and freely available raw material should continue to be "free" as at present.

(6) We suggest that the capacities of existing small scale units requiring all types of scarce raw materials should be scientifically and uniformly assessed as has already been done for non-ferrous metal units.

(7) We feel that there is need to give proper guidance for existing units to switch over from low priority to high priority products so that their capacities can be utilized to the greatest national advantage.

(8) As we have already suggested, priority should be given to the consolidation and strengthening of existing units by supplying scarce raw materials in adequate quantities. Fuller utilization of existing capacities will immediately lead to greater employment and higher output which would justify special imports, if necessary.

(9) The estimates of the approximate requirements of various categories of raw materials in the last year of the fourth Five Year Plan are given in the Chapter on Raw Materials. We consider the availability of raw material, as specified there, essential to achieve the targets laid down by us in Chapter II. We need hardly emphasise that the success of the small industries development programme now depends on the availability of adequate quantities of raw materials. We are confident that the requirements of the small scale sector can easily be met without straining our resources—internal or external.

J—LEGISLATION

3.29. We have examined whether there is at present any need for special legislation to promote the growth of the small industry sector. Our attention has been drawn to the Report of the Indian Productivity Team on Small Scale Industries which suggested legislation on the same pattern as existing in the United States. This suggestion was endorsed by

a Sub-Committee of an *Ad hoc* Committee of the Small Scale Industries Board but not by the *Ad hoc* Committee itself. However, for the time being the Small Industries Development Programme will benefit by having certain flexibility in administrative matters. We, therefore, suggest that the question of legislation may be deferred for the time being.

K—DEFINITION

3.30. The definition of a small scale unit now in force sets a ceiling to the size of the unit in terms of its fixed capital. There have been persistent representations that the ceiling should be raised. We feel that the definition, besides setting a ceiling to the size of the unit, should serve as a means of assistance to desired units at desired locations. Our suggestions in this regard are:—

(1) The size of the unit should be measured by investment in plant and machinery rather than by total fixed assets.

(2) With this modification, the present ceiling of Rs. 5 lakhs might continue.

(3) Subsidies and other assistances should be programmed in such a way as to encourage the smaller units and those coming up in smaller towns and growth centres. Detailed suggestions in this regard are given in Chapter XVII.

APPENDIX 3.1

Industries Where Common Production Programme Is Recommended

1. Electrical and Electronic measuring and indicating instruments.
2. Electric motors.
3. Record players/changers.
4. Bicycles and its components.
5. Cameras, enlargers & projectors.
6. Radios and its components.
7. Public address equipment.
8. Plant protection equipment like sprayers, dusters etc.
9. Pressure and vacuum gauges.
10. Water meters.
11. A. A. Conductors.
12. Plastic processed products (excluding those decided by the Licensing Committee to be reserved exclusively for development in the small scale sector in its meeting held on 23rd December, 1962).
13. Dyes (excluding those reserved for development in the small scale sector).
14. Paints and varnishes (excluding those reserved for development exclusively in the small scale sector).
15. Soap (excluding laundry soap).
16. Detergents.
17. Food Industries.
18. Leather tannery.
19. Pharmaceuticals and drugs.
20. Glass and ceramics.
21. Cosmetics and perfumes.
22. Industrial rubber products.
23. Synthetic resins.
24. Synthetic driers.
25. Printing Inks.
26. Inorganic Pigments.
27. Dipped rubber goods and contraceptives.

28. Plywood.
29. Matches.
30. Glass.
31. Refractories.
32. Dyestuffs.
33. Plasticizers.
34. Other organic chemicals and intermediates.
35. Cast iron pipes (upto 6" dia.)
36. Domestic Utensils.
37. P. V. C. Cables.
38. Water Coolers.
39. Refrigerators.
40. Miniature bulbs.
41. Radio receivers.
42. Bolts, nuts and rivets.
43. Sewing Machines.
44. Brass sheets and circles.
45. Iron clad switches.

APPENDIX 3.2

*Industries Further Expansion In Which May Be Completely
Reserved for Small Scale Industries*

1. All wire products such as wire nails, hob nails, panel pins, hand cut tacks, horse shoe nails (sheets).
2. Wire brushes and fibre brushes.
3. Metal buttons and badges.
4. Square, hexagonal and Welded wire mesh.
5. Expanded Metal.
6. Steel furniture.
7. Weights and measures.
8. Beam Scales.
9. Barbed wire.
10. Machine screws.
11. Wood Screws.
12. Ordinary bolts and nuts.
13. Builder's hardware.
14. All types of locks.
15. Ball points and refills.
16. Press buttons and snap fasteners.
17. Shoe eyelets.
18. Stoves, lanterns, blow lamps and burners
19. Spray paint gums.
20. Mechanical toys.
21. Collapsible tubes.
22. Flexible tubes (metal).
23. Cycle Pumps.
24. Garment hooks and eyes.
25. Cigarette lighters.
26. Rivets of all types.
27. Student and medical type microscopes.
28. Spectacle hinges & frames.
29. Garment buckels.
30. Hand numbering machines.
31. Postal franking and cheque writing machines.
32. Pressure cookers.
33. Spring washers.
34. Machine shop vices.
35. Diamond tools.

36. Steel wool.
37. Wood wool.
38. Tape recorders.
39. Mechanical gramophones.
40. Hearing aids.
41. House & Industrial wiring accessories.
42. Hair clippers.
43. All plastic processed products as decided by the Licensing Committee in its meeting held on 23rd December, 1962:
 - (i) Bottle caps, buttons, lamp shades etc. produced by the compression moulding technique.
 - (ii) Plastic articles manufactured from plastic sheets, rods, or tubes by the fabrication technique including the technique of vacuum forming.
 - (iii) Polyethylene films (films with a thickness of less than 1 m. m.) and products made from the film such as bags etc.
 - (iv) Mono filaments from polyolefins.
 - (v) Blow-moulded containers and other similar products manufactured by the blow moulding technique.
 - (vi) Finished products manufactured from expanded (foamed) polystyrene leads.
 - (vii) Spectacle frames from sheets by fabrication technique or by injection moulding.
 - (viii) Manufacture of polyester sheets from buttons and the processing of these sheets so produced to manufacture buttons.
44. Dyes:—
 - (i) Azo dyes.
 - (ii) Basic dyes.
 - (iii) All processed dyes such as stabilised Azoic Indigosols, Vat dyes paste, Pigment paste, Pigment emulsions.
45. Paints and varnishes—Dry distempers, Red lead, Red oxide, Aluminium paints, Bitumen paints to IS specification, Wagon blacks Graphite paints, All paste paints.
46. Detergent formulations.
47. All pesticide formulations.
48. Laundry soap.
49. Leather footwear.
50. Sports goods.
51. Paper conversion products.
52. Glass products which may be made by the batch process.
53. Fire chemicals.
54. Formulated perfumery compounds.

APPENDIX 3.3

*Estimated Targets of Production to be reserved for
Small Scale Industries in the Fourth Plan Period*

Sl. No.	Item	Production		Percentage of Adtl. capacity to be reserved for SSI by 1970-71	Remarks
		1965-66	1970-71		
1	2	3	4	5	6
1	Dipped Rubber Goods and Contraceptives.	..	..	50	Dipped Rubber goods are eminently suitable for manufacture in the small scale sector. We have also set up a few units for manufacturing Rubber Contraceptives and as such it should be possible to achieve the targets recommended, i.e. 50% of the additional capacity which is licensed.
2	Plywood	21 million sq. metres	50	25%	Even though an expansion of 29 m/sq. metres has been estimated, it is not clear how much of it would be Tea-Chest plywood. It is suggested that 2/3rds of the additional production of Tea-Chest plywood be reserved for the small scale sector.

1	2	3	4	5	6
3	Matches	6048 million boxes.	7200	100.	The present policy is that there should be no further expansion of the mechanised sector in the Match Industry and such we could ask for 100% of the additional capacity to be licensed in the small scale sector. If this is considered not feasible, then the additional production may be licensed in such a way as to maintain parity between the large scale and small scale sector.
4	Glass	405 thousand tonnes.	770	25	There is a substantial increase in the production of glass and glass products. In the absence of detailed targets for the various items, it would be difficult to suggest an exact figure but we might aim at a capacity of secondary glass products of the order of 100,000 tonnes for further development in the small scale sector. If detailed figures are available then all the items which could be manufactured in the small scale sector should be reserved for this sector and the balance, which would be quite large, for the large scale sector.
5	Refractories	1120 thousand tonnes	2000	20	The major production of refractories has got to be in the large scale sector. Only some of the simpler types of refractories could be manufactured in the small scale sector and as such it is suggested that a target of 20% for production of simpler varieties of refractories could be considered for the small scale sector.

6	Others	..	..	..	No details have been given but it is assured that these would probably be processed products out of glass, ceramics etc. A capacity of 50,000 tonnes for the small scale sector is considered reasonable.
7	Plasticizers	7 thousand tonnes	21	50	Manufacture of Plasticizers is akin to the manufacture of Synthetic Resins for which we are developing substantial capacity in the small scale sector and as such approximately a production of 7000 tonnes (i.e. 50%) could be planned in this sector. Most of the basic raw materials would be available indigenously.
8	Other organic Chemicals and Intermediates.	140 thousand tonnes	316	20	This item includes a very large number of products and it is really not possible to give a correct estimate. However, we could consider all chemicals and intermediates which are required in smaller quantities for development in the small scale sector. Hence, a quantity of about 20% of additional licensing, i.e. about 35,000 tonnes may be considered reasonable.
9	Pesticides, Fungicides and Weedicides.	12 thousand tonnes.	32	75	Substantial increase has been planned in the manufacture of Pesticides, Fungicides and Weedicides. The processing of these to make finished formulations could be very easily carried out in the small scale sector and it is suggested that all further licensing of Formulations should be in

1	2	3	4	5	6
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the small scale sector. If that is not feasible taking the analogy of the plastic industry, the raw material manufacturers and the large sector units should be allowed to convert 25% of their production into Formulations and the rest of the Formulations should be for the small scale sector.

10	Dyestuffs	10 thousand tonnes.	13	..	An additional production of about 5000 tonnes has been planned, out of which the Ministry of Petroleum & Chemicals have roughly agreed to allot about 1250 tonnes to small scale sector.
11	Drugs & Pharmaceuticals.	1750 Rs. million	3000	25	The present production of Drugs & Pharmaceuticals (Formulation thereof) in the small scale sector is approx. Rs. 21 crores against the production of Rs. 80 crores in the organised sector and the production is roughly 25% of the total production. It is suggested the same ratio may be maintained for further licensing <i>i.e.</i> out of Rs. 1350 million of additional production, a production at an aggregate rate of Rs. 430-440 million be earmarked for the small scale sector.

12	Plastics (PVC, Poly- thene)	75 thousand tonnes	270	50	The targets referred are for the manufacture of basic Plastic raw materials. It has been earlier agreed by the Ministry that 50% of all the materials which are processed would be reserved for the small scale sector for further processing, this may be adhered to for the Fourth Plan period also.
13	Paints & Varnishes	150 thousand tonnes	270	66	It has been proposed to license an additional capacity of 120,000 tonnes in the Fourth Plan period. It is suggested that a capacity of 80,000 tonnes may be reserved for development in the small scale sector. If this is agreed to, there will ultimately be parity between the large scale and small scale sectors as recommended by the <i>Ad Hoc</i> Committee on Paint Industry.
14	Soap	220 thousand	320	100 & 25	The present policy is that there is no licensing in the organised sector for manufacture of Laundry Soap and it is suggested that this may continue. As regards Toilet Soaps and Speciality Soaps, 25% of the additional capacity to be licensed may be reserved for small scale sector.

Note I :—The production figures for 1965-66 & 1970-71 (cols. 3 & 4) in this table have been taken from col. 8 of table B. 3 of the 'Note on Perspective of Development' India : 1960-61 to 1975-76—Planning Commission.

Note II :—The units mentioned in between cols. 3 & 4 are common to both.

APPENDIX 3.4

A NOTE ON THE TARGETS OF PRODUCTION FOR
BICYCLES IN THE SMALL SCALE SECTOR*

Bicycles is one of three industries covered by the Common Production Programme. The implication of Common Production Programme is that the Planning authorities, while framing programmes of development for different sectors of a particular industry, lay down, in specific terms, the respective contributions which the large scale and the small scale sectors would make towards the total requirements of the community. The Development Council for Bicycle Industry had estimated the demand for 1965-66 at 25 lakh number and this had been fixed as the target of production at the end of the third Plan. It was further decided that the contributions of large scale and small scale sectors should be 20 lakhs and 5 lakhs bicycles respectively. This target has, however, been somewhat revised in the light of recent trends in the consumption of bicycles. Suggestions regarding target of production of bicycles by the end of the fourth Plan and the contribution that the small scale sector should make towards achieving the target are given in the following paragraphs.

2. *Number of units, capacity and production.*—There are 21 large scale bicycle manufacturing units in the country. With an installed capacity of 14,44,000 bicycles, these units actually produced 11,16,491 bicycles during the year 1962 and are expected to produce 11,23,000 bicycles (estimated) during the year 1963. As against this, there are 108 units in the small scale sector, having an approved capacity of 6,53,400 bicycles. Of these, 55 units with an approved capacity of 3,90,000 are actually in production; the remaining ones have either closed down or have switched over to the production of bicycle parts and other light engineering items. These 55

*This note reflects the position as in the middle of 1964.

working units are located as follows:—

State	No.	State	No.
Punjab	10	Madras	4
West Bengal	9	Madhya Pradesh	4
Uttar Pradesh	7	Maharashtra	3
Delhi	5	Kerala	1
Rajasthan	5	Orissa	1
Andhra Pradesh	4	Mysore	1
		Bihar	1

3. Particulars of these 55 units and the 25 competent ones among them are summarised in Table I:

TABLE I
Particulars of working units and competent units

Particulars	Working Units	Competent Units
1. No. of units	55	25
2. Approved capacity (Nos.)	3,90,900	2,09,900
3. Installed capacity	5,07,900	2,95,400
4. Production during—		
(a) 1963 (estimated Nos.)	2,01,000	1,47,810
(b) 1962 ,,	1,78,000	1,29,713

4. The total production of bicycles in both large scale and small scale sectors was thus about 12,94,000 during the year 1962.

5. The consumption of bicycles during the year 1961 and 1962 as arrived at by production plus imports minus exports was as follows:—

TABLE II
Consumption of Bicycles

Year	Production in large scale sector.	Production in small scale sector	Imports	Exports	Total availability
1961 . .	1048946	1,52,332	433	12,677	1189034
1962 . .	1116491	1,77,884	477	3,564	1291288

6. *Consumption*—It would appear from the above table that the consumption of bicycles has increased by over 8% during 1962 over 1961. Though it is difficult to project the demands on the basis of consumption during 1961 and 1962, the fact that new industrial townships are growing, road facilities both in rural and urban areas are increasing and the per capita income is also rising, points to a gradual increase in the demand for bicycles. Then, there are good prospects for increase in exports of bicycles to foreign countries, particularly to the Middle East and Far East countries. Taking all these factors into account, it is estimated that the demand for bicycles would at least go up at an annual cumulative rate of 8% during the period 1962-66. In other words demand for bicycles during 1965-66 would be about 16,36,000 Nos. The demand is expected to increase at a slightly higher rate during the IV Plan period and is expected to be around 26,33,000 Nos. by 1970-71.

7. *Common Production Programme—the past performance of the small scale sector*—Before discussing the share that small scale sector should claim in the additional requirements of bicycles by 1965-66 and during the fourth Plan, it would be worthwhile alluding to the performance of this sector during the last four years *i.e.* 1960 to 1963. Table III gives the capacity approved and production of bicycles in the small scale during 1960 to 1963 :

TABLE III

Yearwise approved capacity and production in the small scale sector from 1960 to 1963

Year	Approved capacity	Production
1960	7,36,000	2,28,000
1961	N.A.	1,52,332
1962	8,32,250	1,77,884
1963 (estimated)	6,53,400	2,01,000

8. *Lack of phasing in approving capacity*—It would be observed from Table III, that the capacity recommended to be created throughout the third Plan period, had been approved by 1960, before the Plan actually started. Again, no attempt appears to have been made to consolidate the position of existing units and instead, fresh capacity was sanctioned in subsequent years. No phasing in the sanctioning of capacity of third Plan period appears to have been done. In planned development, it is necessary to fix targets for every year, consistent with demand and resources. But none of these factors was taken into account while recommending capacity. It was not difficult to find applicants for fresh capacity, as approval involved a commitment on the part of the Government to supply "Import Packet" of some of the components worth about Rs. 4 per bicycle. Fresh capacity in the large scale sector was simultaneously sanctioned, though it was comparatively much less. As demand did not rise as capacity increased, prices of imported components fell down and the production registered a steep fall in the small scale sector. A number of units had therefore to close down. These factors should be borne in mind in formulating the programme for the development of this industry in the fourth Plan period.

9. *Uneconomic Capacities*—Again, units with uneconomic capacities were encouraged. It is learnt that a small scale unit to be economical should have a capacity to produce at least 12,000 to 15,000 bicycles per annum. But this consideration was not kept in view. For example, out of 18 approved units in Punjab, ten had a capacity of less than 10,000. The position with regards to units approved in other States was even worse. Further, capacities were approved without ensuring that the applicant units had the requisite machinery to run the unit or had, at least, the resources to do so. This naturally led to the closure of uneconomic and fake units.

10. *Location factors ignored*—In bicycle industry, location appears to be an important factor. As no unit can produce all the components by itself, it is necessary that it should be located at a place, where all the necessary auxiliary services and components of bicycles should either be locally available or can be obtained at competitive rates from the adjoining areas. This factor also appears to have been ignored while approving capacity at different locations. This is why the percentage of mortality in States like Andhra Pradesh, Mysore and Orissa is the maximum while all the approved units in Jammu & Kashmir and Assam have been wiped out. It thus seems that the industry is suited for development in 'functional' industrial estates, at growth centres. The industry can be geographically decentralised on the basis of demand in the different States.

11. *Target for Third Plan Too Ambitious*—The targets of production for bicycles set for the current Plan period appear to be rather ambitious. This is why the Development Council for Bicycle Industry has revised the targets for bicycles at 15 lakh numbers at the end of 1963-64. As against the target of 25 lakh bicycles, only about 17 lakh numbers are likely to be produced by the end of the current Plan period.

12. *Common Production Programme—Defects in implementation*—In view of the above observations, there does not appear to be any basic defect in the policy of Common Production Programme. In fact it has not been properly implemented. It may, however, be mentioned that genuine small scale units of economic size, especially the competent ones, have continued to exist and their production has also been

continuously on the increase. They have installed efficient and modern machines; some of them have even installed automatic plants for certain items like axles, mudguards, etc. The employed skilled labour and, in most cases, the owners and partners have either formal engineering qualifications or have long experience in the line. Practically all of these are equipped with electroplating and enamelling plants, bonderising tanks, etc. They are also equipped with some testing equipments, which, though not elaborate, are considered sufficient for ensuring precision and accuracy. The result is that the bicycles produced by these units are comparable to those of large scale units as regards quality.

13. *Price Competition*—The prices of bicycles produced by small scale units are relatively much less. The f.o.r. destination price of a bicycle (with seat and cover) produced at Ludhiana ranges between Rs. 141 to Rs. 146. The prices of bicycles at other places are also more or less the same. As against this, the prices of popular brands of bicycles produced by large scale units are comparatively higher *i.e.* the price of Raleigh is Rs. 190 and that of Phillips is Rs. 160. This is primarily because the small units have lesser overheads in the shape of lesser selling costs, managerial costs etc. This is why their products have steadily growing demand and the units have normally pending orders for 400 to 500 bicycles at any time.

14. *Difficulties of Small Scale Units*—The main difficulties of the units spring up from inadequate supplies of Roadster tyres and tubes (manufactured by the Dunlop Tyre Co.) and rims. The position with regard to rims has, of late, improved as the Government Factory, Kerala, has started manufacturing rims of comparable quality. However, genuine difficulties continue to be experienced in the procurement of Roadster tyres and tubes. It has now become an accepted fact that new cycles can sell in the market only if they are fitted with Roadster Tyres and tubes, unless through persistent propaganda and sales effort this prejudice is overcome.

15. The large scale units are able to get Roadster tyres and tubes from the Company, according to their requirements but the small scale units are not able to manage supplies to match their production requirements. In fact, the small scale units have to adjust their production schedule according to

supplies of Roadster tyres and tubes. They cannot afford to buy through regular trade channels for the prices in the open market are prohibitive. The Company price for one tyre is Rs. 4.50, while the market price is Rs. 11.00. The result is that the production in the small scale sector is greatly inhibited by inadequate supplies of Roadster tyres and tubes. This also explains why the units are working to about 40% of their installed capacity. It is suggested that the Dunlop Company should be persuaded, or if necessary, compelled, to make supplies of Roadster tyres and tubes, at least to the extent of the approved capacity of the small scale units to provide them the necessary marketing edge until consumers on the countryside can be convinced through a concerted drive to equate Roadster with other brands.

16. Another difficulty is that the small scale units have to buy hubs from the open market at higher prices than those fixed by the large scale units, viz. M/s. Sen Releigh & Co. Though the Company does not refuse to supply hubs, it, however, insists, that the units buying hubs should also buy B.B. Shells and freewheels from them. The Company prices of the latter two products being much higher than the open market prices, the units find it disadvantageous to buy hubs and the other two components from them. Further, the company does not follow the practice of supplying hubs at lower prices when used as original components, but treats the units at par with the dealers. This also adversely affects the competitive position of the small scale units.

17. *Shortage of Electroplating Chemicals*—Small scale units are further at a disadvantage with regard to supply of electroplating chemicals such as nickel anodes, leveller for self shine, etc. These chemicals are both being imported and produced indigenously. The quality of the latter being relatively poor, imports are also being allowed. The Small Units complained that the large scale units received import licences for these chemicals, while only a few of the smaller ones got actual user's licences. Most of them have to make purchases in the open market at higher prices. For example, the landed cost of imported nickel anodes is Rs. 12.50 per kilogram, while the open market price of the same is Rs. 18.50. This factor also adversely affects the small scale units. It is, therefore, suggested that the units, especially the competent ones, should be given actual user's licences till such time as the quality of indigenous chemicals improves.

18. *Existing Capacity Sufficient to Meet the Demand by 1965-66*—The anticipated demand of 16,36,000 bicycles in 1965-66 is much less than the existing capacity both in the large and small scale sectors. As such, there would be no necessity to license more capacity in this industry during the current Plan period.

19. *Share of Small Scale Sector in Additional Capacity during the Fourth Five Year Plan*—The demand for bicycles has been estimated at 26,33,000 in 1970-71. To meet this demand, a capacity of the order of 29,26,000 shall be required. The present capacity in the industry is 19,51,900—14,44,000 in large scale sector and 5,07,900 in the small scale sector. As such, an additional capacity of about 10,00,000 bicycles will have to be created during the fourth Five Year Plan.

20. The bicycle industry is primarily a labour intensive one; the quality of bicycle manufactured by small scale units is comparable to that of the products of the large scale sector and their prices are also competitive. The industry is suitable for geographical decentralisation and new units can be encouraged at growth centres. It is, therefore, felt that the entire additional capacity should be reserved for the small scale sector. The position with regard to additional capacity to be created in the fourth Five Year Plan and actual capacity by 1970-71 in the large scale and small scale sectors should be as follows:—

	Additional capacity to be created during Fourth Plan Period (Nos)	Actual capacity by 1970-71 (Nos)
Large Scale Sector . . .	Nil	14,44,000
Small Scale Sector . . .	10,00,000	15,07,900
TOTAL . . .	10,00,000	29,51,900

21. To ensure the fulfilment of the above targets for the small scale sector it is essential to take the following steps

immediately :—

- (1) A careful techno-economic study of a few competent cycle making units so as to determine the economic size of the unit.
- (2) Each of the existing units in production which are not considered competent will have to be visited and studied carefully. Proper technical and financial assistance will have to be given to them to improve their working so that they become economic and competent units.
- (3) Rough estimate of the demand of bicycles will have to be made for each State separately. On the basis of these estimates the scope for starting new units will have to be decided. New units will have to be distributed among States like Bihar, Maharashtra, Orissa, Kerala, Madhya Pradesh, Andhra Pradesh, Rajasthan etc. where the number of units now is very low. The proposed planning cell in the Central Small Industries Organisation should guide the States in this respect. The number of new units to be started every year will also have to be carefully considered and decided.
- (4) Small scale cycle manufacturing units require some services and testing facilities like electro-plating, quality control etc. These can well be provided if the units are grouped at growth centres. It is possible to develop new cycle manufacturing units in Functional Industrial Estates.
- (5) The units can also be encouraged to adopt a common brand name so as to facilitate marketing of their products.
- (6) Suitable arrangements will have to be made to supply components/parts like hubs, freewheels, tyres, tubes etc. from the large scale units in required quantities, at reasonable prices. The State Small Scale Industries Corporation or co-operatives of the bicycle manufacturers may help them in this work.
- (7) With a common brand and tested quality, small scale units can enter the export market in a big way. For this the Central Small Industries Organisation should render useful service by exploring markets in the Middle East and African countries.

CHAPTER IV

SPATIAL DECENTRALISATION—"GROWTH CENTRES"

4.1. In the Industrial Policy Resolution, 1956, it has been stated that "in order that industrialization may benefit the economy of the country as a whole, it is important that disparities in the matter of development between different regions should be progressively reduced..... It is one of the aims of national planning to ensure that these facilities are steadily made available to areas which are at present lagging behind industrially or where there is greater need for providing opportunities for employment, provided the location is otherwise suitable. Only by securing a balanced and co-ordinated development of the industrial and agricultural economy in each region can the entire country attain higher standards of living." It is to implement this policy that the programme of rural industrialisation has been undertaken intensively since the commencement of the second Five Year Plan.

4.2. The first Five Year Plan envisaged the consolidation and rehabilitation of existing village industries by better organization, supply of finance, organization, research, training etc. At the time of drafting the second Five Year Plan, the Karve Committee stressed the principle of decentralization of industrial development. The Committee felt that progressive expansion and modernization of rural industry can be most economically brought about by the spread of small industrial units along with the necessary services among the big villages or small towns located all over the country. The Committee recommended that "the pattern of industrial activity that should gradually emerge is that of a group of villages having its natural industrial and urban centre. These small urban centres will be related to big ones. Thus, a pyramid of industry broad-based on a progressive rural economy will be built up."

4.3. This idea of rural-urban linkages has been stressed recently by the Deputy Chairman of the Planning Commission in the following words:—

"In fact, placed as we are, a revolution in agriculture is unthinkable in terms of something happening in agricul-

ture alone. It is to be thought of as a series of interchanges between agriculture and industry with rising intensity, industries supplying the basic needs of material output for agriculture, agriculture feeding back its surpluses for the development of industry and industry supplying back the various consumer goods on which the agricultural surpluses can be spent. Any other kind of development can only be partial and will not be in conformity with our view of modernization of the country's economy."

4.4. The Study Team (Misra Team) on Industrial Pilot Projects gave a more definite shape to the idea propounded by the Karve Committee. The Team proposed the development of a selected centre in a block which may serve the requirements of adjoining villages. These selected centres may be those which have over the years become natural centres where commercial and industrial activity tended to develop and take roots. These centres which the Team called "The Rural Industries Centres" would act as frontier checkposts of migration and provide opportunities for local industrial groups. The objective was to tone down as far as possible further expansion of metropolitan cities and big towns and to provide employment opportunities for population in a group of villages as close to their present abode as possible. Rural industrial estates may be established at the selected centres.

4.5. The third Five Year Plan while emphasizing the role of small industries as a means to provide opportunities of income and employment in a dispersed manner all over the country emphasized that in implementing the programme, we have to encourage the further growth of industry in rural areas and in small towns as well as in less-developed areas having a marked industrial potential. The first step in this direction was to identify the areas in which various basic facilities such as electricity, larger supply of agricultural raw materials, improved means of transport etc. would become available.

Programme in C.D. Blocks

4.6. In the schematic budget for the C.D. Blocks, ever since the inception of the programme, there was a provision for rural industries. The scheme provides for an Extension

Officer for industries in each C.D. Block. At the Srinagar Annual Conference on Community Development, a minimum programme of industrial development for every block was chalked out. It included :—

- (a) Supply of improved tools and small tools to village artisans at subsidized rates.
- (b) Training of artisans to improve their skills.
- (c) Loans and grants to artisans for purchase of improved tools, machinery, raw materials, construction of worksheds etc.
- (d) Organizing artisans in industrial co-operatives and assisting them for employing trained managers and technical experts.

4.7. The Conference also recommended a programme for a group of blocks or for a district as follows :—

- (a) Common Facility Centres/rural workshops.
- (b) Rural and semi-urban industrial estates.
- (c) Cluster type training centres for training village artisans, with peripatetic training parties attached to them.

4.8. 198 cluster type artisans training centres have been started in different States. About 1,300 Common Facilities Centres mainly for traditional artisans like blacksmithy, carpentry, weaving, metal industry, pottery, etc., were started in the Community Development Blocks. Out of 288 Industrial Estates sanctioned so far, 113 are in semi-urban areas and 48 are in rural areas. About half of these estates have commenced functioning but their progress has been considerably slowed down on account of the acute shortage of raw materials like steel, non-ferrous metals, and imported semis and components.

Small Industry Programme

4.9. The Co-ordination Committee of the Ministry of Commerce and Industry requested the State Governments in 1960 to utilize at least 50% of the allocations for village and small industries in rural areas. In September, 1961, the position was reviewed and it was decided that at least 75% of the allocation made for small scale industries including industrial estates should be utilised on schemes for industrial development in rural and semi-urban areas and that two-thirds of it *i.e.* 50% of the total allocation should be earmarked for villages with less than 5,000 population. This policy was made effective commencing from the second year of the third Five Year Plan, *i.e.* 1962-63. However, many of the priorities proposed in 1962-63 required adjustment in view of the emergency. A statement showing the amounts actually spent/earmarked for rural areas in the different States, during the last three years is given in Table 4.1. The statement excludes the amounts spent on rural industrial estates. It is evident that the recommendations of the Co-ordination Committee could not be fully implemented.

4.10. In order to give an impetus to rural industrialization it was decided to earmark during the licensing period beginning from April to September, 1964, an amount of Rs. 50 lakhs for import of raw materials and components by small scale units located in rural areas and small towns with population below 15,000. Most of the State Governments have earmarked over 50% of the allotment under State Aid to Industries Act for grant of loans for industries in rural and semi-urban areas.

The International Perspective Planning Team Recommendations

4.11. The IPP Team endorsed the idea that large villages or small towns should be taken as the focal points for spatial decentralisation. The Team emphasized that "most types of industrial production and services would suffer extremely from the absence in the villages of what economists call as external economies—cost reducing advantages which result from the clustering of the economic activities where there are well-developed markets for finished products, supplies etc." On the other hand, the Team also realized that "the balanced development of different parts of the country, extension of the

benefits of economic progress to the less-developed regions and wide-spread diffusion of industry are the major aims of planned development." In order to avoid the clustering of industry in the already over-crowded super-cities whose economic, social, political problems are already complex, the Team felt that there must be some mid-way which could keep costs of industrial facilities like power and transport reasonably low, providing the important external economies associated with urban locations and still bring much of industry and associated service occupations closer to most of the people who now live in villages. This, the Team opined, could be done by deliberately encouraging the development of industry in urban communities of intermediate size and by promoting productive linkages between villages and towns.

4.12. The Team was emphatic that small industry should not be considered the main instrument of industrial dispersal policy; "it could be a useful instrument but it would be wastefully ineffective unless used in combination with other means of influencing spatial pattern of industrial development." The Team specifically mentioned that "more weight may be given for achieving industrial dispersal by influencing the location of new large scale units." This is a basic requirement which has to be more vigorously implemented.

4.13. With regard to rural industrialization and dispersal of industries, the advice of the Team was to "choose for priority attention in industrial development, among all the many areas that are industrially lagging, those that show greatest industrial growth potential. And within the growth potential areas select certain cities and towns that show greatest promise and readiness to be developed to industrially growing points."

Rural Industries Projects

4.14. In the meanwhile, the Planning Commission appointed a high level Rural Industries Planning Committee for reviewing the progress of industries in rural areas, advising on problems of policy and planning and recommending programmes for the intensive development of village and small industries in rural areas. The Committee prepared a scheme for intensive development of small industries in rural

areas under which 45 selected areas were taken up. The programme is intended to support the present efforts and to influence the lines along which the existing programmes are being implemented by the State Governments and All India Boards. In addition to the fund available from State Plans and All India Boards, an amount of Rs. 20 lakhs per project for a four-year period has been earmarked.

4.15. The Rural Industries Planning Committee constituted a Standing Committee for providing continuous guidance for these projects. The primary objective of these projects is to bring about a co-operative agro-industrial economy. This involves all round development of agriculture, irrigation, communications, industries, social services, rural electrification and other pre-requisites. The projects are also intended to provide the necessary experience and to contribute towards the solution of the rural employment problems in keeping with the conditions in different States. Each project covers 3 to 5 Community Development Blocks. The reports of the preliminary surveys of the selected project areas have been prepared and schemes have been drawn up on the basis of the results. Some of the schemes, especially those relating to training are already being implemented. The general impression regarding the survey is that it lacked a definite objective and did not fulfil the overall expectations with which these projects were sponsored. The result is that the reports of the surveys are like the usual official compilation of data collected chiefly from official sources, and embodying a great deal of programme and target material, together with expenditure achievements, but containing very little that can be considered helpful for evaluation.

4.16. The Gokhle Institute of Politics and Economics, Poona conducted a detailed survey and had drawn up an outline of a plan of rural industrialization and development for the Wardha Project. According to the plan the first important area of rural industrialization to which attention needs to be paid is that of traditional industries. The next group of industries to be considered is that related to processing of agricultural produce. Industries which can be based on animal husbandry and forest produce next claim attention. The next set of activities to be considered are those related to building and construction materials. Another important group of industries is the modern light engineering or small scale

engineering industries. The first type of industries in this group which needs attention relate to maintenance and repairs, namely establishment of workshops and such industries as agricultural implements, chaff-cutters, buckets etc., which are demand-based industries. The last important group comprises those industries which manufacture consumer goods.

4.17. The development of industries in a rural industries project should be simultaneously accompanied by development of the necessary infrastructure like power, communications, transport etc., and development of sectors like animal husbandry, poultry, fishery and horticulture, which are to provide raw materials for the industries. This would call for additional funds and unless these are provided and all the concerned departments work for an agreed common objective, an integrated programme of rural industrialization cannot forge ahead.

The crux of the matter is that rural industrialization has still to emerge as a definite concept, as an integral part of the total pattern of industrialization of the country. This must involve the working together of all decision-making agencies in the developmental field, namely Deptt. of Technical Development, Industrial Licensing Committee, raw material allocation agencies, agricultural crop planning, communication and road construction authorities etc., and the policy must be backed by a well-articulated strategy.

State Governments' Efforts

4.18. Some State Governments have also undertaken special scheme for rural industrialization. In this connection, mention may be made of the Panchayat Samiti Industries Scheme in Orissa, the Punjab Government Scheme to subsidize small scale industrial units in rural areas and the Maharashtra State Government Scheme to constitute Rural Industrial Boards. Our Team visited Orissa to study the Panchayat Samiti Industries Scheme.

Panchayat Samiti Industries in Orissa

4.19. The Panchayat Samiti Industry Programme in Orissa is an experiment in developing rural and semi-urban areas of the State on the basis of co-operative agro-industrial

economy. According to the pattern adopted, the development of industries is the responsibility of Panchayats both at the village and at the block levels. To ensure the emotional attachment of the people to these industries, which alone would guarantee their continuity and growth, the State Government felt that industries should be taken to those places which deserve them. To give effect to this, a system of awarding prizes has been evolved and the prize winning villages and Panchayat Samities have been given the right to select and start suitable small scale industries. The State Government gives all help to the Panchayat institutions in organizing and running the industrial units. The industries so far encouraged under this scheme are either mainly agricultural processing industries like rice hullers, oil mills or industries meant to provide house-building materials like carpentry units, blacksmithy units, brick and tile units or other industries which provide services like cold storage, stone crushing, lime manufacturing, etc.

4.20. The units are organised on a co-operative basis and all the workers are members of the Society with nominal share capital contribution. The prize awarded to the village Panchayat is invested by the Society in the industry. The State Finance Corporation grants a loan. The building is constructed as part of the rural industrial estates programme. The State Bank is expected to provide working capital. The Society is managed by a Board of Management as per the Co-operative Societies Act but the Managing Director is appointed by the Government. He is generally an officer of the State Administrative Service specially trained for the purpose.

4.21. During the year 1962-63, 48 units have been started under the programme. 35 units were expected to be started during the year 1963-64.

4.22. This experiment demonstrates that there is scope for establishing modern small scale manufacturing units in rural areas where power, transport, water, etc. facilities are available. The programme, however, demands careful, planned effort to select the industries which utilize local raw material or meet local needs. Government assistance in finance, management and marketing will be essential for quite some time.

4.23. There are now about 100 units functioning or at various stages of construction under this scheme. In future, at least 35 new industrial units are proposed to be set up every year. Considering the magnitude of the problem in Orissa with fifty thousand villages, divided into 307 Community Development Blocks, it will be difficult to expect this programme to make a serious impact on the living conditions of the people. Efforts will have to be made to induce thousands of small industrialists to start industries in the rural and semi-urban areas. If they are shy at present, programmes to overcome this in different ways may have to be devised. The present scheme, though successful, instead of introducing more and more people into industries, seems to dampen their enthusiasm and divert the funds into a few co-operative ventures.

Incentives for Rural Industries in Punjab

4.24. The Punjab Government, according to a notification issued towards the end of 1963, offered to subsidize the industrial units set up in rural areas. The units will be provided all facilities like supply of electricity, construction of link roads to the site of the factory, etc. The entrepreneurs will be helped in supply of raw materials. The amount of subsidy will be equal to 20% of the building (excluding land) and machinery installed and will be disbursed after the factory starts production. Only those small scale industries started after the 1st April, 1962 and situated at a distance of more than five miles from industrially developed centres and urban areas and having an investment between Rs. 1 lakh and Rs. 10 lakhs in fixed assets and providing employment to at least eight workers in a single shift will be eligible for the loan. However, cold storages, ice manufacturing units, flour mills, rice mills, khandsari and poultry units will not be eligible for the subsidy.

District Industrial Boards Scheme of Maharashtra State

4.25. A Study Group appointed by the Government of Maharashtra under the Chairmanship of Prof. D. R. Gadgil to go into the question of the economic condition of landless agricultural labourers recommended a pilot scheme of District Industrial Boards to facilitate intensive utilisation of locally-available materials for supporting industry in the rural areas

which will provide industrial employment to landless agricultural labour. The District Industrial Board is expected to harness non-official leadership in the district and undertake the programme for the benefit of the landless labourers who do not have to face the initial risks of the business. A State Level Committee which gives clearance to the project from the point of view of economic feasibility is also contemplated but the actual implementation will be by the District Boards. The financial assistance will be by way of loans to these Boards from the Government. So far three Districts have been selected for this experiment and it is rather early to assess its impact.

Recommendations of the Committee on Dispersal of Industries

4.26. At the meeting of the Small Scale Industries Board, a Committee was set up to examine the question of industrialisation of rural areas and industrially undeveloped areas in the country through small and medium scale industries. The Committee recommended certain criteria for determining the backwardness of the areas and suggested certain incentives for entrepreneurs to set up industrial units in those areas.

4.27. The Committee felt that industrial concentration in certain particular places or areas is due mainly to the existence of basic facilities such as easy availability of raw materials, availability of power and water, developed means of transport and communications, proximity to distributing or consuming centres, existence of banks, post offices, housing, medical and educational facilities etc. In order that the dispersal scheme may be a success, it was felt necessary to provide these basic economic and social overheads in the undeveloped and under-developed areas where new industries were sought to be established. Besides, the Committee was of the opinion that certain direct incentives may be provided to encourage entrepreneurs to direct their attention to backward areas. The incentives recommended may be divided broadly into three categories, viz. :—

- (1) Provision of social overheads which include :—(a) arrangement of factory accommodation, (b) facilities for housing and (c) common service facilities;
- (2) Ensuring supply of raw material ; and

- (3) Fiscal incentives which include :—(a) tax concession, (b) subsidy on electricity tariff and water rates, (c) credit facilities, (d) machinery on hire-purchase, and (e) subsidy on freight.

The Committee recognized that dispersal of a particular sector of industry in isolation, without regard what might be happening in other industries, is unrealistic and, therefore, recommended that certain overall measures might be considered by Government for stimulating location of large scale industries in backward areas particularly for the purpose of promoting development of ancillary industries. The Committee felt that a concerted effort in this direction will contribute to the creation of the climate favourable to self-generating industrial growth.

Other Schemes

4.28. We have also examined an interesting scheme now being implemented in Israel under the name "Agrindus". This experiment is based on the idea that "agriculture can be combined with industry without undermining that age-old social asset—village". According to the pattern envisaged for the "Agrindus", the industrial centre will be set up within a cluster of villages, thus combining the largest possible number of villages on the basis of regional co-operation. According to this pattern, a central village or small town would be developed as a "natural centre" for the cluster of neighbouring villages. This scheme, thus, corresponds, more or less, to the 'Rural Industries Centre' proposed by the Misra Study Team.

4.29. We had also examined a suggestion made by the Small Industries Extension Training Institute, Hyderabad, on industrial development beyond metropolitan areas (Dynamics of District Development). In essence, the scheme is to depute a high calibre, well motivated individual into a district so that he might assess the industrial potentialities and attempt to bring together the various factors and stimulate industrial development. We feel that this idea might be given a fair trial.

4.30. A review of the Hire-purchase Scheme operated by the National Small Industries Corporation (examination in detail in Chapter XIII) discloses that under normal circum-

stances, the benefit of the scheme accrues to a few urban areas. A conscious, intensive effort is needed to bring the benefit of this scheme to semi-urban and rural areas. Similarly, our experience with industrial estates proves that deliberate intensive efforts will be needed to make the estates in rural and semi-urban areas successful.

4.31. It is clear from what has been detailed in the above paragraphs that the implementation of the programme of rural industrialization falls considerably short of expectations and that more intensive efforts are needed to achieve success.

4.32. It is quite apparent that during the last decade small industries developed and thrived in the metropolitan and bigger urban areas where we can now expect continuous growth without assistance from Government. On the other hand, the development in the outlying rural areas has been so very limited that it is doubtful whether further incentives can accelerate it in any significant way. We feel that it would be better and more fruitful to concentrate on the development of small industries in the smaller towns and semi-urban areas as a logical movement from the metropolitan areas and larger towns rather than attempt to spread our limited resources quickly, inevitably thinly, in the rural areas.

4.33. The following points emerge with regard to the role of small scale industries in spatial decentralization :—

(1) Modern small scale industries might initially be taken to a limited number of promising “growth centres” where external economies are available.

(2) Small scale industries can be one of the means for rural industrialization and not the only means. Large scale industries have to play an important role in the decentralized development of the country.

(3) In the programme of development, the social and cultural aspects have also to be considered alongwith economic aspects. There should be a co-ordinated approach for the all-round development of the selected “growth centres”.

(4) Efforts should continue to be made to improve the productivity of individual artisans in the villages by distribution of improved tools, training, etc. -

SUGGESTIONS

4.34. Any programme of decentralized industrial development should be big enough to make a visible and convincing impact on the vast majority of our rural population. A bold and energetic beginning is an essential pre-condition for stimulating and developing the active interest of the people in the programme. It is also necessary to provide social and economic linkages between rural and urban areas in such a way as the imbalance between rural and urban standards are minimized during the next ten or fifteen years. It is in this spirit that we outline the programme for the IV Five Year Plan.

4.35. We endorse the suggestion that future efforts at spatial decentralization should aim at creating clusters of efficient modern small industries at certain selected "growth centres".

4.36. It is necessary to co-ordinate the efforts of various departments/institutions engaged in nation building activities for the all round development of the "growth centres". In our opinion, these efforts should not be restricted to the industrial sector alone; the combined effects of development programmes in agriculture, industry, construction, housing, public works, technical training, social welfare, etc. should be assessed, co-ordinated and concentrated at the "growth centres".

4.37. We have given considerable thought to the question of the size and selection of "growth centres". While the selected centre should not be a big urban area it should not also be too small a village. The centre should be such that the impact of the programme would be visible quickly. It should act as a "frontier checkpost" for migration from rural to urban areas and, thus, provide all modern, urban amenities of life immediately. In view of this, we feel that towns with a population between 10,000 and 20,000 and villages with a population exceeding 10,000 will best serve as "growth centres" provided other conditions like water, power, transport etc. are available or can be quickly provided. We are, however, informed that the Planning Commission is considering a programme of intensive development for all towns and villages with a population below 15,000. We, therefore, suggest that all towns with a population between 15,000 and

50,000 might be selected as "growth centres" and developed as such during the IV Five Year Plan, provided infrastructure facilities as mentioned above are available at those places. There are about 700 such places where industrial estates are not yet planned; thus, the number of "growth centres" would be about two for each district in the country. This, we consider, can be achieved in the IV Five Year Plan.

4.38. The programme of development of these growth centres is visualized as below :—

(1) Assuming the development of about 700 growth centres during the IV Five Year Plan, about 120 will have to be developed every year. Action will have to be initiated to identify and survey the first batch selected for development during the first year of the IV Five Year Plan immediately.

(2) An intensive techno-economic survey of the selected centre will have to be completed in about six months' time. The survey will lead to the preparation of a blue-print for the development of the centre over periods of five and ten years.

It should give a detailed phased programme of development regarding provision of modern amenities in the growth centres, construction of houses, provision of technical education, construction of industrial estate, establishment of new industrial units, etc.

(3) In the selected centres, modern amenities like protected water supply, roads, modern housing, power, education including technical education, communications and banking facilities will have to be provided. It can be expected that during the five year-period, the population of the centre will increase by about 10,000. That is to say, roughly 2,000 to 3,000 new residential houses will have to be constructed at each centre. The blue-print for the town and the industrial area should be drawn by the appropriate authorities working together. Financial assistance from Life Insurance Corporation, industrial labour housing schemes, etc. should be availed of for constructing houses through suitable co-operatives or other organisations.

(4) The amenities will have to be planned on the basis that by the end of the V Five Year Plan each growth centre will have to provide accommodation for about a lakh persons. We expect that these "growth centres" will absorb the bulk of the population moving into urban areas in the next decade.

(5) Industrial training institutes or cluster type training centres should be established in these centres.

(6) An industrial estate of the traditional type or, where possible, a co-operative estate, which will initially have a provision for about 20-40 sheds depending on potentialities should be planned. It should be capable of being expanded to at least double the size in the course of the next five years.

(7) The cluster of industrial units in the estate will have to be carefully planned.

A typical cluster will include the following :—

- (a) processing industries for agricultural raw materials available in the neighbourhood,
- (b) service and repair industries as may be needed in the area,
- (c) industries which sustain the development programme of the centre e.g. housing, rural electrification, etc.,
- (d) a group of interdependent units based on a common raw material or end product. The end product might be defence or export oriented or a consumer product with a wide market. In some cases, this group of units might correspond to the "functional industrial estate" now in vogue.

(8) Common facility centres, tool rooms, testing laboratories, raw material depots etc. will have to be provided at the centres.

(9) A concessional rate of rent for a period of five years, long term finance at concessional rate of interest, supply of power at a subsidised rate, special price preference under Government Stores Purchase Programme, assured raw materials for a single shift working for five years, etc. will be additional incentives for entrepreneurs in these centres.

(10) When the blue-print is ready, a joint committee of the local Zilla Parishad, Industries Department, Electricity Board, Local Self Government Department, etc. will have to approve the plan. Then an intensive campaign can be conducted to locate prospective entrepreneurs to go into these centres. These intensive campaigns have proved useful in attracting local entrepreneurs and capital to small industries (as reviewed in detail in Chapter VIII).

(11) To implement the programme, an officer of the rank of Joint Director may be appointed at the State level. Though the officer has to work in close liaison with and co-ordinate the work of various development departments, it will be an advantage to locate him in the Industries Department. He should be assisted by officers of the rank of Deputy Director at each "growth centre", who in turn will step up promotional work to bring up entrepreneurs and also co-ordinate and guide the work of district industries officers and block extension officers. We feel this type of co-ordinated approach is necessary to make a growth centre really grow. The process of growth cannot be set in motion in segments and small industry alone cannot contribute to the entire growth. The type of intensive planning and active co-ordination envisaged here is no doubt difficult but if the programme of spatial decentralization is to be attempted in a big way, we feel there is no other alternative.

APPENDIX 4.1

*Amount spent on Small Scale Industries in Rural Areas
(Central plus States share)*

(Rs. in lakhs)

State/Territory	Plan		
	1961-62	1962-63	1963-64
(1)	(2)	(3)	(4)
1. Andhra Pradesh	11.83	*18.85	44.17
2. Assam	5.64	10.79	..
3. Bihar	13.74	73.65	..
4. Gujarat	..	..	..
5. Jammu and Kashmir	..	..	..
6. Kerala	8.04	36.02	..
7. Maharashtra	N.A.	23.70	..
8. Madhya Pradesh	N.A.	40.01	..
9. Madras	5.83	*44.28	77.24
10. Mysore	2.20	3.20	..
11. Orissa	10.01	49.91	..
12. Punjab	2.97	35.81	..
13. Rajasthan	11.04	26.69	7.42
14. Uttar Pradesh	55.55	*112.76	133.93
15. West Bengal	5.03	*17.93	20.63
TOTAL	131.88	493.60	283.39

*Actual figures of expenditure.

(1)	(2)	(3)	(4)
UNION TERRITORIES			
16. Andaman and Nicobar.	1·01	*0·26	0·36
17. Delhi	2·62	2·71	..
18. Dadar & Nagarhaveli.	..	..	..
19. Goa, Daman & Diu	..	..	..
20. Himachal Pradesh	3·14	9·95	..
21. Laccadive and Minicoy Island.	..	..	..
22. Manipur	1·37	2·42	..
23. NEFA . . . . .	..	..	..
24. Nagaland . . . . .	..	..	..
25. Pondicherry	2·03	4·08	..
26. Tripura	7·08	12·95	..
TOTAL (TERRITORIES).	17·25	3·327	0·33
GRAND TOTAL .	149·13	525·97	283·75

*Actual figures of expenditure.

APPENDIX 4.2

Statement showing the number of Villages of Population above 10,000 and Towns with Population between 10,000 and 20,000

State/Union Territory	Villages with popu- lation not exceeding 10,000	Towns with popu- lation bet- ween 10,000 -20,000
(1)	(2)	(3)
INDIA	776	748
Andhra Pradesh	28	71
Assam and Nagaland . . . . .	..	8
Bihar	44	42
Gujarat and Maharashtra	36	138
Jammu & Kashmir . . . . .	..	4
Kerala	510	31
Madhya Pradesh . . . . .	..	55
Madras	96	96
Mysore . . . . .	..	77
Orissa . . . . .	..	22
Punjab	12	36
Rajasthan . . . . .	..	52
Uttar Pradesh	23	75
West Bengal	25	35
UNION TERRITORIES & OTHER AREAS		
Andaman & Nicobar Islands . . . . .	..	..
Delhi . . . . .	..	..
Himachal Pradesh . . . . .	..	..
L. M. & A. Islands . . . . .	..	..
Manipur . . . . .	..	..
Tripura . . . . .	..	..
Dadra & Nagar Haveli . . . . .	..	..
Goa, Daman & Diu . . . . .	..	..
N.E.F.A. . . . .	..	..
Pondicherry . . . . .	..	..
Sikkim . . . . .	..	..

CHAPTER V

RAW MATERIALS

5.1. The development of the small scale sector commenced towards the end of the first Five Year Plan with the production of consumer goods and simple producer goods. The progress of the sector, as presented in Chapter I, has been rapid and various consumer durables like sewing machines, bicycles, steel furniture, agricultural implements, etc. on the one hand and producer goods like hand tools, machine tools, etc. on the other were taken up for production. Though industries based on leather, wood, glass and ceramics were also developed simultaneously, the emphasis was laid on light engineering industries, initially. By the end of second Five Year Plan, the small industries were technically well-advanced and were in a position to undertake manufacture of many items requiring a high degree of technical skill. Import-saving consumer durables and industrial goods/components like radio amplifiers, tape recorders, optical lenses, radio components, electronic instruments, portable typewriters, automobile accessories, air conditioners, etc. were taken up for production in the small scale sector. Thus, the most notable achievements of the small scale sector during the last eight or nine years were in the metal working and machinery lines.

5.2. Similar notable progress was achieved during the last three or four years in non-engineering lines like paints and varnish, pesticides, dyestuffs, plastics etc.

5.3. An important reason for this rapid development of the small scale sector was the fact that this sector had been "free" in the sense that prospective entrepreneurs could establish units of their choice without any license or other restrictions. As the number of small scale units, the range and value of their production increased, their requirements of imported components and raw material and indigenously-produced iron and steel items increased gradually but considerably. The allocations and actual availability also increased but since the growth of the sector was 'free', it was not possible to ensure that the increases were proportionate to growth. The raw material problem, as we now see it, has, thus

arisen and the position has become acute since 1962 when ceilings and allotments were reduced consequent on the declaration of the Emergency.

5.4. The position regarding the demand and availability of certain categories of raw materials to the small scale sector is examined in this Chapter.

5.5. The important categories of raw materials now in short supply may broadly be divided into four categories :—

1. Imported components/spares.
2. Non-ferrous metals.
3. Steel (both imported and indigenous).
4. Basic raw materials/Intermediates (both indigenous and imported).

5.6. We have not considered in this Chapter, for obvious reasons, raw material which is freely available.

(1) Imported Components/Spares

5.7. Imported components/spare parts etc. required by small scale units for use in their end-products are licensed by the Chief Controller of Imports and Exports through his port offices. This system commenced with the quarter July-September, 1957 when a ceiling of Rs. 50 lakhs was allotted on an *ad hoc* basis for the small scale sector. The procedure followed for granting import licenses is briefly as below.

5.8. The Ministry of Industry allots a ceiling for import of components/spare parts for the small scale sector as a whole, to be operated by the Chief Controller of Imports and Exports through his port offices. The small scale industrialists who are actual users of the components have to submit their applications for import licenses direct to the concerned port authorities. At the same time, they have to apply to the Director of Industries of the concerned State for an Essentiality Certificate regarding the items proposed to be imported. After receiving the Essentiality Certificate, the CCI & E issues a license depending upon the total demand on the one side and the availability of foreign exchange on the other. The State Directors of Industries who issue essentiality certificates only certify the essentiality of the item

proposed to be imported and they do not know the actual amount of foreign exchange available to them. The ceiling to the sector is allotted on an *ad hoc* basis without reference to the actual production or production capacities in the sector. It is also true that the required information is not readily available in most of the States.

5.9. The following table shows details of the licenses issued to this sector since the inception of the scheme :—

Period	No. of applications	No. of licenses issued	Allotted ceiling	Value of licenses issued
				(Rs. in lakhs)
1	2	3	4	5
July-September '57	..	..	..	50.0
October, 57-Mar. '58	..	..	..	81.5
April-September '58	..	..	..	181.3
October, 58-Mar. '59	..	..	..	165.8
April-September '59	12,558	5,179	600	431.0
October, 59-Mar. '60	26,076	11,245	600	684.0
April-September '60	30,653	13,248	600	735.0
October, 60-Mar. '61	36,394	12,969	600	677.0
April-September '61	39,892	17,035	600	674.0
October, 61-Mar. '62	39,476	16,595	600	984.0
April-September '62	40,931	..	500	500
October, 62-Mar. '63	..	..	..	450
April-September '63	..	..	500	620
October, 63-Mar. '64	..	..	500	..
April-September '64	..	..	700	..
October, 64-Mar. '65	..	..	600	..

5.10. It may be seen that the actual amount licensed to the small scale sector increased continuously till the end of October, 1961-March, 1962 period but the increase did not keep pace with the total demand as reflected in the number of applications. There was a fall in allotments later though the number of applications continued to increase.

5.11. An analysis of the licenses issued for imports of spare parts/components by the Chief Controller of Imports and Exports Offices during 1963 was undertaken to study the type of items imported and the value of licenses. The analysis was restricted to about 60% of the amount licensed (by value). The following are the details :—

1. No. of applications received	45,557
2. Ceiling allotted	Rs. 10 crores.
3. Value of imports actually licensed	Rs. 11.13 crores.
4. No. of licenses analysed in this study	15,911

Of these :

(a) Licenses under Rs. 20,000 each	14,929
(b) Above Rs. 20,000 each	982
(c) Face value of licenses analysed	Rs. 6.10 crores.
(d) Average value of license	Rs. 3,834

5.12. The analysis shows that a vast majority of the licenses are of small value (less than Rs. 20,000 each) and that a large number of small entrepreneurs benefit by the imports. The items licensed are all industrial raw materials/components which will be subject to further processing in the country, thus creating/sustaining employment and incomes. The "value added" by manufacture is bound to be considerable. Appendix 5.1 gives description of the items generally imported under this category.

(2) Non-ferrous Metals

5.13. The following statement indicates the allocation of non-ferrous metals to the small scale units since the introduction of the Non-Ferrous Metals Control Order in 1958 :

Allocations of Non-ferrous Metals to the Small Scale Sector (Metric Tonnes)

Period	Copper	Zinc	Lead	Tin	Aluminium	Nickel
April-Sept. '58	4030	..	..	..	..	..
Oct. '58-March '59	5415	..	..	..	..	..
April-Sept. '59	6109	4775	163	..	..	..
Oct. '59-March '60	6938	6000	250	..	..	..
April-Sept. '60	8145	6060	200	..	..	..
Oct. '60-March '61	8673	6060	200	..	..	..
April-Sept. '61	11800	12050	250	..	1067	..
Oct. '61-March '62	11800	12050	250	..	1466	..
April-Sept. '62	10283	8741	250	..	1500	..
Oct. '62-March '63	11250	8363	222	513	} 1500*	} 77·570
April-Sept. '63	11250	8182	200	415·400		
Oct. '63-March '64	11250	8182	200	413·404	2500@	} 167·200†
April-Sept. '64	10123	5555	500**	469	800	
Oct. '64-March '65	5400	5000	1000	470	1391	..

NOTE:—(1) Allocation to the small scale sector in respect of tin was made during October, 1962-March, 1963 period for the first time.

(2) Allocation for Nickel to the small scale sector was made during Apr. -Sept. '63 period for the first time.

Remarks:—

*Combined allocations were made for Oct. '62-Sept. '63 period.

**Includes 195 tons for Defence Projects.

†Allocation was made for October '63-Sept. '64 period.

@Plus 3000 tons indigenous aluminium.

5.14. Appendix 5.3 shows the foreign exchange allotted to small scale sector for import of non-ferrous metals since October, 1961-March, 1962 period. It is evident that since the half year April-September, 1963 the share of the small scale sector has been reduced.

5.15. There has been a rapid growth of small scale units using non-ferrous metals for industrial purposes. Since entry to this sector was unrestricted, a number of units were set up in the different States to manufacture various types of industrial products/components. Though the allocations of non-ferrous metals to this sector has increased since 1958, demand rapidly outstripped supply.

5.16. A survey of non-ferrous metals using small scale units conducted by the CSIO and the State Directorates of Industries jointly in 1964, disclosed that there were 11,870 such units as in 1963. The capacities for various metals were as below :—

Metal	Capacities in M. Tonnes*
Copper	81,594.0
Zinc	28,264.2
Lead	19,852.2
Tin	15,540.8
Nickel	1,428.7
Aluminium	10,369.2

5.17. It may be seen that the annual allocation of non-ferrous metals, especially copper, to the small scale sector is hardly adequate to meet even one-fourth of the total requirements.

*In arriving at these total requirements, the requirements of (1) semis manufacturers, (2) manufacturers of die products, (3) castings and mouldings, (4) galvanising and electroplating industries and (5) chemicals industries as required basic metals have been taken into consideration. The requirements of hospital equipment, surveying and drawing instruments, agricultural implements, printing presses and accessories and miscellaneous industries groups (as met partly of basic metals and partly of semis) have been worked out particularly in the case of copper and zinc on 25:75 basis. The requirements of utensil manufacturers have been calculated on the basis of 40:60. The remaining end-products which require only semis have been ignored as these have already been counted under the requirements of semis manufacturers. Thus, care has been taken to avoid duplication of requirements as the raw material passes from the melters to the semis' manufacturers and ultimately to the end-products manufacturers. The requirement is, thus net requirement of virgin non-ferrous metals.

Aluminium

5.18. Of the non-ferrous metals, aluminium is of special significance in view of the increasing indigenous production. It is felt that aluminium can be used as a substitute for copper in certain lines of production, thus, reducing dependence on the import of this scarce metal. Small scale wire drawing units have been advised to utilize aluminium in place of copper. Utensils-makers have also been advised to switch over to aluminium. It has however been found in practice that the share of aluminium allotted to the small scale industries is very inadequate to meet their requirements. There are 20 small scale units equipped with wire drawing plants and stranding machines and 93 more units equipped with wire drawing plants alone. The non-ferrous metals requirements of these units is of the order of 39,000 tons. The supply position of copper being what it is, the units are prepared to switch over to aluminium but the total quantity of aluminium wire rods allotted to these units from imported and indigenous sources during October, 1963-March, 1964 period was only 5,500 tons. The aluminium utensils-makers who were previously obtaining their requirements of semis from large-scale re-rollers are now unable to get their supplies since the large scale re-rollers have begun to fabricate end-products themselves.

(3) Steel

5.19. The development of metal working and machinery industries is the most significant aspect of the small industry development during the last six or seven years. "In 1960 such units had a total output of Rs. 21,800 lakhs, employing 2,17,600 workers. In fabricated metal products small plants produced 60% of the total output of all registered factories, with 66% of the persons employed but only 41% of fixed investment. In non-electrical machinery, small plants produced 46% of gross output, employed 52 per cent of the workforce, and 35% of fixed capital. The share of small factories in basic iron and steel (largely iron castings), non-ferrous metal products, and electrical machinery is also significant."* The scope for further development in metal working and machinery industries is phenomenal provided the basic raw material, viz. steel is supplied in adequate quantities. Steel, thus, is now the most important factor determining the future of the small industry programme.

*Report of the IPP Team, 1963.

5.20. Pig iron, M.S. Sheet (both galvanized and black plain), strips, tin plates, wire rods, M.S. bars and rods and light structurals are the main categories of iron and steel that are required by the small scale sector. The first six are still scarce. On the first three, there is a price and distribution control. The control has been withdrawn recently from wire rods and wires but their supply position is far from easy. For making up the shortages, scarce categories, particularly sheets, tin plates, wire rods, wires and tool & alloy steel are being imported. The availability of these items to the small scale sector is examined in this section.

5.21. The Central Small Industries Organization worked out the percentages of various categories of steel required by small scale industrialists, in August, 1961, on the basis of the information supplied by the Directors of Industries of the States. The details are as below :—

1. Black sheets (plain)	33.7%
2. Galvanized sheets (plain)	17.0%
3. Wire	12.8%
4. Untested bars	10.7%
5. Rods	9.3%
6. Plates	5.9%
7. Light structurals	5.2%
8. Bars tested	2.2%
9. Galvanized sheets (corrugated)	1.3%
10. Blooms and billets	0.7%
11. Heavy structurals	0.5%
12. Hoops and strips	0.5%
13. Spring-steel	0.2%
	100.0%

5.22. The availability of various categories of steel to the small scale sector is examined below.

Indigenous Steel

5.23. (i) *Sheets*—The annual production and requirements of various categories of sheets and their allotments in the last four years are given in Appendix 5.4.

5.24. It will be seen from the table that the demand for sheets has been increasing very fast. Their allocations were enhanced during 1963-64 but a drastic cut has been applied in 1964-65. The allocation during 1964-65 is one-fourth of what was allotted during the previous year. The small quantity allotted also included 9,000 tons of thicker sheets of 10-14 gauges and M.S. plates which were previously free. The reason given for the small allocation during 1964-65 was that the allotments during the previous years were very excessive, and on account of the huge outstandings, it was necessary to bring the allocations in line with what is actually available for distribution. Nevertheless, from the foregoing, it is clear that under the present circumstances, the allocations have lost their significance in view of the enormous delay in actual despatches.

5.25. It is to be further noticed that sheets of gauges thinner than 16 were allotted during 1961-62 and 1962-63. The allocations during 1963-64 were confined to 16-20 gauges only. During 1964-65 a small quantity of B.P. sheets of gauges thinner than 20 has again been allotted. These changes cause much dislocation particularly when a large number of small scale fabricators require sheets only of 22, 24 and 26 gauges. Further hot rolled sheets as are easier to manipulate are not being allotted to small scale sector and only cold rolled sheets from Rourkela which are comparatively expensive are given.

5.26. No galvanised and corrugated sheets have been allotted during the last three years on account of defence needs and requirements for the refugee camps. Though the shortage of G.P. sheets was made good to a certain extent by imports, lack of G.C. sheets has caused much inconvenience.

5.27. Consequent on the imposition of control on 10-14 gauge B.P. sheets and plates which were heretofore relaxed categories, the small industries are facing a grave situation by not being able to get their requirements from the same source from which they were obtaining them till now.

5.28. Prior to July-September, 1964 period, one-third of the allocations under SSI quota were planned and dispatched on priority basis. From July-September 1964 period, a revised procedure has been introduced for allocation of priority.

Reasons for seeking priority in respect of each individual work order have to be indicated and are scrutinized by the Steel Priority Committee. The State Directors of Industries naturally find it difficult to collect particulars of a very large number of small scale units to whom they allot the material. The revised procedure, therefore, is working to the disadvantage of the small scale sector.

5.29. A statement showing the estimated availability of sheets and plates during April-September, 1965, quantities proposed to be distributed on priority basis and the quantity available to small scale sector on a priority basis is given in Appendix 5.5.

5.30. It will be observed that 60 to 80% of the total indigenous production is allotted for priority requirements and the share of the small scale sector in the category is negligible.

5.31. This serious disadvantage to the small scale sector is the result of the present procedure whereby individual work order is to be indicated for the quantity allotted to each small unit. The number of small scale units being very large and their individual requirements being small, it takes a long time for the State Directors of Industries to contact the units, assess their requirements, allot work orders and submit cases to the Priority Committee. This procedure should, therefore, be reviewed.

5.32. We recommend that the State Small Industries Corporations in each State/the agency nominated by the State Director of Industries might be permitted to open a single work order for each category of steel products on behalf of all small scale units in the State. The SSI Corporation will also make the financial arrangements for implementing the order. The entire quantity allotted to the State might then be placed on the priority category. The SSI Corporation, in turn, will allot the material to individual small scale units and get itself reimbursed. In this way, the total number of work orders to be opened will be considerably reduced and the State Directors will also be able to give the necessary work orders soon after their allocations are known. The procedural requirements of the steel producers also will be met.

5.33. (ii) *Sheet Cuttings*—Though sheet cuttings is a controlled category, no regular allocations are made to the small scale sector. *Ad hoc* allocations are made to different States/individual units by the Iron & Steel Controller.

5.34. (iii) *Tin Plates*—Only cut-down and waste-waste categories of the tin plates are allotted to the small scale sector. The allotments during the last three periods are given below :—

	Cut-downs	Waste-waste
	m.tons	m.tons
January-June, 1963	3,000	3,000
July-March, 1964	4,500	5,800
April-Sept., 1964	3,000	1,500
Oct.-March, 1965	3,000	3,000

5.35. It will be observed that the allocations of cut-down and waste-waste during April-September, 1964 have been very much reduced. This is perhaps due to the small arising of these categories. The Steel Ministry has been repeatedly requested for allocation of prime quality tin plates to the small scale sector. The request has not been acceded to so far on the plea that the available quantities are small and are reserved for the scheduled factories. It has, however, now been decided to allocate 6,000 tons of prime quality tin plates also from indigenous production to the small scale sector from April-September, 1965 period. The allocation has since been made. The total allocations under these heads for the period April-September, 1965 are as below :—

Category	Allocation (Metric tonnes)
1. Prime Tin Plates	6000
2. Cut-downs	4000
3. Waste-waste	3000

5.36. It will be noticed from the figures given below that the output of tin plates in the country has been steadily rising and the outstandings are also small :—

Period	Production (Metric Tonnes)
January-June, 1963	42,600
July, 1963-March, 1964	58,000
April-September, 1964 (estimated)	56,800
Outstanding orders as on 1-4-1964	61,300

5.37. There is apparently no reason why small scale units, many of which have modern machinery and are producing identical products as large scale units should not get a higher share of the increasing indigenous production of tin plates.

5.38. (iv) *Strip/Skelp*—No regular allocation of tested strip and skelp is made to the small scale sector. However, an allocation of 2,000 tons of Tata skelp and 9,500 tons of Rourkela wide strip has recently been made to two small scale units for the year 1964-65. It has also been agreed that the allotments of tested skelp would be made to other small scale units recommended by the Development Commissioner (Small Scale Industries).

5.39. (v) *Pig Iron*—The allocation of pig iron for the small scale sector during 1962-63 was one lakh tons. As a result of repeated representations from the Central Small Industries Organisation and the Federation of Associations of Small Industries of India, the allocation has been substantially increased. For the year 1964-65, an allocation of 2,70,000 tons has been made for small scale sector. This quantity is allocated to the various States on the basis of the best off-take during the years 1960, 1961 and 1962. The supply position of pig iron was comparatively easy during these years.

5.40. (vi) *Billets*—No allocation of billets is made to non-registered re-rollers but many small scale re-rolling units have come up after decontrol of re-rollable scrap. Consequent on decontrol, the price of re-rollable scrap has gone up and the non-registered small scale re-rollers are finding it difficult to compete with the registered re-rollers who get billets at fixed prices. Though the non-registered re-rollers

have come up in spite of the warning that they will not be entitled to the allotment of billets, the position needs to be reconsidered in view of the fact that the requirements of re-rolling capacity will increase during the fourth Five Year Plan. Moreover, the unregistered re-rollers have installed, at considerable cost, modern equipment which can be put to use. We, therefore, feel that the case of these non-registered small scale re-rollers will have to be considered sympathetically. We understand that the Ministry of Steel and Mines propose to appoint a committee to go into this question.

5.41. We recommend that a reasonable quantity of re-rollable scrap available with the main producers, Defence and Railway establishments, etc. might be allotted to the State Small Industries Corporations for distribution to the non-registered small scale re-rollers.

5.42. (vii) *Wire Rods & Wires*—Since 1st March, 1964, distribution and price control has been withdrawn from wire rods and wires. The supply position of these categories has, however, worsened. A large number of small scale units and associations have represented that they are experiencing great difficulties due to acute shortage of G.I. and H.B. wires. It will be observed from the figures given below that the prices of wire rods and wires which had shot up in April, 1964 after the decontrol have not come down :—

Category	Prices (per m. ton)			
	Bombay market prices in April, 1964	Bombay market prices in Sept., 1964	Bombay market prices in Feb., 1965	Controlled prices (J.P.C. Prices)
1	2	3	4	5
	Rs.	Rs.	Rs.	Rs.
1. Wire rods	860	880	880	690
2. H.B. Wire	1100/1400	1100/1500	1100/1500	977/1026
3. Galvanized Wire	1700/2300	1700/2500	1600/2200	1090/1154
4. Annealed Wire	1200/2100	1200/2000	1200/2000	996/1045

5.43. *Despatches*—It is a common experience that the despatches are very much delayed and material is not available even two or three years after allocation. The position was examined by the Raj Committee on Steel Control. The following table (taken from their Report) presents the position.

Demands, allotments and despatches to the small scale sector

	1957-58	1960-61	1961-62
1. Total despatches of the finished sheet (000 tons).	1051·6	1754·5	2693·1
2. Despatches to the small scale sector (000 tons)	225·0	257·0	504·3
3. Proportion of despatches to the small scale sector to the total despatches (%)	21·4	14·7	18·7
4. Demand of the small scale sector (000 tons)	1012·1	1805·5	..
5. Allotments to the small scale sector (000 tons)	317·9	1475·7	..
6. Proportion of allotments to demand (%)	31·4	81·7	..
7. Proportion of despatches to allotment (%)	70·7	17·4	..

(Source : Raj Committee Report)

Imported steel

5.44. As the indigenous production of steel is insufficient, imports of scarce categories are being allowed. For this purpose, allocations of foreign exchange are made to the CSIO which in turn distributes them amongst the States. The allocations made during the last three years are given in Appendix 5.2.

5.45. It will be observed that during October-March, 1964 the allocation to the small scale sector formed only 13 per cent. of the total foreign exchange available for import of steel. During April-September, 1964, the foreign exchange allocation to the small scale sector, which was earlier cut, has been restored to the October, 1961-March, 1962 level. The increased allocation, however, still falls far short of the requirements. In October-March, 1962, the small scale sector was allocated Rs. 650 lakhs. If the amount licensed for tool and alloy steel is also included, the allocation would rise to Rs. 860 lakhs. The present allocation is, thus, less than what the level of development and requirements justified even two years back.

5.46. A greater part of the allocation during April-September, 1964 and October, 1964-March, 1965 is that of rupee exchange. In the past, the MMTC had arranged imports of about 73,000 tons of steel from rupee-payment

countries. Considerable difficulties are, however, being experienced at present because most of the rupee-payment countries are not offering the required categories against the quantities stipulated in the trade Plan. Against the allocation of Rs. 366.45 lakhs for Oct. '63-March '64 and April-Sept. '64 periods together, the MMTC have so far been able to negotiate imports for Rs. 163 lakhs only. In view of this and the decreased free foreign exchange allocation during the current year, it is doubtful if the increase in the SSI allocation during 1964-65 will bring any tangible benefit. It is also to be noted that for the latest half year, the allocation from free sources has been cut from Rs. 290 lakhs to Rs. 86 lakhs. This, and also the doubt about the availability from rupee sources, makes the position gloomy.

5.47. Since ceilings are being allotted to State Directorates of Industries for imported steel, the gap between demand and supply is not readily known after April-September, 1961. However, an idea of their requirements as assessed by the State Directors of Industries and the amount of foreign exchange made available can be had from the following Table:—

Value of Import Applications Sponsored by the Directors of Industries for Import of Steel & Foreign Exchange made Available
(Figures in Lakhs of Rs.)

Licensing Period	Value sponsored	Amount of foreign exchange made available
April-Sept. '59	523.6	200
Oct.'59-March '60	1059	300
April-Sept. '60	1200	475
Oct.'60-March '61	1500	425
April-Sept. '61 . . . . .	..*	654
Oct.'61-March '62 . . . . .	..	650
April-Sept., '62 . . . . .	..†	450
Oct.'62-March '63 . . . . .	..	350
April-Sept. '63 . . . . .	..	350
Oct.'63-March '64 . . . . .	..	400
April-Sept. '64 . . . . .	..	606.45
Oct.'64-March '65 . . . . .	..	497.00

*The State Directors of Industries had to limit their recommendations to the State ceilings which were introduced from Oct.'60-March 1961 period.

†Allocations from April-Sept.'62 period included tool and alloy steel also. Prior to this allocations relate to M.S. items only.

5.48. Since April-September, 1961, the value sponsored is not shown because the State Directors know their ceiling and operate within it. It is evident from the table that in the case of imported steel also, the allocations do not meet even one third of the requirements of the sector.

5.49. From the information collected from the Directors of Industries regarding the requirements of various items of imported steel, it was found that the following categories were in demand :—

1. Wire	49.8%
2. Tin plates	28.1%
3. Industrial scrap	15.8%
4. Steel strips	4.9%
5. Re-rolled scrap	0.8%
6. Castings and forgings	0.3%
7. Box strapings	0.2%
8. Terne plate	0.1%
	100.0%

5.50. We suggest that the trade plans for import of steel from rupee-payment areas should take into account the above percentage-wise requirements of the sector so that the categories needed might be obtained in the required proportions. Otherwise, as mentioned in para 5.46, the sector may not derive full advantage from the rupee allocations.

Other Scarce Raw Materials

5.51. Some of the other scarce raw materials required by small scale units are considered in this section.

(1) Raw materials for the soap industry

5.52. Caustic soda is one of the basic inorganic chemicals required by large number of chemical industries. Its major use, however, is in the soap industry. The production of soap in the small scale sector has been estimated at over 4.0 lakh tons, which is almost double that of the large scale sector. However, except for a supply of 5,000 tons by the STC out of a total import of nearly 40,000 tons, the requirements of the small scale units are to be met from the open market. It is reported that the open market price is about Rs. 1200 to 1400 per ton while large scale manufacturers are able to get it at about Rs. 900 per ton direct from the producers.

5.53. The soap industry also needs imported raw materials like coconut oil, palm oil and mutton tallow. These raw materials were previously allowed to be imported by small scale units but recently imports have been totally banned and permitted only against export of groundnut oil. It is not possible for the small scale units to organize exports of groundnut oil to earn entitlement to these hard oils. The 3,500 small scale units are thus facing a difficulty.

(2) *Polyethylene*

5.54. Consequent on the decision of the Ministry of Industry to develop plastic processing capacity in the small scale sector, about a hundred units producing polyethylene film have been started. However, the production of polyethylene (supplied by ICI and Union Carbide) had to be curtailed due to shortage of alcohol. In order to improve the situation, some imports are made by the STC but the distribution is done through ICI and Union Carbide according to their general policy. These firms supply the material on the basis of past consumption and some of the small scale units being new are unable to secure supplies.

(3) *Raw Materials for the Paint Industry*

5.55. The paint industry needs titanium dioxide, red lead, zinc oxide etc. which are in short supply. There is now only one firm manufacturing titanium dioxide but most of its supplies go to the scheduled units and small scale units are reported to be facing difficulty in obtaining the material. Similar difficulties are reported regarding red lead and zinc oxide also.

(4) *Soda Ash*

5.56. This is an important raw material required for the manufacture of glass, sodium silicate and other chemicals. This material is in short supply and it is understood that the distribution is informally controlled by the DGTD. It is reported that small scale units are unable to get the allocation of this item.

(5) *Pharmaceuticals and Drugs*

5.57. All pharmaceuticals and drugs units require a license under the Drugs Act. The Drugs Act is enforced by

State Drug Controllers and is meant for enforcing uniform standards regarding quality control on all units irrespective of their size. The essentialities of different items of raw materials to the units in the small scale sector are certified by the State Drug Control Administrators while the units in the large scale sector get their allocations from the DGTD. The Directorate General of Health Services collected information from various State Drug Controllers at our request. The information received from Maharashtra, Gujarat, Mysore and Assam States was reviewed. The DGHS stated: "it will also be observed from the values of Essentiality Certificates granted and the value of import licences granted from free sources by the Joint Chief Controller of Imports and Exports that there is a great disparity between recommendations and imports and licensing is hardly to the extent of 35% to 40%." He has, further, stated that some of the manufacturers have complained that local manufacturers are not in a position to supply, especially to the small scale units, raw materials like calcium glycerphosphates, calcium gluconate, yeast powder, sulphadiazine, ethistrone, etc. The import policy for raw materials, as adopted by the various Import Control authorities, was also discussed at the last meeting of the Drugs Consultative Committee (which is a statutory body under the Drugs and Cosmetics Act consisting of representatives from the Central and State Drug Control authorities) held at Bangalore on the 16th May, 1964. Relevant extracts from the minutes of the meeting are reproduced below:—

5.58. "It was represented that the JCCIs (Joint Chief Controllers of Imports) at the ports exercised a cut over the recommendations made by the State Drugs Control authorities in regard to the quantity of raw materials required by small scale manufacturers and that the extent of this cut varied from port to port. After discussion, it was agreed that the question should be taken up with the CCI (Chief Controller of Imports) so as to ensure (i) that as far as possible, the recommendations made by the State Drug Control authorities in regard to raw materials requirements of small scale units should be licensed in toto by the JCCIs at the port, (ii) that if a monetary cut became inevitable, the extent of cut should be uniform at all the ports, (iii) that the allocation of foreign exchange for the licensing of raw materials at the ports should be based on the number of drugs manufacturers available in that area."

5.59. From the details furnished for Gujarat and Maharashtra States, the following particulars are extracted :—

State	Value of Essentiality Certificates issued during 1963-64	Amount of import licenses granted
Gujarat	Rs. 16.31 lakhs	Rs. 9.79 lakhs
Maharashtra	Rs. 24.04 lakhs	Rs. 9.59 lakhs

5.60. It is thus evident that even in the case of an industry like drugs and pharmaceuticals, the small scale units are on a considerable disadvantage.

5.61. Shortages are also being felt for indigenous drugs like chloromphenice, tetracycline, prednisolone, vitamins, hormones etc. It is reported that the large scale units manufacturing these materials also convert a large part of it into finished goods and have little inclination to supply them to small scale units. It is understood that the total value of import licenses issued to small scale units manufacturing drugs and pharmaceuticals is about Rs. 105 lakhs per annum whereas the production is estimated at about Rs. 21 to Rs. 25 crores.

5.62. Similar difficulties are also reported by small scale units requiring refractory coal, imported paper for paper conversion, paper products, etc.

Review

5.63. (1) Details about the availability of various items of scarce raw materials as given above clearly indicate that the quantities allotted were inadequate to meet the increasing demands. While precise information on the percentage of unutilized capacities in the sector in the different States is not available, special studies conducted by the State Directors of Industries of Uttar Pradesh and Maharashtra for the Lokanathan Committee on Scarce Raw Materials give details

about the unutilized capacities in certain industries. Details in this regard are presented in Appendix 5.2. The following statement presents an analysis of the data from Maharashtra State :—

	Engineering Industries	Chemicals and paper conversion industries	Non-ferrous metal industries
	1	2	3
(a) Number of categories of industries covered.	11	7	9
(b) Number of units covered.	288	81	78
(c) The average annual turnover per unit value (it will be seen that they contribute a sizeable amount to country's production).	Rs. 1,93,000	Rs. 2,92,000	Rs.7,70,000
(d) Variation in the unutilised capacity in these units.	39% to 85%	35% to 95%	12% to 92%
(e) Estimated average unutilized capacity.	47%	65%	52%
(f) Average ratio of consumption of allocated raw materials to capacity.	27%	10.9%	7%
(g) Average ratio of dependence on other sources to total consumption.	58%	52.5%	69%

It is clear from the above that production capacities remained significantly under-utilized. In the large scale sector, however, the position seems to be much better. The Central Statistical Organization published in July, 1962 a brochure on 'Utilization of installed capacity in the selected industries of India—1957-61'. The data in the brochure were compiled from the issues of the 'Monthly Statistics of Production' which included data from the various sectors of large scale industry. Only in the case of 27 industries out of 215 industries for which utilization of installed capacity was given, the utilization was less than 40%.

(2) The International Perspective Planning Team which assessed the position of the small scale sector in the year 1963, initiated a number of special studies in several States to study the raw material supplies. The Team concluded an analysis of these studies saying that "a number of large firms producing similar products were checked as to the allocations they received at fixed prices through the Departments. In contrast, smaller competitors received allotments to cover only 33% to 40% of one shift requirements. There is an extreme range of the ratios of allotments to small firms for one shift of operation. Some small firms buy all their raw materials and components in the black market. The largest group seem to cover about one third of one shift capacity; few get about 75%. The percentage of capacity covered by allocations appears to be primarily on the size of the firm. It has little, if any thing, to do with the priority of the product being manufactured. It is all too evident that the allocation system works to the advantage of the larger firms at the expense of the small ones."

(3) There are no dependable estimates of the production capacities in different small scale industries in the different States. In the absence of this, the allocations to the sector could be made on *ad hoc* basis only and that too with regard to past allocations. Since past allocations themselves were inadequate and all the time new units were coming into existence, the system of *ad hoc* allocations worked to the detriment of the sector.

(4) While on the one hand, the allocations between the large scale sector and the small scale sector were inequitable, from the point of view of the small scale sector, the distribution arrangements within the sector were equally unsatisfactory. The import of small quantities by individual units was always an uneconomic proposition. The dependence on registered stockists and established importers also proved costly and time consuming. On the whole, a large part of the time of managers of small industries was being spent on procuring inadequate supplies of raw materials rather than in managing their units.

SUGGESTIONS

5.64.1. The production capacities for different items in the small scale sector have not yet been fully assessed. The non-ferrous metal survey brought to light some useful information. Surveys with the end-products as the basis should be

initiated immediately so that the capacities for different end-products, on a comparable basis with those of the DGTD, would become available in about 12 to 18 months time. Without this information it will be difficult to make out suitable case for the supply of adequate raw material for the sector. The priority of the end-products, the scope for further growth, etc., cannot be reliably determined without this information.

2. At the Central level better liaison should be established between the representatives of the small scale sector and allocating Ministries like Iron and Steel, Petroleum and Chemicals, etc. on the one hand, and authorities like CCIE, Iron & Steel Controller, STC-MMTC, etc. on the other. The allocated supplies also are not made available in time. The CSIO should play a more positive role in this matter and take the responsibility for this type of work besides co-ordinating the work of the different State Governments.

3. The distribution of allocated raw material also needs to be systematised. Small scale units find it uneconomical to import small quantities of raw material allotted to them. In the process they also lose the priorities for supplies. We suggest that this work would be taken over by State Small Industries Corporations which through their network of raw material depots will be able to bulk the requirements of the units and arrange for import/procurement for further distribution to the units. These Corporations should be provided with adequate finance either by the State Governments or by the State Bank on their guarantee. The Corporations may be given a subsidy to meet their administration costs for a short period, say 2 or 3 years.

4. The system of inspection of utilisation of allocated raw materials is satisfactory in some States but in many others the system needs improvement. The inspection procedures have to be streamlined and made uniform as far as possible. The CSIO can help the State Directors in drawing a suitable procedure for this purpose. The number and level of inspectors should be increased. There should be an annual inspection of all small scale units requiring scarce raw materials.

5. The scope for substitution of scarce raw materials like copper and zinc by other items like aluminium, plastics, etc. will have to be carefully explored. The CSIO can initiate this work and enlist the co-operation of the concerned

National Laboratories, assess the possibilities and popularise them among the small industries. The Small Industries Associations also should be actively associated in this work.

Estimates of Requirements

5.65. It is difficult to make a precise estimate of the requirements of various items of scarce raw materials required by the small scale sector during the fourth Five Year Plan, in view of the paucity of data, as mentioned already. However, we are attempting in this section broad estimates of the requirements of some of the scarce items.

Steel

5.66. As we have already mentioned, there is tremendous scope for the growth of steel-based industries. With the increasing indigenous production of steel the supply position is likely to become easier and the due share of the small scale sector in the increasing production should be made available to it.

5.67. The International Perspective Planning Team estimated, on the basis of the data furnished by the Annual Survey of Industries, 1960, the percentage contribution of small scale sector in some important steel-based industries as below :—

1. Metal products except machinery and transport equipment.	60%
2. Machinery except electrical machinery	46.4%
3. Basic Iron and Steel Industries . (This group includes the major steel plants and therefore, does not relate really to the group of steel based industries).	16.2%
4. Manufactures not elsewhere classified.	82.5%
5. Electrical machinery	21.1%

5.68. Amongst the other steel-based industries like ship building, motor vehicles, etc. the contribution of the small scale sector is of the order of 10 to 15%. It may also be mentioned that in the above categories the contribution of non-factory, non-household small scale units is not included. Therefore the annual contribution of the small scale sector is apt to be higher than indicated above. Taking all these factors into account it may be said that roughly about 40% of the steel utilised in the industries sector in the country is used in the small scale sector.

5.69. Small scale industries sector is an important consumer of steel in the country. While its total demand has never been fully met, the actual despatches to the sector as a proportion of total despatches of finished steel was as high as 24.1% in 1957-58. Later, this percentage has gone down though the absolute quantities despatched to the sector have increased. Speaking on this aspect at the 22nd Meeting of the Small Scale Industries Board the Chairman commented "the output of finished steel in the country is steadily rising; it was 3.65 million tons in 1962 and 4.26 million tons in 1963 and is expected to increase to 5.8 million tons by 1965-66 and to 11.5 million tons by 1970-71. In line with the above increase in indigenous production of steel, despatches of steel to the small scale sector industries have also been increasing. For instance, against total despatches of 225 thousand tons in 1957-58 to the small scale sector, despatches in 1960-61 amounted to 257 thousand tons and in 1961-62 to as much as 504 thousand tons. I hope that this trend in the increase of despatches to the small scale sector would continue, since this sector has already demonstrated its competency in metal working and machinery industry. It is to be noted however, that despite the increase in the absolute quantity of steel despatched to the small scale sector there has been a slight fall in the percentage of these despatches to the total production. It shall be my endeavour to see not only the earlier percentage is restored but to secure improvement of the position." It seems from the above that it was the intention of the former Chairman that the small scale industries should get at least 25% of total despatches of finished steel produced in the country.

5.70. The National Council of Applied Economic Research in "A Reappraisal of Steel Demand"* estimated that the aggregate demand for various categories of steel in the

**Reappraisal of Steel Demand-N.C.A.E.R.*

entire industries sector would increase from 3.915 million tonnes in 1965-66 to 7.312 million tonnes by 1970-71. As already mentioned, small scale sector should need about 40% of this quantity. Similarly, the production of finished steel in the country is expected to increase to 11.5 million tons by 1970-71. It can be said that the small-scale sector is entitled to about 25% of this quantity to be despatched to them. Thus on both these accounts the total entitlement of indigenous steel of various categories in 1970-71 would be about 3 million tons as against 504 thousand tons in 1961-62.

Aggregate demand for the entire industries' sector

	(tonnes)	
	1965-66	1970-71
Semis	228,907	529,846
Structurals	449,735	862,386
Rails and fish plates	17,752	37,239
Bars and rods	747,772	1,361,187
Wires and wire products	254,296	444,674
Tin plates	240,926	436,667
Sheets	813,807	1,482,763
Plates	691,916	1,313,937
Strips	189,435	323,339
Skelp	280,500	520,000
TOTAL ROLLED MILD STEEL	3,915,046	7,312,083

5.71. Similar increases in allocations of foreign exchange for imported steel will also have to be made to the small scale sector. The present allocations to the sector are at an average of about Rs. 6 crores per half year for import of steel. Since we have targetted for 100% increase in the gross output of the sector by the end of the fourth Five Year Plan we expect a similar increase in foreign exchange allocated for imported steel. We place the requirement at about Rs. 20 crores per year in the last year of the fourth Five Year Plan.

Non-Ferrous Metals

5.72. The International Perspective Planning Team estimated on the basis of the data available from the Annual Survey of Industries, 1960, that the small scale sector ac-

counted for 41.2% of gross output in non-ferrous metal industries in the entire factory sector. The actual contribution of the sector is bound to be higher in view of large number of non-factory non-household units engaged in this industry. The non-ferrous metal survey conducted by the CSIO disclosed that the present allocations were adequate to meet hardly a fourth of the total requirements.

5.73. We are also aware of the foreign exchange difficulties and the consequent need for limiting the imports of non-ferrous metals. There is scope for substitution of some non-ferrous metals. There is scope for substitution of some non-ferrous items in certain industries like utensils, cables, builders' hardware, etc. by more easily available aluminium. We have recommended elsewhere that this should be vigorously pursued. However, in view of the targets set by us, we feel that the total requirements of foreign exchange for the import of non-ferrous metals in the last year of the IV Five Year Plan will be of the order of Rs. 20 crores. In terms of physical quantities, the requirements of copper and zinc may be estimated at about 40,000 to 50,000 tonnes and 32,000 to 35,000 tonnes respectively.

5.74. We suggest that the availability of aluminium to this sector should immediately be increased to at least 40,000 tonnes per annum.

Components/Spare Parts

5.75. The data presented earlier disclosed that the highest amount allotted to the small-scale sector under this head was Rs. 16 crores in 1961-62. The current allocation at Rs. 13 crores per annum (1964-65) is inadequate in view of the large growth that has since taken place. Our analysis has also disclosed that the components/spare parts imported are being put to proper industrial use.

5.76. In view of the position that some of these parts/components are likely to be produced more and more within the country itself, we estimate the requirements under this head in the last year of the IV Five Year Plan at about Rs. 35 crores.

Other Scarce Raw Materials

5.77. The availability of foreign exchange for import of various other scarce items, especially for the chemical items (both from rupee and free sources) is now of the order of

Rs. 1.75 to Rs. 2 crores. This may have to be doubled by the last year of the IV Plan. We suggest a provision of Rs. 5 crores for this purpose.

Foreign Exchange for Raw Materials

5.78. Thus the foreign exchange requirements in the last year of the IV Five Year Plan, 1970-71, for imported raw materials will roughly be of the following order :—

	(Rs. in crores)
(i) Parts/components licensed by the CCI&E	35*
(ii) Non-ferrous metals	20
(iii) Imported steel	20
(iv) Other raw materials	5

5.79. The foreign exchange allotments to the sector will have to be gradually increased, from the present very low levels to meet the requirements, estimated above, for the last year of the IV Five Year Plan.

5.80. The total foreign exchange requirements of the small scale sector during the fourth Plan may be estimated at about Rs. 300 crores assuming that the increase from the present level of Rs. 40 crores per annum to the suggested level of Rs. 80 crores per annum in 1970-71 is achieved by uniform increases during the five year period. This compares with the current estimate of the total foreign exchange of Rs. 160 to 180 crores likely to be available to this sector during the third Five Year Plan. In this connection, it is relevant to point out that the foreign exchange requirement of the country which was estimated at Rs. 5,750 crores for the third Five Year Plan was expected to increase to Rs. 7,100 crores during the fourth Five Year Plan. The estimated increase in the requirement of foreign exchange by the small scale sector is thus in consonance with the increase in the requirements of the economy as a whole and is quite reasonable in view of the growth targets envisaged for the sector.

5.81. We feel that the estimates are quite modest and reasonable in view of the following:

- (1) We propose to double the gross output of the sector; therefore, doubling of present allocations is essential.

*The minimum quantities of copper and zinc estimated to be required in the last year of the IV Five Year Plan are :

Copper : 40,000 to 50,000 tonnes.
Zinc : 32,000 to 35,000 tonnes.

The present open market purchases may be offset by possible substitution of copper and zinc by aluminium, plastics, etc.

- (2) The gross output of the sector in 1970-71 is expected to be of the same order as that of the large scale sector in 1961. The allocations for the large scale sector in 1961 (including textiles and jute) are, of course much higher than the estimate. But we expect that with increasing indigenous production of basic raw materials, components, etc. dependence on imports could be reduced.

5.82. We wish to emphasise that supply of raw material in adequate quantities is essential to achieve the targets outlined by us. The estimates given above are quite modest and reasonable and there should be no difficulty in finding the required amounts.

APPENDIX 5.1

Statement showing names of imported Components/Spare Parts

1. Ferro-Chrome.
2. Bright M.S. & free cutting quality bars.
3. Oil line pipes & Tubes.
4. Mechanical tubing (Seamless).
5. Stainless Steel pipes and tubes.
6. Iron & Steel Stappling wire.
7. Buttons & Shoe grindery.
8. Wrought copper in the forms of rods, sections, pipes, etc.
9. Nickel including nickel scrap in all forms.
10. Asbestos manufacturers n.o.s.
11. German Silver (including nickel silver) Semi manufactures and Scrap thereof.
12. Aluminium Sheets, circles, strips and other manufactures n.o.s.

13. All sorts of metals and alloys other than iron and steel.
14. Welding electrodes.
15. Non-ferrous semi-manufactures and alloys.
16. Aluminium alloy items—bars, tubes, sections, wire, etc.
17. Roller bearings.
18. Taper roller bearings.
19. Milling cutters, gear cutters, and mills and other thread forming tools.
20. Metal working saws, etc.
21. Grinder saws inclusive of inserted blade types.
22. Files and rasps.
23. Micrometers, universal surface gauges etc.
24. Grinding wheels and segments.
25. Emery grain, emery powder etc.
26. Graphite crucibles.
27. Diesel engines above 30 H.P.
28. Parts of motors.
29. Pneumatic plants, etc.
30. Indicating switch board and controller mounting instruments.
31. Portable instruments, etc.
32. Thermo-couples and pyrometers.
33. Industrial and street light fittings and flood lights, etc.
34. Synthetic graphite and amorphous carbon electrodes.
35. Metal clad switches, fuse & metal clad cutouts.
36. High tension insulators.
37. Insulated copper winding wire & strips, etc.

38. Dyes.
39. Cation Acting finishing agents.
40. Dyeing and Printing agents.
41. Knitting machines.
42. Wattle extract.
43. Copra or coconut kernel.
44. Gum, etc.
45. Tallow.
46. Palm oil.
47. Menthol excluding preparations.
48. Thymol.
49. Other drugs not specified.
50. Marble and stones n.o.s.
51. Plumbago and graphite.
52. Printers Ink.
53. Natural essential oils.
54. Resinoid.
55. Chrome splits.
56. Hides and skins, raw and salted.
57. Printing papers.
58. Papers including posters, etc.
59. Filter paper.
60. Art silk and yarn.
61. Packing and wrapping paper.
62. Sheet and plate glass.
63. Other types of glass.
64. Heat resisting glass-wares.
65. Mercury.
66. Electronic valves.

67. Parts of sewing machines whether domestic or industrial.
68. Loud speakers.
69. Parts and accessories of cycles.
70. Photographic negatives.
71. Photographic instruments.
72. Time pieces and one day alarm clocks and parts.
73. Parts of clocks.
74. Dyeing and Tanning Substances.
75. Gums resin and lac.
76. Butyle acetate.
77. All sorts of mineral oils n.o.s.
78. Barium nitrate.
79. Borax.
80. Diacetone.
81. Aromatic chemicals.
82. Solenium and selenium dioxide.
83. Raw material for paints.
84. Titanium dioxide.
85. Rubber thread.
86. Wood and Timber of all sorts.
87. Pasteboard and mill board.
88. Refrigeration and air conditioning machinery.
89. Machinery required for other industries & undertakings.
90. Parts of Cinema Machinery.
91. Parts of machinery.
92. Parts of agricultural Tractor & Tractor Implements.
93. Hearing aid and parts thereof.

94. Public address equipment and parts thereof.
95. Heating elements.
96. Rectifiers and battery chargers.
97. Water meters.
98. Pressure gauges.
99. Plastic frames.
100. Rough blanks other than bifocal blanks.
101. Other optical instruments, apparatus, etc.
102. Cellulose acetate butyrate and cellulose propionate.
103. Cellulose film scrap.
104. Cellulose Nitrate sheets, rods and tubes.
105. Industrial diamond in all forms including grid and powder.
106. Gas black, furnaceblack including lamp black.
107. Phenol formaldehyde resinous sheet, tubes, rods and other materials.
108. Acrylic plastic moulding powder, etc.
109. Polyethylene and moulding powder.
110. Synthetic resins of all sorts.
111. Plastic materials n.o.s.
112. Plastic moulding powder n.o.s.

APPENDIX

Allocation of Foreign Exchange for Import

Items	Oct. '61—Mar. '62			April—Sept. '62			Oct. '62—March '63		
	Total allocation	Share of small scale sector	Percentage	Total allocation	Share of small scale sector	Percentage	Total allocation	Share of small scale sector	Percentage
<i>Iron & Steel</i>									
Free . . .	1150	350	30	800	450	56	550	250	45
Rupce . . .	400	300	75	400	Nil	Nil	200	100	50
Others including DLF, etc.	1100	Nil	Nil	700	Nil	Nil	1750	Nil	Nil
TOTAL . . .	2650	650	25	1900	150	24	2500	350	14

APPENDIX

Total Availability of Foreign Exchange for Import of Non-ferrous

Name of the Metal	Oct. '61—March, '62			April—Sept. '62			Oct. '62—March '63		
	Total allocation	Share of small scale sector	Percentage	Total allocation	Share of small scale sector	Percentage	Total allocation	Share of small scale sector	Percentage
Copper . . .	847	290	34.2	1018.4	445.4	43.7	955	360	33.7
Zinc . . .	306	80.50	26	358	133.6	37	319	92	29
Lead . . .	110	2.5	2.3	109.5	2.5	2.3	96.15	2	2.1
Tin . . .	227	75	33	209.5	37.5	17.9	210	58	27.6
Nickel . . .	25.68	8	32	22	3	36	22	7	32
Aluminium . . .	490	37.5	7.7	347.5	32.5	9	272	42	15.4
TOTAL . . .	2005	493.5	24.6	2064.9	659.5	31.9	1874.15	561	29.9

5.2

of Steel and Share of the Small Scale Sector

(In lakhs of Rs.)

April—Sept. '63			Oct. '63—March '64			April—Sept. '64			Oct. '64—March '65		
Total allocation	Share of small scale sector	Percentage	Total allocation	Share of small scale sector	Percentage	Total allocation	Share of small scale sector	Percentage	Total allocation	Share of small scale sector	Percentage
550	250	45	1100	350	32	900	290	32	296	36	29
300	100	33	750	50	7	1124.69	316.45	28	2115	375	18
2217	Nil	Nil	1150	Nil	Nil	1675	Nil	Nil	1079	28	3
3067	350	11	3000	400	13	3699.69	606.45	16	3490	489	14

5.3

Metals and Share of the Small Scale Sector

(In lakhs of Rs.)

April—Sept. '63			Oct. '63—March '64			April—Sept. '64			Oct. '64—March '65		
Total allocation	Share of small scale sector	Percentage	Total allocation	Share of small scale sector	Percentage	Total allocation	Share of small scale sector	Percentage	Total allocation	Share of small scale sector	Percentage
935	360	39.4	1087	360	33.1	1107	387	35	1046	371.13	35.5
320	90	28.1	370	90	24.3	429	100	23.3	366		
94.5	2	2.1	135	6	4.4	135	6	4.4	210.4	12	5.7
213	50	23.9	267	58	21.7	313	75	24	316	75	23.7
22	7	32	22	7	32	22	7	32	20	6	30
122.4	42	34.3	230	70	30.4	208	20	9.6	204	40	19.6
1706.9	551	32.3	2111	591	28	2214	595	27	2162.4	504.13 (+5000)	(+5000)
										ton of zinc.	

TABLE No. 5.4

Annual production and requirements of various categories of sheets and their allotments

	(In '000 Tons)							
	Out- standing orders with pro- ducers	Availabi- lity from indigenous production	Imports	Total availability	Demand SSI sector	SSI allocations	% of SSI alloca- tion to total avail- ability	% of SSI allocation to the de- mand from the sector
1961-62 (As on 1-6-61)								
Black plain sheets (16 G & thinner)	211	161	115	276	246	61	22.1	24.8
G.S. Plain	46	21	23	44	138	30	68.2	21.7
G.S. Corrugated	173	116	Nil	116	13	6	5.2	46.2
TOTAL	430	298	138	436	397	97	22.2	24.4
1962-63 (As on 1-9-62)								
Black plain sheets (16 G & thinner)	414	350	55	405	276	60	14.81	21.74
G.S. Plain	183	30	20	50	172	..	..	..
G.S. Corrugated	376	118	..	118	24	..	..	..
TOTAL	973	498	75	573	472	60	..	..

1963-64 (As on 1-7-63)

Black plain sheets (16 G to 20 G)	582	377	40	117	295	90	21.6	30.50
G.S.Plain	200	40	Nil	40	181	Nil	..	..
G.S. Corrugated	450	113	Nil	113	25	Nil	..	..
TOTAL	1232	530	40	570	501	90	..	..

1964-65 (As on 1-4-64)

Black plain sheets (10 G & thinner)	690	321	N.A.	N.A.	481@	18	5.6*	3.6
G.S. Plain	186	29	Nil	29	205@	Nil	..	..
G.S. Corrugated	443	118	Nil	118	36@	Nil	..	..
Plates	1105	378	N.A.	N.A.	81@	5	1.3*	6.6
TOTAL	2424†	846	N.A.	N.A.	803	23	2.3*	2.9

Since imported figures are not available the figures marked represent percentage of allocation to indigenous production.

@Since the demand figures were available for six months, they have been doubled to arrive at the annual demand.

† The steep rise during 1964-65 is also due to the inclusion of plates which have been brought under control.

TABLE No. 3.5

Statement showing estimated availability of sheets during April-Sept. '65 & quantities proposed to be distributed on priority basis

(In Metric Tonnes)

Category	Estimated availability for (April-Sept. '65)	Priority demand received	Priority demand covered by W/O	% earmarked for priority	Quantity earmarked for priority allocation	Priority accorded to small scale sector
B.P. 10-14 G	75,740	54,329	44,753	75	56,805	443
16-20 G	78,666	211,587	192,545	90	70,800	756
Thinner than 20G	29,194	55,090	51,183	80	23,356	687
Plates below 8 mm	55,520	56,432	34,491	90	49,968	240
8 mm and above	108,400	116,496	67,396	90	97,560	..
G. P. Sheets	15,700	17,254	10,866	75	11,775	2,114
G.C. Sheets	58,050	31,135	24,193	60	34,800	113

CHAPTER VI INDUSTRIAL AREAS

Industrial Estates

6.1. The principal objective of the Industrial Estate programme is to enable a number of small scale units to have the advantage of common services and other facilities, such as a good site, electricity, water, gas, steam, compressed air, railway sidings, watch and ward, etc. Being located near one another, some units may be better able to use the goods and services of one another so that they become inter-dependent and complimentary to one another (Second Five Year Plan, pp. 452-53).

6.2. The programme of industrial estates was taken up towards the end of the first Five Year Plan when a beginning was made with the sanctioning of 10 industrial estates by the Central Government. During the second Five Year Plan, 110 industrial estates were sanctioned and the programme received considerable impetus consequent on great demand for factory accommodation. An amount of Rs. 11.12 crores was allotted for this programme in the second Five Year Plan as against which an amount of Rs. 10.98 crores was actually spent by the State Governments and the Union Territories.

6.3. For the third Five Year Plan period, a provision of Rs. 30.20 crores was made for setting up about 300 new industrial estates. A statement showing annual expenditure under this programme, Statewise, is given in Table 6.1.

Classification of Estates

6.4. Industrial estates are classified broadly into three categories *viz.*

- (a) Urban estates *i.e.* those in cities and large towns or in the vicinity thereof;
- (b) semi-urban estates *i.e.* those in areas comprising small towns located at a reasonable distance from large cities and having population between five thousand and fifty thousand; and

- (c) rural estates and worksheds i.e. those in villages with a population of less than five thousand and situated at a sufficient distance from large cities and towns.

6.5. A statement showing the number of estates of each of the above categories is given in Table 6.2.

6.6. Of the total estates sanctioned so far, about 68.7 per cent are medium sized or small estates costing below Rs. 10 lakhs. A statement showing the estimated cost of the industrial estates at the time of sanctioning is given in Table 6.3.

6.7. In May 1962, the State Governments were advised to provide only developed sites in the urban industrial estates and leave the construction of factory buildings to the entrepreneurs who will plan factory buildings according to the standard layouts and the prescribed norms. Schemes of developed sites have been approved for Adityapur and Patna in Bihar, Muzaffarnagar and Lakhimpur in Uttar Pradesh, Hoshiarpur in Punjab and Jamnagar in Gujarat.

6.8. In order to stop further industrial congestion in the already congested towns and to check the drift of rural population to the cities, it was decided to set up industrial estates in selected rural areas. The first move in this direction was made by the Government in 1956 when 20 rural industrial estates were sanctioned. These rural industrial estates were to be located in selected community development blocks at costs varying between Rs. 1 lakh to Rs. 3 lakhs each. These industrial estates were to be located, as far as possible, in rural areas where power, water supply, transport and other facilities were either available or could be provided and where a number of artisans and craftsmen were available to make use of modern techniques, better tools and relatively modern facilities. Industrial estates in rural areas need not have a large number of factories or factories of large sizes as in areas comparatively better developed. A beginning in this direction could be made with only a few worksheds for the use of village artisans. So far, 48 rural industrial estates have been sanctioned. State Governments also propose to set up a number of worksheds of small sizes for village artisans. Of the rural industrial estates sanctioned so far, 9 are already functioning, 11 have been completed, 12 are under construction and 16 are in preliminary stages.

Present position

6.9. Out of the industrial estates sanctioned so far, 120 industrial estates were functioning on 31st March, 1964 employing 29,449 persons. The quarterly production in these estates as reported by the State Governments was Rs. 8.54 crores. The production figures reported are not complete because only 1,451 units have reported production against 2,112 units working. The actual production is, therefore, much higher than what has been reported. Similarly, the actual employment figures must be higher than reported.

6.10. Apart from the estates functioning, there were 55 industrial estates completed by 31st March, 1964. Some of these must have started functioning by now. Further, there were 59 industrial estates under construction and 97 were in preliminary stages. By 31st March, 1964 the programme of industrial estates had offered 7310 factory sheds to the small scale units in healthy surroundings, with basic facilities in various estates.

6.11. Functional industrial estates are being set up in different States. Andhra Pradesh have set up a functional industrial estate in Sanatnagar for the manufacture of radios and radio spare parts. 5 units have already started functioning. Similarly, Maharashtra, Punjab, Kerala, Gujarat and Madras also propose to set up functional industrial estates for the manufacture of auto-parts, scientific instruments, electric motor components, ceramic goods, etc.

6.12. A number of industrial estates are being set up in the co-operative sector. Of these, 20 co-operative industrial estates have already started functioning in Maharashtra and Gujarat and 5 co-operative industrial estates are under construction.

6.13. The co-operative industrial estate idea seems to have caught the imagination of the entrepreneurs in Maharashtra State. It was found that even in a backward region like Marathwada, six co-operative industrial estates are being established during the third Five Year Plan. The response from local entrepreneurs was very encouraging and we understand that in places like Jalna and Aurangabad, industrial estates with as many as 50 sheds are coming up, with many more entrepreneurs on the waiting list.

6.14. Our Chairman and some members visited the Jalna and Aurangabad Co-operative Industrial Estates. We, as a group visited Kolhapur and Sangli co-operative industrial estates. The estates at Aurangabad and Sangli were running successfully in the sense that all estates were occupied by functioning units. The sheds are constructed according to simple designs, to suit the requirements of occupier-members. The cost of construction was also low compared to that of the conventional estates. While we suggest that co-operative industrial estates should be encouraged and given all facilities, we caution that it is necessary to lay down and rigidly enforce norms regarding the layout of the estate, the width and type of roads, the minimum area of plots etc. so that these may not develop into industrial slums in course of time.

6.15. The Life Insurance Corporation has agreed to advance loans to the co-operative industrial estates and joint stock companies of industrialists. The terms and conditions of these loans have already been drawn up. These loans carry 8 per cent interest. 9 Industrial estates were recommended by the State Governments to the Life Insurance Corporation for grant of assistance under this scheme. The total amount of assistance required by these industrial estates was Rs. 30,13,607.00. The Life Insurance Corporation have already offered financial assistance to 6 of the applicants, offering Rs. 25,35,487.00.

6.16. Some progress has also been made in the establishment of ancillary industrial estates. The estates under this category have been set up as ancillaries to Hindustan Machine Tools Ltd., Bangalore with 30 worksheds, Enfield (India) Ltd., Madras, with 20 worksheds, and Heavy Electricals Ltd., Bhopal, with 6 sheds already constructed. Government of Bihar have already acquired 45 acres of land adjacent to their present industrial estate and have offered it to the Heavy Engineering Corporation, Ranchi. The site is sufficient for housing about 100 small scale units.

Drawbacks

6.17. There are delays in the functioning of factory sheds after occupation. Some of the more important reasons for this delay are:—

- (i) Shortage of raw material;
- (ii) Absence of integrated planning;

- (iii) Wrong locations ;
- (iv) High costs of construction ;
- (v) Factory buildings not planned according to the requirements of prospective allottees.

6.18. Table 6.4 in the appendix presents an analysis of the progress of industrial estates during the third Five Year Plan. The estates have been classified as urban, semi-urban and rural as already described and the sheds have been categorised as those completed, allotted, occupied, functioning etc. The following conclusions seem to emerge from this analysis :—

(1) Functioning estates as a percentage of completed estates is highest in urban estates and lowest in rural estates.

(2) Sheds allotted as a percentage to sheds completed is lagging and is lowest in rural estates. In fact, during this period, the position in rural estates was getting worse.

(3) While the number and percentage of sheds occupied to those allotted has shown an overall improvement, the increase is less pronounced in rural estates.

(4) Estates completed in urban areas are starting to function quickly. The rate is much slower in semi-urban and rural estates. For instance, during 1963 as against 10 newly constructed estates in urban area, 11 actually started functioning; in semi-urban areas 6 started functioning as against 15 completed while only 3 new estates started functioning in rural areas as against 11 completed during the year.

(5) Considering the figures for the year 1963 for which full data is available, 220 additional sheds were completed in urban estates while actually 348 started functioning. The corresponding figures in semi-urban estates were 154 newly constructed as against 44 started functioning. In the case of rural estates in the same year, only 28 new sheds began functioning while as many as 97 were newly constructed.

A Review

6.19. From the above review of the industrial estates programme, the following conclusions may be drawn :—

(1) The industrial estate programme, as at present, has greater chances of success in urban areas. Even in the urban estates, steps should be taken to reduce various delays by

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A Review

6.19. From the above review of the industrial estates programme, the following conclusions may be drawn :—

(1) The industrial estate programme, as at present, has greater chances of success in urban areas. Even in the urban estates, steps should be taken to reduce various delays by

(i) allotting sheds even while they are under construction ; (ii) arranging that all allotted sheds are occupied immediately after completion and (iii) arranging that all occupied sheds start functioning without delay. Thus a more intensive planning and promotional effort is indicated even in the case of these urban estates.

(2) In the case of estates in semi-urban and rural areas, the provision of built up factory accommodation does not seem to be an adequate incentive to the prospective entrepreneurs. The industrial estate is a good means of dispersal but would be ineffective if used exclusively, especially in semi-urban and rural areas. A co-ordinated approach through integrated planning whereby, besides infrastructure, other facilities like residential areas, educational facilities etc. are also provided, seems necessary. In view of the locational disadvantage in these areas, the entrepreneurs will have to be actively guided in choosing the type of unit, the size of the unit, etc. and care should be taken to bring together a suitable cluster of units which would sustain each other by inter-firm transactions. As has been mentioned in the previous chapter, the blue-print for the development of the "growth centre" should list the industries which have definite possibilities in the estate.

6.20. We suggest that the planning cell in the State Directorate of Industries should, in consultation with the local Small Industries Service Institute, finalize the list of industries, conduct an intensive campaign in the area, bring together the necessary entrepreneurs and interest them in setting up industrial units. Unless this type of intensive planning and promotion is undertaken, the industrial estates in the semi-urban and rural areas are not likely to succeed.

Targets

6.21. We set out below the targets for industrial estates programme during the fourth Five Year Plan:—

(1) An industrial estate in each of the towns with a population over 50,000, if it is not already there, unless a survey of the area reveals no prospects for the same.

(2) An industrial estate in almost all the towns with a population, between 15,000 and 50,000 population, if it is not already there. It may be recalled that we suggested that

these towns might be developed as "growth centres", provided infrastructure facilities are available or could be quickly provided.

6.22. Table 6.4 in appendix shows the total number of towns classified according to their population in 1961 and the industrial estates already existing/planned. It is evident that as per our suggestions, about 700 industrial estates of varying sizes will have to be undertaken during the fourth Five Year Plan. Of these, 112 will be urban estates and the rest will be located at "growth centres".

6.23. We suggest that urban estates may be established on the co-operative pattern unless special circumstances exist at a particular place for a government industrial estate of the traditional type. We feel that in these areas, necessary local entrepreneurial talent and capital can be induced to come forward to form an industrial estate co-operative society if promotional effort is made by the State Government. The experience of Maharashtra State, already reviewed, strengthens our conviction in this regard.

6.24. At the "growth centres" also, if conditions are favourable, co-operative industrial estates might be established without detriment to the possibilities of the growth of the centres as envisaged in the previous chapter; otherwise, an estate of the traditional type might be established.

6.25. We suggest that the industrial estate areas might be let out on leasehold terms to entrepreneurs. Since capital value of land increases as soon as the area develops, there should be an opportunity for the Government to get the benefit of the increased values at least to some extent. We, therefore, suggest that the rental part of the leasehold terms might be reviewed every five years, the upward revision being subject to a ceiling of, say, 50% after every review. The ground rent charge may, ordinarily, be the commercial rent prevailing in the locality which might include an element of profit in the case of urban areas with a population exceeding 50,000. In other cases, a concession in the ground rent may be allowed during the first five years of the existence of the industrial estate.

6.26. In all co-operative industrial estates, as a matter of policy, the State/Central Government should establish, according to requirements, common facility centres, quality

marketing centres, raw material depots, technical inform centres, etc. The Industrial estate society might also be a loan to construct service buildings like administrative bl exhibition hall, etc. depending on requirements.

6.27. At "growth centres", industrial estates might constructed subject to our suggestion in para 6.24 above, ti size of the sheds etc. being determined in consultation wit the prospective occupiers. The sheds may be let out at a concessional, nominal rent for the first five years. Various facilities as suggested above, should be provided in these estates by State Governments besides technical training facilities.

6.28. We realize that industrialists establishing units in smaller towns and "growth centres" are at a disadvantage compared to those in the urban areas in various matters like marketing, skilled labour, finance, etc. The above concessions are intended to neutralize these disadvantages. The programme suggested, therefore, offers to give adequate incentives to those willing to develop the smaller towns and growth-centres without discouraging those who are determined to establish units at bigger and developed centres.

6.29. We suggest that the management of all urban industrial estates except co-operative estates should be transferred to the State Small Industries Corporations wherever they exist. The industrial estates in the growth centres should, however, continue to be administered by the State Directorates of Industries initially for at least five years. Co-operative/ company type of estates should be encouraged at all other places.

6.30. We suggest that all public sector projects might provide for an ancillary industrial estate in their vicinity. We consider this further in our chapter on Ancillaries and make suitable suggestions for the development of such estates. Ancillary industrial estates by private sector undertakings might also be encouraged by giving loans to the undertakings to the extent of 50% of the cost of such estates.

APPENDIX 6.1

Expenditure likely to be incurred by the State Govts. on Industrial Estates during the III Five Year Plan

(Rs. in lakhs)

Sl. No.	STATE	II Plan actual expenditure	III Plan original proposal	III Plan allotment by Planning Commission	EXPENDITURE					TOTAL
					Actual 1961-62	Actual 1962-63	Actual 1963-64	Anti-cipated 1964-65	Pro-posed 1965-66	
1	2	3	4	5	6	7	8	9	10	11
1	Andhra Pradesh	138.86	300.00	228.00	61.00	31.65	47.93	61.98	50.80	253.26
2	Assam	32.54	70.00	65.00	2.48	2.50	9.70	10.00	20.00	44.68
3	Bihar	46.09	271.83	204.74	8.16	14.42	2.02	43.93	56.79	125.32
4	Jammu & Kashmir	19.07	150.00	100.24	24.36	17.23	5.18	17.50	5.00	69.27
5	Gujarat	70.79	110.21	100.20	10.93	4.03	4.08	15.15	31.00	65.24
6	Madras	175.18	385.00	320.00	41.50	105.90	173.71	145.53	59.72	526.36
7	Mysore	53.16	135.50	120.00	12.61	9.15	11.64	19.20	30.00	22.40
8	Madhya Pradesh	55.36	214.00	200.33	22.76	23.37	31.71	56.62	34.00	162.46
9	Maharashtra	32.35	55.07	220.00	5.08	30.35	15.31	46.00	59.59	156.36
10	Kerala	64.97	144.21	125.00	13.09	13.33	18.97	30.01	57.50	125.90

1	2	3	4	5	6	7	8	9	10	11
11	Punjab	73·12	310·00	245·00	16·24	21·19	40·60	72·08	50·80	202·91
12	Orissa	61·33	150·00	135·22	21·11	15·38	32·22	36·01	30·50	135·22
13	Uttar Pradesh	77·63	557·09	375·00	15·17	52·83	92·94	113·37	88·82	363·14
14	Rajasthan	44·27	210·00	157·00	29·19	24·93	5·10	3·70	1·76	64·63
15	West Bengal	70·75	185·00	162·32	47·55	8·27	4·32	14·31	12·05	86·50
	TOTAL (STATES)	1015·47	3247·91	2749·85	333·23	374·43	495·46	625·69	580·84	2469·70
<i>Territories</i>										
1	Delhi	N.A.	N.A.	62·36	2·62	18·39	19·44	14·62	18·68	78·75
2	Himachal Pradesh	2·66	N.A.	10·00	..	..	..	4·13	12·00	16·13
3	Manipur	N.A.	N.A.	..	..	..	..	..	4·50	4·50
4	Pondicherry	1·14	N.A.	13·50	..	..	..	..	..	..
5	Tripura	2·81	N.A.	7·00	0·03	1·53	0·88	0·55	2·07	5·11
	(TOTAL UNION TERRITORIES)	6·61	N.A.	92·86	2·65	19·97	20·32	19·30	37·25	99·49
	N.S.I.C. (NAINI & OKHLA)	76·39	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
	GRAND TOTAL	1093·47	3247·91	2824·71	335·93	394·40	515·73	704·99	618·09	2569·19

*Revised outlay.

APPENDIX 6.2

Statement showing the Classification of Industrial Estates

Date	Estates completed	Estates functioning	% age of 3 to 2	Estates not functioning	% age of 5 to 2	Sheds completed in all Estates	Sheds allotted	% age of 8 to 7	Sheds occupied	% age of 10 to 8	Sheds working	% age of 12 to 10	Employment	Production
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
31-12-62														
Urban	65	58.5	81.5	12	18.5	2670	2390	89.5	2120	88.2	1599	75.4	20340	9,05,46,828
Semi Urban	30	20	66.7	10	33.3	579	461	79.6	377	81.7	245	64.9	2693	61,33,037
Rural	10	7	70.0	3	30.0	171	139	81.2	110	79.2	87	79.0	1336	37,28,148
	105	80	76.2	25	23.8	3420	2990	87.4	2607	87.2	1931	74.0	24369	10,04,08,013
30-6-63														
Urban	67	55	82.1	12	17.9	2672	2432	88.0	2221	91.3	1788	80.5	23082	11,92,91,562
Semi Urban	35	21	60.0	14	40.0	638	485	76.0	476	85.7	273	65.6	2383	1,03,48,846
Rural	13	8	61.5	5	38.5	219	148	67.6	135	91.2	98	72.5	1430	42,59,727
	115	84	73.0	31	27.0	3619	3065	84.6	2772	90.4	2159	77.9	26895	13,39,00,135
31-12-63														
Urban	75	64	85.3	11	14.7	2890	2637	91.1	2494	94.5	1947	78.0	24998	12,45,54,742
Semi Urban	45	26	57.8	19	42.2	733	538	73.3	430	81.5	289	65.8	2628	85,83,149
Rural	21	10	47.6	11	52.4	268	175	65.2	148	81.7	115	80.4	1558	76,12,000
	141	100	70.9	41	29.1	3891	3350	86.0	3076	91.8	2351	76.4	29181	14,07,49,891

APPENDIX 6.3

Estimated Cost of Industrial Estates as Approved During the First and Second Plans and Third Plan up to 15-3-1964

(As on 15-3-64)

State/Union Territory	Less than Rs. 3 lakhs	Rs. 3 to Rs. 10 lakhs	Rs. 10 to Rs. 15 lakhs	Rs. 15 lakhs and above	Total No. of Estates
1	2	3	4	5	6
1. Andhra Pradesh	8	8	—	3	19
2. Assam	—	3	1	1	5
3. Bihar	3	9	1	4	17
4. Gujarat	—	4	4	7	15
5. Jammu & Kashmir	15	5	3	1	24
6. Kerala	1	2	5	—	8
7. Madhya Pradesh	7	2	2	2	13
8. Madras	1	3	—	6	10
9. Maharashtra	—	12	9	11	32
10. Mysore	5	9	—	2	16
11. Orissa	—	3	3	1	7
12. Punjab	15	11	3	4	33
13. Rajasthan	1	11	1	1	14
14. Uttar Pradesh	23	27	6	7	63
15. West Bengal	—	4	—	2	6
<i>Union Territories</i>					
1. Tripura	—	3	—	—	3
2. Delhi	—	1	—	1	2
3. Himachal Pradesh	—	1	—	—	1
4. Pondicherry	—	2	—	—	2
5. Manipur	—	1	—	—	1
TOTAL	79	121	38	53	291

APPENDIX 6.4

Statement showing the Progress of Industrial Estates Programme in Towns in India having a Population of 10,000 and Above

Class of towns	Number of Industrial Estates						Total
	Functioning	Completed but not functioning	Under construction	In preliminary stage	Planned but not yet taken up	Not planned	
I (Population 1,00,000 and above)	40	5	11	13	10	34	113
II (Population 50,000 to 99,999)	14	7	12	12	14	78	137
III (Population 20,000 to 49,999)	15	5	18	17	70	357	482
IV (Population 10,000 to 19,999)	8	3	7	11	38	662*	729
TOTAL	77	20	48	53	132	1131	1461

*Of these, 238 towns had a population exceeding 15,000 in 1961.

CHAPTER VII

CREDIT FACILITIES

7.1. Provision of credit on a liberal basis has been an important part of the programme of small industry development from the beginning. In fact, at its very first meeting, the Small Scale Industries Board recommended that the terms and conditions for grant of loans by State Governments should be liberalised. However, systematic progress commenced only during the second Five Year Plan after State Financial Corporations and banking institutions like the State Bank and other commercial banks have been induced to finance small scale industries on a liberal basis. Suitable programme was initiated during the second Plan period for meeting the credit requirements for this sector.

7.2. The financial requirements of an industrial unit, as is well known, may be :—

- (a) Long term *i.e.* to acquire fixed assets like land and building, Plant and machinery, etc.
- (b) Short term *i.e.* working capital to hold stocks of raw materials, finished goods, etc. and to meet the day to day needs of a running enterprise.

7.3. Suitable provision has been made to meet the credit requirements of small industries under both these heads.

Present Position—Long Term Finance

7.4. The owner of an enterprise is expected, ordinarily, to find fixed capital himself but it has been recognized that Government will have to provide substantial assistance even in this regard to accelerate the pace of development. This assistance is now being given in the following ways :—

- (a) Loans under State Aid to Industries Act/Rules.
- (b) Loans from State Financial Corporations.
- (c) Participation in equity capital.
- (d) Supply of machinery on hire purchase basis.
- (e) Accommodation in industrial estates.

- (f) Medium term loans and instalment credit system operated by some commercial banks, particularly the States Bank of India.

Of these items, (d) and (e) are reviewed in separate chapters.

Loans under State Aid to Industries Acts

7.5. The procedure for granting loans under the State Aid to industries Act/Rules has been considerably liberalized as recommended in the Report of the Working Group which prepared programmes for the third Five Year Plan. The authority to sanction loans has also been decentralized, as suggested. Now in almost all the States, loans upto Rs. 1,000 are advanced on personal bonds, upto Rs. 5,000 against one or more personal sureties and above Rs. 5,000 against security or mortgage at 75% of the security offered including the assets created out of the loans.

7.6. The loans are repayable in instalments over ten years and are advanced at a concessional rate of interest. It is 2½% for loans upto Rs. 2 lakhs to industrial co-operatives and 3% for loans upto Rs. 50,000 to private entrepreneurs.

7.7. The Assistant Director of Industries or an officer of similar status is authorised to grant loans upto Rs. 2,000 whereas a Deputy Director can grant loans upto Rs. 5,000.

7.8. A Statement showing the loans actually advanced under the State Aid to Industries Act/Rules during the first four years of the third Five Year Plan and proposed to be advanced during the last year has already been given in Appendix 1.9 to Chapter I. It is expected that an amount of Rs. 18.18 crores would be advanced under this head during the third Five Year Plan as against Rs. 12.91 crores during the second Plan period. It may be mentioned that the amount would have been much higher but for the cuts imposed in the wake of the Emergency.

State Financial Corporations

7.9. The State Financial Corporations started under the Act of 1951 are now functioning in almost all States. These Corporations are empowered to :—

- (1) grant loans/subscribe to debentures of industrial concerns repayable within a period not exceeding 20 years ;

- (2) grant loans for similar purposes raised by industrial concerns ;
- (3) underwrite issue of shares, stocks, debentures, etc issued by industrial concerns ;
- (4) act as agent of the State or Central Government or Industrial Financial Corporation in transacting business with an industrial concern.

7.10. In practice, these Corporations advance loans to meet the long, medium and short term requirements of small scale and medium scale units though the short term loans bear a fixed percentage relationship to long term loans.

7.11. The rate of interest charged by the Corporations is, ordinarily, $6\frac{1}{2}\%$ to $7\frac{1}{2}\%$ with a rebate of $\frac{1}{2}\%$ for prompt payment. Generally speaking, they advance upto 50% to 75% of the value of assets offered as security including those created out of the loans.

7.12. The State Financial Corporations also advance loans as agents of the respective State Governments. The agency arrangements are now in vogue in nine States (1) Uttar Pradesh, (2) Andhra Pradesh, (3) Punjab, (4) Maharashtra, (5) Kerala, (6) Assam, (7) Rajasthan, (8) Orissa and (9) Gujarat.

7.13. A statement showing the loans advanced by the State Financial Corporations to small scale units both out of their own funds and as agents of the respective State Governments is given in Appendix 7.1.

7.14. It is seen that the State Financial Corporations have so far advanced Rs. 15.12 crores out of their own funds and under the agency arrangements.

Participation in Equity Capital

7.15. The principle of State participation in equity capital was stressed in the Industrial Policy Resolution, 1956. A special scheme to encourage qualified technical persons with limited capital resources to take up small scale enterprises has been implemented in Orissa. The scheme envisaged the setting up of a small scale unit by a private limited company in which the entrepreneur will have at least 10% of total investment, the State contributing the balance. The unit will

be run by the entrepreneur as its Managing Director, the State Government having its representative on the Board of Directors. The entrepreneur will be given an opportunity to purchase Government shares over a period. Recently, the scheme has been modified, converting a part of the Government equity shares into long term loans, thus enabling the entrepreneur to have a higher share in profits.

Medium Term Loans

7.16. The State Bank of India has recently formulated a scheme to grant medium term loans to small scale industrial units. The Bank has also a scheme to supply machinery under instalment credit scheme. The schemes are still being worked on an experimental basis. The progress so far made is indicated in the following statement:—

		<i>Medium Term Loans</i>					
		Progressive figures (Rs. 000's omitted)					
Circle	No. of applications Sanctioned	No. of applications			Amount		
		30.6.63	30.6.64	30.9.64	30.6.63	30.6.64	30.9.64
Bengal	—	1	2	—	2,50	5,00	
Bombay	2	8	11	1,20	8,34	10,84	
Madras	—	26	37	—	21,38	34,63	
Delhi	1	2	2	82	2,47	2,47	
	3	37	52	2,02	34,59	52,94	

		<i>Instalment Credit (A Form of Medium Term Loan)</i>					
		Progressive figures (Rs. 000's omitted)					
Circle	No. of applications Sanctioned	No. of applications			Amount		
		30.6.63	30.6.64	30.9.64	30.6.63	30.6.64	30.9.64
Bengal	—	25	29	—	16,57	15,40	
Bombay	—	12	27	—	3,28	10,55	
Madras	1	10	21	53	3,54	8,82	
Delhi	—	2	2	—	52	1,31	
Kanpur	—	—	3	—	—	6,15	
	1	49	82	53	23,91	42,23	

Short Term Finance

7.17. The principal sources of working capital for the small scale industries are :

- (a) the State Bank of India, and
- (b) the commercial banks.

Co-operative banks, particularly urban banks, also advance loans to small scale units but the amount is negligible.

State Bank of India

7.18. The State Bank of India took the initiative to advance loans to small scale units by starting a pilot scheme in 1956. The scheme which was first confined to nine centres in the country, has been gradually extended so as to cover the whole country. This scheme envisages the co-ordinated working of all credit institutions in a business like way. The amounts advanced by the State Bank towards working capital requirements of small scale units during the third Five Year Plan are shown in the following statement :—

	March, 1961	March, 1962	March, 1963	March, 1964	Sept., 1964
No. of Units	2633	2917	3289	4356	5315
Amount sanctioned (Rs. lakhs)	884.51	1083.27	1302.29	2041.83	2688.67
Amount Outstanding (Rs. lakhs)	421.44	493.32	665.50	1004.70	1322.08

Commercial Banks

7.19. Though it is known that the commercial banks are also advancing loans to small scale units, similar data of their performance is not readily available. The Banks do not also have schemes comparable to that of the State Bank of India. As per the half yearly survey conducted by the Reserve Bank, the amounts advanced by commercial banks

(including the State Bank) to small scale industries are as below :—

*Bank Advances to Small Scale Industries
(Half Year Averages)*

	Jan.- June 1960	July- Dec. 1960	Jan.- June 1961	July- Dec. 1961	Jan.- June 1962	July- Dec. 1962	Jan.- June 1963	July- Dec. 1963
No. of Reporting banks	83	77	83	77	75	77	79	78
Advances to small scale industries.	19.5	25.77	33.84	34.10	37.10	37.15	42.40	44.42

7.20. It may be mentioned that the advances from commercial banks other than the State Bank include advances to traditional industries like rice milling, flour milling, oil crushing, cotton ginning, etc. which are not included in the small industry development programme.

Credit Guarantee Scheme

7.21. The Reserve Bank of India, as agent of the Government, is operating the Credit Guarantee Scheme since July, 1960. The scheme now covers the entire country. The scheme is drawn up in such a way that the financial institutions advancing short term or long term loans to small scale units will be able to recoup part of the loss, if any, from the Reserve Bank. The amount actually so recovered varies according to a sliding scale. This scheme has given full incentive to the commercial banks and State Financial Corporations to advance loans in a big way to small scale units. It may also be mentioned that the State Bank of India, as a matter of policy, covers under this Guarantee all loans granted by it to small scale units. The progress of this scheme is detailed in the following statement :—

	April 1961	April 1962	April 1963	April 1964	September 1964
No. of districts covered	25	49	Whole Country		
Applications received (cumulative)	750	2690	5256	10278	13376

Guarantees issued (Nos.) (cumulative)	682	2496	4815	9028	11067
Amount guaranteed (Rs. lakhs cumulative)	206.36	819.41	1741.47	3408.98	4270.81
	April 1961	April 1962	April 1963	April 1964	September 1964
<i>Guarantees Outstanding</i>					
No.	N.A.	1902	2386	4446	5283
Amount	N.A.	6.20	9.27	17.33	21.30 Crores.

7.22. Claims so far made (September, 1964) on the guarantee organisation numbered 32, the amount so claimed being Rs. 3.44 lakhs. It may be mentioned that a part of the amount is likely to be recovered by sale of securities. The net loss is likely to be insignificant *vis-a-vis* the total amount guaranteed and the fees collected by the guarantee organisation.

7.23. The State Bank is also operating, in collaboration with the National Small Industries Corporation, a Guarantee Scheme whereby a small scale unit, obtaining an order to supply goods to Government, is given the required financial assistance to buy raw material, process it into finished goods and deliver them to the Government. The State Bank will provide full finance required for the purpose. This scheme, which is intended to facilitate the speedy execution of Government orders, has recently come into operation and replaces an earlier scheme which was intended only to cover the purchase of raw materials to manufacture goods against Government orders.

A Review

7.24. The financial assistance programme broadly, has, two objectives. *viz.* (1) to increase the total availability of credit—both short term and long term—to small scale units at reasonable rates of interest and in time, and (2) to gradually institutionalize the flow of finance to the sector. The efforts made during the last ten years in the two directions have yielded valuable results. We feel that efforts should now be made to rapidly institutionalize the flow of finance so that gradually, at least by the end of the fifth Five Year Plan,

Government might withdraw from the field altogether. The steps necessary to achieve this are recommended in the next section.

7.25. The financial assistance (both long term and short term) made available to the small scale sector is very meagre in comparison with that to the large scale sector *vis-a-vis* their respective contributions to industrial output. The "Eastern Economist" in its "Annual Number" of 1964 estimated that "the total statutory corporate investment in the large scale sector was Rs. 180 crores during last six years or Rs. 30 crores per annum, the current rate (in 1962) being Rs. 53 crores per annum. It was, however, estimated that at Rs. 50 crores per annum, the amount was about a sixth of the total investment in the industrial corporate sector. Thus, for each rupee provided by Government about Rs. 5 was being put in by the private sector in the large scale sector". On the other hand, a study conducted by the Central Small Industries Organisation in 8 industrial estates disclosed that "for every rupee invested by the combined resources of the National Small Industries Corporation and the Government towards total capital, the entrepreneurs have invested about 8.2. times themselves from the combined sources of private savings and friends, relatives and money lenders". Another study conducted by the CSIO selecting 250 small scale units says, "the institutional and Government credit (both for fixed and working capital) of Rs. 70 crores, forms only 6% of the total fixed and working capital investment at the end of the second Plan period in the small scale sector estimated at Rs. 1140 crores. Further, the contribution of institutional credit of Rs. 32.8 crores for fixed credit investment only, formed just 12% of Rs. 258 crores of additional investment injected into the sector during the second Plan period".

7.26. The statement given in Appendix 7.2 furnished by the Reserve Bank of India shows the advances to small scale industries towards working capital by various types of commercial banks, and their percentage relationship to the banks total industrial advances.

7.27. This high proportion of private investment to institutional investment cannot be expected to continue during the fourth Five Year Plan since the resources of private entrepreneurs are already strained to the maximum extent. Besides, in view of the need to develop "growth centres" all

over the country, Government and institutional sources will have to provide more finance at concessional rates of interest as a measure of incentive to entrepreneurs.

7.28. The availability of funds both from the State Directorate of Industries and from the State Financial Corporations will have to be considerably augmented if the programme of the magnitude envisaged in this report is to be implemented.

7.29. The flow of finance for working capital seems to be inadequate. The gross output from small scale factory sector in 1961 was estimated at Rs. 1400 crores. This gross output is likely to require a working capital of the order of about Rs. 280 crores to Rs. 300 crores. Even assuming that 20 to 25% of the working capital should be provided by the units themselves, the total requirements from banking sources could be put at about Rs. 200 to Rs. 220 crores as against which hardly Rs. 70 crores was made available.

SUGGESTIONS

7.30. *Long Term Finance*

(a) The flow of finance should be more and more institutionalized. The trend in this direction which commenced during the second Five Year Plan period must be more or less completed by the end of the fifth Five Year Plan. Towards this end, we suggest that all loans under the State Aid to Industries Act/Rúles exceeding an amount of Rs. 5,000 should be routed in all States through S.F.Cs. Loans of smaller amounts also may be routed through the S.F.Cs. where they are willing to take over this work. Similarly, S.F.Cs. and other institutions should take over the responsibility of financing units in urban areas, say, towns with population exceeding 50,000. Direct lending by State Governments will, therefore, be limited to semi-urban and rural areas and that too for small amounts. It is hoped that in due course—may be from the beginning of the fifth Five Year Plan—these will also be taken over by financing institutions thus completing the process which started in the second Five Year Plan.

(b) The State Financial Corporations should be encouraged to advance more and more loans out of their own funds to the small scale sector. It may, perhaps, be useful to lay down, that the S.F.Cs. should lend out of their own resources

at least twice as much as they lend under the agency arrangement as mentioned above. State Government may also guarantee loans advanced by S.F.Cs. from out of their own funds as is now done in Maharashtra.

(c) Additional sources of finance for the S.F.Cs. should be explored. The Industrial Development Bank of India and the Life Insurance Corporation can usefully contribute to the resources of the S.F.Cs.

(d) One of the complaints against the S.F.Cs. has been that they have not been able to liberalise their procedures to the required extent and that "development outlook" has not been cultivated to the desired extent. S.F.Cs., as the main sources of long-term institutional finance to small scale sector, should reorientate their attitude and help the rapid development of the sector. They should more readily come forward to finance experienced small entrepreneurs by offering concessions regarding margins, security, etc. provided the productive capacity of the unit justifies it.

(e) The S.F.Cs. depend upon the Small Industries Service Institutes and State Directorates of Industries for technical assistance. While adequate assistance has so far been provided, we feel that with an increase in volume of operations, it will be economic and justifiable for the S.F.Cs. to constitute their own "technical wings" which will not only scrutinize the loan applications from the technical and financial point of view but also periodically visit and advise the loanees. In the alternative, S.F.Cs. should make firm arrangements with the concerned SISIs to provide this technical assistance, if necessary, by payment.

(f) The need to finance expansion of small scale units built up over the years by technician-managers with their meagre capital, is being increasingly felt. These units are either sole proprietorships or partnerships and do not have access to money market or even financial institutions but are opened and run by a class of people who deserve to be encouraged. The owners are not likely to part with a share in management in return for investment by private financiers. Therefore, either S.F.Cs. or a new financial institution specially created for the purpose will have to advance long term loans to these units after a careful study and assessment of the technical, managerial and marketing aspects of the units. In view of the importance of the subject, we suggest that the

Reserve Bank might consult the SFCs. immediately on this subject. If it is found that a new institution/institutions is/are to be created for the purpose, this should be done without delay so that it/they might start functioning by the commencement of the fourth Five Year Plan. The new institution should have full financial backing from the Reserve Bank and the Industrial Development Bank of India.

(g) We suggest that the commercial rate of interest should be charged for all loans granted either by the State Directors of Industries or by S.F.Cs. However, a concessional rate of 3% may be given to units situated at "growth centres". Industrial Co-operatives may continue to enjoy a concessional rate of interest of at least 2½% irrespective of their location. The Government should reimburse the S.F.Cs. the losses they suffer on this account.

(h) Our review of the outlays of small industries in different States disclosed that the amount utilised towards block loans varied from State to State. We suggest that during the fourth Five Year Plan, as a matter of Policy, larger amount should be earmarked for these loans.

(i) The experiment of State participation in equity capital did not achieve the desired degree of success because excessive State participation did not leave enough incentive to the entrepreneurs. We suggest that participation if any should be through the S.F.Cs. and the participation should not exceed 50% of the total equity capital. It is preferable to give loans at concessional rates of interest even to technicians and others rather than participate in equity capital and claim a share in profits.

7.31. *Short Term Finance*

(a) As far as possible, the working capital requirements of small scale units should be provided by the banking system. However, the entrepreneurs may be expected to provide a reasonable amount, say, 20% of the total working capital from their own resources.

(b) We suggest that a branch of the State Bank should invariably obtained by the Bank before sanctioning a loan. already there.

(c) The State Bank is now getting technical assistance from the CSIO. It has been found that technical reports are invariably obtained by the Bank before sanctioning a loan.

This practice may continue. A nominal fee might be charged for this service. However, the State Bank may find it economical to establish a "technical wing" of its own at some centres while obtaining the service from CSIO at others. Other commercial banks may also avail of technical assistance by CSIO on similar terms.

(d) The distinction now made by the State Bank as "intensive centres" and "others" may be withdrawn and all branches may be treated as intensive centres. The functioning and effectiveness of the "working groups" may be reviewed so that these become really effective instruments for directing the flow of finance to needy small scale units.

(e) It has been observed that even the units which secure financial assistance from the State Bank or other commercial banks have to resort to other sources, especially money lenders for their working capital needs. A rough estimate disclosed that the dependence on private sources is nearly 50% of the total working capital requirements. It should be one of the functions of the "working groups" suggested above to see that units which have bank accounts get finance to the full extent from the banks.

(f) It has also been observed that so far only the bigger amongst the small scale units have been able to secure accommodation from the commercial banks. It has been estimated that in 1960, there were as many as 16,500 small scale factories falling under the purview of the CSIO. These units being registered under the Factories Act may be considered big enough amongst the small scale units. But it has been found that in that year, just over a thousand units have been able to get loans from the State Bank. Therefore, intensive efforts will have to be made to provide the smaller of the small scale units also with working capital loans.

(g) It is known that only the State Bank has been taking full advantage of the credit guarantee scheme and as a matter of policy covering all loans to small scale units under the Guarantee. The other commercial banks obviously cover only marginal cases. We suggest that as a special inducement to participate more fully in the Credit Guarantee Scheme, the rate of fees under the scheme should be reduced by 50% to all those banks which get all their loans to small scale units covered under the Credit Guarantee Scheme.

Targets

7.32. For the successful implementation of the programme envisaged in chapters II and III, we feel that the institutional sources of finance, both long term and short term, of the following order are needed during the fourth Five Year Plan:—

- (a) Loans under the State Aid to Industries Act/Rules (whether lent directly or through S.F.C.s)—Rs. 30 crores.
- (b) Loans from State Financial Corporations/other institutions—Rs. 50 crores.
- (c) Working capital: limits granted: Rs. 600 to 700 crores in the last year of the fourth Five Year Plan. Half of this may have to be provided by the State Bank of India.

APPENDIX 7·1

Statement showing loans sanctioned (effective) and advanced by the State Financial Corporation and the Madras Industrial Investment Corporation Ltd., as on the 30th Sept., 1964 from their own funds & as agents to Small Scale Industries

(Rs. in lakhs)

Name of the Corporation	Own Funds			As Agents		
	No. of loans	Amount sanctioned	Amount disbursed	No. of applications	Amount sanctioned	Amount advanced
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Andhra Pradesh Financial Corporation	190	102·64	89·74	2,559	48·07	37·88
2. Assam Financial Corporation	137	163·54	125·54	..	..	..
3. Bihar State Financial Corporation	74	89·69	72·24	..	..	..
4. Gujarat State Financial Corporation	70	46·06	29·97	83	20·29	18·58
5. Jammu & Kashmir State Financial Corporation	40	25·44	9·77	..	..	..
6. Kerala Financial Corporation	87	65·95	62·00	124	52·37	43·40
7. Madhya Pradesh Financial Corporation	126	144·53	70·61	..	..	..
8. Madras Industrial Investment Corporation Ltd.	37	55·61	35·70	..	..	..
9. Maharashtra State Financial Corporation	580	326·41	226·83	112	50·96	39·55
10. Mysore State Financial Corporation	141	94·10	84·14	..	..	..
11. Orissa State Financial Corporation	110	81·78	63·98	05	1·17	0·70
12. Punjab Financial Corporation	258	307·64	195·19	146	54·38	43·52
13. Rajasthan Financial Corporation	44	34·07	25·85	42	6·50	5·79
14. Uttar Pradesh Financial Corporation	83	99·97	69·99	385	166·20	112·03
15. West Bengal Financial Corporation	44	73·26	50·37	..	..	..
TOTAL	2,021	1680·69	1211·92	3,456	399·94	301·45

APPENDIX 7.2

*Groupwise Ratios of Advances to Small Scale Industries
to total Deposits and Industrial Advances (June 1963)*

(Amount in crores of rupees,

	Total Depo- sits	Total indus- trial advances March, 1963	Advan- ces to small scale indus- tries	Ratio of Col. (3) to (1) (per cent)	Ratio of Col. (3) to (2) (per cent)
	1	2	3	4	5
1. State Bank of India	539.18	232.20	7.48	1.4	3.2
Excluding P. L. 480 Funds.	475.08	..	..	1.6	..
2. Subsidiaries of State Bank of India.	148.18	38.21	2.71	1.8	7.1
3. Major Indian Sched- uled Banks* other than State Bank of India and its sub- sidiaries.	1057.30	452.31	20.05	1.9	4.4
4. Medium and small sized Indian Sched- uled Banks.	224.05	36.26	8.32	3.7	22.9
5. Foreign Banks	273.73	162.26	3.91	1.4	2.4
6. All Scheduled Banks	2242.44	921.24	42.47	1.9	4.6
Excluding P. L. 480 Funds.	2178.34	..	..	1.9	..

Note : As data relating to industrial advances are not available as on end of June, 1963, the comparison has been made with the data for the nearest data available i.e. March, 1963.

*Banks with deposits of Rs. 25 crores and above.

CHAPTER VIII

TECHNICAL ASSISTANCE

8.1. "Industrial Extension Service" is the most important item in the programme for the development of small industries. The object of this service is to provide small industrial units diverse facilities such as technical assistance, advice on the proper use of raw materials, efficient methods of production, marketing, supply of designs, information and guidance on the latest advances in science, technology, management, etc. The service is provided through the Small Industries Service Institutes and Industrial Extension Centres located in different parts of the country. The Small Industries Service Institutes and the Branch Institutes are the apex agencies for rendering coordinated industrial extension service while the Extension Centres are miniature institutes in the sense that their activities are limited to one or more specific industries and restricted to a smaller area. The Extension Centres, like Small Industries Service Institutes assist individual entrepreneurs to solve common technical problems, suggest improved designs, more up-to-date techniques of manufacture, train workers in improved techniques of production management, marketing etc., besides serving as common service facilities centres.

8.2. The Industrial Extension Service is now rendered by 16 Small Industries Service Institutes, 5 Branch Institutes and 64 Extension Centres dispersed all over the country. A new Branch Institute was opened in Goa during 1962-63, this being the only addition in this category during the third Five Year Plan. Besides, 27 Extension Centres as detailed below have been established during this Plan period :—

1961-62	5
1962-63	10
1963-64	11
1964-65	1
Total	27

8.2.1. Details regarding these Extension Centres are given in Appendix 8.1.

8.2.2. Two of the Extension Centres already functioning, viz., those at Tezpur and Bhubaneshwar have been transferred to the State Governments and others located at Malda, Barui-pur and Bankura in West Bengal, Amravati and Varud in Maharashtra, Faridabad and Kaithal in Punjab and Perundurai in Madras, are likely to be transferred to the respective State Governments shortly. There is a programme to establish additional Extension Centres and supplement the facilities already existing at various Extension Centres and Small Industries Service Institutes; 10 such schemes as detailed in Appendix 8.2 are likely to be completed during this Plan period.

8.2.3. The quantum and quality of service rendered through the Industrial Extension Service has been continuously rising during the last ten years. The progress of the various types of services is reviewed here.

Technical Advice

8.3. Technical advice is rendered in various forms. It includes (i) on-the-spot advice in the factory to solve technical problems, and (ii) advice in Small Industries Service Institute Office regarding technical problems, advice on the scope of starting new industries, etc. Details in this regard are given in the following table :—

Year	No. of cases given technical advice	No. of cases given advice to start new industries	No. of cases given other assistance	No. of factory visits paid
1961-62	41387	23531	41386	46386
1962-63	49579	23919	43625	48777
1963-64	52896	24995	67638	52465
1964-65	35468	16077	43397	33269

(Upto November 1964)

Mobile Workshops

8.4. Mobile Workshops fitted with modern machines and tools operate in rural areas for giving demonstrations and imparting technical knowledge to village artisans. Besides demonstrations, artisans are also given training in the use of various machines and the techniques of production. They are also helped to repair their tools. There are 46 Mobile Demonstration Workshops attached to various Small Industries Service Institutes rendering service in such trades as blacksmithy, carpentry, leather, glass, electroplating etc. Details about the operation of these mobile workshops during the last four years are given below:—

Year	Centres visited	Demonstrations held	No. of artisans trained
1961-62	1341	4613	7411
1962-63	1167	5063	5661
1963-64	1431	4667	5598
1964-65 (Upto Nov. '64)	1307	4089	4316

Assistance to State Governments

8.5. In addition to technical assistance to small scale units, the Central Small Industries Organisation also assists State Governments and other Government Departments in examining schemes prepared by them for the development of small scale industries. During the last three years, on an average, about a thousand such schemes have been prepared/scrutinized every year.

Designs and Drawings

8.6. Another important activity of the Central Small Industries Organisation is the preparation of designs and drawings. This work has two aspects, *viz.*, preparation of

designs for tools and machines, dies, jigs and fixtures and preparation of product designs. Layout plans for the workshops are also prepared so as to ensure that new workshops are properly planned. Improved product designs are prepared by studying consumer demands, functional values, aesthetic appeal and manufacturing capacity of the producer. This work is done mostly in the Industrial Design Cell of this Organisation located at Small Industries Service Institute, Okhla. These designs are prepared either on the initiative of the designer concerned or at the instance of the small industrialists who approach them for the work.

Technical Literature

8.7 Model Schemes containing information on requirements in respect of land, building, machinery and equipment, staff, raw materials, working capital, cost of production and estimated returns for a product which can be taken up in the small scale sector are prepared by Small Industries Service Institutes for the guidance of prospective entrepreneurs. Besides, technical bulletins (TBTs) detailing the DOs and DONTs, operational details of different industries are also prepared and distributed to small industrialists either free or at nominal cost. Details of the work done in this regard during the third Five Year Plan are given below :—

Year	Model Schemes prepared	Designs and drawings prepared	T B Ts. prepared
1961-62	543	4926	167
1962-63	327	3822	196
1963-64	237	3544	108
1964-65 (Upto Sept. '64 only)	116	1655	18

8.8. The Central Small Industries Organisation continues to publish the Bulletin of Small Industries every month. Since July, 1963, a Technical Digest (a monthly) has also been

started for the benefit of the Officers of the CSIO. This Digest brings to them extracts and notes drawn from technical journals received from all over the world. It contains three main sections, viz., Engineering, Non-engineering and Management.

8.9. Training forms an integral part of extension service. It includes training in Industrial Management for entrepreneurs and their employees, training of Block-level Extension Officers and technical training in different trades to workers in the small scale sector. This programme is being reviewed in the next Chapter.

Surveys

8.10. Economic Surveys of various categories constitute an important part of the Industrial Extension Service. The object of these Surveys is to study the economics of selected small scale industries with a view to assessing their prospects for rational development and also to study the industrial development potential of an area. These Surveys are mainly of four different types:—

- (1) *Industrial Surveys* involve study of a specific industry and assist in the preparation of Industry Outlook Report/Industry Prospect Sheet on regional and All India basis.
- (b) *Area Surveys* involve a study of industrial development potential in a particular area like a Community Development Block or a district or places selected by credit institutions like the State Bank of India. Such Surveys are carried out from the point of view of scope of expansion in existing industries and the scope of establishing new industries.
- (3) *Market Surveys* are intended to assist individual manufacturer in solving their marketing problems.
- (4) *Ad hoc Surveys* are intended to assist entrepreneurs, Government, Licensing Authorities, Tariff Commission etc., in taking rational decisions in various policy matters.

8.11. The various types of Surveys conducted by the Central Small Industries Organisation during the third Five Year Plan are as below:—

(a) *All-India Surveys & Industry Prospect Sheets.*

Year	All-India Industry Surveys		All-India Industry Prospect Sheets	
	No. of reports prepared approx.	Approved so far	No. of reports prepared	Approved so far
1961-62	2	19	33	47
1962-63	1	20	38	85
1963-64	4	24	28	113
1964-65 (Upto Sept. 1964).	..	..	5	118

(b) *Area Survey (other than CPA).*

Year	No. of areas in respect of which reports prepared for issue during the period	So far
1961-62	13	54
1962-63	16	70
1963-64	14	84
1964-65 (Upto Sept. '64 only)	3	87

(c) *Market Research*

Year	No. of reports completed during the period	No. of reports completed so far
1961-62	12	180
1962-63	18	198
1963-64	14	212
1964-65 (Upto Sept., '64 only)	3	215

8.12. Besides conducting the surveys mentioned above, the Economic Investigation Division also gives special attention to queries from public regarding advisability of starting new industries, types of assistance available for development of small scale industries, procedure for obtaining machinery on hire-purchase, information regarding raw material, prospective demand etc. Details of this service during the last four years are given below:—

Year	No. of enquires attended to	Enquiries attended to so far
1961-62	35,187	81,377
1962-63	27,518	1,08,895
1963-64	27,262	1,36,157
1964-65 (Upto Sept., '64)	13,000	1,49,157

Common Facility Services

8.13. As has already been mentioned, the Extension Centres and the Workshops attached to the Small Industries Service Institutes function as common facility centres for the benefit of small industrialists. The Production Centres at Ettumanoor and Tiruvalla also render common facility services. The beneficiaries are charged a nominal fee depending upon the nature of the work. Details about the parties assisted and the fees collected in this regard are given below:—

Year	No. of parties visited the EC/ Workshops for job work	No. of parties actually assisted	Amount received (Rs.)
1961-62	Not available		
1962-63	14,801	13,747	10,78,546
1963-64	17,515	16,197	11,46,167
1964-65 (Upto Sept., 1964 only)	9,631	9,144	7,79,011

Management Consultancy

8.14. The Central Small Industries Organisation has commenced a news service—an integrated plant study during the third Five Year Plan. Under this programme, technical and management officers of the Small Industries Service Institutes visit a unit, study its technical and managerial problems together and make comprehensive recommendations for all-round improvement of the efficiency of the unit. This service is, thus, in the nature of complete industrial management consultancy service. Though it is now in an experimental stage, it has already proved its utility and the demand for it is likely to increase in the near future.

Other Agencies

8.15. Technical assistance is also rendered in the Community Development Blocks through the agency of Block-level Extension Officers. These Officers who are “generalists” in “promotion” of industries, are posted in each Block to help local artisans in securing loans, raw materials, marketing and other Government assistance, organize industrial co-operatives, training centres etc. These Officers are attached to the Community Development Programme though their work relates to the promotion of industries.

8.16. Some State Governments are also extending technical assistance to small entrepreneurs especially in selection of new industries through their technical officers. The nature of the service and its quantum varies from State to State depending on the availability of technical personnel. Almost all State Governments are also running common facility centres on the lines of Extension Centres already described. The plan outlays on these schemes have already been discussed in Chapter I.

A REVIEW

8.17. (1) The type of technical assistance rendered by the Central Small Industries Organisation so far was of a comparatively simple nature. A large number of schemes to start modern small units were prepared and distributed either freely or at a nominal cost. Factory visits and on-the-spot technical assistance was also useful in the initial stages. From the details presented above, it may be seen that the quantum of technical service reached its optimum and remained more

or less at the same level during the last three years though there might have been some qualitative improvement. It, thus, seems that we have more or less reached an optimum level of technical service according to the present pattern of service and personnel available.

(2) The need for a higher level of technical advice is being continuously felt. The many new technical problems thrown up by small industries need study and experimentation which is beyond the capacity of the existing resources of the Central Small Industries Organisation. The Industrial Extension Service should be dynamic and continuously re-oriented to meet the changing needs of small industries, a process to which the service itself has contributed. There is thus, need to increase the variety of services and improve their quality at all levels.

(3) As our review of the present position of small industries [Section (A), Chapter I] disclosed, a variety of new items requiring high degree of technical skill have been taken up during the last seven or eight years. There have been notable increases in productivity in various industries. The skills of workers have been considerably upgraded and techniques of production are being continuously improved. Still, there is need for more intensive efforts in this direction so as to lead to further improvements in all these directions.

(4) New industries are now coming up in increasing numbers and new fields are being explored, e.g., plastics, pesticides formulations, dyestuffs etc., industries have recently demonstrated the scope for new small scale units. Similarly, electronic industries and those based on petro-chemicals are likely to assume greater importance in the near future. In all these matters, the Central Small Industries Organisation has to do pioneering exploratory work, study the scope, systematize methods and procedures, draw up schemes and pass them to private entrepreneurs and State Governments.

(5) The economic and industrial surveys conducted by the Central Small Industries Organisation need to be oriented to the needs of the fast-growing small industry sector. The area surveys will have to identify possible growth centres in the area and suggest suitable clusters of industrial units to make growth a reality. Industrial surveys will have to throw

light on the scope for decentralized development of the industry, the economic size of the unit and the latest technical developments in other countries.

(6) The schemes, bulletins and other publications have also to be re-oriented similarly to meet the emerging needs of small industries.

(7) The present pattern of Extension Centres needs a review. The machinery installed at the Extension Centres is of the type ordinarily available in small scale units. The new techniques and methods which the Extension Centres were equipped to propagate have already been adopted by small industrialists. These Centres, often manned by junior officers, are now not in a position to render technical advice of a higher level demanded by the small industries. In fact extension work is becoming more and more group work rather than the work of an individual and technical problems have often to be considered together with management problems. As has already been mentioned, some of the Extension Centres are being handed over to the State Governments. The work of the others needs to be reorganised.

SUGGESTIONS

8.18. (1) The type and level of technical assistance required varies from place to place and industry to industry. In the metropolitan and urban areas where small industries are already well-developed, the industrial extension workers should be of a very high calibre capable of initiating further technological improvements. In the semi-urban areas where small industries are now being established, perhaps technical skills of the type now available in the Central Small Industries Organisation would be useful for quite sometime. This work can be undertaken by State Governments now enabling the Central Small Industries Organisation to handle technical assistance of a higher level. An examination of the various Extension Centres discloses that these are mostly machine shops, heat-treatment shops, electroplating shops, etc., rendering assistance of a comparably simple nature. The few tool rooms which now exist need to be considerably strengthened; a large number of tool rooms will also have to be established. We suggest that the each SISI should be equipped with a first-class tool room at a cost of about Rs. 20 to 25 lakhs, depending on circumstances. Similarly,

tool rooms will have to be established either by State Governments or CSIO at various other places, from the developmental point of view. Laboratory and testing facilities which are now available only in a few places should be provided at a large number of centres. There is also need to provide common service facilities for newly developing industries like plastics, rubber, ceramics, leather, petrochemical based industries, electronics etc. It also seems to be a definite advantage to bring together these various services under one roof so that technical assistance in various industries will be available to entrepreneurs at a single place. When all these services are pooled together, that centre will take the shape of a branch institute with the addition of economic investigation and management staff. In view of other suggestions made below, we feel that the pattern should, as far as possible, be to provide such integrated centres even if it be in limited numbers. The existing centres might be so reorganised/shifted/handed over to respective State Governments, so that there will be about 50 to 60 integrated centres functioning as branch institutes all over the country.

(2) We suggest that full-fledged branch institutes might be established in Himachal Pradesh, Tripura, Manipur, Nagaland and Pondicherry. Branch Institutes may be established at suitable places in some of the bigger and underdeveloped States like Madhya Pradesh, Rajasthan, Bihar, etc. We thus envisage re-grouping of the Extension Services in about 50 to 60 well-organized integrated branch institutes instead of a large number of Extension Centres as at present.

(3) Numerous technical problems now thrown up by existing small scale units have to be studied more systematically and the benefits of the experience passed on to small industries in general. There is, at present, no scope for such a systematic study and research into these problems, the field staff being busy with the field work. We suggest that a Central Cell might be established to which these more complicated technical problems might be communicated from the field and which in turn will feed all the field units with the results of these studies. This Cell must necessarily have the backing of a well-equipped centre like a Prototype Production Centre where, if necessary, trials will have to be conducted, prototypes made and tried before the experience is passed on to others. We feel that absence of applied research is a serious lacuna in the present pattern of Industrial Extension Service and should be rectified immediately.

(4) The technical problems posed by the field units to the Central Cell may not always need applied research. Similar problems posed by small units in other countries or in other parts of the country might readily come to the aid of the Central Cell. The development of new techniques of production, new products, new designs, etc., in other countries also need to be studied, adapted and brought to the notice of our field units. Technical information available in various countries of the world will have to be carefully studied, sifted, analysed, adapted and used in our country. For this purpose, we have suggested that a technological information and documentation centre should be established as part of the CSIO. A detailed note prepared in this connection is given in Appendix 8.3. We suggest that this project might be implemented as part of "advance action" for the fourth Five Year Plan.

(5) There is urgent need to increase the number of industrial extension workers both in existing trades and in new industries which are likely to open out possibilities for small industries, (please see Appendix 8.4 for details of existing strength). Simultaneously the skills of the existing workers will have to be considerably upgraded so that small industry programme might continuously forge ahead. We feel that the technical, managerial and economic staff will have to be increased by at least 50% to meet the emerging situation. The actual requirements will have to be carefully studied and recruitment suitably phased. But steps should be taken to recruit, train and keep in position additional staff by the commencement of the fourth Five Year Plan so that the development programme might progress smoothly.

(6) Even with the strengthening of the staff envisaged above, we realize that it may not be possible for the extension workers to tackle successfully all the problems that are likely to be posed to them. On the other hand, the demand for the certain services might be so infrequent that it might not be worthwhile to keep a full-time expert on the subject. There are also a number of specialists in the country working in Government, public sector and private sector undertakings who for a nominal fee would be willing to give the benefit of their experience. We suggest that both at the Centre and in

the States, a panel of suitable consultants should be maintained for different trades. The honorarium to these consultants might be shared by the Government and the beneficiaries.

(7) While technical assistance to solve immediate technical problems will continue to be rendered, we feel that there will be greater need in future for integrated advice to increase the efficiency of the unit, reduce the cost and increase production. This type of diagnostic service can be rendered only by a group of technical and managerial personnel. The demand for this management consultancy service is bound to increase in the near future; the reorganised extension centres will be able to meet this need. A nominal fee might be charged for this service.

(8) The SISIs/Extension Centres are now giving technical assistance to the State Bank for granting loans to small scale units. This assistance may be continued and, if required, extended to all other Banks which offer to assist small industries on similar terms.

(9) There have been many instances where Extension Centres helped private entrepreneurs to develop prototypes of machines which were later commercially exploited by them. We feel that there are a large number of entrepreneurs ingenious and resourceful enough to design new machines provided their ideas are given proper shape and prototypes are made on an experimental basis without risk to them. We suggest that SISIs should take a lead in this direction and encourage development of prototypes of new machines which can be used in semi-urban and rural areas. This will lead to the adoption of "appropriate technologies" and help adjusting the scale of production of the size of the market.

(10) While SISIs might render this type of work as part of their regular work, we feel that there is need for a separate Centre to give full attention to this problem of developing "appropriate technologies" by designing, if necessary, new machines or by modifying the existing machines so as to adopt them to the scale of production required. A committee consisting of representatives of CSIO, CSIR and PTCs should continuously explore the scope for adapting new machines to our needs, give direction to technical workers in the Centre on problems of design, production, etc., of the prototypes, supervise field staff, and certify the prototypes so that private entrepreneurs might come forward confidently to take up their

production on a commercial basis. We, therefore, suggest that as part of the CSIO, an institute for appropriate technology might be established with a co-ordinating committee to guide its activities. This might also be undertaken as part of advance action for the fourth Five Year Plan.

(11) In the initial stages of small industry development there was enormous scope for simple items in the metal working industry. A large number of model schemes were prepared and prospective entrepreneurs were encouraged to take up items of their choice. The position has since changed. The need for intensive, careful study to assess the scope of an industry, the number of units possible, their size and geographical distribution, scope for interfirm services and complementarity, etc., as a prerequisite to such advice is being increasingly felt. The scope to develop new lines in the small scale sector so as to hasten the process of import substitution, developing ancillaries etc., has to be more intensively explored. Towards this end, we suggest that a Planning and Statistical Cell may be established in the CSIO and in the different State Directorates of Industries. The Cell at CSIO Headquarters will, *inter alia*:—

- (i) advise the State Directorates on the scope for developing new industries, existing and prospective demand for different products made by small scale units, the economic size of unit, the scope for new units, etc. ;
- (ii) be in touch with various Ministries/Depts. at the centre to explore the possibilities for new small scale industries ;
- (iii) advise SISI's and through them prospective small industrialists about the economic size of a unit in different industries, the suitable location for units (considering external economies), choice of technology, etc., and
- (iv) coordinate the work of and guide the State Cells.

The State Cells will be responsible for conducting surveys and planning the development of different districts/industries in the State, selecting suitable location for "growth Centres" and industrial estates, advise on the 'cluster' of units for each growth centre, periodical collection, tabulation and analysis of production data, publication of a directory of small scale industries, etc. The State Cell will work in close collaboration with the Central Cell in the CSIO.

(12) The SISIs have been conducting intensive development campaigns or group industrial extension service in various districts to bring to the notice of local entrepreneurs industrial possibilities of their district, help them on-the-spot in filling hire purchase applications and advising about financial, marketing and other types of assistance available to them. In the campaigns conducted during the last three years emphasis was being laid on the industries which could be started on the basis of indigenous, non-scarce raw materials. These campaigns stimulate local entrepreneurship and bring out local capital. We suggest that these campaigns might be revived and conducted in large numbers so that by the end of the fourth Five Year Plan almost all the districts of the country would be covered.

(13) We have repeatedly mentioned about the lack of adequate statistical data both at the Centre and at the State levels. The suggested Planning and Statistical Division will have to draw up suitable plans to secure regular flow of operational data on various aspects of small industries. At the Centre a machine tabulation unit may be established to process the data. The State Directorates and SISIs should have adequate facilities to index/keep up-to-date information about individual small scale units.

The sources of information on the small scale sector are :—

1. The Annual Survey of Industries.

- (a) The census sector of the ASI 1961 included 8930 registered factories of which 5635 were small scale units.
- (b) The sample sector of ASI, 1961 included 33,970 factories. These were all small units but the coverage being on a sample basis, reliable data is not available even statewide, for all industry groups.

2. The non-factory, non-household sector, industrial establishments employing nine persons or less but not "household" enterprises come into this category. No reliable data, even at the State level is available for this sector. A few NSS reports contain information about the "household" and "non-household" sectors, at the State level but since "household" sector enterprises do not ordinarily come under the small scale sector the information is not useful for our purpose.

3. *Ad hoc* surveys by various bodies including the CSIO throw up data on certain small industries for certain periods. However, the data is neither comprehensive nor collected on a uniform, regular basis.

4. Operational data collected by Directorates of Industries while issuing essentiality certificates, etc., remains mostly untabulated.

The position being thus unsatisfactory, we suggest the following for implementation during the fourth Plan period :—

1. The ASI, census sector should be gradually extended to cover all registered factories.

2. The non-household, non-factory sector should be covered by an annual sample survey, the design of which permits the presentation of reliable results at the State level, initially.

3. The operational data collected by State Directorates during their day to day working should be systematically tabulated and analysed at the State level, the whole work being coordinated by CSIO which can undertake All India analysis.

(14) We have already mentioned about the need to review the publications work at the CSIO. The publications work at the State level will also have to be considerably augmented. We feel that the present Bulletin of Small Industries is so small that it cannot really make any impact especially under the changing conditions. We suggest that it might be converted into a priced monthly and its size considerably increased so as to contain technical, economic and management information of use of small industrialists. A similar monthly Bulletin may also be published in Hindi. The present "model schemes" will have to be re-modelled so as to give all basic information about the economies of production, the process of production, the machinery requirements etc., in greater details. Technical Bulletins might be converted more or less into technical information sheets covering one or two important points from the workers' point of view so that they might become popular among workers in the small industries.

(15) The Industrial Extension Service is now rendered free of charge. There has been a complaint from the side of small industrialists about the inadequacy of the service while the extension workers feel that the technical advice is not implemented because it was rendered free. Similar services are charged for in almost all the advanced countries. We suggest that a beginning might be made in this direction in this country also. To start with, the following types of services might be charged a nominal fee:—

1. Preparation of sketch schemes on the lines of model schemes at the request of parties.
2. Preparation of detailed working schemes with sketches, drawings, sequences of operations, specifications of machinery & other working details.
3. Preparation of specific manufacturing projects and rendering technical services in implementation of the project (This is more or less like collaboration with the unit for some time).
4. Designing of jigs, fixtures, tools etc.
5. Making lay-out of factories and consultation in the matter of setting up of workshops, from time to time.
6. Exclusive use of designs prepared by the Industrial Design Cell.
7. Integrated plant study of the unit (management consultancy service).
8. Specialized economic information requiring region-wise or All-India enquiry.
9. Distribution Aid Surveys carried out for a particular manufacturer.

In the beginning these services might be charged in metropolitan and urban areas (say towns with a population exceeding 5 lakhs). It might be later extended to other areas.

APPENDIX 8.1
New Extension Centres

Name of the Centre	State	Trades
1	2	3
1961-62		
1. SISI, Srinagar	J. & K.	General Engineering, carpentry and leather.
2. Extension Centre, North Topsia, Calcutta.	West Bengal	Chrome Tanning.
3. Extension Centre, Malda	West Bengal	Carpentry & Smithy.
4. Extension Centre, Alleppy	Kerala	General Engineering.
5. Extension Centre, Varanasi.	Uttar Pradesh	Do.
1962-63		
1. Extension Centre, Nadiad	Gujarat	Tool Room.
2. SISI, Patna	Bihar	Machine shop and Chemical Laboratory.
3. Extension Centre, Dhanbad.	Bihar	General Engineering and Electroplating.
4. Extension Centre, Ranchi	Bihar	Footwear & Leather Goods.
5. SISI, Gauhati	Assam	Heat Treatment, Forge Shop, Testing Laboratories.
6. Extension Centre, Muzaflarpur.	Bihar	General Engineering and Electroplating.
7. Extension Centre, Tinsukia.	Assam	Machine Shop, Heat Treatment, Blacksmithy and Electroplating.

1	2	3
8. SISI, Jaipur . . .	Rajasthan	Machine-shop and Tool Room.
9. Extension Centre, Jodhpur	Rajasthan	Footwear Section.
10. Extension Centre Savarkundla.	Gujarat	Forging and Blacksmithy.
1963-64		
1. Extension Centre, Perundurai.	Madras	Carpentry and Blacksmithy.
2. Extension Centre, Jorhat .	Assam	Machine-shop, Heat Treatment and Blacksmithy.
3. S I S I., Jaipur . . .	Rajasthan	Laboratory facilities, Chemical Testing and Analysis.
4. Extension Centre, Jodhpur	Rajasthan	Machine shop and Heat Treatment.
5. Extension Centre, Meerut	Uttar Pradesh	Sports goods.
6. Extension Centre, Ferozabad.	Uttar Pradesh	Laboratory
7. CFTC Agra . . .	Uttar Pradesh	Footwear.
8. Extension Centre, Udaipur	Rajasthan	Machine shop and Electroplating.
9. Extension Centre, Bonhoogly.	West Bengal	Ceramics
10. Extension Centre, Kotah .	Rajasthan	Machine shop.
11. Extension Centre, Nawadwip.	West Bengal	Brass and Bell Metal
1964-65		
1. Extension Centre, Ambala	Punjab	Tool Room.

The tool room at the Extension Centre, Ambala set up for the benefit of scientific instrument industry started functioning in October 1964.

APPENDIX 8.2

1. Branch Institute, Hubli . Forging, Heat Treatment and Machine-shop.
 2. SISI, Madras . . . Analytical & Demonstration Laboratories for the Chemical and Electroplating Section.
 3. SISI, Hyderabad . . . Laboratories for Chemical testing, sand and metal testing and Testing Unit for ceramics.
 4. Extension Centre, Coimbatore, . Testing Laboratory for Electric Meters.
 5. SISI, Bangalore . . . Machine shop and Tool Room, Heat Treatment, Chemical and Mechanical Testing Laboratory.
 6. SISI, New Delhi . . . Lense Grinding Unit.
 7. SISI, New Delhi . . . Tool Room, Forging and Welding, Chemical and Equipment Testing Facilities.
 8. SISI, Kanpur . . . Mechanical Workshop, Tool Room.
 9. SISI, Indore . . . Heat Treatment shop with forging facilities, Workshop and Laboratory.
 10. Extension Centre, Dima-pur, Nagaland. Mechanical Engineering.
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APPENDIX 8.3

PROPOSAL FOR ESTABLISHING SMALL INDUSTRY TECHNICAL INFORMATION AND COMMUNICATION INSTITUTE UNDER THE CENTRAL SMALL INDUSTRIES ORGANISATION

It is now a decade since the Central Small Industries Organisation is engaged in Industrial Extension Work for promotion and development of small industries. One of the important aspects of this work has been technical assistance rendered to small scale units throughout the country for improving the quality of their products. As a result of this programme and the general industrialisation in the country during last 10 years the small scale industries have developed to a point where more sophisticated and complex technology has to be introduced. The small industries will have now to make positive efforts for introduction of new type of consumer goods by adopting modern designs and processes, to go into the manufacture of some of the products which are still being imported and to undertake aggressive utilisation of indigenous raw materials.

Industrial Extension Service of the Central Small Industries Organisation is essentially a free consulting service to the small industry in India. No consulting service can work effectively and satisfactorily without availing itself of the readily available technical background material pertaining to the problems in hand. It is equally or even more important to anticipate the future needs of the small industry in fields of technological advance. A greater number of technically trained people who can take advantage of the technical information ready at hand are also entering industry and Industry is also keen to obtain technical information which it can directly utilise.

The results of vast amount of research and development work carried in Science and Technology are added as fresh knowledge to the common pool by publishing articles or papers in scientific or technical periodicals or disclosing them in the form of patents. Now it has been stated on good authority that over the whole field of Science and Technology at least 20,000 different journals of professional standing are published containing altogether about 1,000,000 useful papers per year. To this we may add the contents of 4,000,000 patent specifications taken out in U.K., Germany, U.S.A. and Japan

which constitute a fruitful source of information for small industries.

In this competitive world of Science and Technology, industry needs factual information for studying the possibilities of new techniques, new processes and their application in improving the quality and design of industrial and consumer products, reducing their cost and increasing their attractiveness to the potential users.

To quote Lord Waverly:—

“In order to maintain our export markets, British products must embody more skill and ingenuity in design, greater originality in conception than their competitors. No amount of wise management, conscientious craftsmanship or good salesmanship can produce *the Brain Content* of a product ; it requires constant vigilance of a skilled mind, currently informed of the latest developments in and around the products in question. *It is, therefore, incumbent on all of us to see that knowledge is mobilised and readily made available for application in every industry, for even the most traditional industries are changing day by day.*”

(Lord Waverley, Back-room Brains—‘Sunday Times’, London, November 15, 1953.)

On great majority of technical and industrial problems and processes, there exist detailed published descriptions of present day practice and knowledge. This information is freely available to all those who can use it. The results of experimental work costing thousands of pounds can be bought for a few pence or shillings or quite frequently obtained free of cost. All this technical know-how supplemented by the experience of the technical officers of the Industrial Extension Service can be brought to bear upon to improve, modernize and streamline small industry by organising a properly equipped and staffed technical information and communication Institute for small industry.

Technical information as a specialised activity with its own methods, techniques and equipment has been forced on the scientific and technical world of the industrialised countries by tremendous growth and ramifications of technical knowledge. Its magnitude may be judged from the fact that more than 10% of vast expenditure on research and development in U.S.A. is spent on Information Services. If more

advanced countries like U.S.S.R., Germany, U.S.A. and Japan are utilising technical information services for the advancement of industry, India can hardly afford to do without a centralised Technical Information Service if it has to place its small industries on firm technical basis.

To give Industrial Extension Service and small industries the right collection of significant material, the proposed Small Industry Technical Information and Communication Institute must perform two vital functions with a competence that would justify general acceptance by users. The first would be to establish lines of communication between the sources of materials and the users. The other would be to weigh a wide variety of material for its significance and in that process some will be selected for further processing, some may be given less detailed control and the remainder rejected as non-essential. Both steps are expensive because they cannot be done in haste and the experienced judgement, required for selection and indexing, must be applied by persons with education and experience that can qualify them as members of the Industrial Extension Service.

SITIC Institute would facilitate flow of knowledge and information from :—

- (a) Specialised technical personnel in CSIO.
- (b) National Laboratories, Research Institutes, Large Scale Industry and Consultants in India.
- (c) Similar sources abroad.

The emphasis of the Institute would be on the flow and transmission of technologically useful information from the sources to Industrial Extension Officers and small industry, rather than on mere storage of such information.

The three planks on which service of the proposed Institute would be based are:—

1. Continuous and comprehensive collection of technical literature for use of small industry.
2. Selection, assessment, classification and indexing of the data so that it can be adopted to solve current problems and future needs of small industry development.
3. Dissemination of selected technical material and data to the Industrial Extension Service and small industry.

Functions of the SITIC Institute :

The functions of the SITIC Institute would be as follows:—

1. To search, locate, collect, assess and disseminate technical literature for use of small industry.
2. To keep upto date and well-briefed the technical officers in the Extension Service by bringing to their notice prepared lists, index cards or digests of new ideas, new products, processes and other suitable material.
3. To run a photo copy service for supplying copies of technical articles, patents, designs etc.
4. To prepare an active list of specialists in various industrial fields who can be utilised as consultants for benefit of small industry.
5. To establish Liaison with National Laboratories, Research Institutes, Large Scale Industry etc., for collection and dissemination of the results of research carried out for the benefit of small industry.
6. To run a technical reference service and to procure copies of technical literature available anywhere abroad.
7. To prepare comprehensive list of technical articles and patents bearing on existing and prospective industries, processes etc., and to maintain properly indexed micro-film library of original articles and patents ready for reproduction as photo-copies for the use of the Extension Service and small industries.
8. To prepare and supply lists of technical books relating to particular industries and advise small industries regarding technical literature.
9. To collect and maintain a modern library of books on technical aspects of small industry.
10. To collect and maintain current and back volumes of technical periodicals useful for small industry.
11. To procure and maintain a collection of select patent-specifications from industrially advanced countries for the use of small industry.
12. To impart training in the use of technical literature to the Industrial Extension Service and small industry personnel.

*Financial Requirements for Establishing Small Industry
Technical Information and Communication Institute*

CAPITAL EXPENDITURE

Land:

	Rs.
10,000 sq. yds. @Rs. 30 per sq. yd.	3,00,000

Building:

Building for Technical Books, Periodicals, and Patents collection, Photocopying and Reproduction Work, Technical staff and Administration and Meeting and Exhibition Hall. About 60,000 sq. ft. built up area @Rs. 25 per sq. ft.	15,00,000
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Library :

1. About 10,000 standard technical Books @Rs. 50 each	5,00,000
2. Back volumes of about 200 Technical periodicals for twenty years run of each periodical @Rs. 2000 each set	4,00,000
*3. Selected Patent Specifications from U. K., U. S. A., Germany, Japan etc. about 100,000 specifications. @Rs. 2 each	2,00,000
4. Microfilms of German and Japanese Industrial data Released by O. T. S. Department of Commerce, U. S. A. @Rs. 60 each reel.	60,000

Equipment :

1. Photographic Equipment for Microfilming & Photocopying	60,000
2. Rotaprint equipment for printing	40,000

Furniture :

Library steel Shelving, Steel furniture for library and staff, Office Equipment	1,00,000
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Rs. 31,60,000

Recurring expenditure per year :

Rs.

1. A. Pay and allowances of Technical Officers (Gazetted) One Director, Two Deputy Directors, Five Assistant Directors (Grade I).	70,000
B. Pay and Allowances of Junior Technical Staff Twelve JFOs and Twenty Technical Assistants	1,10,000
C. Administrative Establishment One Supdt. One Accountant, Four Stenographers, Four U. D. C.s, Four L. D. C.s, Two Daftaries, Five Peons, Two watchmen.	45,000
D. Touring Expenditure	30,000
2. Collection, preparation and distribution of microfilms on various schemes, industries and specific enquiries and distributing them to Service Institutes, Extension Centres, and Industries. It is assumed that about 1,00,000 pages would be distributed per year @Re. 1 per 5 pages of microfilms	20,000
3. Distribution of photocopies of products, processes from technical literature on different industries to Service Institutes, Branch Institutes and industries. It is assumed that about 1,00,000 pages of photo copies would be distributed each year. Expense to be incurred per page is assumed to be Re.0.50 per page of photo copy.	50,000
4. Publication, Printing and Distribution of technical indices and digests. It is assumed that 2,000 copies would be distributed per month. Average size of publication would be 32 pages and cost of each assumed to be Re.0.50	12,000
5. Purchase of new technical books as additions to the technical library. It is assumed that about 500 books would be added each year @Re.0.50 per book	25,000
Subscription of technical periodicals. The library would be subscribing about 200 technical and industrial periodicals @ Rs. 50 per periodical per year	10,000
7. Purchasing of new patents as they are issued out. About 5,000 new patents specifications would be purchased each year @ Rs.2 per patent	10,000

8. Binding of technical periodicals volumes (2,000 per year) and 5,000 patents per year	Rs. 25,000
9. Card Indices of books, periodicals and new microfilms for distribution to Service Institutes and industry about 1,00,000 would be distributed per year @Re. 1 per 10 cards	10,000
10. Postage, stationery, electricity, hot and cold weather arrangements etc.	20,000
11. Contingencies	20,000
Total recurring expenditure	<hr/> 4,57,000

SUMMARY OF FINANCIAL OUTLAY

Non-Recurring Expenditure :

	Rs.
1. Land & Building	18,00,000
2. Technical books, periodicals back volumes, patent-specifications and microfilms.	11,60,000
3. Photographic and printing equipment, furniture and Office Equipment	2,00,000
	<hr/> 31,60,000

Recurring Expenditure per year :

1. Pay, Allowances and touring expenses of staff.	2,55,000
2. Collection, distribution of microfilms, photo copies, publications, purchase of books, patents and periodicals and other Misc. expenditure	2,02,000
	<hr/> 4,57,000

Implementation : It is envisaged that the full-fledged Small Industry Technical Information and Communication Institute would be established during the first two years of the fourth Five Year Plan. However, a beginning can be made by creating a cell in the Headquarters Office of the Central Small Industries Organisation. The cell should consist of a Director, Two Deputy Directors and two or three Assistant Directors with some stenographic and clerical assistance. The cell should establish contact with other Organisations in Delhi area and start work of collection of relevant material with facilities already existing. In the beginning full advantage of the existing physical facilities such as library collections and photocopying equipment available with other organisations should be availed of.

A detailed study of the requirements of the Industrial Extension Service regarding technical information should be undertaken. The staff should also be trained in the methods of information collection and dissemination. Simultaneously, details of technical literature collection and equipment requirements for the full-fledged Institute should be worked out.

Two or three Officers may be deputed abroad to study the method of Information collection and dissemination as practised for the benefit of small industries. Training in the following Institutes is suggested.

1. Norwegian Institute of Technical Information, Oslo (Norway).
2. Technological Institute, Copenhagen (Denmark).
3. Netherlands Technical Consulting Services, the Hague (Netherlands).

In order to expedite this programme, it may be worthwhile to post 3 or 4 officers in our High Commission in U.K. or the Embassy at Washington whose duties would be to collect relevant technical information for application to small industry and transmit directly to CSIO. With the excellent technical literature collection available in London and Washington and also the possibilities of obtaining industrial products, catalogues and other current industrial literature, a vigorous programme in this direction would yield quick results.

APPENDIX 8.4

Existing Strength of Offices in the CSIO

Section	Director	Industrial Designer	Asstt. Ind. Designer	Deputy Director	Assistant Director (Grade I)	Assistant Director (Grade II)	Junior Field Officer	Investigator	Asstt. Editor
1	2	3	4	5	6	7	8	9	10
I Engineering Division	12	..	..	..	..	..	..	..	..
(a) Mechanical Section	23	50	19	88	59	..
(b) Electrical Section	4	6	4	16	8	..
(c) Metallurgical Section	8	15	5	16	4	..
(d) Hosiery Section	1	..	..	2	3	..
(e) Civil Engg. Section	4	..	..	10	13	..
(f) Cane Making Section	1	..	..
(g) Tailoring Section.	1	..	..
II Non-Engineering(Tech) Dn.	5	..	..	..	..	..	..	..	..
(a) Chemical Section	9	15	6	18	7	..
(b) Leather/Footwear Sec.	7	22	4	25	9	..
(c) Glass/Ceramines Sec.	3	9	1	15	11	..
(d) Metal Finishing Sec.	1	1	2	5	5	..
(e) Fruit Preservation Sec.	2	1	..	..	..

	1	2	3	4	5	6	7	8	9	10
III Economic Investigation & Statistical Division		1	..	..	..	..	..	..	..	..
(a) Economic Inv. Sec.		10	16	4	85	26	..
(b) Statistical Section		1	1	..	..	..	..
IV Industrial Management & Training Division		1	..	..	6	22	5	39	..	..
(a) Industrial Design Division		..	2	7	..	..	..	..	1	..
(b) Publicity Division		2
GRAND TOTAL		19	2	7	77	159	51	321	146	2

CHAPTER IX

TRAINING

9.1. It has been recognised that training to improve and upgrade the skills of workers and managerial personnel in the small scale sector is as important as supply of adequate finance, technical assistance and similar other assistance programmes. Suitable programmes have accordingly been drawn for various types of training.

9.2. The training programme of the Central Small Industries Organisation commenced with Business Management Training classes for small industrialists. The Small Scale Industries Board at its meeting in September, 1956 suggested that evening classes may be conducted in business management for the benefit of small industrialists and their supervisory personnel. These courses were initially started at the four Small Industries Service Institutes at Bombay, Calcutta, Delhi and Madras towards the end of 1956 and beginning of 1957. The courses were later started in other States also. Simultaneously, as Extension Centres and workshops were established, facilities were utilised for imparting technical training to workers. At about the same time, at the request of the Ministry of Community Development, training of Block Level Extension Officers (Industries) was also undertaken.

9.3. The training programmes gradually developed and became popular. In course of time, the syllabi, the duration, the method of training etc., for the various courses were standardized. It may be said that this process was completed by about the commencement of the third Five Year Plan and since then the quality of training is being continuously improved. The popularity of the courses is evidenced by the increase in the number of persons trained year after year. A statement showing the number of persons trained during the last three years in each of the courses is given in Appendix 9.1.

9.4. The training courses now conducted by the Central Small Industries Organisation may broadly be classified as below:—

(1) Technical Training

9.4.1. Technical training is given to workers in small

scale units who did not have an opportunity to have formal industrial training at an ITI or similar other recognised centre. It is now available in trades like machine shop practice, heat treatment, tool and die making, leather foot-wear and allied goods, tanning, electroplating, carpentry and furniture making, foundry shop practice, blacksmithy and forge shop practice, welding, turning and fitting, tool room practice, thermometer manufacture, glass blowing, blue print reading etc.

(2) Management Courses

9.4.2. Training in industrial management (originally called business management) is now offered through the following courses:—

- (a) Management appreciation courses.
- (b) Specialised courses in such subjects as production management, marketing and financial management and cost accounting, and
- (c) *Ad hoc* intensive courses on subjects like inspection and quality control, work study, export marketing, etc.

9.5. The appreciation courses which replaced the earlier management courses of five months' duration aim at giving a broad idea of the various aspects of management to proprietors and managers of small scale industrial units. A few basic tools and techniques of planning, co-ordination and motivation as applicable to industrial management are dealt with in these courses. The subjects covered include principles and practice of management, production management, productivity, financial and cost accounting, cost analysis, budgetary control, purchasing, store keeping and inventory control, distribution management, advertising and publicity, personnel management and important industrial laws.

9.6. The specialised courses are intended to give a more intensive coverage of the three basic fields of management, *viz.*, production management, marketing and financial management and cost accounting to those who have already had the benefit of the appreciation course and have shown interest in implementing the basic tools and techniques imparted through those courses.

9.7. The appreciation course is conducted in the evenings over a period of 3 months of 80 lecture hours supported by plant visits. The specialised courses are spread over six weeks in the evenings consisting of 50 lectures supported by plant visits. The *ad hoc* courses on specific techniques like inspection, quality control, cost control, product development etc., are conducted as and when there is a demand for a course. The contents and duration of the courses etc., are drawn up to suit the requirements in each case. The services of guest speakers are availed of in all the courses. Training aids like blackboards, charts, diagrams, posters, case studies, group discussions, etc., are liberally used to make the courses lively and to stimulate the trainees to exchange their experiences.

9.8. At the request of the State Governments and local authorities, training in industrial management is also given to officers engaged or likely to be engaged in managerial duties in workshops, common facility centres, transport units, small scale units, etc., run by the State Governments. These courses are organised on an *ad hoc* basis, the syllabus being drawn up specially to suit the needs of the participating officers.

Extension Officers (Industries) Training

9.9. Till recently, the SISIs at New Delhi, Calcutta, Madras and Ahmedabad were conducting specialised training course for Extension Officers (Industries). The training course, formulated in consultation with the Ministry of Community Development and Khadi and Village Industries Commission included brief history of industrial development in India, industrial policy, programmes of development for small industries, Community Development Programme, economic surveys and investigation for assessing the resources and demand in an area with a view to suggesting industries, principles and practices of management, financial accounting, cost accounting, marketing etc. The Extension Officers studied and analyzed at least 10-15 small industries suitable for rural areas and made schemes for their management. They were given a general re-orientation covering the technologies of production.

9.10. Over 3,700 Block Level Industries Officers have been trained since the inception of the scheme. Nearly 300 officers attended refresher courses conducted by the four

Institutes. The scheme has recently been taken over by the Ministry of Industry and Supply who are now conducting integrated training for Extension Officers (Industries).

REVIEW AND SUGGESTIONS

9.11. (1) The technical training programme of the CSIO is designed specially to meet the needs of small industry workers who have had no opportunity to acquire formal industrial training. We support this idea and suggest that more intensive efforts should be made to continuously upgrade the skills of this category of persons to whom no other organisation caters. Training courses of an advanced nature should be designed for the benefit of those who have undergone first stage courses now conducted, so that workers in small industries will have an opportunity to further upgrade their skills.

The CSIO might concentrate on this advanced training at its Institutes. The elementary type of training now imparted in the Extension Centres and Institutes and in Common Facility Centres by State Governments might become the responsibility of the State Governments. The present training capacities in the various technical trades as detailed above is now about 3,000 persons per annum in CSIO alone. The State Governments also have similar facilities though the number of persons trained or the training capacities are not definitely known. We feel that the available facilities will have to be doubled.

(2) Training of supervisors/foremen/chargemen working in small scale units has not yet received the attention it deserves. These people, it need hardly be emphasised, have an important role in increasing the efficiency and improving productivity in small scale units. Suitable training programmes should be drawn up for this class of persons.

(3) The common facility schemes (service schemes) run by the various State Governments and the rural workshops run under the auspices of the Community Development Ministry have also been training workers in small industries. We find that there is no proper liaison between these and the CSIO. The training courses, syllabi, duration, training

methods, etc., in these institutions have to be standardized as in the case of CSIO. We suggest that this responsibility should also be taken up by the CSIO as a co-ordinating agency.

(4) The trainers in the various technical trades are officers engaged in the routine industrial extension work of SISIs. They do not often have the skills required for trainers. We suggest that these officers should be given specialized training as trainers. Suitable training aids should also be provided to them.

(5) In implementing the technical training programme two problems are faced: (i) the low stipend (usually Rs. 40 per month) is not attractive to workers who were earning much higher monthly wages, and (ii) the entrepreneurs were not willing to depute their workers either for fear of losing them or by sheer indifference. We feel that Small Industrialists' Associations and the FASII should convince and persuade their members to depute their workers for the training and continue to pay them at least half their wages while on training. The CSIO may, where necessary, conduct the training for half a day on alternate days so as to permit trainees to continue to work while learning. The rate of stipend may also be varied to meet the different situation.

(6) The quality and content of the management training imparted by the CSIO has been continuously improving. But these courses can still further be improved and made practice-oriented. Towards this end, it is necessary to stimulate the active involvement of the trainees in organising and running these courses. Group discussions and seminars would help in better exchange of experience between the trainees and bring forth the practical problem faced by them. Class room lectures should gradually give way to group discussions as a method of training. Short period seminars of the durations of one or two days might also be organized to discuss specific management problems.

(7) The appreciation course and specialized courses in management, no doubt, introduce the small industrialists to better and modern management practices. The utility of these courses would be limited if the suggested techniques are not implemented by the participants. The co-operation of small

industry associations should be enlisted to persuade their members to implement modern practices like production and quality control, cost accounting, book-keeping etc.

(8) The use of the 'open house' as a forum for discussion both in technical and managerial aspects of small industries should be fully exploited.

(9) The trainers both in technical trades and in management should have an opportunity to study the methods and practices obtaining in large scale units with a view to their adaptation to small scale units. Short-term deputation of these officers to large scale units will be highly beneficial.

(10) The technical and managerial personnel operating the Industrial Extension Service should have full opportunities to keep themselves up-to-date in their subjects. They should be encouraged to participate in seminars and training courses in their respective trades within the country and abroad. The opportunities available in this regard will at least have to be doubled immediately.

SMALL INDUSTRY EXTENSION TRAINING INSTITUTE

9.12. The Small Industry Extension Training Institute, Hyderabad, is now a Government of India society. It was started as a regular Government department under the name "Central Industrial Extension Training Institute" in 1961. It was set up to train industrial extension personnel employed by government agencies and owners and managers of private sector small enterprises, private industrial consultants and extension personnel from foreign countries. The Institute receives assistance from Ford Foundation in securing consultants for its faculty.

9.13. The Institute, at present, offers two basic training courses, both of 12 week duration—one in industrial management and another in area development.

9.14. The objective of the industrial management training course is to equip CSIO and State officers with skills and knowledge of modern management and extension techniques for improving organizational and operational efficiency of

small industrial units. The course is being expanded gradually to owners and managers of small enterprises and to management consultants. The course is intensive and action orientéd. After an intensive training of six weeks, the participants spend three weeks in making a diagnostic type of in-plant study in selected small enterprises.

The results of the study are analysed to recommend practical steps to improve productivity and bring about optimum utilisation of resources available to the owners of the plants visited.

9.15. The area development course is intended to make the CSIO and State Officers more effective in their administrative, regulatory and developmental functions, and provide them with integrated knowledge and skills required for the purpose. Like the industrial management course, it is action-oriented, the participants being taken to a selected district for a period of three weeks for learning techniques of assessing industrial potential in terms of entrepreneurial talents, local resources etc.

9.16. The SIET Institute has so far put across seven courses in industrial management and six in area development. Nearly 300 persons have so far been trained. A few trainees have already been attracted from foreign countries.

9.17. The Institute is also equipped to offer specialised courses in financial management, production management and marketing.

9.18. These SIET courses have a beneficial effect on SISI operations.

9.19. The research programme of the SIET Institute has yet to be laid out. An interesting study conducted by its faculty on the scope of industrialisation beyond metropolitan areas has attracted good deal of attention. We hope, the Institute will conduct more such studies.

9.20. The SIET Institute has thus made a good beginning but its services will have to be rapidly expanded so that it might be capable of training three to four hundred persons at a time in various aspects of management and area development by the end of the fourth Five Year Plan.

PTCs

9.21. The National Small Industries Corporation is running three Prototype Production and Training Centres at Okhla, Rajkot and Howrah with the collaboration of the Federal Republic of Germany, the U.S. AID and Japanese Government respectively. These Centres are designed to develop prototypes of machines and machine tools for the purpose of distribution to small scale units for production on a commercial basis and also to impart training to the skilled workers and executives of small industries.

9.22. The Prototype Production and Training Centres have three major functions, viz., (1) development of prototypes of machines, implements, components etc., suitable for production in small scale industrial units, especially of the type of equipment required by the Indian small scale industry, (2) practical and theoretical training of skilled workers and technicians for small industrial enterprises and SISIs and (3) rendering of common service facilities and execution of job orders covering such phases of manufacture as cannot be carried out by small scale industrial units.

Production

9.23. The PTC, Okhla has taken up the production of Weiler tool room lathe, tool and cutter grinder and horizontal milling machine. Besides, it has developed, designed and produced modern office furniture, workshop furniture, storage equipment, material handling equipment, workshop equipment and design office furniture as its secondary products. The Centre at Rajkot has produced prototypes of various machines such as pneumatic moulding machines, belt and discander, wood turning lathe etc. The Howrah Centre which came into existence in the middle of 1963 is engaged in the production of PVC Extruders, and die casting machines. As secondary items, the Centre has selected surface plates of different sizes, Swivel Base Vice and Quick Release Vice for production.

Common Facility Services

9.24. These Centres offer common facilities in various fields like carpentry, pattern making, ferrous and non-ferrous foundries, electroplating, heat treatment, material testing, sheet metal working, welding, tool room inspection and other machine shop facilities.

Training

9.25. The following table gives the figures of the trainees passed out and those under-going training (as on 1st January 1965) at the various Production-cum-Training Centres :—

	1960-61	1961-62	1962-63	1963-64	1964-65 (Till Dec.64)	Under training as on 1st Jan., '65.
Rajkot . . .	81	86	43	80	58	96
Okhla . . .	..	142	173	372	286	358
Howrah . . .	..	..	44	109	66	150
Total . . .	81	228	260	561	410	604

9.26. The PTC, OKHLA, has a training capacity of about 600 trainees of various categories per annum. The Rajkot Centre which has a training capacity of about 150 persons of various categories in different trades is now imparting training to about 100 persons. The Howrah Centre with its existing facilities can offer training to 250 trainees in different trades per annum. All the Centres have hostels for trainees. Training is offered in various trades like wood working, pattern making, electroplating, sheet metal working, welding, machine shop, tool room practice, foundry forging and heat treatment, inspection, mechanical draughtsmanship, etc. The courses are offered at various levels, viz., to freshers (a three-year course) to persons with about one year experience (two-year course) and semi-skilled persons with upto three years' experience (six month course). While the Centres admit workers from small industries, preference in these courses is given to persons with formal industrial training up to ITI level. It is suggested that these Centres set up mainly for the development of small industries should, like the CSIO training programmes give preference to persons who have had no opportunity for formal industrial training rather than working as post-ITI training Centres. As already mentioned, Small Industrialists' Associations should popularise these courses and persuade their members to depute their workers. These facilities should be utilised by small industrialists more freely.

9.27. The PTCs should concentrate on the production of prototypes of machines frequently imported into the

country ; the should also try adaptation of modern machines to increase their efficiency and to suit the conditions of our country.

9.28. In the prototype work of these Centres, there is need for closer liasion between the field units like SISIs and State Directors of Industries. The practical problems of small industries posed by these field units can be studied and investigated by the Centres with a view to evolving suitable solutions which could be given wider publicity later. These centres can also afford to experiment, construct prototypes and give field trials to their findings. These facilities should, therefore, be better used. In order to achieve this, we suggest that for each PTC, a Joint Committee of representatives of the CSIO, State Directors of Industries and NSIC should be constituted to chalk out the prototype development and research programmes.

9.29. The prototypes developed by these Centres should as far as possible be passed on to private entrepreneurs for mass production. Where this is not possible for any reason, the production work might continue to be undertaken by the PTCs themselves.

9.30. We suggest that during the fourth Five Year Plan at least six more Prototype Production Centres should be established. While two or three of these might be "General" Centres like the PTC, Okhla, others might be established for specialized industries like electronics, leather-based industries, petro-chemical-based industries, etc., which will offer wider scope for the development of small scale industries in future.

APPENDIX 9.1

Training Programme

A-MANAGEMENT COURSES	No. of persons ¹ trained during		
	1961-62	1962-63	1963-64
1. Management Courses (Long Term)	373	218	..
2. Management Courses (Short Term)	954	735	..
3. Intensive Course	79	267	..
4. I.M. Courses for State Government Officials	33	45	90
5. BLEO's Courses	610	445	355
6. Short Term Courses (<i>Ad hoc</i>) . . . .	..	..	209
7. BLEO's Refresher Courses	44	40	3
8. Specialised Courses . . . .	..	..	152
9. Management Appreciation Courses . . . .	..	..	1150
	1092	1750	1959

B-TECHNICAL COURSES

1. Blue print Reading	324	660	509
2. Machine Shop Practice	107	370	403
3. Heat Treatment . . . .	..	140	94
4. Tool & Die Making	4	51	60
5. Leather Footwear & Allied Goods	147	119	200
6. Tanning . . . .	..	56	78
7. Electroplating	123	71	97
8. Blacksmithy	40	65	130
9. Welding	21	20	86
10. Turning . . . .	..	40	77
11. Fitting . . . .	..	26	77
12. Foundry	31	36	98
13. Tool Room ² Practice . . . .	..	10	30

14. Carpentry & Furniture Making	55	49	118
15. Fruit Preservation	20	19	..
16. Scientific Glass Blowing	11	..	..
17. Peripatetic Training	313	..	..
18. Pattern Making . . . . .	..	14	..
19. Miscellaneous	195	305	543
	<hr/>		
TOTAL	1391	2051	2600
	<hr/>		
GRAND TOTAL	3483	3801	4559
	<hr/>		

CHAPTER X

MARKETING

10.1. Indian industries, generally speaking, do not find marketing a serious problem these days in view of the wide gap between demand and supply. Most of the small scale units are also in this fortunate position now and their marketing problems are not quite perceptible. However, marketing will in course of time become as important a problem as finance and production. The marketing assistance programme should be so designed as to enable small industries to face the situation as it arises. The programme should also ensure and facilitate their active participation in export promotion.

10.2. It has been recognized even at the outset that the marketing assistance that could be given to small industries can only be of an indirect nature like market research service, market information, facilitating participation in exhibitions etc. The Central Small Industries Organisation, as part of its Industrial Extension Service, undertakes market research for small industries in general and for individual entrepreneurs in particular. Marketing information is also supplied to entrepreneurs who seek it. The variety and volume of these services have already been described in Chapter VIII.

10.3. The National Small Industries Corporation has been giving valuable marketing assistance to small industries. This assistance has taken various forms and has been under continuous review and reorientation. The NSIC has also been assisting small scale units in participating in Govt. Stores Purchase Programme.

NSIC : Export Marketing

10.4. The NSIC started its marketing programme with the export of shoes first to USSR and later to other East European countries. The Corporation entered into this trade towards the end of 1956 when an order for supply of 2.5 lakh pairs of shoes was secured from USSR. Since then 15.68 lakhs pairs of shoes valued at approximately Rs. 4.29 crores have been exported to USSR, Poland, G.D.R., Bulgaria and

Hungary. During 1963-64, approximately 2.75 lakh pairs of shoes were shipped to foreign countries valuing in aggregate Rs. 78.38 lakhs.

NSIC : Domestic Marketing

(a) Van Operations

10.5. At the suggestion of a Ford Foundation expert, the NSIC commenced in May, 1956, the operation of mobile vans which it was felt would telescope the functions of wholesaling, physical movement and retailing into a single operation. Besides, the van operations could be an instrument of marketing research and publicity for small industry products. The programme was taken up in all the regions of the country and various items like stainless steel utensils, plastic goods, ready made garments, toys etc., were taken up for sales promotion. The van operations were discontinued in April, 1959 since it was felt that efforts should be concentrated on creating direct contact between producers and whole salers/retailers. Accordingly, an intensive sales promotion scheme was initiated in May, 1959 in respect of leather footwear, cotton hosiery and paints and varnishes. Shortly afterwards the Corporation decided to commence an effective marketing programme at a lesser expense and experimented with a pilot scheme in Delhi. The objective of this scheme was (1) to establish new retail outlets for small industry products, (2) to increase sales volume of each products, (3) to collect and report market reaction to the products, and (4) to bring the manufacturers and retailers into direct, closer contacts. This programme visualized the Corporation salesmen going round the markets with free samples given by manufacturers and book orders on their behalf. The salesmen were to report the market reaction on quality and price of the products. They were also to note about reliable dealers whom they could recommend to suppliers for appointment as selling agents. Certain products like electrical appliances, electrical toasters, polishes, cutlery and fountain pens were selected. This programme was later given up and the work of collecting marketing reactions to the products and bringing the manufacturers and retailers into direct, closer contact was transferred to the Office of the Development Commissioner.

(b) Whole Sale Depots

10.5.1. The Corporation set up 6 wholesale depots at different places where there was concentration of particular in-

dustries with a view to encouraging standardization of certain products and promotion of sales by using a common brand name (Jansevak). These were (1) Footwear Depot at Agra, (2) Pottery Depot at Khurja, (3) Locks Depot at Aligarh, (4) Cotton Hosiery Depot at Calcutta, (5) Paints Depot at Bombay, (6) Glass Beads Depot at Renigunta. After rendering the primary service, the depots were closed down progressively by the year 1960 excepting those at Agra and Khurja. These two have also since been closed.

(c) Machine Tool Sales

10.5.2. In 1962-63, the Corporation opened a separate section to market the machine tools produced by Prototype Production and Training Centres and the Government Production Centres at Ettumanur and Tiruvalla. This Division is concerned with the marketing of the tool room lathe produced at the PTC, Okhla, electric motors manufactured at Tiruvalla and such other products. During the year 1963-64, machine tools and motors worth about Rs. 20 lakhs have been sold through this Division.

(d) Supply of Raw Material

10.5.3. The Corporation has also been experimenting in various ways to supply raw material to small scale units. Under this scheme, a raw material depot was established at Ludhiana in April 1958 to supply iron and steel items to small scale units. It was, handed over to the State Small Industries Corporation in April, 1963 and during this period it had a turnover of about Rs. 1 crore.

10.5.4. The Corporation was also importing and distributing cycle components and knitting needles to small scale units. An attempt was also made to supply brass scrap procured from ordnance factories to small scale units.

10.5.5. The Corporation is currently an agent of M/s. Bharat Electronics for sale of radio valves and transistors to small scale units. Under this scheme, radio valves and transistors valued at Rs. 23 lakhs were supplied to small scale units so far. Recently, the Corporation has entered into an agreement with the NPL for distribution of ferrite components which were mostly required by radio manufacturers.

(e) Direct retailing

10.5.6. The NSIC has also experimented with direct sales to consumers through retail shops like Liliput in Madras and the Prestige Leather Footwear shop in New Delhi. It may, thus, be said that various methods of direct marketing assistance to small industries have been tried with varying degrees of success.

10.5.7. The NSIC is rendering valuable service by participation in industrial exhibitions in the country and abroad and giving publicity to small industry products. During the third Five Year Plan, the Corporation participated in various international exhibitions, trade fairs etc., such as Leipzig Fair, the Damascus Fair, Lagos Fair, the Seattle Fair, the Moscow Exhibition and the Berlin Exhibition.

Quality Marking : an aid to Marketing

10.6. The quality marking scheme is intended to help the small scale units in testing and quality control of their products. Under this scheme, the manufacturers are provided free testing facilities, technical guidance, manufacturing data, design and specifications. The products manufactured according to the standards and specifications laid down under the schemes are "quality marked" by affixing the "Quality Marking Seal". Quality Marking Centres are being operated by State Governments as a common facility service to small scale industrial units. The scheme was started during the second Five Year Plan and has made substantial progress.

10.7. The scheme is operated on a voluntary basis. Small industrialists can become members of the scheme by getting their products approved as per the specifications laid down by the Quality Marking Centres and executing an indemnity bond and deposit the requisite amount of security against misuse of quality marking seal. The approved products of the manufacturers are "quality marked" under the supervision of the technical staff of the Centres after inspection/testing through random sampling of the products.

10.8. "Quality Marking Seal" is a standard certification mark of the State Government which could be used under the authorization of the Directors of Industries through the Quality Marking Centres.

10.9. The inspection of products to be quality marked is carried out by the technical staff of the Quality Marking Centres either in the premises of the member-unit or in the Quality Marking Centre, according to circumstances. The goods to be quality marked must conform to approved samples in design, construction and other manufacturing details and should also be in accordance with the specifications of the materials and accuracy prescribed by the Quality Marking Centres. The specifications followed by the Centres are the ISI Standards. Where no standards have been prepared by the ISI, the Quality Marking Centres prepare their own specifications in consultation with the manufacturers and with the help of advisory committees constituted for the purpose.

SUGGESTIONS

10.10. (1) As has already been mentioned the experience of the NSIC proves that marketing assistance to small industries is best rendered through indirect channels like participation in exhibitions, market research, market information service and market guidance including other forms of assistance as may be required in particular instances. These will have to be continued and intensified. The State Governments should subsidize the participation of small industrialists, through their associations, in industrial exhibitions in the country. Similarly, the NSIC can participate in international exhibitions.

(2) The FASII is bringing out a valuable directory of small industries. Many State Governments have also brought out directories of Small industries in their States. We suggest that this work should continue. At the national level, the FASII should continue to publish the directory periodically. Its contents could be improved as experience is gained.

(3) The Quality Marking system has proved useful. We suggest that it might be further extended so as to cover all products intended for export, all producer goods and sophisticated consumer goods.

(4) The Quality Marking Scheme is to be implemented by the State Governments. The CSIO should, however co-ordinate the working of the scheme in the different States so as to ensure uniformity in standards between the different

States. It should also ensure close working relations between the Indian Standards Institution and the Quality Marking Centres operated by the State Governments.

(5) Where ISI Standards are not already drawn up for a product, the CSIO could take a lead in drawing up suitable standards for the guidance of Quality Marking Centres. Where necessary, reasonable sub-standards of a product may be permitted by suitable endorsements on the Quality Marking Seal. For instance, the grades may be designated as 'A', 'B', 'C' etc., in the case of these products. It is, however, necessary to ensure that the system does not give rise to confusion in the minds of the buyers.

(6) While Quality Marking on the basis of sample test checks might be useful in the case of some products, in case of others a hundred per cent inspection might be required. The CSIO should examine the list of products being quality marked and lay down suitable sampling percentages for the guidance of the States.

(7) The State Governments may charge a nominal fee for the quality marking service wherever possible.

(8) While the Quality Marking Scheme will continue to be operated, it is advisable to encourage small scale units, wherever they are in a position to do so, to become members of the Indian Standards Institution and get the ISI Mark. The ISI may constitute a separate Small Industry Wing to study the problems of standardization in small scale industries. This Wing will work in close liaison with the CSIO and the State Governments and help in achieving uniformity in the Quality Standards of different States.

(9) The Small Industry Corporations might publish suitable bulletins for supplying marketing information to small industrialists and their customers.

(10) The NSIC regularly purchases machines for supply to small scale units on hire purchase basis. We suggest that small scale units should be encouraged to manufacture the required machines wherever possible. The hire purchase scheme could, thus, help in the sale of the products of small scale units.

(11) It has been brought to our notice that the "Trade Centres" operated by local bodies in various prefectures in Japan are rendering useful work. We suggest that similar Trade Centres should be organized by the State Governments through the State Small Industries Corporations or local bodies starting with the metropolitan towns. Trade Centres, it is known, exhibit the products of local small industries for the convenience of prospective buyers. Full technical details of the products together with terms of business are displayed so that the intending buyers might judge about the suitability of the products before contacting the manufacturers. The Trade Centre will serve as an exhibition of the products of local small scale units. A separate section in the Centre can also house the products of small scale units in other States in the country and, where possible, in other countries of the world so that it would give the small industrialist also an idea of the items that they could take up. Place can be found in the Centre for exhibiting items required by Defence, DGS & D and such other Government and semi-Government bulk purchasers also.

CHAPTER XI

EXPORT PROMOTION

11.1. In the present context of foreign exchange shortage, the need for exports cannot be over-emphasized. Various administrative policies have been evolved to stimulate the expansion and diversification of our exports. These aim at increased allocation of raw materials to export industries, grant of freight concessions, introduction of speedy and simplified procedures for draw-back of customs duties, relief from income-tax and sales-tax, development of agencies for promotion of exports, expansion and improvement of market surveys etc. These measures have, however, not yet been taken advantage of by small industries to the desired extent. Since export marketing is a difficult field requiring organizational and financial backing that small industries now do not possess, the progress has been slow. Serious efforts will have to be made to improve the position.

11.2. To help small industries to participate in the export drive the STC is operating a special scheme called 'Export Aid to Small Industries' (EASI Scheme). The main object of the scheme is to help small industries to find markets abroad for their products. It provides for direct business relation between Indian manufacturers and foreign importers, gives them assistance in the choice of quality of products, preparation of documents, pricing, preparation of sales literature, credit facilities etc. This scheme started functioning in March, 1962 and in the first two years, approximately, 2,000 applications were received for participation in the Scheme. The actual exports, however, have been very low being of the order of about Rs. 25 lakhs.

11.3. It is known that in certain small industries, the entrepreneurs, on their own initiative, did considerable export business. The need for coordinating the work and giving it further impetus was recognised by the Small Scale Industries Board which suggested at its last meeting the constitution of a Standing Committee on Export Promotion. We suggest that a regular programme of work regarding export promotion should be drawn up so that the small scale sector might play its rightful role in our export efforts.

SUGGESTIONS

11.4 (1) A separate Export Promotion Division should be created at the Headquarters of the Central Small Industries Organisation with a full time Director incharge of it. Full time Export Promotion Officers should be appointed in each State Directorate of Industries and Small Industries Service Institute. While these officers can coordinate the work, export promotion as such should be the responsibility of the entire State Directorate and Small Industries Service Institute working in close collaboration with small industries associations and export associations suggested below.

(2) Small industry export associations which function more or less as Export Houses have been started in Punjab and Madras. The Punjab Association is doing useful work while the Madras one is still to make progress. We suggest that within the next two years, export associations of small industrialists should be established in each State. Where possible, the associations might be started on product basis also. Government may subscribe to the capital of these associations and subsidize their management for the first two or three years on a matching but tapering basis.

(3) The Export Promotion Division should conduct studies regarding the items (especially light engineering, leather, sports goods etc.) which could be exported abroad and the areas in which it is profitable to concentrate effort. Various factors like quality, price, delivery schedules etc., of competing products will have to be carefully studied. The need for providing service after sales has to be considered. In suitable cases, initial export should lead to the establishment of joint ventures with the importers for the ultimate manufacture of the concerned items in the importing countries.

This Division would be the central clearing house for all export marketing information so far as small industries are concerned.

The Division should also locate small scale units which would be capable of participating in the export work, study their special needs and facilitate their export business in all respects. Where necessary, the units may also be suggested the products which they should take up for export.

There should be greater scope for delegations of small industrialists to visit foreign countries which offer potential for export of our products.

(4) As a result of the studies mentioned above and in consultation with the associations of small industrialists and export houses, broad annual targets should be set for important items for exports. This would define the magnitude of work to be undertaken and serve as an incentive to all concerned.

(5) The State Small Industries Corporations which, as we have already suggested, will establish raw material depots, should make special arrangements for supply of raw materials to exporting units. We suggest that each raw material depot should be given raw material worth at least 3-5 lakhs to be kept on "imprest" basis for issue to exporters. Raw material may be issued on procurement of an export order. We suggest that a beginning might be made in this direction immediately.

(6) For certain items like bicycles, radios etc., which have an export potential, functional industrial estates might be specially organised. The individual units in the cluster can specialise in production of certain components/sub-assemblies which will be assembled into the final product by their own co-operative or a Government unit. The entire production in these estates might be earmarked for export. The State should establish raw material depots, testing laboratories, quality marking centres etc., at these estates on a preferential basis.

(7) Design plays an important role in export marketing. The Industrial Design Cell may be further strengthened so that special attention might be given to the design of products intended for export to the different parts of the world. The design, it may be mentioned, besides being functional must be acceptable in the country of import.

(8) For export services like packaging, forwarding, preparation of documents etc., small industrialists might establish their own cooperatives at suitable centres.

(9) The small industrialists, through their associations, should be represented on the various Export Promotion Councils. Small industrialists should also be encouraged to become members of Export Promotion Councils. It has been

pointed out that a small enterprise might be interested in the work of three or four Export Promotion Councils and the payment of the heavy subscriptions will be a burden on it. In order to mitigate this, we suggest that the Export Promotion Councils might specially reduce the fees payable by small industrialists.

(10) The financing of export trade is more complicated than industrial finance itself. But at the same time, finance is an important bottleneck in the promotion of exports from the small scale sector. The STC is providing credit facilities to these participating under the EASI Scheme. We suggest that the State Bank and other commercial banks should also draw up special schemes, with liberalized terms for providing export credit to small industrialists. We understand that the State Bank is already drawing up a scheme in this regard. We suggest that it might be finalized soon and circulated to all other commercial banks so that they might also formulate similar, export credit schemes.

(11) The CSIO should, in the matter of increasing exports of small scale sector products, work in close coordination with State Trading Corporation who have done quite an amount of pioneering work and have strengthened their organisation for this purpose.

CHAPTER XII

GOVERNMENT STORES PURCHASE PROGRAMME,

12.1. The National Small Industries Corporation was set up in 1955 primarily "to organize production for meeting Government orders" (Ministry of C. & I. Resolution No. 53-Cot. Ind.(A)(12)/54, dated the 7th June, 1964). At that time it was visualized that the DGS & D will place prime contracts with the National Small Industries Corporation for products manufactured by the small scale units and that the Corporation, in turn, would sub-contract to small scale units for supply of the stores required, thus enabling the prime contractor to retain a margin to meet operational expenses. However, in practice, the Corporation was treated by the purchase organization as one of the contractors participating in Government tenders and no special preference was given to it. On the other hand, the small scale units which were expecting assistance from Government, including price preference were not willing to accept orders from the Corporation on a price lower than what was obtained by it from the DGS & D. Under these circumstances, the programme had to be revised. Instead of being a "training" programme it had to be made a "promotional" programme. The revised programme was finalized in September, 1957 after the recommendations of Mr. Weddel were accepted by the Government of India. It follows closely the pattern adopted in the United States for purchases from the small scale sector.

12.2. According to the programme which is particularly applicable to the purchases made by the DGS & D all indents received by it from various Government Departments are categorized into four groups:—

- (1) Items which are of no interest to small scale units and can be produced only in the large scale sector.
- (2) Items which by their very nature require large scale firms as prime contractors but permit substantial scope to the large scale contractors to purchase components and parts from small scale units.
- (3) Residuary items which both small scale as well as large scale firms can supply.

- (4) Items which could be reserved for procurement from small scale units only.

12.3. The NSIC maintains a chief liaison officer at the headquarters of the DGS & D and liaison officers in its regional offices. A Committee consisting of officers of the DGS & D and the liaison officer scrutinize the indents and classify them under various groups as above. The small scale units are mainly interested in items falling under groups (3) & (4) above. In respect of items falling under group (3), small scale units have to compete with the large scale units for securing contracts. Considering that the small units are not yet in a position to quote competitively along with large scale units, a price preference upto 15% over the lowest acceptable tenders received from the large scale units is considered by the DGS & D on merits of individual cases.

12.4. For items falling under groups (3) and (4) above, copies of tenders are obtained by the concerned liaison officer and distributed free (except priced specifications) to small scale units recommended by the Small Industries Service Institutes.

12.5. Small scale units eligible for participation in the Stores Purchase Programme are enlisted by the NSIC on the recommendations of the Small Industries Service Institutes. These units need not again be registered with the DGS & D and the tenders submitted by them will be considered in the same manner as tenders received from units registered directly with the DGS & D. However, in case of doubt, the DGS & D may ask the NSIC to furnish competency certificates in favour of particular units so as to ensure that the unit concerned will be in a position to execute the particular contract. These certificates issued by the NSIC on the recommendations of the Small Industries Service Institutes will ordinarily be accepted by the DGS & D. The enlisted units also need not make any security deposit with the DGS & D.

12.6. In February, 1961, the Small Scale Industries Board appointed a Committee under the Chairmanship of Shri G. L. Bansal to examine the position regarding small industries participation in the Government Stores Purchase Programme and to recommend measures to make its operation more effective. The Committee made various recommendations regarding, (1) enlistment of units, (2) issue of certificates of competency, (3) price preference, (4) reservation of items, (5) credit

facilities to units which secure contracts from the DGS & D and (6) issue of quality test certificates. The recommendations have been accepted by the Board and are being gradually implemented.

Present Position

12.7. The following statement shows the progress of the scheme since its inception:—

Orders secured by small scale units from DG S & D, New Delhi and its Branches with the assistance of N.S.I.C.

Year	Tenders processed	No. of contracts secured	Value in lakh Rs.
31-3-57	108	10	5.87
1957-58	580	113	62.15
1958-59	1,766	707	256.12
1959-60	2,025	984	264.81
1960-61	2,388	1,427	388.10
1961-62	2,395	1,921	793.78
1962-63	2,777	2,065	1,451.58
1963-64	2,344	3,995	3,418.44
1964-65 (upto Dec. 1964.)	1,867	2,621	1,277.05
	16,250	13,843	7,917.00

12.8. It may be seen that the number of contracts secured has been continuously rising and that the value of contracts secured has been doubling every year during the third Five Year Plan.

12.9. As has been mentioned earlier, all items purchased by the DGS & D may be grouped into four categories out of which small scale units can supply only items under groups (3) and (4). In the case of these items, as is shown in the following table, the share of small scale units enlisted with the NSIC and the DGS & D has continuously increased and is now of the order of 13%. It may be mentioned that out of this 13%, nearly 75% has been accounted for by units enlisted with the NSIC and the balance by units enlisted directly with the DGS & D.

Statement showing yearwise share of small industries in the total indigenous purchases by the DGS&D excluding items not producible by Small Industry

(Rs. in crores)

	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63
1 Purchases made by DGS & D from indigenous sources .	158.91	161.38	153.14	180.47	206.69	405.15
*2 Purchases made by DGS & D of stores not producible by small scale units .	90.96	84.98	94.54	132.25	123.31	172.03
3 Balance Purchases of stores producible by small scale units .	67.95	76.40	58.60	48.22	83.38	233.12
4 Total purchases from small scale units enlisted with NSIC & DGS & D	2.63	4.56	4.27	6.47	11.78	29.55
5 Ratio of purchases in col. 4 to those in col. 3 above .	4%	6%	8%	14%	14%	13%
6 Of the % in col. 5, the % supplied by units enlisted with NSIC .	1	3.3	5	8.4	9.4	6.2

*The stores taken into account in these figures are : (1) Food (2) Tobacco (3) Milling Cloth (4) Jute Textiles (5) Paper and Paper products (6) Rubber Tyres and Tubes (7) Cement (8) Petroleum (9) Asphalt (10) Basic Metals (11) Non-Ferrous Metals (12) Matches (13) Automobiles (14) Permanent Way Material (15) Cast Iron & Steel Sleepers (16) Tyre Steel (17) Crossing Sleeper, etc, etc.

12.10. As mentioned earlier, the supplies from small scale units to DGS & D have rapidly increased during the last four years and amounted to Rs. 34.18 crores during 1963-64. However, an examination of the data regarding Statewise

value of contracts secured by units discloses that the bulk of the contracts were secured by units in five States and that about one third of the total contracts were secured by a single State. Ten other States could secure orders worth hardly Rs. 2.25 crores between themselves. Details in this regard are given in the following statement:—

(Rs. in lakhs)							
State	1957-58	58-59	59-60	60-61	61-62	62-63	63-64
West Bengal	4.79	55.52	83.17	114.94	116.69	312.29	667.29
Maharashtra	1.42	32.53	62.48	65.52	146.55	336.01	424.49
Uttar Pradesh	28.74	79.35	17.64	53.48	143.24	302.16	636.74
Punjab	4.53	32.63	34.78	48.76	142.08	224.64	1041.96
Delhi	19.30	40.05	46.93	57.93	90.02	102.68	407.39
Kerala	.21	2.46	5.16	4.76	9.01	44.63	31.84
Madras	2.66	7.34	8.00	17.79	21.48	46.49	53.69
Andhra Pradesh	.46	2.65	1.63	1.93	1.00	1.32	11.00
Madhya Pradesh	..	.11	.26	.09	.07	2.71	11.77
Mysore	..	..	4.13	.08	.30	.18	7.38
Rajasthan	..	3.13	.43	4.52	3.85	56.75	65.95
Bihar	.03	.35	.21	6.18	14.06	14.98	33.75
Gujarat	..	..	..	9.98	5.43	6.59	23.17
Orissa	..	..	..	..	..	.16	.08
Assam	..	..	..	..	..	..	1.23
Jammu & Kashmir	..	..	..	..	..	..	..
	62.15	256.12	264.81	385.96	793.78	1451.58	3418.44

12.11. Appendix 12.1 shows itemwise main purchases by the DGS & D from small scale industries since the inception of the scheme. An examination of this table discloses that the bulk of the purchases are made of such items as textiles, hosiery, footwear, leather products etc., which are more or less traditional industries. The purchases of metal working and machinery items and chemical items on the development of which the small industry programme has been laying stress during the last seven or eight years has been very small. Even amongst these, it has been found that only simple items like bolts, nuts and rivets, padlocks, barbed wire, copper and G.I. Wire, Dhobi irons, scales and weights etc., predominate and more sophisticated items in the production of which small scale units have been successful do not figure in the list at all. On the chemical side, paints, soaps and enamels predominate. It is, however, noteworthy that substantial quantities of paints and soap are procured by DGS & D from the small scale units. The total supplies in trade group number 12 i.e., value of metal products is hardly Rs. 35 lakhs or about 1% of the total purchases.

12.12. In 1957, DGS & D procured 16 items of stores exclusively from small scale units. The number of such items was raised from 27 in 1958 to 46 in 1961 and now stands at 70. A list of these items is given in Appendix 11.2. An examination of this list also discloses that the items reserved are either traditional items or very simple items. This reservation does not seem to take into account the capabilities of the small scale units as they are now known.

12.13. Small scale units, depending on merits of individual cases, were to get price preference up to 15% over the lowest acceptable quotation given by large scale units. In practice, however, it was found that this price preference was seldom awarded.

Defence Purchases

12.14. Consequent on the declaration of national emergency, a Directorate General of Civil Armaments was set up for procuring armament stores from the civil sector. Orders were to be placed on specially selected units, eliminating where necessary even formalities such as the calling of tenders. The NSIC was asked to pick up in consultation with the SISIs and the Directors of Industries proper units for the manufacture of these items. In pursuance of this, capable units which

could be relied upon were selected and invited to see drawings and samples. These parties were then consulted across the table and awarded orders on the basis of direct negotiations. Orders were so far placed for components of such items as carbine guns 9 mm., hand grenade, landmines, etc. Besides these items, DGS & D approached the NSIC for certain other defence items which were urgently required and for which they were not finding proper units. These items included sliding bar buckle and parts of a special kind of heating stove for operation at high altitudes. The required units were located and contracts were awarded to them. This work is continuing and may be expected to increase. We suggest that special efforts should be made to expand this type of participation by small scale units.

NSIC Guarantee Scheme

12.15.1. One of the main difficulties experienced by small scale units in executing Government contracts is lack of finance. To tackle this problem, the NSIC entered into an agreement with the State Bank of India in September, 1958 whereby a small unit enlisted with the NSIC could get a loan for purchase of raw materials against a contract placed by the DGS & D or any other Government organisation. The loan was advanced against the pledge of raw material under guarantee by the NSIC subject to the following general stipulations:—

1. The guarantee liability of the NSIC would not exceed Rs. 25,000 in case of any one supply order ;
2. The total liability of the NSIC for all such loans would not exceed Rs. 30 lakhs.

12.15.2. The assistance rendered through this scheme was restricted in its scope because it covered only one stage of supply, namely, the purchase of raw materials. Hence, the enlargement of this scheme was suggested after a few years of its working. After detailed negotiations, a revised scheme has since been finalized whereby credit covering all stages of a supply from the purchase of raw material to the discounting of bills would be covered by the guarantee. The total liability of the Corporation will not exceed Rs. 30 lakhs as in the first scheme nor the quantum of liability for an individual supplier exceed Rs. 25,000. In addition to the guarantee of the NSIC these loans would also be covered under the

Guarantee Scheme of the Reserve Bank and the allocation of defaults or recoveries between the Reserve Bank, NSIC and the State Bank would be in the ratio of 50:30:20 respectively. This scheme has just come into operation and will be helpful to small scale units in executing Government contracts.

Efforts by State Directorates

12.16. During the emergency, some State Directors of Industries obtained prime contracts from the DGS & D and distributed them between various small scale units in their respective States. The efforts made in Punjab and Assam in this direction evoked considerable interest. At the 21st Meeting of the Small Scale Industries Board in 1963, a Committee was appointed under the Chairmanship of Dr. P. C. Alexander to consider whether purchases by DGS & D can be so canalized through State Directorates of Industries. After considering various aspects of the programme, the Committee recommended that the State Directors should render all assistance to small scale units in obtaining contracts directly from DGS & D instead of obtaining prime contracts themselves. Various other suggestions by the Committee regarding supply of specifications, maintenance of libraries of specifications, museums of items frequently bought by DGS & D etc., are now being implemented.

Railways and other Public Sector Undertakings

12.17.1. Though the Government Stores Purchase Scheme implemented by the National Small Industries Corporation concerned primarily with the purchases of the DGS & D it was always the intention to bring in other Central Government Purchasing Departments like the Railways, Chief Controller of Printing and Stationery, Director General of P. & T., public sector undertakings etc., into the scheme. The railways have agreed to introduce the system with effect from April, 1961. The progress of the scheme is as follows:—

Period	No. of Orders placed	Value in Rs. crores
1961-62	8704	1.33
1962-63	8864	1.59
1963-64	5583	1.47
April-October '64	3695	1.15
	26846	5.54

12.17.2. This programme seems to have gained some ground in the railways ; proper beginning having been made, rapid progress in future can be expected. In the case of other purchasing organizations, a similar suitable base may have to be quickly established.

12.17.3. The institutions in the public sector that have already partially agreed to accept the implementation of the programme or with whom negotiations are in progress are as under:—

1. Neyveli Lignite Corporation Ltd., Neyveli.
2. The Association of State Roads Transport Undertaking, Bombay.
3. Government of India Stationery Office, Calcutta.
4. Posts and Telegraphs departments.
5. National Projects Construction Corporation Ltd., New Delhi.
6. Hindustan Steel Ltd., Bhilai.
7. Delhi Electric Supply Undertaking.
8. Municipal Corporation of Delhi.
9. Shipping Corporation, Bombay.
10. All India Institute of Medical Sciences, New Delhi.
11. Hindustan Aircraft Ltd., Bangalore.
12. National Mineral Development Corporation, Faridabad.
13. Indian Oil Co. Ltd., Bombay.
14. Hindustan Machine Tools Ltd., Bangalore.
15. Heavy Electricals (India) Ltd., Bhopal.
16. Delhi Transport Undertaking.
17. High Explosives Factory, Kirkee, Poona.
18. Harness and Saddlery Factory, Kanpur.
19. Ordnance Clothing Factory, Shahjahanpur.

12.17.4. In the case of these public sector undertakings, we feel that besides the liaison work that the N.S.I.C. is doing, local associations of small industrialists and the concerned State Directors of Industries and Small Industries Service Institutes should take more active interest in this work and persuade the authorities of the public sector undertakings to avail of the facilities available with the local small industries for the supply of stores/components etc., required by them.

SUGGESTIONS

12.18. (1) The phenomenal rise of purchase by the DGS & D during the year 1963-64, was quite exceptional and was doubtless due to the rush of Defence purchases during that year. The purchases during 1964-65 might amount to Rs. 16 to 17 crores which, under the present circumstances, seems to be the normal figure to expect, based on the tempo that has been created since 1960-61.

(2) An examination of the items now bought by the DGS & D from small scale units disclosed, as already mentioned, that the items were either traditional or very simple and that the products of modern small scale units have not actually found a place there yet. We feel that there is need for a technical review of the list of items purchased by the DGS & D so that capable small scale engineering and chemical units might be encouraged to quote for those items. We suggest that this technical review might be undertaken by the Central Small Industries Organisation which should, continuously, prepare suitable case for the transfer of more and more group 3 items into group 4. The technical review should lead to considerable additions to the list of group (4) items, reserved for exclusive procurement from small scale units. We expect that this list would be considerably expanded and will contain at least 150 items by the end of the fourth Five Year Plan.

(3) The number and variety of items bought by the DGS & D are continuously increasing. Starting with 87 items in 1957-58, the DGS & D is now buying 335 items. In metal products alone, as many as 142 items are bought by DGS & D, but the purchases from small scale units under this category remain insignificant. More systematic and coordinated effort on the part of SISIs and NSIC is required to induce appropriate units to quote for these items and to see that

they are awarded contracts. We expect that by the end of the fourth Five Year Plan, the small scale units will supply at least 50% of the DGS & D purchases in group 3 items.

(4) In the case of Defence purchases, we suggest that a group of technical officers from CSIO should continuously examine Defence requirements, inspecting each item required with a view to determine the parts/components thereof that could be made in the small scale sector. Then the CSIO should, as is now being done, locate suitable units to undertake their manufacture, get trial orders issued in their favour and assist them in fulfilling the contracts so that in course of time these units become regular suppliers of Defence needs.

(5) A separate directorate should be created at the Headquarters of CSIO with a full time Director in charge to look after the entire work regarding the participation of small scale industries in Government Stores Purchase Programme.

(6) In the case of group 2 items, while prime contracts might be awarded to large scale units, the scope for sub-contracting to the small scale units has to be explored. Little seems to have been done in this direction. We suggest that DGS & D might evolve a procedure whereby tenderers of the firms who agree to sub-contract to small scale units enlisted with the NSIC should get some special preference.

(7) The participation of certain States in this programme leaves much to be desired. We suggest that the State Directorates might nominate an officer to specially look after this work. Each State will have to analyse the directory of DGS & D purchases and decide the items which can be supplied by small scale units in their area and make special efforts to induce them to quote for those items.

(8) The SISIs and State Directorates of Industries should enlist more units under this programme. As against 57,000 small scale units registered with the various State Directorates of Industries, hardly 13,000 units are enlisted for participation in the programme. While it may be true that all small scale units may not be eligible or willing to participate in this programme, it is quite possible that most of them are ignorant of it. Even if half the units are enlisted, the number

would exceed 30,000 by the commencement of the fourth Five Year Plan and might actually reach a figure of 50,000 by the end of the fourth Plan.

(9) The State Directorates of Industries and SISIs should maintain and suitably index (preferably on index cards), details about the enlisted units. When an item is to be quoted, the units which are most likely to be able to quote for it could be readily picked up and given tender forms instead of their being sent to parties who are not likely to be interested in quoting.

(10) Our review has disclosed that most of the State Governments do not yet have Central Stores Purchase Organization of their own. Even in those States which have such organizations, a systematic and coordinated effort is not being made to ensure the participation of small scale units in their programme. We suggest that each State Govt. should formulate a scheme on the lines of the scheme operated by NSIC and issue instructions to all purchasing departments, even if they do not want to create a central organization to implement the scheme. The State Director of Industries should watch the implementation of the scheme.

(11) One of the disabilities that small scale units participating in the scheme seem to suffer is that inspection and payment by DGS & D are too much centralized. We suggest that the DGS & D should, as a matter of priority, before the commencement of the fourth Five Year Plan, decentralize both inspection and payment arrangements so that in each State there will be at least one office of the DGS & D to attend to this work.

(12) Small scale units which have to get their products tested at recognized test houses or laboratories are also finding it difficult to secure the certificates in time and have to approach institutions situated at very far off places. We suggest that immediately more test houses and laboratories should be recognised by the DGS & D for this purpose so that in each State there will be at least three or four institutions where the products could be tested.

(13) The test houses proposed to be set up by the Ministry of Commerce in connection with export trade, should be recognized by the DGS & D also as their testing agencies.

Similarly, the Small Industries Service Institutes and Extension Centres, wherever facilities exist, might also be recognized as testing agencies for the products of small industries on behalf of the DGS & D.

(14) Our analysis disclosed that while the 13,000 small scale units enlisted with NSIC obtained about 75% of the contracts placed on small scale units, the balance of the contracts were secured by the few hundred units directly registered with the DGS & D. While the DGS & D is right in placing orders on units known to them, it is also necessary to bring to all small scale units the benefits of participation in the programme. There is also a feeling that units directly registered with the DGS & D somehow get a preferential treatment. We suggest that it should be made clear both in theory and practice that registration with DGS & D will not carry any such special treatment. In fact, the DGS & D cannot register all the small scale units if they offer themselves for registration and the NSIC and the SISIs are rendering a service to the DGS & D in screening and registering the units and thus reducing the work-load of the DGS & D.

(15) We suggest that libraries of specifications and museums of items regularly bought by the DGS & D should be established at all important centres in the country. We suggest that there might be established at least 50 to 60 centres during the fourth Five Year Plan. The idea again is that a small scale industrialist should be able to secure the necessary specifications within about a hundred miles from his place. As a matter of policy, all items the purchase of which exceeds Rs. 2 lakhs should be exhibited in the museums. This exhibition might be a part of the 'trade centre' recommended in an earlier chapter.

(16) We suggest that as a matter of special preference to units located in growth points, a special price preference of 5% should invariably be given to such units. Besides, the DGS & D should undertake final inspection of their products at the factory itself, and the goods may be then transported at Government expense so that delivery would be complete so far as the small scale industrialist is concerned when the goods leave his factory. This measure of preference will relieve small industrialists of many worries and give special inducement to those willing to establish units at growth centres and semi-urban areas.

(17) The NSIC Guarantee Scheme aims at providing financial facilities to small units obtaining Government contracts. While this scheme is being implemented by the State Bank of India, we think, similar facilities might be extended by other commercial banks also to small scale units obtaining Government orders.

(18) Small Scale units obtaining Government contracts are sometimes facing serious difficulties in obtaining raw material of required specifications and required quantities. The DGS & D should make special arrangements to release quantities of raw materials as soon as contracts are awarded.

APPENDIX 12·1

Items of Main Purchases by the D. G. S. & D. from Small Scale Industries

(Rs. in lakhs)

Serial No.	Name of the Store	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64
1	2	3	4	5	6	7	8	9
TRADE GROUP NO. 03								
Textiles								
1.	Water Proof Coats & Caps . . . . .	..	.23	.04	.51	12.60	1.53	8.17
2.	Tents	3.72	16.05	10.11	59.43	36.43	157.51	173.05
3.	Tarpaulines	9.20	10.79	10.01	38.15	29.80	43.28	51.84
4.	Cover Canvas . . . . .	..	..	..	2.26	11.59	2.22	3.29
5.	Wool Cotton absorbent	1.45	1.42	5.10	7.00	8.49	5.54	10.29
6.	Bandage Cloth	15.68	16.77	2.74	26.81	14.75	40.48	27.74
7.	Gauze Cloth	3.51	4.94	2.77	5.69	8.83	18.03	36.47
8.	Lint Plain . . . . .	..	..	..	2.26	..	1.41	3.06
9.	Hempline & Hemp Twine . . . . .	.50	.06	3.22	.51	12.32	6.36	1.30
10.	Web & Newar . . . . .	..	.98	6.35	5.81	27.85	92.18	43.50
11.	Cordage Cloth . . . . .	..	..	..	..	7.45	5.54	3.26

12. Nylon Cordage . . . . .	..	..	·48	3·54	40·40	57·13 /	23·77
13. Pile Fabrics . . . . .	..	..	..	..	..	32·81	110·10
14. Vest String . . . . .	..	..	..	..	..	18·46	17·97
15. Tape cotton . . . . .	..	1·23	2·46	4·41	2·07	7·42	13·97
16. Durries	5·97	..	..	..	·04	..	7·44
17. Cotton Waste . . . . .	..	..	18·38	30·02	17·29	29·43	29·40

Woollen Manufactures

18. Blankets & Blanketing Cloth	8·19	5·54	·60	..	17·85	80·79	110·19
19. Putties Woollen	3·39	..	·14	..	..	0·02	·23
20. Woollen items misc.	·48	·13	·81	·23	21·61	3·78	..

Hosiery

21. Jerseys & Vests (Woollen)	15·34	84·52	60·25	12·13	87·19	49·17	150·20
22. Socks (Woollen)	10·61	8·16	12·38	2·73	26·38	3·98	42·76
23. Hose Tops	2·68	2·26	·60	·60	1·49	2·22	5·86
24. Stockings	1·10	..	·93	2·92	·06	·34	2·30
25. Vests, Cotton	·29	2·64	3·84	11·11	11·34	23·83	49·87
26. Stockinette . . . . .	..	..	..	..	7·11	5·06	2·43
27. Jute Canvas Mail Bag . . . . .	..	..	..	19·46	16·07	4·06	·96

1	2	3	4	5	6	7	8	9
TRADE GROUP NO. 04—FOOTWEAR								
1. Boot Ankle		41.66	1.50	15.08	30.97	21.65	91.56	77.23
2. Shoes		4.73	5.45	1.88	6.81	8.85	9.53	.04
3. Boots Ammunition		2.58	4.66	3.77	2.06	1.05	8.64	12.76
4. Chappals		4.31	4.70	6.10	.90	3.45	2.29	9.16
5. Shoes Canavs		1.41	..	8.64	..	.41	1.05	..
TRADE GROUP NO. 05—WOOD								
1. Wooden Packing Cases		6.54	1.35	5.50	3.95	12.97	13.30	11.59
2. Wooden Handles		2.66	1.79	.76	.81	.50	2.72	2.53
3. Crates & Drums		1.22	.44	1.82	11.92	15.99	1.68	1.23
4. Teak Indigenous	4.58	3.02	.02
5. Tent Poles	1.71	2.44	1.28	3.44	3.19	2.54
6. Basket Cane	2.48	2.73	..	4.59	2.49	5.32
7. Boxes19	.02	1.76	1.46	15.29	45.33
8. Other Wooden Items . . . . .		.18	..	.96	3.11	1.54	.06	..
TRADE GROUP NO. 06—PAPER & PAPER PRODUCTS								
1. Paper, Hand Made		3.64	1.14	2.46	3.27	..	..	..

TRADE GROUP NO. 07—LEATHER & LEATHER PRODUCTS

1. Hides, Raw & Tanned	2.65	4.46	2.22	.89	2.91	10.47	30.88
2. Tanning Material . . . . .	..	.64	4.21	..	20.79	.02	..
3. Leather, Sheep & Skins. . . . .	.54	1.88	.37	.36	.08	5.47	.80

TRADE GROUP NO. 08—RUBBER & RUBBER PRODUCTS

1. Rubber, Ground Sheets20	.26	.30	7.01	1.06	.72	..
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TRADE GROUP NO. 09—CHEMICAL & CHEMICAL PRODUCTS

1. Paints & Oil Paste	3.22	1.49	16.91	11.55	25.04	13.38	29.80
2. Soaps	3.04	1.06	36.86	14.72	19.10	19.85	46.91
3. Fine Chemical . . . . .	..	..	..	..	3.23	2.60	..
4. Enamels . . . . .	.19	..	1.92	1.64	1.88	1.31	1.94
5. Drugs . . . . .	..	..	.13	3.10	17.04	2.61	..

TRADE GROUP NO. 12—METAL PRODUCTS EXCEPT MACHINERY & TRANSPORT

1. Bolts, Nuts, Rivets & Washers . . . . .	..	4.85	4.66	11.56	29.79	34.73	13.27
2. Padlocks	1.06	1.90	2.20	4.81	1.77	.95	.52
3. Wood Screws . . . . .	.19	.02	3.32	8.94	3.23	1.88	..
4. Boxes, Paint . . . . .	..	..	..	..	4.48	5.37	..
5. Adjustable Cranks . . . . .	..	..	5.76	.07	..	5.31	1.88

1	2	3	4	5	6	7	8	9
6. Barbed Wire	10.20	3.72
7. Bins Steel10	.01	..	..	2.04	.36
8. Copper & G. I. Wire01	..	..	16.46	1.22
9. Compensator55	.31	..	2.41	4.93
10. Cliplock Bar-Inside41	2.10	..	.11
11. Iron Dhobi	3.65	3.94
12. Letter Boxes . . . .	.87	..	..	..	..	1.57	3.78	..
13. Lifting Barriers	3.04	..
14. Shovels46	1.29	2.15	.82
15. Wire Nails33	3.64	.01	..
16. Scales & Weights02	9.34	..	1.76	4.53	4.22

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TRADE GROUP NO. 14—ELECTRIC MACHINES, APPLIANCES & SUPPLIES

1. Conduit Pipes	5.25
2. Conductors, Aluminium . . . .	.25	..	3.67	3.92	..	..	..

TRADE GROUP NO. 15—TRANSPORT EQUIPMENTS

1. Brake Blocks, Rly. . . .	..	2.94	.47	..	1.04	5.75	7.78
2. Bearing Plates . . . .	..	..	2.66	4.91	31.11	..	3.74

3. Key Bearing Plates . . . . .	..	..	..	5.06	3.42	35.37	..
4. Spikes, Round . . . . .	..	..	.13	.91	2.22	3.16	..
5. Trollies . . . . .	..	.24	.18	..	.26	2.53	.80
6. Dog Spikes . . . . .	..	..	4.72	6.56	..	2.54	..
7. Signalling Lamps . . . . .	..	1.61	6.00	1.48	.89	1.32	1.62
8. Wire Pulley . . . . .	..	..	.09	4.26	.86	18.27	1.18

TRADE GROUP NO. 16—MISCELLANEOUS INDUSTRIES

1. Extinguishers . . . . .	..	.68	.11	.23	3.57	4.27	3.38
2. Coir Fibre & Coir Products	2.09	2.12	2.00	3.77	..	34.62	2.55
3. Latrine Pans . . . . .	..	2.64	..	..	.42	.35	2.85
4. Detectors . . . . .	..	..	2.10	..	..	..	..
5. Brushes	8.04	6.37	2.44	5.00	18.90	13.19	25.18

APPENDIX 12.2

List of items purchased exclusively from Small Scale Industrial Units

1. Brass padlocks.
2. G. I. padlocks.
3. Brass dampers.
4. Boxes made of metal (excluding army requirements).
5. Sign Boards, painted.
6. Buttons metal.
7. Postal weighting scales.
8. All badges, cloth embroidered and metals (civil requirements only).
9. Belt leather (apparel).
10. Cash bags.
11. Dust shield, leather.
12. Chappals and Sandals.
13. Leather Boxes (not army type).
14. Laces, Leather.
15. Leather bags.
16. Boots and shoes of types required by civil indentors.
17. Glass ampoules.
18. Handles, wooden and bamboo.
19. Soap, washing or laundry Soap (against civil indents only).
20. Metal polish.
21. Scissors, cutting (ordinary scissors).
22. Coir fibre and coir yarn.
23. Postal lead seals.
24. Cotton hosiery (against civil indents only).
25. Woollen hosiery (against civil indents only).
26. Keys, wooden.
27. Stone curry and stone curry roller.
28. Caps, cotton (against requirements of civil indentors).
29. Curtain mosquito (against requirements of civil indentors).

30. Tape, cotton (against requirements of civil indentors).
31. Bandage cloth (against requirements of civil indentors).
32. Garments (against requirements of civil indentors).
33. Wicks, cotton (against requirements of civil indentors).
34. Stockinette (against requirements of civil indentors).
35. Rags, cotton (against requirements of civil indentors).
36. Blacksmithy hearth.
37. Kodali.
38. Basket, cane.
39. Lathies.
40. Caps, woollen.
41. Belts, leather and strips.
42. Wheel barrows.
43. Tarpaulin (against requirements of civil indentors).
44. Brushes.
45. Brooms.
46. Steel Trunks (against requirements of civil indentors).
47. Hides and country leather of all types (against civil indents).
48. Railway platform drinking water trolleys (against civil indents).
49. Umbrellas (against civil indents).
50. Animal driven vehicles (against civil indents).
51. Skin, sheep all types (against civil indents).
52. Hand drawn carts of all types (against civil indents).
53. Sole Leather (against civil indents).
54. Leather harness (against civil indents).
55. Ghamellas (against civil indents).
56. Dust bins (against civil indents).
57. Utensils, cooking (except stainless steel utensils and vessel pressure cookers) (against civil indents).
58. Bags, ice head (against civil indents).

59. Wooden packing cases of all sizes.
60. Lamps, a signal (against civil indents).
61. Gauze, surgical all types (against civil indents).
62. Patient coat and pyjamas (against civil indents).
63. Dusters, cotton all types (except the items required in khadi).
64. Hair, pasham wool.
65. Nail, tip heel restless.
66. Cumblies.
67. Leather washers.
68. Metric weights.
69. Tin trays.
70. Teak, fabricated round blocks.

CHAPTER XIII

HIRE PURCHASE OF MACHINERY

13.1. The National Small Industries Corporation has been operating a scheme for hire-purchase of machinery since March 1956. The scheme was intended to supply modern machine tools to small scale entrepreneurs on hire-purchase basis so that they could quickly modernise their units without straining their capital resources. The scheme has been very popular and since its inception machines worth Rs. 20.30 crores have been delivered till October 1964.

13.2. An application for hire-purchase of machines has to be routed through the State Directors of Industries. As the application is received at the headquarters of the Corporation it is scrutinised by a Standing Committee and acceptance or rejection is intimated to the party ordinarily within 21 days. On acceptance, the applicant will have to pay an earnest money of 20% of the value of machine (30% for furnaces). However, in case of State guarantee or Bank guarantee the earnest money deposit will be reduced to 5%, the balance being payable either at the time of delivery of the machines or along with the other instalments. The balance will be payable in half-yearly instalments over a period of seven years, the first instalment being due on the completion of one year from the date of the execution of the agreement. Thus the hirer pays for the machines during their working life from out of the proceeds realised out of their work.

13.3. The National Small Industries Corporation charges an interest of 6% per annum from the entrepreneur on the value of machines supplied. Besides this, clearing charges @ 3½% of the c.i.f. price of the imported machines is charged to cover clearing and handling charges. The applicants will also have to pay 6% of the value of the machines as service charges on the basis of the c.i.f. price in the case of imported machines and f.o.r. price excluding sales-tax and insurance in the case of indigenous machines. The service charges are expected to meet the expenses of running the scheme and to make it commercial. It may be mentioned that the rate of interest and service charges have been revised recently and brought to the present level so as to make the scheme commercial.

13.4. The National Small Industries Corporation ordinarily accepts applications for all machines recommended by the Directors of Industries unless the machines are required for such industries like oil mills, rice mills, flour mills, agricultural implements, etc., etc. which are not being encouraged or the machines are required for industries as have already got sufficient installed capacity or for which there is acute shortage of raw materials. The procedure for supply of machines has been considerably simplified as per the recommendations of Shri G. L. Bansal, who made detailed recommendations in this regard after a thorough study of the scheme. Since the simplification of the scheme in 1962, delays have been minimised in the disposal of applications. A committee consisting of representatives of Development Commissioner (Small Scale Industries), Chief Controller of Imports and Exports and National Small Industries Corporation screen and scrutinise applications for indigenous and imported machinery for expeditious disposal. A review committee consisting of Directors of National Small Industries Corporation reviews cases of appeal against rejections. A separate cell was created in the office of CCI & E to process the import licences to be issued to the Corporation.

13.5. After implementation of this revised procedure the work during the acceptance stage was so speeded up that decisions on acceptance or rejection of indigenous machines are communicated to applicants within 21 days of receipt of completed applications.

13.6. Appendix 13.1 shows the progress of applications received, applications accepted, orders placed and machines delivered by the Corporation since the inception of the scheme. It may be seen that while applications were received for machines valued at Rs. 68.84 crores only those for Rs. 47.25 crores were accepted and those for Rs. 20.30 crores have been delivered by October, 1964. However, during the first three years of the third Five Year Plan, machines worth Rs. 12.9 crores have been delivered; these account for nearly 75% of the total machines so far delivered by the Corporation. It may also be pointed out that orders have so far been placed for only 18,570 machines out of 47,250 machines accepted for supply. There thus seems to be scope for considerable improvement in this regard.

13.7. Appendix 13.2 presents a Statewise analysis of the applications received and accepted. It shows the consolidated position for the first three years of the third Five Year Plan and explains the reasons for wide discrepancy between cases accepted and orders placed. It may be pointed out that in most of the cases the Corporation was helpless since the parties either withdrew their cases before offers were made or did not pay earnest money. A careful scrutiny of the applications by the State Directors of Industries will perhaps help to reduce such cases.

13.8. A Statewise analysis of applications received and accepted yearwise during the last three years is presented in Appendix 13.3. It is seen that the progress in the various States is uneven. The progress in States like Bihar, Assam, Orissa and Rajasthan has been particularly disappointing. It is also surprising that from Punjab only 703 applications have been sent so far of which 511 could be accepted. This analysis again shows that the States are not taking uniform advantage of the hire-purchase scheme.

13.9. Appendices 13.4 and 13.5 present industrywise and Statewise number of units and value of machines supplied since the inception of the scheme. It may be mentioned that these tables show the position since the inception of the scheme to 31st July, 1964 and therefore there is little discrepancy in the numbers shown in these tables and the earlier ones where data upto the end of October 1964 was presented. It is seen that nearly half of the machines were supplied for light engineering industry. Amongst the other industries, plastic conversion, electrical goods, stationery and miscellaneous industries are important. Agricultural implements, leather and ceramics are some of the industries being developed on modern lines but which do not seem to have derived much benefit from the scheme.

13.10. Amongst the States, Maharashtra seems to account for over 1/4th of the total value of machines supplied. West Bengal, Uttar Pradesh, Madras, Delhi and Mysore have had their fair share. Other States like Rajasthan, Orissa and Bihar have taken little advantage of this scheme.

13.11. Appendix 13.6 presents the industrywise analysis of hire-purchase assistance extended in terms of machines for various States since the inception of the scheme. A

study of this table reveals that advanced States like Maharashtra and West Bengal were quick to take advantage of the new industries like plastic conversion, scientific goods making, chemicals, electrical goods making etc.

13.12. Besides the National Small Industries Corporation, some State Small Industries Corporations are also supplying machines on hire-purchase within their respective States. We do not have definite information on the above lines regarding the hire-purchase activities of these Corporations but it is generally known that the progress is very limited in view of the meagre resources at their disposal.

13.13. The State Bank of India and some commercial banks are also advancing loans for the purchase of machinery on what is called the Instalment Credit System. The progress of this scheme so far the State Bank is concerned has already been reviewed in Chapter VII. It may, however, be mentioned that the scheme is still in an experimental stage.

A REVIEW

13.14.1. The hire-purchase scheme is very popular and has helped a large number of the entrepreneurs to modernise their units or establish new units with modern machinery. The demand for this service is continuously increasing.

13.14.2. An areawise analysis of the machines supplied till the end of 1963 discloses that 54.6% of the supplies went to four cities viz., Calcutta, Bombay, Madras and Delhi and that the following 11 cities accounted for Rs. 10 crores out of Rs. 13.6 crores of machinery delivered at the time of analysis:—

Name of the City	Amount
Bombay	2.05 Crores
Calcutta	2.15 „
Madras	1.64 „
Delhi	1.59 „
Bangalore	0.81 „
Ludhiana	0.26 „
Hyderabad	0.35 „
Patna	0.07 „
Ahmedabad	0.33 „
Trivandrum	0.45 „
Kanpur	0.30 „

13.14.3. An analysis of the imported machines (as presented in Appendix 13.7) shows that certain machines are being imported quite frequently. It would perhaps have been more appropriate if the Corporation had arranged for the production of such popular machines within the country so as to reduce imports.

13.14.4. An analysis of the machinery imported during the last two years *i.e.*, since the shortage of scarce raw materials began to be felt, discloses that the Corporation has been continuously reorientating its policy and was discouraging the import of machinery requiring such scarce raw materials. Machinery which could be operated with indigenous and non-scarce raw material is being specially encouraged.

13.14.5. The Analysis carried out in the office of the Development Commissioner, Small Scale Industries in 1963 disclosed that time lags and delays in the processing of applications occurred at various stages. The first stage at which delays were noticed was scrutiny and forwarding of applications from the offices of the Directors of Industries to the National Small Industries Corporation. Out of 95 cases analysed it was found that in 83% of the cases the applications were disposed of within three months, while in other cases the delay was as long as 7 to 12 months. However, this was considerable improvement over the position before 1961. It has also been found that over 86% applications were accepted within three months after receipt and that orders were placed in 40% of the cases within a further period of three months. Reviewing the overall position it was found that after 1961 over 80% of the applicants were supplied machinery within a period of 7 to 12 months and the other 20% within a further period of six months. Before 1961, the position was that only 16.6% of the applicants were supplied machines before 12 months whereas nearly 20% had to wait between 25 to 36 months to obtain supplies. It may thus be seen that continuous efforts are being made to reduce delays and supply machines as quickly as possible, however, delays in the case of imported machines seem unavoidable.

13.14.6. There is a problem of defaults. The NSIC is trying to collect dues with the cooperation of Small Industries Service Institutes and State Directors of Industries. An analysis of the reasons of defaults has shown that the defaults were

generally temporary and were quickly repaid after reminder. Chronic defaulters had either raw material difficulties or balancing equipment difficulties.

SUGGESTIONS

13.15. (1) Our analysis of the present position disclosed, as mentioned earlier, that the benefit of the hire-purchase scheme accrued mostly to urban area—except perhaps Mysore; the scheme has not yet touched the semi-urban and rural areas. Since supply of machinery on hire-purchase basis has proved to be a powerful measure of speeding up the growth of small scale sector, we suggest that the NSIC might concentrate on semi-urban and rural areas. In this connection, we suggest that a system of priorities somewhat on the lines suggested below might be adopted for acceptance of applications:—

- (a) Applications from units established or proposed to be established at growth centres or other smaller areas—first priority.
- (b) Applications from units established or proposed to be established in towns with a population below 1 lakh—second priority.
- (c) Applications from all other towns excepting the 11 cities mentioned above—third priority.
- (d) Applications from units in those 11 cities—last priority.

(2) In the matter of rate of interest and service charges also we suggest that concessional rates with the same priorities as above might be allowed. Instead of the concession being a reduction in the present rate of interest or service charges we suggest that for units in areas with lower priority the rate of interest and service charges might be a little higher, for instance, for units in areas with the lowest priority interest @ 7% and service charges upto 10% might be levied. Suitable schedule of rates on the above lines may be worked out by the Corporation so that the scheme will continue to work on a commercial basis while offering incentives to entrepreneurs willing to establish units in semi-urban and rural areas. The need to encourage electronics, petro-chemical raw material based industries etc., which are likely to come up in larger cities in the initial stages should, however, be borne in mind in revising interest rates, service charges, etc., as above.

(3) While we suggest that the NSIC might concentrate its attention in semi-urban and rural areas we do not intend to restrict the growth of new units in the urban and metropolitan areas. New or existing units in these cities need the assistance of machinery on hire-purchase. We expect that the State Bank and other Commercial Banks would extend this facility on a much more liberal basis than at present. These banks being established in all the urban areas will not find it difficult to assess the credit worthiness, production capacity etc., of the applicants and therefore they will be able to readily advance loans on Instalment Credit System for the purchase of machinery.

(4) It has already been mentioned that the NSIC through its proto-type training centres or other established machine tool manufacturers should arrange to manufacture indigenously machine tools which appear to be popular from import statistics.

(5) We also suggest that the NSIC should enter into contracts with manufacturers of machine tools in the country, like HMT, to give special priority to its orders in view of the large orders it is likely to place.

(6) We have already observed that the benefits of this scheme did not accrue equitably to all the States. While 11 cities are getting the bulk of the machines, some other States which are comparatively under-developed could not get the desired benefit. We suggest that NSIC might immediately establish a branch in each State, even if the State Small Industries Corporation is operating the hire-purchase scheme.

(7) While we endorse the idea that State Small Industries Corporation may also operate the hire-purchase scheme especially for indigenous machines we feel that there is a definite advantage in the NSIC continuing to do this work in a big way. The SSIC whose resources are to be derived from State Government, cannot raise adequate finance for this purpose. The resources of the State for development of small industries being limited, any amount that comes directly from the central resources would add to the total availability in the State.

(8) We understand that the loans granted by the Government to the NSIC are to be continuously repaid as and when instalments are collected. Allotments of funds to NSIC

are made by fresh loans whenever needed. We suggest that the amount loaned to the NSIC might be treated as a long term loan so that it might be constituted as a revolving fund. The NSIC should be able to utilise the instalments collected by it for supplying additional indigenous machinery.

(9) We suggest that the NSIC should continue to encourage applications for balancing equipment, modernisation, replacement of machinery and applications for smaller values so that those who can contribute substantially to production with limited outlay and the smaller entrepreneurs receive adequate encouragement.

(10) The State Directors of Industries, Small Industries Service Institutes and Small Industries Associations should actively assist the National Small Industries Corporation in collecting dues so that defaults do not assume any importance.

(11) The possibilities of obtaining PL 480 funds for operating the hire purchase scheme might also be explored ; but this would be in addition to the targets recommended below.

Targets

13.16. As we have already observed, the hire-purchase scheme has proved its utility and is popular. The National Small Industries Corporation has acquired adequate experience in working the scheme. The rate of deliveries during the last three years has been continuously on the rise. We have no doubt that the small industries sector is now in a position to absorb machinery at the rate of at least Rs. 10 crores per annum from the National Small Industries Corporation and that the National Small Industries Corporation is in a position to undertake work of this magnitude. However, in view of our earlier suggestions to popularise the Instalment Credit System in urban and metropolitan areas and to create revolving fund to enable National Small Industries Corporation to utilise its collections and in view of the need for intensive utilisation of machinery already supplied we set a modest target for hire-purchase of machinery in the Fourth Plan.

13.17. We suggest that the following provisions be made for hire purchase of machinery during the fourth Five Year Plan:—

- (a) Total rupee provision for the hire purchase scheme of NSIC. Rs. 25 crores

Of this, an amount of Rs. 15 crores may be used for the supply of indigenous machinery and the balance Rs. 10 crores might be made available as free foreign exchange for import of machinery from sources other than those mentioned against (b) below.

- (b) Foreign exchange from AID sources like DLF, West German Credit etc., for which corresponding rupee payments are not required. Rs. 10 crores

13.18. Therefore, the total requirements of the National Small Industries Corporation for the Hire Purchase Scheme during the fourth Five Year Plan would be Rs. 35 crores.

13.19. We also recommend that an amount of Rs. 5 crores of free foreign exchange might be provided for direct import of machines by small scale industrialists during the fourth Plan period to be administered by the Chief Controller of Imports & Exports in consultation with the Central Small Industries Organisation.

APPENDIX 13·1

Yearwise performances

(Value in Rs. Lakhs).

Year	Applications received			Applications Accepted			Orders placed		Machines delivered	
	No.	M/cs.	Value	No.	M/cs.	Value	M/cs.	Value	M/cs.	Value
1957-58.	1748	6935	501·77	1193	4175	339·40	1898	185·35	978	79·90
1958-59.	554	2587	228·41	317	1264	127·92	1698	138·25	1356	142·70
1959-60.	1597	7271	926·12	1702	7759	649·63	1699	228·68	1112	167·90
1960-61.	2736	10634	1480·49	2191	8947	1032·94	2384	277·61	1187	178·70
1961-62.	3259	13920	1582·34	2362	10587	964·56	3172	311·50	1408	217·20
1962-63.	2819	13654	1404·56	1802	7318	726·17	4680	551·86	2755	341·11
1963-64.	1773	8935	641·61	1243	4731	255·47	2303	221·06	3060	651·04
1964-65 (Upto October'64)	1045	4899	508·79	654	2469	223·10	736	87·54	1552	251·35
Total	15531	68835	7274·09	47250	11464	4319·19	18570	2061·85	13408	2030·10

APPENDIX 13·2

Analysis of applications accepted (1961-64)

STATE	Cases accepted	Cases withdrawn before offers were made	Cases withdrawn after offers were made	Offers made but E/M not received	E/M received but order not placed	Orders placed
Madras	312	8	21	11	9	263
Mysore	1018	32	405	70	27	484
Kerala	398	5	30	12	3	348
Andhra Pradesh	185	3	15	5	2	160
Mabarashtra	515	18	80	51	32	334
Gujarat	118	3	16	15	8	76
Madhya Pradesh	1194	22	445	155	36	536
Goa	10	..	..	7	..	3
West Bengal	316	18	57	16	8	217
Bihar	26	3	1	3	1	13
Assam	35	1	4	6	5	19
Orissa	26	..	6	1	1	18
Manipur	..	..	..	..	..	..
Tripura	1	..	1	..	..	..
Delhi	207	5	36	26	12	128
Uttar Pradesh	840	32	215	167	32	394
Punjab	159	7	37	14	6	95
Jammu & Kashmir	12	1	2	..	..	9
Rajasthan	22	1	1	4	..	16
Himachal Pradesh	13	..	..	3	..	10
Total	5407	159	1372	566	182*	3128

N.B. *These represent mostly applications involving imported machinery for which the planned foreign exchange became unavailable and further processing could not be done. As foreign exchange is now being extended these cases are being processed.

APPENDIX 13.3
Applications received and accepted
Number of units

STATES	APPLICATIONS RECEIVED						APPLICATIONS ACCEPTED					Total
	1956-60	1960-61	1961-62	1962-63	1963-64	Total	1956-60	1960-61	1961-62	1962-63	1963-64	
	Madras	661	303	185	148	66	1363	536	254	171	96		45	1102
Andhra Pradesh	156	150	125	58	57	546	143	134	113	36	36	462
Kerala	233	104	332	106	65	840	183	92	271	69	58	673
Mysore	301	418	723	230	299	1971	283	396	494	225	299	1697
Maharashtra	644	416	391	276	97	1824	482	334	263	191	61	1331
Gujarat	160	91	90	82	33	456	125	69	57	40	21	312
Madhya Pradesh	54	72	329	949	445	1849	30	56	211	613	370	1280
Goa	..	..	..	2	22	24	..	..	..	..	10	10
West Bengal	490	304	207	181	65	1247	419	257	145	104	67	992
Bihar	40	31	18	18	10	117	30	19	8	14	4	75
Assam	55	15	13	23	38	144	40	10	12	7	16	85
Orissa	25	12	16	11	15	79	21	13	17	4	5	60
Manipur	4	..	..	3	..	7	4	..	..	..	..	4
Tripura	4	1	..	2	..	7	4	2	..	1	..	7
Delhi	380	168	202	103	52	905	337	118	121	68	18	662
Uttar Pradesh	300	465	472	478	466	2181	230	306	373	257	210	1376
Punjab	290	136	129	124	24	703	265	87	85	63	11	511
Jammu & Kashmir	36	11	6	6	..	59	33	7	7	5	..	52
Rajasthan	62	34	20	15	3	134	43	35	12	8	2	100
Himachal Pradesh	4	5	1	4	16	30	4	2	2	1	10	19
Total	3899	2736	3259	2819	1773	14486	3212	2191	2362	1802	1243	10810

APPENDIX 13·4.

Industrywise distribution of small units which have obtained machines on hire purchase terms

(Upto 31st July, 1964)

S. No.	Industry	Number of Units	Hire Purchase value
1	2	3	4
			(Rs.)
1	Agricultural Implements	46.	7,20,000
2	Auto Servicing.	132.	37,36,000
3	Building Materials	72	19,04,000
4	Ceramics	13	10,33,000
5	Chemicals	128	51,07,000
6	Containers	38	16,73,000
7	Electrical Goods	144.	76,62,000
8	Food Products	121	33,78,000
9	Foundry	94	34,77,000
10	Leather	30	8,15,000
11	Light Engineering	1,601	7,09,50,000
12	Metal Ware	63	21,66,000
13	Miscellaneous	214	74,33,000
14	Plastic Conversion	136	88,88,000
15	Printing & Binding	243	53,76,000
16	Rubber Based Industry	82	29,22,000
17	Scientific Goods	91	34,87,000
18	Stationery	121	64,40,000
19	Textiles	64	16,58,000
20	Timber Based Industry	323	54,43,000
21	Wearing Apparel	93	22,52,000
		3,849	14,65,64,000

APPENDIX 13·5

Statewise Distribution of Units Assisted by the Corporation
(Upto 31st July, 1964)

S. No.	State	Number of Units	Hire Pur- chase Value
1	2	3	4
			(Rs.)
1	Andhra Pradesh	194	54,80,000
2	Assam	33	8,04,000
3	Bihar	29	9,06,000
4	Delhi	293	1,46,00,000
5	Gujerat	116	45,28,000
6	Jammu & Kashmir	23	6,87,000
7	Kerala	318	56,20,000
8	Madhya Pradesh	180	39,86,000
9	Madras	468	1,76,41,000
10	Maharashtra	655	3,56,69,000
11	Manipur	1	5,000
12	Mysore	433	1,12,04,000
13	Orissa	22	10,10,000
14	Punjab	191	74,72,000
15	Rajasthan	50	29,22,000
16	Tripura	1	7,000
17	Uttar Pradesh	405	1,41,44,000
18	West Bengal	437	1,98,79,000
TOTAL		3,849	14,65,64,000

APPENDIX 13.6

Industrywise analysis of hire purchase assistance extended in terms of machines delivered since inception to 31st July 1964

Industry	Light Engg.	Leather	Plastic conversion	Scientific goods making	Containers making	Auto ser- vicing	Foundry	Rubber based industries	Metal ware	Textiles
State	No. of units	No. of units	No. of units	No. of units	No. of units	No. of units	No. of units	No. of units	No. of units	No. of units
1	2	3	4	5	6	7	8	9	10	11
Madras	123	3	16	11	13	30	12	7	13	3
Andhra Pradesh	97	2	6	2	1	3	5	2	8	3
Kerala	83	11	5	5	4	17	6	21	4	..
Mysore	183	9	5	2	2	23	9	13	6	23
Maharashtra	282	2	48	24	9	16	25	7	15	15
Gujarat	53	..	5	2	1	2	7	5	4	3
Madhya Pradesh	61	..	7	2	..	8	3	8	3	1
West Bengal	260	4	7	7	4	2	7	3	1	9
Bihar	14	..	1	..	..	1	..	1	..	..
Assam	17	..	..	..	..	1	..	..	1	..
Orissa	8	..	..	..	1	..	2	..	1	..
Manipur	..	..	..	..	..	..	..	..	..	..
Tripura	..	..	..	..	..	..	..	..	..	..
Delhi	128	2	15	11	..	3	4	4	2	2
Uttar Pradesh	106	5	19	8	3	18	6	7	2	1
Punjab	74	1	2	14	..	3	7	3	1	3
Jammu & Kashmir	3	1	..	1	..	2	..	..	..	..
Rajasthan	19	..	..	2	..	3	1	1	2	1
Himachal Pradesh	..	..	..	..	..	..	..	..	..	..
TOTAL	1601	30	136	91	38	132	94	82	63	64

APPENDIX 13·6—contd.

Industrywise analysis of hire purchase assistance extended in terms of machines delivered since inception to 31st July 1964

Industry	Miscellaneous	Food Products	Agricultural Implements	Wearings Apparel	Stationery making	Building Materials making	Ceramics	Chemicals	Timber Based Industries	Printing and Binding	Electrical goods making	Total
State	No. of units	No. of units	No. of units	No. of units	No. of units	No. of units	No. of units	No. of units	No. of units	No. of units	No. of units	No. of units
	12	13	14	15	16	17	18	19	20	21	22	23
Madras	21	13	8	5	18	9	..	14	8	31	20	468
Andhra Pradesh	4	2	3	2	4	7	..	8	23	8	4	194
Kerala	5	15	6	..	4	20	1	14	88	15	4	318
Mysore	39	8	7	8	2	5	..	7	39	35	8	433
Maharashtra	39	14	5	11	34	10	1	30	20	27	31	655
Gujarat	5	1	4	1	3	..	..	4	6	6	4	116
Madhya Pradesh	8	4	5	..	8	4	..	2	45	7	4	180
West Bengal	9	4	2	1	14	7	4	26	27	23	16	437
Bihar	3	..	..	2	2	..	..	..	4	1	..	29
Assam	..	2	1	..	..	..	..	3	4	4	..	33
Orissa	1	1	1	..	..	3	1	..	..	2	1	22
Manipur	..	..	..	..	..	..	..	..	1	..	..	1
Tripura	..	..	..	..	..	..	..	..	..	1	..	1
Delhi	20	7	..	20	12	..	..	7	4	20	32	293
Uttar Pradesh	45	44	4	6	17	..	4	12	35	55	9	405
Punjab	11	5	..	36	2	2	1	2	10	5	7	191
Jammu & Kashmir	1	..	..	1	..	..	1	1	8	3	1	23
Rajasthan	2	1	..	..	1	5	..	8	1	..	3	50
Himachal Pradesh	..	..	..	..	..	..	..	..	..	..	..	..
TOTAL	214	121	46	93	121	72	13	128	323	243	144	3849

APPENDIX 13.7

*An Analysis of Imported Machines***I. MACHINE TOOLS AND OTHER GENERAL PURPOSE MACHINES AND EQUIPMENTS (Numbers of machines are approximate)****A. Lathes**

(i) Automatic Turret Lathe	64 Nos.
(ii) Single Spindle Automatic Lathe	52 Nos.
(iii) Capstan Lathe	51 Nos.
(iv) South Bend Lathe	31 Nos.
(v) Drum Type Lathe	8 Nos.

B. Milling Machine

(i) Milling Machine (Engraving & Roofing type etc.)	31 Nos.
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C. Presses & Hammers

(i) Hydraulic Press	24 Nos.
(ii) Pneumatic Power Hammer	22 Nos.
(iii) Power Press	14 Nos.
(iv) Moulding Press	9 Nos.

D. Grinding Machines

(i) Tool & Cutter Grinder	26 Nos.
(ii) Grinding Machines	25 Nos.
(iii) Surface Grinder	21 Nos.
(iv) Centreless Grinder	5 Nos.
(v) Crank Shaft Grinder	53 Nos.

E. Drilling Machines

Radial Drills	11 Nos.
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F. Gear Hobbing Machines

Gear Hobbing Machines	20 Nos.
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G. Threading Machines

Thread Grinding & Thread Rolling Machines	8 Nos.
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H. Die Casting & Die Engraving Machines

(i) Die Casting Machines	14 Nos.
(ii) Pantograph Engraving & Die Sinking Machines	13 Nos.

I. Welding Machines

Seamless & Spot Welders etc. 31 Nos.

J. Plastic Conversion Machines

(i) Injection Moulding Machines 57 Nos.
 (ii) Welding Machines 13 Nos.
 (iii) Extruders 23 Nos.

K. Printing Press Machinery

(i) Cylinder Printing Machines 24 Nos.
 (ii) Platen Printing Press 18 Nos.
 (iii) Polygraph Printing Press 11 Nos.
 (iv) Offset & other Printing Machines 20 Nos.
 (v) Wire Stitching Machines 6 Nos.
 (vi) Tin Printing Machines 5 Nos.
 (vii) Type Foundry Machines 4 Nos.

L. Other Machines

(i) Hosiery Machines 15 Nos.
 (ii) Industrial Sewing Machines 30 Nos.
 (iii) Button hole stitching Machines 33 Nos.
 (iv) Ammonia Compressors 16 Nos.
 (v) Test Bench for Fuel Injection Equipment 24 Nos.
 (vi) Boring & Filling-M/c for Brushes 6 Nos.
 (vii) Nozzel Grinder & Tester 7 Nos.

II. SPECIALISED PLANTS*A. Plants for Wire Products*

(i) Gem Clips 12 Nos.
 (ii) Shoe Tacks & Eyelets 29 Nos.
 (iii) Coil Springs 20 Nos.
 (iv) Safety Pins 7 Nos.
 (v) Paper Pins 16 Nos.
 (vi) Wire Drawing 12 Nos.
 (vii) Wire Nails 21 Nos.
 (viii) Wire Mesh-Wire Netting 5 Nos.
 (ix) Wire Staplé 10 Nos.

B. Industrial Fastener Plants

(i) Bolts & Nuts 19 Nos.
 (ii) Bifurcated Rivets 4 Nos.
 (iii) Nut Tapping Machines 6 Nos.

C. Other Plants

(i) Snap Buttons	16 Nos.
(ii) Surgical Cotton	4 Nos.
(iii) Expanded Metal	5 Nos.
(iv) Clinical Thermometers	6 Nos.
(v) Glass Ampoules	10 Nos.

· CHAPTER XIV
· ANCILLARIES
·

14.1. An important feature of modern small industry development is its complementarity with the large scale industrial sector. It has been the experience all over the world that the growth of the large scale sector itself stimulates the growth of the small scale sector as a matter of "secondary" growth. By planning the development of this secondary growth suitably, we will, thus, accelerate the development of modern small industries in a manner beneficial to the economy as a whole.

14.2. Small scale units enjoy economies of scale of production and can effectively compete with large scale units in certain products having restricted markets or requiring specialised technical skills. In these products small and large scale units co-exist on the basis of economies of scale of production.

14.3. Small scale units also spring up to make use of the basic raw materials/intermediates produced by large scale units because the fabrication of these end-products which have to cater to the tastes of regional markets, involve heavy transportation costs, etc. and can advantageously be decentralised. More significant gains will, however, accrue to the small scale sector by working as ancillaries or sub-contracting units to large scale units.

14.4. During the last four or five years, concerted efforts have been made to develop small scale units as ancillaries to large scale units in our country. In the beginning, the work was of an exploratory nature. The attempt was to contact large scale units, study their requirements of parts/components etc. and place them in touch with capable small scale units. As this work gathered momentum, the Small Scale Industries Board felt that it should be put on a more formal basis. A Standing Committee on Ancillaries was established in April, 1960. Later that year, the work was transferred to the newly created Ancillaries Division of the CSIO.

14.5. The Standing Committee selected 16 large scale industries for special encouragement of ancillaries, while the general ancillary work for all large scale units continues as usual. These industries are (1) Industrial machinery, (2) Agricultural and earth moving machinery, (3) Machine tools, (4) Industrial, scientific and mathematical instruments (mechanical), (5) Locomotives and rolling stocks, ships and aircraft, (6) Bicycles, (7) Boilers and steam-generating plants, (8) Steam engines, turbines and internal combustion engines, (9) Automobiles, (10) Commercial office and household equipment, (11) Electrical machinery, equipment and appliances, (12) Telecommunication equipment, (13) Industrial instruments (electricals), (14) Radios and electronic equipment, (15) Air-conditioners and cold storage equipment including refrigerators, (16) Mineral oil and petroleum products.

14.6. It has been recognised that a unit which is to supply precision components to large scale units in the above industries may need a higher fixed capital than Rs. 5 lakhs fixed under the definition of a small scale unit. Therefore, in the case of ancillary units, the fixed capital ceiling has been raised to Rs. 10 lakhs. An ancillary unit has been defined as:

“A unit which produced parts, components, sub-assemblies and tooling for supply against known or anticipated demand of one or more large units manufacturing/assembling complete products and which is not a subsidiary to or controlled by any large unit in regard to the negotiations of contracts for supply of its goods to any large unit. This shall not, however, preclude an ancillary unit from entering into an agreement with a large unit giving it the first option to take the former's output.”

14.7. Units which are set up primarily for replacement market also fall within the scope of the above definition.

14.8. The vast scope to develop ancillaries to the public sector undertakings was recognised even at the outset. At the instance of the Standing Committee, the Ministry of Commerce and Industry addressed a communication to several public and private sector undertakings requesting them to encourage the development of ancillary units. This recommendation is being followed up by the Ancillary Division;

Officers of the Division visit large scale undertakings to explore the possibilities of ancillary development. Some of the public sector undertakings have also appointed their own ancillary Development Officers:

14.9. The Standing Committee on Ancillaries set up regional committees at various places like Bombay, Calcutta, Delhi, Bangalore, Madras, Patna and Ahmedabad. The functions of these Committees are (1) to prepare lists of parts/components and sub-assemblies required by large scale units which are directly connected with defence efforts, (2) to prepare lists of parts/components and sub-assemblies required by other large industries and (3) to suggest items of production to be demarcated to the small scale sector so as to fit in with the end-product programme proposed for large and small scale industries. Some of these Regional Committees have also prepared lists of parts/components which could be made for the large scale units located in their areas. SISIs are now trying to locate suitable small scale units to undertake their production. In some States exhibitions of such components/parts have also been arranged for the benefit of small scale units.

14.10. The Central Small Industries Organisation has undertaken special studies to ascertain the scope of development of ancillaries in different States. These studies have been conducted through the Universities of Calcutta, Mysore and Lucknow, in West Bengal, Mysore and U.P. respectively. The Institute of Economic Growth, Delhi conducted a similar survey for Delhi and Punjab. The National Council of Applied Economic Research has undertaken similar surveys in all the other States of the country. The Council has, in addition, agreed to prepare an all-India survey on the basis of the State surveys. It is expected that these surveys will provide useful information regarding the existing ancillaries, their problems and the methods of developing new ancillary units.

Public Sector Undertakings

14.11. As per the directive of the Project Co-ordination Committee of the Ministry of Commerce and Industry, various public sector undertakings appointed high level technical officers to work out the details of development of ancillaries

in their respective projects. In consultation with the SISI in the respective States the following public sector undertakings are actively developing ancillaries :

1. Hindustan Machine Tools, Bangalore.
2. Heavy Electricals, Bhopal.
3. Heavy Engineering Corporation, Ranchi.
4. Hindustan Antibiotics, Pimpri.
5. Hindustan Aircrafts, Bangalore
6. Bharat Electronics, Bangalore.
7. Radio Electric Manufacturing Co., Bangalore.
8. Indian Railways, particularly, the Diesel Locomotive Works, Varanasi.
9. Hindustan Antibiotics, Rishikesh.
10. Director General of Ordnance Factories.
11. New Government Electric Factory, Bangalore.
12. Iron & Steel Works, Bhadravati.
13. Hindustan Steel Plant, Bhilai.

14.11.1. The Hindustan Machine Tools, Bangalore has established a Functional Industrial Estate with a provision for 50 sheds. 28 of these are already functioning as its ancillaries. The Heavy Electricals, Bhopal has also organised a Functional Industrial Estate. The Heavy Engineering Corporation, Ranchi, Hindustan Aircrafts, Bangalore, Bharat Electronics, Bangalore are also setting up similar Industrial Estates for their ancillary units.

Private sector undertakings

14.12. The Central Small Industries Organisation contacted a large number of large scale units inviting them to make use of the services of Ancillaries Division in locating suitable units to produce components/parts they require. Some of them responded and furnished the lists of their requirements. These were then circulated to SISIs to locate suitable units and it is known that a large number of firms are getting orders from large scale units though we do not have precise data regarding the actual flow of such orders. It has been estimated that supplies in this way exceed Rs. 2 crores per annum.

Functional industrial estates

14.13. Functional Industrial Estate is a cluster of small scale units manufacturing a variety of parts/components,

gadgets and tools of specialised types required for the assembly of a product ordinarily assembled by large scale units. By bringing together units producing parts/components for a single item it will be possible to provide common service facilities, testing and other laboratory facilities at a central place. Supplies of raw material and deliveries of finished products can also be suitably regulated. It is, thus, expected that a Functional Estate would give a fillip to the development of ancillaries. Accordingly, the Small Scale Industries Board recommended that the States should take up the programme of Functional Industrial Estates. Andhra Pradesh, Maharashtra, Punjab, Kerala, Gujarat and Madras have already schemes for setting up such Estates. In Andhra Pradesh, a Functional Estate for the manufacture of radios and radio spare parts is being set up. In Maharashtra, Functional Industrial Estates for the manufacture of auto parts and another for engineering requirements are being set up. In Punjab, attempts are being made to set up a Functional Industrial Estate for the manufacture of scientific instruments. In Kerala, two Functional Industrial Estates—one for the manufacture of electric motor components and the other for the manufacture of radio components and their assembly are contemplated. The Functional Industrial Estate in Gujarat has a plan for the manufacture of radio components while in Madras the plans are for Functional Industrial Estates for leather goods and for manufacturing ceramic items.

REVIEW AND SUGGESTIONS

14.14. (1) Apart from the few ancillary units registered with the CSIO, there are a large number of small units supplying parts/components to large scale units and public sector undertakings. These units are of the nature of jobbing shops and undertake production according to contracts received. They may not often have a manufacturing programme of their own even for these components because they depend on the orders they receive. Comprehensive data on the extent of this activity and the problems faced by those units is not available. We suggest that special surveys might be undertaken to study the position regularly, especially in cities like Calcutta, Bombay, Madras, Delhi etc.

(2) While we have various instances of large scale units, in other countries, fostering the development of ancillaries in their own interest, the pattern of industrial development in

this country has been such that a large scale unit would like to produce all components/parts required under its own roof. This had a historical justification since there were no reliable ancillaries for a long time. The present high prices prevailing in the sheltered domestic market and the consequent high profitability continue to induce large scale units to produce all parts/components required by them. However, as the scale of production increases and small scale units specialising in parts requiring a high degree of technical skill come into the market (as they are coming) it will be found that an individual manufacturer will be at a disadvantage in manufacturing the limited number of parts/components required by him. Therefore, in their own interest, large scale units will have to resort to such small scale units for procuring their requirements. As cost consciousness develops, this process can be expected to take place but steps should be taken to hasten it. Small scale units have now proved their ability to produce parts, components to required specifications at reasonable cost within required time. The necessary climate having thus been created, it is for large scale units to take advantage of these facilities available. We, therefore, suggest that the Federation of Associations of Small Industries of India, the Indian Chambers of Commerce and Industry and similar other associations should take special steps to foster this ancillary relationship between their member firms.

(3) Small scale ancillary units are often at a disadvantage in obtaining raw material of the required specification. We suggest that Raw Material Depots should supply their requirements on a priority basis. After about a year or so, the amount of raw materials so issued can be analysed to assess the volume of parts/components supplied by the ancillary units so that suitable deductions can be made in the entitlements of corresponding large scale units. The idea is that large scale units buying their components/parts from small scale units should not also get raw material for producing the same parts/components.

(4) The representatives of the CSIO should be associated with the licensing of large scale units more closely from the time of the receipt of the application so that the applications might be scrutinised from the ancillaries point of view. Such components/parts which could be made in the small scale sector should not be licensed and it should be the responsibility of the large scale units to locate ancillaries.

However, the CSIO should help the small scale units so selected by rendering technical and managerial assistance of the required degree.

(5) The CSIO should prepare lists of standard parts/components that could be made in ancillary units. These lists should be made available to all Government Departments for use while preparing project reports of large scale public sector undertakings. The lists should also be made available to the DGTD and the members of the Licensing Committee. The lists may also be given wider publicity so that prospective entrepreneurs in the large scale sector might plan their projects suitably. It is, however, to be appreciated that these lists could only be illustrative.

(6) Before an application for licence is placed before the Licensing Committee, the DGTD and CSIO should in each case agree on the items to be farmed out to ancillaries. The agreed list should be placed before the Licensing Committee for suitable endorsement in the licence.

(7) A copy of the application for licence which is now endorsed to the Director of Industries of the concerned State should also be endorsed to the Director, SISI of the State so that he might also examine it from the point of view of ancillaries and suggest the names of suitable ancillaries for parts/components. This list may be placed before the Licensing Committee when the applications come up for consideration.

(8) We suggest that the DGTD might publish quarterly a bulletin containing details about the capacities available in the small scale sector for manufacture of various components/parts, sub-assemblies required by large scale units registered with them, as also details of the work that those large scale units are willing to sub-contract. This bulletin will, thus, bring together prospective large scale and small scale units and stimulate their ancillary relationship.

(9) The DGS&D while considering tenders for all group II items *i.e.* those which could be made only in the large scale sector but provide an opportunity to sub-contract to small scale units should specifically invite information about the ancillaries to which the work will be farmed out and give a preference on this basis. Tenderers who previously supplied to the DGS&D might also be evaluated and rated according to the use they made of ancillaries.

(10) Some private sector undertakings have established industrial estates to house their ancillary units. While the bulk of the production of these units might be supplied to the concerned large scale unit, we suggest that these ancillary units should be free to supply to the replacement market and also other large scale buyers. They should also have an option to produce parts other than those required by the concerned large scale unit.

(11) In the case of large scale units proposed to be established in the public sector, the scope to develop ancillaries should be considered even while preparing the project report. The project report should contain definite recommendations regarding establishment of an ancillary industrial estate. The CSIO should be associated in preparing these project reports to the extent necessary.

(12) Where a public sector project proposes to have an ancillary industrial estate, at least 50% of the cost of the estate may be given to the project company as a long term loan. Alternatively, the concerned State Government should establish a traditional or co-operative industrial estate in the vicinity of such project in consultation with the project authorities, for the development of ancillaries.

(13) Regional Committees of the Standing Committee on Ancillaries might be established in all States. They should continue to draw list of parts/components required by large scale units in the areas and SISIs should try to locate units capable of manufacturing them. They should also give special attention to the technical and managerial aspects of the selected small scale units.

(14) The Standing Committee on Ancillaries should be further strengthened with the addition of representatives of small scale industries. The Regional Committees of the Standing Committee should also co-opt representatives of small industries.

(15) Now that the necessary climate has been created for the development of ancillaries, we feel that Chambers of Commerce and similar other associations should take the lead in bringing together the large scale and small scale units to further foster their ancillary relationship.

CHAPTER XV

INDUSTRIAL CO-OPERATIVES

15.1. The Industrial Policy Resolution, 1956, emphasised the need "to build up a large and growing co-operative sector". It has also been laid down in the Resolution that the "principle of co-operation should be applied wherever possible and a steadily increasing proportion of the activities of the private sector developed along co-operative lines". In our Constitution in Article 43, it has been laid down that "the State should endeavour to promote cottage industries on an individual or co-operative basis in rural areas". It is to implement this policy that the programme of developing industrial co-operatives in the field of small scale industries has been chalked out.

15.2. The Karve Committee which suggested programmes for village and small scale industries during the second Five Year Plan considered the organisation of industrial co-operatives as one of the basic objectives in the development of village and small industries. The first Ford Foundation Team also highlighted the importance of industrial co-operatives. In view of this, the Ministry of Commerce and Industry constituted in September, 1957, a Working Group to consider the development of industrial co-operatives with special reference to the objectives and programmes of second Five Year Plan, examine the difficulties and recommend measures for ensuring their accelerated development. The recommendations of this Working Group have by and large been accepted by the Government.

15.3. It has been recognised that co-operatives especially those of artisans would need initially good deal of assistance from Government and a suitable programme has been chalked out to get the co-operatives started and to activate and place them on a sound footing. According to this programme, members of industrial co-operatives would be provided a two-year loan upto 75% of the share capital to be subscribed by them. The National Small Industries Corporation offers them machinery on hire-purchase basis at a concessional rate of interest. The Societies are also given working capital to

the extent of 75% of the assets pledged as 10 year loan. Under the State Aid to Industries Act, these societies are entitled to loans at a concessional rate of interest of 21% upto Rs. 2 lakhs.

15.4. For the intensive development of industrial co-operatives, the Central Government formulated a scheme whereby six industrial co-operatives were to be selected in each State and given full assistance both by the State Directorate of Industries and the Small Industries Service Institutes. 98 societies have been selected under this scheme for integrated assistance in all the States. The State Governments were also requested to set up Development Committees consisting of all concerned interests to analyse and solve the problems arising from time to time in regard to the successful working of these societies. Such Committees have been set up in almost all States. The technical officers of the Small Industries Service Institutes have been rendering technical assistance to the selected units. In preparing the programme for development the State Governments have also been requested to pay due regard to the capacity of the industrial co-operatives to fulfil such a programme, the quantum and quality of assistance regarding finance, raw materials, organisational matters, technical, managerial and marketing assistance etc., to be given by various agencies. In all these matters, the guiding policy has been, as laid down in the Resolution of the Government on the recommendations of the first Working Group of Industrial Co-operatives, that "Government would like to emphasize that all such grants and subsidies should be on a tapering basis in order to make the industrial co-operative societies self-supporting in course of time".

15.5. The Japanese Delegation on small scale industries which visited this country in 1959 gave special attention to the problem of industrial co-operatives and made a number of useful recommendations for further developing this sector. The Team examined the possibilities of developing small industries on a co-operative basis and found that co-operatives can play a useful role in developing three types of industries viz.—

- (1) Consumer goods industries on a decentralised, regional basis.

- (2) Goods which have diversified demands, *i.e.*, those which have limited and segmented markets in view of the product differentiation required to meet the regional and local customs, etc.
- (3) Goods where a division of productive processes is possible *e.g.*, bicycles, radios, time-pieces, sewing machines, textiles etc.

15.6. The team also emphasized the scope for industrial co-operatives in securing external economies like purchase, sale, storage, transport etc. to small scale entrepreneurs. There was also considerable scope for providing common services like casting, forging, plating, tool-making and repairing on a co-operative basis by entrepreneurs themselves.

15.7. The Government of India appointed a second Working Group on Industrial Co-operatives in 1962. The Group assessed the progress of the sector in village and small industries and made useful recommendations for consolidating and further developing this sector during the third and fourth Five Year Plans. The recommendations of the Group have by and large been accepted by the Government.

15.8. Co-operatives in the small scale sector have mostly been organised in industries like matches, hosiery, umbrella handles, bidi-making, garment making, carpentry and wood-work, rubber goods, bricks and tiles, pottery and earthenware, non-ferrous metal work, sheet-metal work, brass, copper and bell-metal work, blacksmithy, agricultural implements, general engineering works, radio accessories, sports goods, leather goods, mechanical toys etc. In these industries there were roughly 8600 societies during 1961-62. A statement showing the Statewise distribution of these Societies is given in Appendix 15.1.

15.9. A beginning has also been made in starting industrial estates on a co-operative basis. As mentioned in Chapter VI there are now 20 co-operative industrial estates functioning in different States. Some States like Maharashtra are emphasising on this programme and propose to establish all new industrial estates on a co-operative basis. The Life Insurance Corporation has agreed to finance these societies and has, in fact, set aside an amount of Rs. 12 crores for financing them during the third Five Year Plan.

A REVIEW

15.10. (1) Our analysis of the present position of the industrial co-operatives in the small scale sector disclosed that the societies are confined to industries of a simple nature like bidi making, garments making, carpentry, wood working, bricks and tiles, pottery and earthenware. Lately, a few industrial co-operatives have been set up in some engineering industries like sheet metal work, brass, copper and bell metal work, agricultural implements, general engineering works, radio accessories, sports goods, mechanical toys etc. but the technology used was comparatively of a lower order. The progress in the more sophisticated types of engineering industries, chemical industries, metal working and machine tool industries on which emphasis has been laid by the CSIO during the last 8-9 years has been very slow.

(2) Statistics on industrial co-operatives, especially those undertaking work of a sophisticated nature mentioned above, are not available. But the impression is that the progress is halting. We venture to think that in the small scale sector, success depends on the entrepreneurial qualities of the individual and this probably militates against the co-operative idea. However, a number of industrial co-operatives which have achieved exceptional success have come to our notice, especially in Maharashtra. We infer that industrial co-operatives develop successfully in the fields where entrepreneurs, while working their enterprises individually, come together to secure some services like supply of raw materials, marketing or finance, but avoid joint production.

(3) In drawing up programmes of assistance for industrial co-operatives, we feel a distinction should be made between the workers' or artisans' societies on the one side and the entrepreneurs' societies on the other.

SUGGESTIONS

15.11. (1) We are in general agreement with the recommendations of the second Working Group on Industrial Co-operatives regarding the need to develop more industrial co-operatives of small scale entrepreneurs. We also endorse the idea that the small scale entrepreneurs may be brought together into industrial co-operatives even if the workers in the units are not made members of the society. However, in view of the lack of data on the present position, we would not like

to set rigid targets regarding the number of societies to be established during the fourth Five Year Plan or the allocation of outlays specifically for these societies.

(2) While, as mentioned above, we do not propose to set targets regarding number of societies to be established during the fourth Five Year Plan, we recommend that the promotional measures intended to encourage the development of industrial co-operatives should be further intensified in all the States. Our suggestions in this regard are :—

- (a) We feel that it would be desirable to make the Director of Industries responsible for the promotion of industrial co-operatives while other statutory functions like audit, inspection and liquidation might continue to be handled by the Registrar of Co-operative Societies. However, we recognize that in some States it may be convenient to make the Registrar of Co-operative Societies responsible for the promotional work also. If the promotional work is undertaken by the Director of Industries, he should be assisted by an officer of the rank of a Joint Director who has experience in co-operative work. If, on the other hand, the promotional work also is undertaken by the Registrar of Co-operative Societies, he should be assisted by a Joint Registrar who has industrial experience. In either case, the officer should be exclusively earmarked for this work.
- (b) To ensure proper co-ordination of the work, we suggest that a Standing Committee on Industrial Co-operatives should be constituted in each State consisting of the Director of Industries, Registrar of Co-operative Societies, Director, Small Industries Service Institute and the concerned Secretaries of the Departments. The Joint Director/Joint Registrar incharge of Industrial Co-operatives may be the Secretary of this Committee.
- (c) The small Industries Service Institutes should give full support to the States in the development of industrial co-operatives by providing necessary technical, managerial and other assistance. An officer of the rank of a Deputy Director may be earmarked to co-ordinate this work in the Institutes.

(d) We suggest that successful industrial co-operatives in different small scale industries should be carefully studied. Their progress may be highlighted as "case studies" for the information of the officers and others concerned with the development of industrial co-operatives.

(3) New industrial co-operatives may be started mainly in engineering industries, woodwork and carpentry, garment-making, chemical industries, common facility centres, bricks and tiles, other building materials etc. The development of ancillaries on a co-operative basis might also be encouraged wherever possible. Industrial estates in all urban areas may be started on a co-operative basis.

(4) The pattern of assistance required to develop these societies varies from industry to industry. We suggest that for 5 or 6 important industries as mentioned in our suggestion 2 above, detailed patterns of assistance might be drawn up and circulated to all State Governments. The element of subsidy should, as far as possible, be eliminated except for societies formed by artisans or workers themselves.

(5) For some consumer items like cycles, sewing machines, radios etc., we suggest that the idea of co-operative assembling units with the producers of the various components as members might be given a trial. The whole society might be organised on the lines of a functional industrial estate so that members working in their individual enterprises produce components and assemble and market the finished products through their co-operative. The co-operative can also undertake the purchase of raw material. The idea is that members must be free to work their individual enterprise in certain spheres while coming together to co-operate with each other in certain other spheres where such co-operation would be mutually beneficial.

(6) Common service facilities might be organised on a co-operative basis as suggested by the Japanese Delegation on Small Scale Industries. Wherever possible, existing common facility centres might be handed over to industrial co-operatives of small industrialists. However, in the case of the societies, we suggest that suitable safeguards should be made to provide for admission of new members, especially of those who are likely to require the services of these societies.

Similarly, safeguards are also required regarding the charges made for these services from non-members. In assisting these societies the capacity of the entrepreneurs to contribute to the fixed capital of these societies might also be considered.

(7) We feel that there is scope for starting co-operative activity in export marketing, e.g., export houses could be started in each State on a co-operative basis. Similarly, packing units and forwarding services could also be provided by entrepreneurs themselves on a co-operative basis.

(8) We endorse the recommendations of the second Working Group on Industrial Co-operatives that there is a need for training officers of the State Directorate of Industries and Small Industries Services Institute in industrial co-operation.

(9) Managers and supervisors of industrial co-operatives should also be trained in industrial management.

(10) As has been emphasized by the Government in their Resolution on the Report of the first Working Group on Industrial Co-operatives, the aim should be to reduce on a tapering basis all grants and subsidies to industrial co-operatives and make them as quickly as possible self supporting institutions.

APPENDIX 15.1

No. of Industrial Cooperative Societies (Small Scale Industries) 1961-62

State	Match Mfg.	Leather	Carpentry & Black smithy	Pottery	Brass & Bell Metal Workers	Tailors & Gar- ment workers	Hosiery	Bidi- making	Sports goods	Sheet metal work	Engineer- ing	Chemicals	Other Industries	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1 Andhra Pradesh (30-6-62)	3	302	182	152	45	52	3	3	..	..	9	1	14	766
2 Assam	..	..	..	..	..	..	..	..	..	..	..	..	..	..
3 Bihar	..	..	..	..	..	..	..	..	..	..	..	..	..	..
4 Gujarat	*	43	62	80	28	*	..	..	*	..	*	..	699	912
5 J & K	1	9	5	..	1	..	..	..	3	2	..	..	55	76
6 Kerala	..	..	..	..	..	..	..	..	..	..	..	..	..	..
7 Maharashtra (1961-62)	5	275	194	280	77	..	..	..	..	..	..	..	395@	1226
8 Madras	7	8	64	..	21	4	..	3	..	..	5	..	57	187
9 Mysore	..	..	..	..	..	..	..	..	..	..	..	..	..	..
10 Orissa	..	..	..	..	..	..	..	..	..	..	..	..	..	..
11 Punjab	5	529	151	31	16	..	61	..	1	6	281	..	509	1590
12 Rajasthan	2	904	116	73	31	14	Nil	11	Nil	131	Nil	42	34	1348
13 U.P.	16	466	332	48	91	43	12	14	6	†	16	3	197	1244

*Included in col. 14.

@Inclusive of col. 7 to 13.

†Included in col. 6.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
14 West Bengal
15 Madhya Pradesh	525	78	175	39	..	..	..	..	..	..	..	334	1151
TOTAL	..	39	3061	1184	839	339	113	76	31	10	139	311	46	2312	8500
<i>Union Territories</i>															
6 Andaman & Nicobar Islands
17 Himachal Pradesh
18 Laccadive, Minicoy & Amindive Island.
19 Tripura	6	9	5	1	3	1	1	..	..	..	..	8	34
20 Manipur	3	62	4	1	8	..	..	..	1	..	..	16	95
21 Delhi
23 Pondicherry	2	..	..	..	..	..	..	..	..	..	..	2
23 Goa, Daman, & Diu	2	1	..	..	..	..	..	..	..	1	..	5	9
TOTAL	11	74	9	2	11	1	1	..	1	1	..	29	140
GRAND TOTAL	..	39	3072	1258	848	341	124	77	32	10	140	312	46	2341	8640

CHAPTER XVI

SMALL INDUSTRY ASSOCIATIONS

16.1. The first Ford Foundation Team recommended that associations of small industrialists might be formed to help develop the small scale sector and improve the efficiency of the existing units. The Team also recommended the formation of a federation of these associations on the lines of the federations of large scale industries. It was visualized that, in course of time, the federation would grow strong and be able to provide technical assistance, common facility services etc., to their members.

FEDERATION OF ASSOCIATIONS OF SMALL INDUSTRIES OF INDIA

16.2. It is in furtherance of this suggestion that the Small Scale Industries Board, appointed a Committee under the Chairmanship of Shri G. L. Bansal to draft a constitution and rules for the establishment of Associations of Small Industries and an All India Federation and to take steps to expedite setting up of such Associations and a Federation. Following the report of the Committee, the Small Scale Industries Board decided to take active steps in forming the Federation of Associations of Small Industries of India and called a meeting of the representatives of various Associations of Small Industries from all over India at New Delhi on the 27th September, 1959. The Meeting decided to form the Federation and adopted the Constitution on the lines recommended by the Bansal Committee.

2. Membership

16.3. Membership of the Federation consists of 3 categories viz. (i) Ordinary, (ii) Individual and (iii) Associate.

16.3.1. Ordinary Members are Associations of Small Scale Industries and Small Scale Industries Wings of composite associations of trade and industry which are set up for promoting the cause of small scale industries and whose membership of other industrial units or other persons as sympathisers does not exceed 5 or 5% of the ordinary members whichever is higher. Small scale industrial units which satisfy the definition of a small scale industry adopted by the Government of India, can become Individual Members.

Any others interested in promoting the cause of small scale industries can become Associate Members. The present memberships of the Federation exceeds 1000.

3. Subjects Dealt with

16.4. The subjects dealt with by the Federation are grouped under the following main heads :—

1. Import and export policies.
2. Supply of essential raw materials to the small scale industry.
3. Supply of machinery through the Hire Purchase Scheme of the NSIC.
4. Taxation.
5. Credit facilities to small scale industry.
6. Labour : Application of Provident Fund Act.
7. Miscellaneous :—
 - (i) Dispersal of industries.
 - (ii) Supply of power at concessional rate to small scale units.
 - (iii) Manufacture of stores for Railway workshops.
 - (iv) Registration and code of discipline for small industry.

4. Representation on Government and Semi-Government Bodies

16.5. The Federation is represented on various official and semi-official bodies interested in the development of small scale industries. These bodies include the Iron and Steel Advisory Council, the National Productivity Council, the Indian Railway Equipment Advisory Committee, the Central Apprenticeship Council, the Board of Agricultural Machinery and Implements and Port Import Advisory Committees. Shri A. R. Bhat, President of the Federation has been nominated a Member of the Small Scale Industries Board, the National Small Industries Corporation Ltd., Export-Import Advisory Council and the Export Inspection Council.

5. Services

16.6. The Federation takes up the cases of individual members in respect of their applications for licenses to import raw materials and machinery and also for the supply of machinery from the NSIC under its hire purchase scheme.

16.6.1. The Federation also offers information service to its members. Where asked for, members are given information regarding small industries, import and export policy, hire-purchase, etc.

6. Finances

16.7. The finances of the Federation are derived from the following sources :—

- (i) Admission fees from members, which is a nominal amount.
- (ii) Subscriptions by members.
- (iii) Donations by members and others interested in the development of small scale industries.
- (iv) Grant-in-Aid. The Government of India, Ministry of Industry have been giving an annual grant to the Federation for meeting its recurring expenses. The amount of grant in the first year was Rs. 11,327. Later, the amount has been increased to Rs. 20,000 per annum and it is given year after year. This practice may continue for quite some time.

16.7.1. The Federation has also been given a grant of Rs. 27,000 towards the publication of the Directory of Small Industries which is likely to go to the press some time in August, 1965.

7. Other Activities

16.8. (1) The Federation publishes a monthly bulletin "FASII Bulletin for small Industries". This bulletin is supplied free to all members of the Federation.

(2) The Federation also regularly cyclostyles information of significance to small industries and circulates it to its members.

(3) The Federation organises Sectional Conferences to discuss problems of particular industries.

(4) The Federation proposes to bring out a Directory and Handbook on Small Industries.

16.8.1. The Federation owns its own building in New Delhi. It was formally named "LAGHU UDYOG KUTI" and opened by the President Dr. S. Radhakrishnan.

16.8.2. The Federation has, thus, been furthering the cause of small industry within the limited resources available to it. It has also established a branch at Bombay and intends to open offices where strong associations do not already exist. It is its policy to work as far as possible with the co-operation of associations affiliated to it.

16.8.3. The Federation and the local associations, wherever they exist, are trying to further the interests of small industry by making suitable representations to the concerned Government or semi-Government authorities. While this is an important work, it is time that these associations also devote some attention to improving the working efficiency of their member-units. We suggest that an attempt might be made in this direction by the Federation itself.

16.8.4. The Federation and local associations should be equipped with a strong marketing research and statistical section. This section should collect information on the various types of small industries, the demand for their products, their requirements of raw materials, the prevailing prices and price movements of raw materials, their price ranges etc. etc. so that the Government organizations on the one side and the small industry associations on the other, might be properly advised about the problems of further growth of this sector.

16.8.5. The Federation, as part of its work, should popularize modern management practices amongst small industrialists. A beginning can be made by encouraging members of local associations to adopt modern practices taught in the Industrial Management Courses of the Central Small Industries Organisation. The Federation can co-operate with the CSIO in conducting some productivity studies which, because of its participation, will receive better attention from small scale units. The Federation should induce its members to adopt modern methods of book keeping, cost accounting etc. and gradually inculcate better management and cost consciousness amongst them. For this purpose, a separate productivity section may be added to the Federation. In order that the Federation of Associations of Small Industries of India and the local/regional association of small industries should function effectively, it is considered desirable that the qualified permanent staff members of the Federation and Small Industry Associations should be given opportunity to get themselves trained in the working of such associations abroad as also in the technique of development of small

industries through the good offices of the Asian Productivity Organisation, the Ford Foundation and such other institutions.

16.8.6. The Public Relations Section, which now exists, may have to be further strengthened so as to examine the changing problems of different small industries and bring these facts to the notice of concerned departments while informing the members of the changes in policies, etc. The role of the Federation as an interpreter of the policies of Government on the one side, and as an interpreter of the problems of small industrialists on the other, is beginning to make impact on both sides.

16.8.7. The Handbook and Directory which is now being brought out by the Federation will have to be periodically revised and made, if possible, an annual feature.

16.8.8. We suggest that the Federation might be given financial assistance from the Government both for continuing its present activities and for taking up the additional activities suggested above.

Small Industry Management Associations

16.9. The small industrialists' associations, now existing are all of the "general" type intended to represent the problems of small industries with appropriate authorities. We suggest that the Federation should encourage the formation of management associations which will focus the attention of members on the scope for improving efficiency and reducing cost by adopting better management practices. These associations which might be started in some of the bigger towns, might receive initial subsidies from the Government on a matching basis. The associations should popularize and, in turn, be sustained by the Industrial Management Courses and Management Consultancy Service of the CSIO. As far as possible, these Courses might be conducted under the auspices or in collaboration with the Small Industry Management Associations. They should also give wide publicity to the reports on Management Consultancy Service rendered by various Small Industries Service Institutes.

16.10. A few small industry associations in the metropolitan areas may be encouraged to run extension centres/ common facility centres on a co-operative basis.

CHAPTER XVII

ORGANISATIONAL ARRANGEMENTS

A—LEGISLATION

17.1. A Productivity Team on Small Scale Industries sponsored by the National Productivity Council visited United States and Japan and some other countries in 1959. The Team recommended legislation to govern the development of small industries on the pattern of the legislation obtaining in the United States. At its 16th meeting held in April, 1960 at Jaipur, the Small Scale Industries Board appointed an ad hoc Committee to go into the question of legislation. A Sub-Committee of this ad hoc Committee examined the recommendations of the Productivity Team regarding legislation in detail and recommended that legislation on the pattern similar to that of U.S.A. might be enacted in India also. The ad hoc Committee itself, however, could not agree upon the need for legislation.

17.2. The Small Business Act of 1958 and the Small Business Investment Act of 1958 are the two main pieces of the legislation in U.S.A. for developing small business in that country. The main features of the two Acts are summarized in Appendix 17.1. It will be noticed that the Small Business Act of 1958 deals mainly with two aspects, viz. (1) procuring a fair share of Government contracts to the small scale sector, and (2) creation of a revolving fund to finance the capital and current requirements of small business either directly or through participation with other lending institutions. The other lending institutions contemplated are the small business investment companies which are subject to the control of the Small Business Investment Act of 1953.

17.3. In our country, there is at present no legislation relating to the development of small scale industries. The subject is handled both by the Central and State Governments. The situation is still a developing one and calls for adjustments between Central and State Governments on the one hand and the different Ministries at the Centre on the other, from time to time depending on the nature and the pace of growth. To bring in legislation for the development of small scale industries at this juncture would inevitably mean circum-

scribing the programmes and responsibilities of the Central and State Governments. This would lead to rigidity and would not allow adjustments when needed. Moreover, under the Constitution, the Centre can legislate in regard to only those items of industries which are included under the scope of the Industries (Development & Regulation) Act. Actually small scale industries development is not confined to the industries specified in that schedule.

17.4. In regard to financing, while it may be true that in the U.S.A., there are statutory provisions for supply of credit to small business, we in this country are differently placed. The State Bank and Commercial Banks have been taking active interest in the matter. The State Financial Corporations and the State Governments (under the State Aid to Industries Acts) are playing useful role in supply of finance. We have also suggested in Chapter VII the creation of new financial institutions, if necessary. We feel, therefore, that the existing arrangements may be continued for some more years before a radical alteration is proposed. Legislation may not also offer any quick remedy in the matter of availability of funds for the small scale industries.

17.5. In regard to Government Stores Purchase Programme also, the impact of the present arrangements is being increasingly felt. As we suggested in Chapter X, there is scope for further improvement which, we are confident, could be achieved by mutual consultations between the concerned departments/agencies.

17.6. On the balance, the greatest advantage would seem to lie in leaving matters as they are at least for the time being.

B—DEFINITION

17.7. The present definition of a small scale industrial unit, accepted in January, 1960, reads: "Small Scale Industries will include all industrial units with a capital investment of not more than rupees five lakhs irrespective of the number of persons employed". The capital investment for the purpose of this definition will mean investment in fixed assets like land and buildings and machinery and equipment. Where units are functioning in rented premises, the capital valuation of such buildings at 150 times of the actual monthly rent will be taken into account in assessing the prescribed limit of rupees five lakhs. Workers' housing and welfare

amenities will be excluded from this estimate. While calculating the value of machinery and equipment, the original price paid by the owner irrespective of whether it was new machinery or second-hand, will be taken.

17.8. During the last nearly four years, there have been suggestions that this definition be revised, on various grounds. It has been pointed out that the price of land and buildings and plant and machinery has considerably gone up and, therefore, many units which would really have been in the small scale sector are now out of it. With improvements in technology, the scale of operation is continuously increasing and it will be difficult to establish, in many industries, a unit of the economic size within the capital limit of rupees five lakhs. The capital limit has been relaxed in the case of ancillary units since the machinery and equipment required to produce parts and components of the required specifications will need investment of a higher order. What is true of ancillaries is true of other small scale units also especially with the increasing accent on quality. Banks and other financial institutions have expressed that it is difficult for them to evaluate land and buildings and plant and machinery especially when they are old. They have suggested that the depreciated book value, instead of original price paid by the owner, might be considered.

17.9. The whole matter was considered by a Sub-Committee of the Small Scale Industries Board. After detailed examination of the position, the Committee recommended that the limit regarding investment in fixed assets should be raised to rupees ten lakhs for all small scale units. The Government, however, decided not to implement the recommendation "for the present as it would be improper in the context of present national emergency, to aggravate the strain on raw material supply and also necessitate administrative arrangements which may cause avoidable confusion".

17.10. The importance of the definition of a small scale unit lies in the fact that all units covered by it are eligible for assistance under programmes like (1) financial assistance, (2) hire purchase of machinery, (3) participation in Government Stores Purchase Programme, (4) technical assistance, (5) allotment of space in industrial estates, (6) recognition as ancillaries, (7) subsidy on the supply of power, (8) allotment of raw materials etc. By raising the capital limit for

a small scale unit to a figure beyond Rs. 5 lakhs we should guard against the limited resources available to Government for giving these measures of assistance, becoming progressively inadequate to meet the requirements of the units with capital of Rs. 5 lakhs and less. On the other hand, with the increasing costs of land and buildings, plant and machinery and also the more sophisticated nature of the newer small scale units it looks reasonable that the capital limit should be raised somewhat. Small scale industries consist of units at various stages of technical development. On the one side, we have units mostly in metropolitan and urban areas producing sophisticated items involving complex manufacturing processes and comparable in almost all respects with corresponding units in the large scale sector, on the other side there are units in rural and semi-urban areas operated by the owner-artisan using traditional tools. In between these two extremes, units of varying sizes, producing goods requiring different degrees of technical skills could be found. The position is constantly changing.

17.11. Two conclusions seem to emerge from the above:—

- (1) The definition of small scale industries should be enlarged and simplified to the extent possible so that units which could have been in this sector but for the rise in prices of machinery etc., continue to be in the sector, and
- (2) The weaker units amongst those in the small scale sector require comparatively greater protection.

17.12. We recommend that the definition of the small scale unit should be so revised that the Rs. 5 lakhs limit of capital should be deemed to include only plant and machinery (at original price as now reckoned). Plant and machinery being the prime resource for manufacturing operations, the size of the unit could be measured directly and in a simple way by referring to plant and machinery alone. Land and buildings, the price of which varies from place to place and which could often be had on rent should be excluded from the definition.

17.13. We, further recommend that amongst the small scale industries those with an investment of less than rupees fifty thousand in plant and machinery and those located in

amenities will be excluded from this estimate. While calculating the value of machinery and equipment, the original price paid by the owner irrespective of whether it was new machinery or second-hand, will be taken.

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17.13. We, further recommend that amongst the small scale industries those with an investment of less than rupees fifty thousand in plant and machinery and those located in

areas with a population of less than 50,000 should be given special concessions in the matter of technical assistance, hire purchase of machinery etc. These concessions, as we have mentioned in different chapters, might vary according to the requirements.

17.14. It may be clarified that throughout our Report we referred to small scale industries according to the present definition and not the one suggested above.

C—ADMINISTRATIVE AGENCIES

17.15. The important administrative agencies at the Central and State levels are the CSIO, the State Directorates of Industries, the NSIC and the State Small Industries Corporations, other agencies like the State Bank, the SFCs, CCI&F and DGS&D etc. have also an important role in the administration of the small industry development programme. The role of these various agencies has been considered at appropriate places in our report. However, in this section we propose to summarise briefly the role of the more important agencies.

17.16. The Organizational Committee appointed by the Small Scale Industries Board examined this position thoroughly and made recommendations for the proper, co-ordinated administration of the small industry programme. Most of the recommendations of the Committee have already been accepted and implemented by the Government.

(a) CSIO & State Directorates

17.17. As described at appropriate places in the report, the CSIO and State Directorates play a complementary role in this programme. While the State Directorates, as implementing agencies, register small scale units, assess their capacities, allot raw materials, inspect utilization, give financial assistance under the State Aid to Industries Act and control distribution of raw material, the CSIO as a Central agency co-ordinates the work of the different State Directorates and guides them on suitable lines on the one hand and works as a liaison agency with other Central Government departments/agencies on the other. The Mathur Study Team on Import Trade Control and the Lokanathan Committee on Scarce Raw Materials have, in their respective fields, examined the role of the CSIO and the State Directorates and attempted to spell out the functions of the two agencies. In other programmes

like financial assistance, participation in Government Stores Purchase Programme, Industrial Estates etc., the role of the two agencies is also clearly demarcated. The combined, co-ordinated efforts of these two agencies will ensure successful implementation of the various suggestions made by us.

(b) NSIC

17.18. The NSIC has been functioning as partly a commercial undertaking and partly a promotional agency. While this arrangement may continue for the time being, in the long run, it may be advantageous to make it a purely commercial undertaking.

17.19. The NSIC might also finance small scale units by participating in their share capital, at least in an experimental way so that, as experience is gained, the activity might either be enlarged or transferred to a new financial institution either at the State level or at the Central level.

(c) State Small Industries Corporations

17.20. The objectives of the State Small Industries Corporations include :

- (1) Management of industrial co-operatives ;
- (2) Management of production units ;
- (3) Management of raw material depots ; and
- (4) Supply of machinery on hire purchase system, etc.

17.21. As we have already suggested, the management of traditional industrial estates in urban areas may gradually be transferred to these Corporations. The management of departmentally run production units may also be transferred to the SSI Corporations, wherever possible.

17.22. The Small Industries Corporations have established a net-work of raw material depots in their respective States. These should be recognized as registered/controlled stockists for distribution of steel and as agents of the concerned State Directorate for distribution of other scarce raw materials, imported parts/components, basic raw materials/intermediates, etc.

17.23. The capital base of these Corporations will need to be considerably strengthened. We recommend a provision of Rs. 3 crores for the purpose. These Corporations should be able to get loans from State Bank of India for their day to day operations, where necessary, on the guarantee of the concerned State Government. We expect that the raw material depots run by these Corporations will systematize and rationalize the flow of raw materials to the small scale units, minimize leakages into the open market and stabilize prices.

17.24. As we have already suggested, the Corporations might also undertake hire purchase of machinery, particularly indigenous machinery. The State Governments should provide them the necessary capital resources to do this work.

APPENDIX 17.1

Small Business Act of 1958—U.S.A.

The Small Business Act of 1958 and the Small Business Investment Act, 1958 are the two main pieces of legislation in the U.S.A. for developing small business in that country.

The main features of the Small Business Act of 1958 are :—

(1) It clearly lays down the policy of the Congress in regard to Small Business. It is the declared policy of the Congress that the Government should aid, counsel, assist and protect, in so far as is possible, the interests of small business concerns in order to preserve free, competitive enterprise, to insure that a fair proportion of the total purchases and contracts for property and services for the Government (including but not limited to contracts for maintenance, repair and construction) be placed with small business enterprises, to insure that a fair proportion of the total sales of Government property be made to such enterprises and to maintain and strengthen the overall economy of the Nation.

(2) It gives a statutory backing to the definition of the term "small business". While it broadly stipulates that a small business should have two main characteristics, namely (a) that it should be independently owned and operated and (b) that it should not be dominant in its field of operation, it gives considerable discretion to the Administration to lay down the number of employees and the volume of business of small business, taking into account the differing characteristics of different industries.

(3) It has created a special independent Agency called the Small Business Administration, directly under the President and not affiliated or subordinate to any other agency or department of the Federal Government, and with authority to establish Branch/Regional Offices anywhere in U.S.A. The SBA is to be headed by an Administrator, to be appointed by the President in consultation with the Senate.

(4) It places a revolving fund of \$ 650,000,000 which the SBA could use to finance the capital and current requirements of small businesses either directly or in participation

with Banks and other leading institutions as well as to take prime contracts for supply of stores to procurement agencies by getting them executed by small business. The policies and procedures for loans have to be laid down by a Loan Policy Board consisting of high-powered representatives of various departments of the Federal Government.

(5) The Administrator has been vested with wide powers, *inter alia*, to make such rules and regulations as considered necessary by him to carry out the purpose of the Act.

(6) The Act, however, imposes certain restrictions on the issue of business loans—(a) No SBA loan should be given to persons who can get financial assistance from other sources on reasonable terms, (b) there should be no “immediate participation” loans where deferred participation is possible, (c) SBA participation should not exceed 90% of the loan outstanding at the time of disbursement, subject to a maximum of \$ 350,000, (d) SBA’s share of a participation loan would be charged an interest of not more than 5½% per annum and (e) the maximum period of the loan should not normally exceed 10 years.

(7) The Act encourages formation of Corporations by a number of small businesses for the purpose of getting raw materials, equipment, supplies or benefits of research and development or for establishing facilities for the purpose. The incentives provided for this purpose are (a) the ceiling of \$ 350,000 to individual borrowers will not be applicable in these cases, (b) the interest rate on such loans will be between 3 and 5 p.c. per annum and (c) the term of the loan will not exceed 10 years except for construction purposes where the term can be 20 years plus such time as required to complete such construction. Loans given in this manner are called “Pool loans”.

(8) It authorises the SBA to lend, either directly or in participation with lending institutions, to small businesses affected by natural disasters, drought or excessive rainfall. The maximum period of such loans may be up to 20 years and the interest rate should not exceed 3% per annum.

(9) The Act authorises the SBA to take prime contracts from the procurement agencies of the Federal Government and to arrange for the execution of these contracts through subcontracts to small businesses.

(10) The Act authorises the SBA to provide various kinds of technical and managerial aids to small concerns ; to make or arrange to be made by other Government departments a complete inventory of the productive facilities of small business in the country and to arrange for the effective utilisation of these facilities specially to ensure effective participation of small units in meeting requirements of the Governmental procurement agencies.

(11) An important power given to the SBA is to obtain information as to methods and practices which Government prime contractors utilise in letting sub-contracts and to take action to encourage the letting of sub-contracts by prime contractors to small businesses at prices and on conditions and terms which are fair and equitable. The powers given to SBA in this respect include the following:—

(a) Any certificate certifying an individual unit as “small business” for this purpose shall be accepted as conclusive by other procurement agencies ; and

(b) Certificates issued by the SBA about the competency, capacity and credit of small businesses to execute specific Government contracts should be accepted without question by the concerned procurement agency of the Government. The SBA has also powers to obtain reports from procurement of disposal agencies about the extent of participation by small businesses.

(12) The Act authorises SBA to obtain information from suppliers about distribution of materials, which small businesses are unable to obtain from normal sources.

(13) The Act makes the SBA responsible to assist small businesses in getting the benefits of research and development programme conducted at Government expense and in obtaining Government contracts for research and development.

(14) The SBA has to make a six monthly report to the President, the President of the Senate and the Speaker of the House of Representatives about its activities.

(15) The Act provides for penalties for false statement made to the SBA.

SMALL BUSINESS INVESTMENT ACT OF 1958—U.S.A.

This Act is designed "to stimulate and supplement the flow of private equity capital and long term loans funds" for financing the needs of small businesses and to ensure the maximum participation of private financing sources.

For this purpose, the Act creates a Small Business Investment Division under the Small Business Administration, and increases the value of the revolving fund at the disposal of the SBA from \$ 650,000,000 to \$ 900,000,000.

The Act envisages the formation of Small Business Investment Companies by private entrepreneurs all over the country, either under a State charter, or, where it is not possible, under a charter of the SBA. The main features of this novel system of promoting capital formation from private sources have been explained at some length in the Report of the Indian Productivity Team on Small Scale Industries and are reported below:

Small Business Investment Companies

A new Scheme of financing equity capital and long term loans required by small businesses has been started recently under the Small Business Investment Act of 1958. The Act is designed "to stimulate and supplement the flow of private equity capital and long term loan funds which small business concerns need for sound financing of their business operations and for their growth, expansion and modernisation and which are not available in adequate supply." It envisages the establishment, all over the country, at local levels, of several privately owned investment companies which will provide this type of financial help to small firms.

Functions of Small Business Investment Companies

Under the Act and SBA's Regulations, a small business investment company may finance small businesses either by the purchase of convertible debentures of small businesses or through long term loans, or by both methods.

Finance provided by a small business investment company must be for a minimum period of 5 years, and may be for as long as 20 years. Shorter term loans (of less than 5 years) may be made when this is necessary or desirable to protect previous investments of the SBIC. In addition a loan

may be extended for 10 years, if this will aid the small business concern in the orderly liquidation of the loan. If a small business needs more funds than one small business investment company can give, it may be possible for the SBIC to meet the situation in participation with other SBIC's.

The facility of "convertible debentures financing" in addition to long term loans is available only to firms which are incorporated, and not to partnership or proprietary concerns. The debentures purchased from a small business firm by a SBIC would be convertible (up to the face value of the debentures), at the SBIC option, into stock of the small business at price per share determined between the small business and the SBIC when the debentures were issued.

The debentures must state a minimum maturity of five years but must also contain a clause permitting the small business to redeem them earlier by giving three months' notice. All other terms of the convertible debenture plan, such as interest rate, plan of repayment etc. must be agreed upon, through negotiation, between the small business and the SBIC.

The SBIC is authorised to require, as a condition of convertible debenture financing that the small business does not enter into any "outside" financing during the term of the obligation without giving the SBIC the first opportunity to provide such financing.

Limitation of Financing

If a small business concern which applies to a SBIC for financing is substantially owned by the share-holders of the SBIC then the SBIC must obtain the approval of Small Business Administration before it can extend such financing. A small business may not relend funds obtained from a SBIC or relend funds released in its accounts as a result of SBIC financing. Therefore, a loan or mortgage company is not eligible for financing from a SBIC.

A unique feature of the scheme is that it would bring together local capital and managerial talent. The organisers of investment companies undoubtedly know their own communities and industries and should be familiar with the needs

of small businesses in their area. They are therefore in a good position to render needed financial and management assistance to these firms.

Small Business Administration's Rule

The functions of the Small Business Administration in regard to SBIC's are:—

1. To license the private investment companies to operate in accordance with the Small Business Investment Act of 1958 ;
2. To furnish them with funds which they may request under the Act ; and
3. To regulate their activities.

A small business investment company must obtain its corporate powers through State Charter, if possible. Otherwise SBA can charter.

SBA will determine whether to licence a SBIC after consideration of (i) the need for small business financing in the proposed area of operation, (ii) the charter and ability of the company management and (iii) the existing number of such companies and the measure of their success, and such further matters as the SBA may deem relevant. The names and address of the SBIC's are published, as they are licensed, by the Small Business Administration.

Control by Small Business Administration

The working of these SBIC's is subject to the regulations issued by the SBA from time to time. Their activities are also subject to periodical review by the Small Business Administration. The owners and managers of the Small Business Investment Companies will have complete freedom to decide on the selection of small firms for giving financial assistance, and will not have to act on the dictates of Government. Nor will the Small Business Administration supervise any negotiations between the small business firms and the SBICs. The Small Business Administration will not interfere in the day to day operations of the SBICs as long as they abide by the Small Business Administration's regulations.

Financial Assistance

Investment Companies licensed under the Act should have a minimum paid up capital of \$ 300,000 (exclusive of organisational expenses) but the SBA can provide upto \$ 150,000 for such purpose through the purchase of subordinated debentures of the company. Further, the SBA can lend such companies upto 50% of their capital and surplus. Besides, financial assistance, licensed companies are eligible to certain tax concessions and exemptions.

In addition to the above activities with respect to Small Business Investment Companies, the Act also authorised Small Business Administration to make loans to State Development Companies, to be used by such companies for investment in and for long term loans to small business concerns. The amount of such loans to a company cannot exceed its borrowings from other sources.

Further, SBA, can make loans to State and Local Development Companies to assist small business concerns in connection with plant construction, conversion or expansion, in amounts upto \$ 250,000 for each concern.

\$ 250 million in Federal Funds are available for loans to licensed Small Business Investment Companies and for loans to development companies. Private funds must be employed in the programme to the extent possible.

CHAPTER XVIII

FINANCIAL OUTLAYS AND TARGETS

18.1. The broad targets for the small scale sector during the fourth Five Year Plan have already been outlined in Chapter II. The financial, technical and organizational assistance required to achieve those targets have been described in detail in various chapters. In this chapter we examine the financial implications of the various suggestions made by us.

18.2. As mentioned in Chapter II, the broad targets that we have set for the small scale sector are to achieve a gross output of about Rs. 4500 crores in the last year of the fourth Five Year Plan. In other words, the gross output of the sector will have to be doubled during the period of the fourth Plan. This will mean an additional net output of about Rs. 500 to Rs. 600 crores from this sector during the last year of the Plan. To achieve this additional output, fixed investment of the order of Rs. 425 to Rs. 480 crores will be required. This outlay will be provided by Government and institutional sources on the one hand and private entrepreneurs on the other. To sustain a programme of this magnitude, the Government will have to make further outlays on various assistance programmes, both at the Central and State levels.

Government Outlays

18.3. The estimated total Government outlay for the fourth Five Year Plan for the small scale industries will be of the order of Rs. 195 to Rs. 210 crores. This will be divided approximately as below :—

(1) State Governments	Rs. 90 crores
(2) Central Schemes	Rs. 60 crores
(3) Industrial Estates	Rs. 45 to 60 crores

Details of these schemes are given below :—

State Government Schemes	III Plan estimated outlay	IV Plan suggested outlay
	(Rs. in crores)	
(a) Loans under State Aid to Industries Act.	18·12	30
(b) Service schemes including common facility centres, quality marking centres and participation in internal exhibitions.	16·01	Rs. 35+8+2=45
(c) Industrial Cooperatives	3·21	5*
(d) Commercial schemes : contributions to the share capital of State Small Industries Corporations.	6·58	3
(e) Subsidy on supply of power .	0·64	3
(f) Strengthening of staff of industries departments.	2·45	4@
TOTAL .	47·01	90

Central Schemes :

(a) NSIC for hire purchase .	}	11·24	25
(b) PTCs & Administrative deficit arising out of Govt. Stores Purchase Programme etc.		10	
(c) SIET Institute and National Design Institute.		0·80	2
(d) Participation in exhibitions, external publicity, foreign tours in connection with effort etc.	}	..	3
(e) Subsidy to FASII and small industry associations etc.			

*It is expected that some of the Common Facility Centres, Quality Marking Centres etc. will be set up on a cooperative basis, and, therefore, the total outlay on the industrial cooperatives would be much higher. This provision of Rs. 5 crores is for other assistance to industrial co-operatives.

@It is expected that the III Plan expenditure under this head viz. Rs. 2·5 crores will be taken as committed expenditure.

(f) *Central Small Industries Organisation*

(i) Increase in the staff of the SISIs . . .	}	7.85	17
(ii) Technical Information Service . . .			
(iii) Institute for Appropriate Technologies			
(iv) Planning & Statistics Cell . . .			
(v) Statistical Surveys			
(vi) Cost of foreign consultants . . .			
(vii) Foreign training of officers and Indian technicians etc.			
(g) Tool room to be established either by the States or the Centre.	3	
		<hr/>	<hr/>
		19.89	60
		<hr/>	<hr/>

INDUSTRIAL ESTATES

1. *At growth-centres*

- (a) 500 traditional industrial estates at an average cost of Rs. 10 lakhs (30 sheds). Rs. 50 crores
- OR
- the same 500 estates at 20 sheds on an average, per estate. Rs. 35 crores
- (b) Common Facility Centre or a similar service scheme at each of the 500 centres at an average cost of Rs. 5 lakhs. Rs. 25 crores
- (c) Quality Marking Centre at an average cost of Rs. 3 lakhs at approximately a third of the centres. Rs. 5 crores
- (d) Number of sheds constructed 10 to 15 thousand

2. *Other Industrial Estates*

- (a) Cooperative/assisted industrial estates/company estates at 100 urban areas plus 100 growth centres at an average cost of Rs. 20 lakhs in the urban areas and Rs. 10 lakhs at the growth centres. Rs. 20 crores+
Rs. 10 crores.
- (b) The total cost of 30 crores will be borne as:—
- (i) Entrepreneurs—20% Rs. 6 crores
- (ii) State Govts. Rs. 6 crores
- (iii) L. I. C. Rs. 18 crores
- (c) Common Facility Centres at an average cost of Rs. 5 lakhs at each of the above place. Rs. 10 crores

the acquisition of fixed assets, and, as already mentioned in chapter VII, this will have to be further increased. We set the following targets in this connection :—

(a) State Financial Corporations and similar other institutions	Rs. 50 crores (Approx)..
(b) State Bank of India under its medium-term loan instalment credit systems . .	Rs. 10 to 15 crores
(c) LIC for Industrial Estates	@Rs. 18 crores
TOTAL	Rs. 75 crores (Approx)

18.7. The total fixed investment will, therefore, be of the following order :—

(a) Government Sources	Rs. 110 to 125 crores
(b) Institutional Sources	Rs. 75 to 85 crores
(c) Private sources	Rs. 225 to 280 crores
TOTAL	Rs. 425 to 480 crores

18.8. The additional fixed investment of Rs. 425 to 480 crores will be invested in land and buildings and plant and machinery in the ratio of 1 : 2 approx.

The details are :

(i) *Land and buildings*

(a) Traditional Industrial Estates at Growth Centres	Rs. 35 to 50 crores
(b) Cooperative Industrial Estates at 200 places	Rs. 30 crores
(c) Construction by private entrepreneurs themselves	Rs. 55 to 75 crores

TOTAL	Rs. 135 to 155 crores
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@ The actual amount of course depends on the response of the entrepreneurs.

(ii) *Plant and machinery*

(a) NSIC—hire purchase	Rs. 35 crores*
(b) SFCs and other similar institution	Rs. 50 crores
(c) State Bank and other commercial banks	Rs. 10 to 15 crores approx.
(d) Private entrepreneurs	Rs. 200 to 220 crores
TOTAL	Rs. 290 to 320 crores

Central Assistance

18.9. It is presumed that Central assistance will be continued according to present pattern. As shown in section 'C' of Chapter I, the Central Assistance to State Schemes takes the form of grants and loans. The grants and loans from Centre and the States' own contribution work out roughly in the ratio of 3 : 5 : 4. On this basis, the Central assistance will be as below :—

(1) Grants	Rs. 22·5 crores
(2) Loans for small industry schemes	Rs. 37·5 crores
(3) Loans for Industrial Estates	Rs. 45 to 60 crores
TOTAL	Rs. 105 to 120 crores

States' own contribution Rs: 30 crores

Total Central Expenditure

(1) Central Schemes	Rs. 60 crores
(2) Loans to State Govts.	Rs. 37·5 crores
(3) Grants to States	Rs. 22·5 crores
(4) Loans to States for Industrial Estates	Rs. 45 to 60 crores
TOTAL	Rs. 165 to 180 crores

Total Government Expenditure

(1) Central share	Rs. 165 to 180 crores
(2) States' share	Rs. 30 crores
TOTAL	Rs. 195 to 210 crores

*We except the actual amount would be much higher view our suggestion that loans to the NSIC should be treated as revolving fund.

Foreign Exchange Requirements

18.10. The foreign exchange requirements of the small scale industries may broadly be divided into two heads, viz:—

- (1) Capital goods for the small scale industries and for CSIO, PTCs, State Government Schemes etc. and
- (2) Essential raw materials like spare parts/components, non-ferrous metals, steel etc.

18.11. We give below some rough estimates of the foreign exchange requirements during the Fourth Five Year Plan under the two heads.

(1) Foreign exchange for Capital Goods

(i) NSIC for its hire purchase scheme

- | | |
|---|---------------|
| (a) Free foreign exchange | Rs. 10 crores |
| (b) Foreign exchange from aid sources like DLF, West German Credit etc. for which corresponding rupee payment is not required | Rs. 10 crores |
| (ii) Capital Goods to be licensed to small entrepreneurs direct | Rs. 5 crores |
| (iii) Capital Goods required for expansion of CSIO, PTCs, State Govts. schemes etc. | Rs. 2 Crores |

Total for the five years Rs. 27 crores

(2) Foreign exchange for Raw Materials

18.12. As detailed in our chapter on Raw Materials, the foreign exchange requirements in the last year of the Fourth Five Year Plan, 1970-71, for imported raw materials will roughly be of the following order:—

- | | |
|--|----------------|
| (i) Parts/components licensed by the CCI & E | Rs. 35 crores |
| (ii) Non-ferrous metals | Rs. 20 crores* |
| (iii) Imported steel | Rs. 20 crores |
| (iv) Other raw materials | Rs. 5 crores |

*The minimum quantities of copper and zinc estimated to be required in the last year of the IV Five Year Plan are:.

Copper:	40,000 to 50,000 tonnes.
Zinc:	32,000 to 35,000 tonnes.

18.13. The foreign exchange allotments to the sector will have to be gradually increased, from the present very low levels to meet the requirements, estimated above, for the last year of the Fourth Five Year Plan.

18.14. We feel that the estimates are quite modest and reasonable in view of the following.

- (1) We propose to double the gross output of the sector, therefore, doubling of present allocations is essential. The present open market purchases may be offset by possible substitution of copper and zinc by aluminium, plastics, etc.
- (2) The gross output of the sector in 1970-71 is expected to be of the same order as that of the large scale sector in 1961. The allocations to the large scale sector in 1961 (including textiles and jute) are, of course much higher than our estimate of the requirements of the small scale sector in the last year of the fourth Five Year Plan. But we expect that with increasing indigenous production of basic raw materials, components etc. dependence in imports could be reduced.

We wish to emphasise that supply of raw material in adequate quantities is essential to achieve the targets outlined by us.

CHAPTER XIX

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

S.No.	Recommendation	Para No.
1	The growth of small scale industries during the last decade is one of the most significant features of planned economic development in the country. Considerable progress has been achieved in expanding the sector, volume of production, employment opportunities created, entrepreneurial skills developed, increase in productivity, achievement in industrial dispersal, capital mobilised for industrial purposes, contribution to total industrial production etc.	1-1
2	The various types of assistance provided by the CSIO during the First & Second Plan periods resulted in the growth of the small scale industries (as indicated in Recommendation No. 1) into something more sophisticated and at the beginning of the III Plan, it was poised to play a much greater and significant role. Articles requiring high degree of technical skill, many of them being previously imported, began to be produced in the small-scale sector, and notable progress was made amongst the newly developing industries like plastic and chemicals. With this, the demand for foreign collaboration also increased.	1-14 to 1-15
3	During the Third Plan, in addition to increase and diversification of production, the aim was set for securing closer integration between small scale and large scale units over a wide range of industries and development of small industries as ancillaries.	1-18
4	The International Perspective Planning Team recorded in 1963 that (a) with equal access to raw materials there are many lines of industry in which the skill, flexibility, low costs, location advantages, other competitive factors favouring small units assured them of continuing and healthy growth; (b) this growth can and	1-24 to 1-25

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- should be achieved without special financial subsidies or concessional benefits; (c) small factories are not confined to consumer goods but already contributed significantly to the manufacture of producers' or investment goods; (d) small manufacturers had shared very closely in the total expansion of factory out-put in the last decade which had approximated an average rate of 8%; (e) the principal criterion by which the small scale industry is to be judged should be its positive contribution to development.
- 5 (a) By 1963 nearly 59,000 units were registered by the State Directorates of Industries under the system of voluntary registration of small scale units. As on 31st March, 1965 the figure was 85,000. 1-27
- (b) The capital invested and production in the small scale sector have been steadily increasing and the rate of growth, particularly in electrical and mechanical engineering lines had been note-worthy. 1-29 to 1.31
- 6 The IPP Team came to the conclusion that small factories, even excluding units not registered under the factories Act, contributed a surprisingly large share of the manufacturing out-put. It has also been recorded that (a) small registered factories have their greatest out-put, employment and investment in the basic necessities of life; food products, grain milling, ginning and pressing of fibres and textile weaving and finishing; (b) metal working and machinery industries are the next most important sector for small registered plants, confirming the well known evidence in their recent growth; (c) the third set of industrial group based mainly on direct conversion of primary resources and centring on construction goods related to tanneries, wood and cork, products of stone, clay, cement and glass etc. (d) the last group consisted of chemical groups and rubber products, printing, motor vehicles repair etc. 1-33 to 1-35-6
- 7 (a) The central object of the CSIO's technical, management, and development services related to about 1-35-9

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- 16,500 small registered factories (in 1960) employing 6.15 lakh persons with a gross output valued at about Rs. 530 crores.
- (b) The number of non-registered non-household small factories potentially under CSIO coverage is between 2 to 2.5 lakhs—the number involved being so large, only the most highly promising of these can be given CSIO technical assistance.
- 8 (a) The total expenditure during the Third Plan is estimated to be Rs. 95.25 crores against Rs. 114.2 crores originally proposed. The State Governments had to reduce allocations for the small scale sector soon after the declaration of the emergency. On an average 40% of the total outlay on small industries was used for block loans in the States. Service schemes and commercial schemes came next in order of amount utilized.
- (b) Apart from the fact that the pattern of outlay varies quite substantially between different States, even amongst the States in which small industries schemes have made an appreciable progress, there is no discernible uniform pattern of utilisation of funds on different schemes. A more detailed examination is called for.
- (c) The subsidy on supply of power having been restricted to units using less than 20 H.P. has not worked as an effective instrument for developing small industries.
- (d) There is need for an evaluation of the physical achievements made by the small scale industries sector in the different states during the Third Plan.
- 9 (a) During the Third Plan it is estimated that for a total fixed investment of Rs. 240 crores, the employment opportunities created would have been 10 lakhs (8 lakhs direct and 2 lakhs indirect).
- (b) The contribution of small scale factories alone to the total output of all factories in the country amounted

Sl. No.	Recommendation	Para No.
	to 31% (gross) and to 25% (net). This excludes the contribution of the non factory, non household sector which is bound to be substantial.	
10	<p>A review of the overall position of the small scale sector discloses the following important deficiencies and limitations in the programme :</p> <ul style="list-style-type: none"> (a) the change in priorities consequent on the declaration of the emergency has adversely effected small scale sector; (b) allocations for small industries have been revised downwards and in some cases deferred; (c) the CSIO programme of assistance does not include the entire range of small sector manufacturing activity. It should be done and the scope for decentralisation of conventional industries on a co-operative basis using improved technology should be explored; (d) the common production programme has not been pursued in the Third Plan; (e) no real progress has been made in making arrangements for collection of comprehensive data on the small scale sector; (f) production capacities and employment potentialities remain significantly unutilised due to shortage of scarce raw materials; (g) the technical assistance programme of the CSIO should be reviewed so that applied research gets adequate attention; (h) particular attention should be given to special programmes like export promotion, dispersal of industries, development of ancillaries etc. 	1-58 to 1-65

Sl. No.	Recommendation	Para No.
11	Greater emphasis should be given to developmental measures whereas proposals which are restrictive in nature are to be worked lightly and reviewed from time to time.	2.2
12	Main objectives of the Fourth Plan should be to (a) promote the coordinated development of large scale and small scale industries (b) decentralise the industrial sector (c) foster development of technical and managerial aspects of small industry and (d) encourage the organisation of co-operatives by small scale entrepreneurs.	2.3
13	The CSIO should conduct initial studies in respect of industries proposed for Common Production programmes or complete reservation for the small scale sector.	2.4
14	(a) By the end of the Fourth Plan the gross output of the small scale registered factories should increase to about Rs. 4,500 crores. The same is estimated at Rs. 2,244 crores by the end of the Third Plan. (Please see Recommendation No. 145.)	2.4.3 to 2.4.4
	(b) The additional fixed investment that will be required to achieve the gross output target mentioned at (a) above will be Rs. 425 to 480 crores; Rs. 120 to 130 crores from Government sources, Rs. 225 to 280 crores from private sector and the balance from institutional sources.	
	The fixed investment mentioned in recommendation 14(a) will create employment opportunities for 15 lakhs persons during the Fourth Plan Period—12 lakhs direct and 3 lakhs indirect.	2.4.5
16	It is expected that during the Fourth Plan the number of registered small scale units would nearly double, thus providing opportunities to about 50,000 new entrepreneurs to enter the industrial field.	2.4.6

Sl. No.	Recommendation	Para No.
17	Apart from creating clusters of industrial activity in all towns with a population exceeding 50,000, "growth centres" should be developed in nearly half of the towns and villages with a population exceeding 15,000.	2.4.7
18	The strategy to be adopted in order to obtain the targets set for the Fourth Plan would be (a) consolidation of existing position and fuller utilisation of present capacities, (b) greater emphasis on quick maturing investments with high out-put prospects, (c) provision of adequate quantities of scarce raw materials to small scale industries, obtaining them through special foreign aid, if necessary, (d) enabling small industries to sustain growth in the agricultural sector, (e) modernisation and co-operativisation of agricultural processing, beverage and food industries, service industries etc. and utilisation of opportunities afforded by newer industries like electronics, petro-chemicals etc., (f) increased demand of consumer goods to be met wherever possible by the small scale sector, (g) coordination of small industries development with other development programmes like technical training, housing, construction, town planning, export promotion, defence etc., (h) foster the growth of particular industries in selected places by discriminating use of subsidies and other forms of assistance, (i) special studies to be undertaken to assess the requirements of different categories of machinery and equipment with a view to producing them in the small scale sector, (j) a research programme to enable small scale industries to adopt appropriate technologies (k) vigorous exploitation of the potentialities for the development of ancillaries and utilisation of the Government stores purchase programme as a more effective means of small industry development and (l) intensified provision of the assistance now being provided for industrial designs, proto-type production, and improvement of traditional technologies etc. (Please see Recommendation No. 70.)	2.5.1

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| 19 | Examination of the problem with a view to ensuring adequate and continuing supply of raw materials to small scale units which have crossed the limit of Rs. 5 lakhs capital (Please see Recommendation No. 140). |
| 20 | Provision of fixed capital requirements to the increasing number of small industries organised by engineers, technologists etc. |
| 21 | <p>The following measures will have to be adopted to reorient the licensing policy for quick growth of the small scale sector :—</p> <ul style="list-style-type: none"> (i) the CSIO should be more closely associated with licensing and pre-study of applications; (ii) licensing for the Fourth Plan should be done only after a realistic estimate of production capacities available in the small scale sector is taken into account; (iii) over-licensing in the large scale sector should be avoided while fixing targets of production for different industries and the capacity and end-products should be co-related; (iv) the assembly or fabrication of end-products, wherever possible, should be left to the small scale sector; (v) licences to large scale units both in the public and the private sector should contain definite requirements regarding the development of ancillaries; (vi) small scale units should be encouraged to expand and enter the medium scale and large scale sector and wherever possible, while creating additional capacities, preferences should be given to established small units over new units in the large scale sector; (vii) the CSIO should be associated with DGTD in scrutinising applications for registration under the liberalised procedure whereby units having a fixed capital of less than Rs. 25 lakhs are exempted from the present |

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licensing procedure. An evaluation study of the results of this relaxation should also be undertaken (Please see Recommendation No. 117).

22. In implementing the common production programme during the Fourth Plan the following should be ensured:—
- (a) since the programme has not attained the desired degree of success it should be revised suitably and extended to many more industries;
 - (b) the targets proposed in the Report for some items may be considered as tentative and should be finalised only after detailed studies are completed;
 - (c) though generally speaking, industries in which the economies of mass production and distribution are offset by increased production and marketing costs are suitable for implementing the common production programme, particular industries should be selected only after careful studies are made with reference to the existing capacities in the large scale and small scale sectors;
 - (d) there should be a careful selection of small scale units for participation in the programme with reference to the size, record of production, equipment etc.
 - (e) raw materials and components, both imported and indigeneous, should be made available on equal terms to participating units both in the large scale and small scale sectors;
 - (f) the entire expansion should be reserved for the small scale sector in the case of industries in which the small scale units have demonstrated their capacity by accounting for a major portion of production;

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- (g) studies should be initiated immediately to determine the industries in which common production programme or exclusive reservation is to be resorted to. (Pl. see Recommendation No. 114).
- 23 For the rapid development of ancillary industries
- (a) Licences of large scale units should be endorsed with suitable provisions regarding development of ancillaries;
- (b) raw material and other resources should be directly provided to ancillary units;
- (c) components and parts should be purchased from small scale units by suppliers to the DGS&D in the large scale sector; (Pl. see Recommendation No. 116).
- (d) close scrutiny of applications for licences in the large scale sector at the State level with a view to determining the parts and components which should be made in the small scale sector;
- (e) provision of technical and managerial assistance; and
- (f) closer liaison between the DGS&D and CSIO.
- 24 (a) Agricultural processing industries and service industries including repairing workshops should be brought under the ambit of the programme for development of small industries.
- (b) The conventional or processing industries should be developed on a co-operative and decentralised basis.
- (c) In relation to the supply of electric power to a large number of additional villages during the Fourth Plan period, the scope for production of domestic electrical appliances and electrical accessories should be assessed and exploited.
- (d) Efforts should be made to utilise opportunities available in the field of packaging industries to develop small industries.
- (e) Continuous study of various types of industrial and agricultural wastes and other newer raw material should be

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	undertaken with a view to utilising them for the development of the small scale sector.	
	(f) A separate cell should be created in the CSIO for undertaking the planning and development work of agro-industries. (Pl. see Recommendation No. 72).	
25	(a) It should be the Govt.'s policy to encourage the development of small scale units in suitable clusters in industrial estates or suitably developed industrial areas.	3.18 3.20.
	(b) Apart from providing the infra-structure in industrial estates/industrial areas, the Govt. should also provide common facilities, quality marking, testing etc., facilities, raw-material depots etc.	
	(c) Intensive studies should be undertaken to decide cluster of industries suitable to "growth centres".	
26	The Govt.'s stores purchase programme should be shaped as a more effective means for the development of small scale industries especially of engineering, chemical and other newer type of industries, for which there should be a policy agreement between the Deptts. of Industry and Supply.	3.21 to 3.22.
27	(a) The CSIO should be made responsible for the coordination work in respect of export drive and the NSIC should undertake the actual implementation of the programme.	3.23 to 3.25.
	(b) Cooperative export houses should be started in the States. (Pl. see Recommendation No. 131).	
	(c) For units participating in the export work, scarce raw materials should be provided, preferably by opening revolving fund. (Pl. see Recommendation No. 91).	
28	Campaigns for contacting local entrepreneurs in the rural and semi urban areas should be intensified to make the programme of "growth centres" a success. (Pl. see Recommendation No. 36).	3.26.

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- 29 In regard to the supply of raw materials, the following measures should be adopted during the Fourth Plan periods:—
- (1) The system of sector-wise allocation raw materials should be discarded; it should be allotted on the basis of production capacity without reference to the size of the unit.
 - (2) Special allocation of scarce raw materials should be made to small industries producing essential consumer goods and services, where they do not have their counterparts in the large scale sector.
 - (3) Detailed studies should be initiated on the impact of the introduction of the price tax system recommended by the Ford Foundation Team in place of the existing allocation system.
 - (4) The representatives of the small industries should be associated in scrutinising the eligibilities of the individual units for supply of scarce raw materials.
 - (5) While new entrants requiring scarce raw materials should be subject to a system of "guidance" by the State Directors of Industries, those based on indigeneous and freely available raw materials should continue to be "free" as at present.
 - (6) Capacities of existing small scale units requiring scarce raw materials should be scientifically and uniformly assessed.
 - (7) Existing units should be assisted to switch over from low priority to high priority products.
 - (8) Special imports would be justified if greater employment and higher output is achieved through fuller utilisation of existing capacities.
 - (9) All the recommendations made by the Lokanathan Committee on Raw Materials are supported.

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- 30 The question of special legislation to promote the growth of the small scale sector may be deferred for the time being. (Please see Recommendation No. 139).
- 31 (a) The present ceiling of Rs. 5 lakhs for defining a small scale unit may continue with the modification that the figure of Rs. 5 lakhs should be taken to refer only to plant and machinery. (Please see Recommendation No. 140).
- (b) Subsidies and other assistances should be programmed in such a way as to encourage the smaller units and those coming up in smaller towns and "growth centres".
- 32 A vast programme of decentralised industrial development should be energetically implemented to provide social and economic linkages between rural and urban areas which will minimise the imbalance in the living standards between the two.
- 33 Spatial decentralisation should aim at creating clusters of efficient modern small industries at selected "growth centres".
- 34 Various types of developmental activities should be assessed, coordinated and concentrated at the "growth centres".
- 35 All towns with a population between 15,000 to 50,000 should be selected as "growth centres" and developed as such during the Fourth Plan period.
- 36 The programme of development of about 700 "growth centres" during the Fourth Plan will involve (a) identification, techno-economic survey, preparation of blue prints for phased programmes etc. for about 120 centres every year, (b) provision of infrastructure including residential quarters through suitable cooperatives or other organisations to absorb bulk of the population moving into urban areas in the next decade, (c) establishment of training institutes, industrial estates, common facilities centres, toolrooms, testing laboratories, raw materials depots etc., (d) intensive campaigns to locate prospective entrepreneurs (e) provision at concessional rate of interest for finance, supply of power at subsidised rates, special price preference, assured raw

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	materials etc. and (f) adequate staff at both the Centre and State level. (Pl. see Recommendation No. 28).	
37	Surveys with the end products as the basis should be initiated immediately to determine priority and scope for further growth of small industries.	5.64.1
38	The CSIO should play a more positive role for ensuring liaison between the representatives of small scale sector and allocating Ministries to obtain scarce raw materials in time.	5.64.2
39	The work relating to the distribution of allocated raw materials should be taken over by State Small Industries Corporation which would be able to bulk the requirements and arrange for import/procurement for further distribution. Subsidy may be given to meet the administrative costs of the Corporations for a short period.	5.64.3
40	The inspection procedures of utilisation of allocated raw materials should be streamlined and made uniform. The number and level of inspectors should be increased and annual inspection of all small scale units requiring scarce raw materials should be conducted.	5.64.4
41	The scope for substitution of scarce raw materials should be carefully explored in collaboration with concerned National Laboratories and Small Industries Associations.	129-130 5.64.5
42	According to the present estimates the due share of the small scale sector for steel would be 40% of all categories of steel supplied for industrial purposes or 25% of finished steel (total 3 million tonnes p.a. by 1970-71) produced in the country.	130-132 5.66 to 5.70
43	The small scale sector would require foreign exchange allocation to the tune of Rs. 20 crores p.a. for import of steel in the last year of the Fourth Plan.	132 5.71
44	Non-ferrous metals to the value of Rs. 20 crores p.a. would be required (by the small scale sector) in the last year of the Fourth Plan (40 to 50 thousand tonnes of copper and 32 to 35 thousand tonnes of zinc).	132-133 5.73

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45	The availability of aluminium to the small scale sector should immediately be increased to at least 40 thousand tonnes p.a.	5.74
46	The value of imported components/spare parts for the small scale sector in the last year of the Fourth Plan would be about Rs. 35 crores.	5.76
47	Foreign exchange to the extent of Rs. 5 crores will be required for import of other scarce raw materials (specially chemical items) by the last year of the Fourth Plan. The total foreign exchange requirements in the last year of the Fourth Plan for imported raw materials would accordingly be Rs. 80 crores.	5.78
48	(1) Even in the case of urban industrial estates where chances of success are greater, a more intensive planning and promotional effort is required. (2) In the case of estates in semi-urban and rural areas, a coordinated approach through integrated planning is necessary to provide other facilities like residential areas, educational facilities etc. besides the infra-structure to overcome locational disadvantages.	6.19
49	Unless more intensive planning and promotional activities are undertaken by State authorities in consultation with local Small Industries Service Institutes, the programme of industrial estates in semi urban and rural areas is not likely to succeed.	6.20
50	During the Fourth Plan efforts should be made to set up an industrial estate (if it is not already there) in each of the towns with a population over 50,000 and in half of the towns with a population between 15,000 to 50,000. This would mean setting up of 700 industrial estates of varying sizes of which 112 will be urban estates and the rest at "growth centres".	6.21 to 6.22
51	All urban estates should be established on the cooperative pattern unless special circumstances exist at a particular place for a Government industrial estate of the conventional type.	6.23

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52	Industrial estates organised in the "growth centres" should also be on the cooperatives lines if conditions are favourable.	6.24
53	In future, industrial estates-areas should be let out on lease-hold terms to entrepreneurs and the rental part of terms reviewed every 5 year, the upward revision being subject to a ceiling of about 50% after every review. A concession in the ground rent may be allowed during the first 5 years of the existence of industrial estates in semi urban and rural areas.	6.25
54	As a matter of policy the State/Central Govt. should establish common facilities centres, quality marking centres, raw material depots, technical information centres etc. in all cooperative industrial estates, which may also be financially assisted in the construction of service buildings.	6.26
55	Conventional industrial estates may be constructed at "growth centres", providing all facilities, in consultation with prospective occupiers.	6.27
56	Adequate concessions and incentives should be provided to those willing to develop the smaller towns and "growth centres".	6.28
57	While the general policy should be to encourage establishment of cooperative/company type of estates, those in the urban areas (except cooperative estates) should be taken over by State Small Industries Corporations. Estates in the "growth centres" may continue to be administered by the State Directorates of the Industries.	6.29
58	In all public sector projects there should be provision for establishment of ancillary estates. Private sector undertakings may also be encouraged to set up ancillary estates by providing loans to the extent of 50 % of the cost of such estates.	6.30
59	The following measures may be adopted for providing long-term finance : (a) In order to achieve institutionalisation of finance all loans under the State Aid to Industries Act/Rules exceeding Rs.	7.30

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5,000 should be routed through State Financial Corporations. The responsibility of providing the entire finance to all the units in the urban areas should be that of the State financial Corporations and other institutions.

- (b) State Financial Corporations should be encouraged to lend out of their own resources atleast twice as much as they lend under the agency arrangement; guaranteeing of such loans should continue.
- (c) Possibilities of the LIC and Industrial Development Bank of India contributing to the resources of State Financial Corporations should be explored.
- (d) State Financial Corporations should reorientate their attitude and cultivate a "development outlook" towards the small scale sector.
- (e) State Financial Corporations may constitute wherever possible their own "technical wings"; in the alternative, they should make firm arrangements with SISIs to provide technical assistance, if necessary, on payment.
- (f) The Reserve Bank of India in consultation with State Financial Corporations should undertake a study of the financial requirements of small scale units organised by technicians--managers and if found necessary take active steps to set up financing institutions for the purpose.
- (g) While the rate of interest charged to the industrial cooperatives may continue to be 2½%, a concessional rate of 3% should be given to small scale units situated at "growth centres". Commercial rate of interest may be charged for all other loans granted either by the State Directors of Industries or by SFC's.
- (h) As a matter of policy larger amounts should be earmarked for block loans.

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- (i) It is preferable to give loans at concessional rate of interest even to technicians and others; however in case of State participation in equity capital it should be done through the SFCs or other institutions and the participation should not exceed 50% of the total equity capital.
- 60 In respect of short term finance the following measures should be adopted :
- (a) The entire working capital requirements (over and above 20% approximately brought in by entrepreneurs themselves) should be met as far as possible by financing institutions.
 - (b) State Bank should invariably establish a branch at each "growth centre".
 - (c) nominal fee may be charged by the CSIO for providing technical assistance to the State Bank and other Commercial Banks. Wherever feasible the State Bank may establish its own "technical wing."
 - (d) The State Bank should treat all branches as intensive centres and review the effectiveness of the working groups.
 - (e) The working groups should ensure that all units which have a bank account get finance to the full extent from the banks.
 - (f) Intensive efforts should be made to provide the smaller of the small scale units with working capital loans.
 - (g) As a special inducement to participate more fully in the credit guarantee scheme, the rate of fees may be reduced by 50% to all those banks which get all their loans to small scale units covered under the scheme.
- 61 During the Fourth Plan the quantum of both long term and short term institutional finance would be (a) Rs. 30 crores for loans under State Aid to Industries Act/Rules, (b) Rs. 50 crores as loans from State Financial Corporations/other

Sl. No.	Recommendation	Para No.
	institutions and (c) Rs. 600 to 700 crores in the last year of the Fourth Plan as working capital limits, half of which may have to be provided by the State Bank of India.	
62	In the metropolitan and urban areas, all services and technical assistance to various types of industries should be pooled together at centres which will take the shape of branch institutes. During the Fourth Plan 50 to 60 such integrated training centres should function as branch institutes all over the country. Existing centres might be recognised/shifted/handed over to respective State Governments to achieve the above objective.	8.18(1)
63	Full fledged branch institutes should be established in Union Territories and smaller States (Himachal Pradesh, Manipur, Tripura, Nagaland, Pondicherry) and at suitable places in some of the bigger and underdeveloped States like Madhya Pradesh, Rajasthan, Bihar etc.	8.18(2)
64	A well equipped central cell should be established to conduct systematic study and research of the numerous technical problems to rectify the lacuna of the absence of the applied research in the existing pattern of Industrial Extension Service.	8.18(3)
65	The establishment of a technological information and documentation centre may be taken up as part of advance action for the Fourth Five Year Plan.	8.18(4)
66	Recruitment and training of additional technical, managerial and economic staff (approximately 50% of the existing strength) should be taken up in a phased manner in order to meet the emerging situation during the Fourth Plan.	8.18(5)
67	Suitable arrangements should be made to avail the services of consultants whose honorarium might be shared by the Govt. and beneficiaries.	8.18(6)
68	The reorganised extension centres should be in a position to provide management consultancy services for which a nominal fee might be charged.	8.18(7)

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69	The practice of SISI Extension Centres providing technical assistance to State Bank of India may be extended to cover all other banks which offer to assist small industries on similar terms.	8.18(8)
70	As a measure of evolving "appropriate technologies" the SISIs should encourage development of prototypes of new machines which can be used in semi-urban and rural areas by resourceful entrepreneurs. (Pl. see Recommendation No. 18).	8.18(9)
71	The proposal for the establishment of an institute for "appropriate technologies" in the CSIO together with a coordinating committee to guide its activities should be undertaken as part of advance action for the Fourth Five Year Plan.	3.18(10)
72	Planning and Statistical cells should be established in the CSIO and in the different State Directorates of Industries which among other duties will hasten the process of import substitution, develop ancillaries, conduct surveys and select suitable location for growth points and industrial estates, analyse production data, publish directory of small scale industries etc. [Pl. see Recommendation No. 24(f).]	8.18(11)
73	The campaigns to stimulate local entrepreneurship and bring out local capital should be revived and conducted in large numbers so that by the end of the Fourth Plan almost all the districts of the country would be covered.	8.18(12)
74	The Planning and Statistical cell (proposed <i>vide</i> Recommendation No. 62) at the CSIO should have a machine tabulation unit to process the data, collection of which should be improved by implementing suggestions such as (a) the ASI census sector should be gradually extended to cover all registered factories, (b) the non-household, non-factory sector should be covered by an annual sample survey, and (c) operational data collected by State Directorates should be systematically tabulated and analysed at the State level and coordinated by the CSIO for undertaking all India analysis.	8.18(13)

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75	The publications work undertaken by the the CSIO should be improved and augmented; the Bulletin of Small Industries should be made a priced monthly publication both in English and in Hindi. Model schemes, technical bulletins etc. are also to be improved.	18(14)
76	Services rendered by the Industrial Extension Service may be charged a nominal fee; to start with it may be done in metropolitan and urban areas, later on to be extended to other areas.	8.18(15)
77	<p>(a) While the present technical training programme should be continued more intensively to upgrade the skills of small industry workers who had no opportunity to acquire formal industrial training, training courses of an advanced nature should also be conducted.</p> <p>(b) The CSIO should concentrate more on advanced training at its institutes.</p> <p>(c) Suitable training programmes for supervisors/foremen/chargemen etc., working in small scale units should be drawn up.</p> <p>(d) The CSIO should take the responsibility as a coordinating agency in respect of training programmes being implemented in the common facility service schemes by the State Governments and at the rural workshops of the Ministry of Community Development.</p> <p>(e) Officers who are functioning as trainers in the various technical trades should themselves be adequately trained and suitably equipped.</p> <p>(f) Suitable arrangements should be made to provide training while the artisans continue to work.</p> <p>(g) Management training should be made practice-oriented.</p>	9.11

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- (h) The cooperation of small industrial association should be enlisted to put in practice what is taught at the appreciation courses and specialised courses in management.
- (i) "Open House" method of discussion should be fully exploited.
- (j) Trainers (technical and management) should be deputed to large scale units to study the methods and practices obtaining there.
- (k) personnel of Industrial Extension Service should be encouraged to participate in seminars and training courses in their respective trades within the country and abroad.
- 78 The SIETI should be enabled to undertake research programmes and expanded in such a way as to provide training for 3 to 4 hundred persons at a time. 9.19 & 9.20
- 79 (a) The training given at the Prototype Production and Training Centres should cater to the needs of small industrialists rather than work as post-ITI training centres. 9.26 to 9.30
- (b) More intensive work will have to be done on the production of prototypes of machines which are now largely imported and the work relating to adaptation of modern machines to suit the conditions within the country should continue.
- (c) Each Prototype centre should have a joint committee consisting of representatives of CSIO, State Directors of Industries and NSIC to guide prototype development and research programme and maintain closer liaison between the field units.
- (d) PTCs may undertake mass production of developed prototypes, only when private entrepreneurs are not forthcoming to do it.

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	(e) During the Fourth Plan six more Prototype Production Centres should be established—both general and for specialised industries.	
80	Marketing assistance through indirect channels should be continued and intensified. The State Governments should also subsidise the participation of small industrialists, through their associations, in industrial exhibitions in the country. The NSIC should similarly participate in International exhibitions.	10.10(1)
81	Directories of small industries being published by the State Governments and FASII at the national level should be improved and the periodicity increased.	10.10(2)
82	(a) The quality marking system should be extended to cover all products intended for export, all producer goods and sophisticated consumer goods.	10.10(3) to 10.10(8)
	(b) The CSIO should coordinate and ensure uniformity in standards of the quality marking scheme implemented by different states; close working relations should also be established between the Indian Standards Institution and the quality marking centres.	
	(c) The CSIO should arrange for the drawing up of suitable Standards, where ISI-standards are not available; reasonable sub-standards may also be provided, if necessary.	
	(d) Sampling percentage for quality marking testing should be laid down by the CSIO for the guidance of the States.	
	(e) The State Governments may be allowed to charge a nominal fee for the quality marking service rendered.	
	(f) Small scale units should be encouraged to become members of the ISI and get the ISI mark. The ISI in turn should constitute a separate small industry wing to study the problems of standardisation in small scale industries.	

Sl. No.	Recommendation	Para. No.
83	Bulletins on marketing information should be published by the Small Industries Corporations.	10.10(9)
84	The hire-purchase scheme of the NSIC should be utilised to encourage the manufacture and supply of machinery by small scale units.	0.10(10)
85	"Trade Centres" on the lines organised by prefectures in Japan. should be organised by State Governments through State Small Industries Corporations and in cooperation with State Small Scale Industries Associations.	1010(11)
86	A separate Export Promotion Division should be created in the CSIO with a full time Director-in-charge of it. Full-time Export Promotion Officers, should also be appointed in each State Directorate of Industries and SISI.	11.4(1)
87	Export Associations of small industrialists should be established in each State within the next 2 years. Where possible, the associations might be started on a product basis also. Suitable financial assistance should be provided by the Government.	11.4(2)
88	Export Promotion Division (as proposed in Recommendation No. 86) should function as the central clearing house for export marketing information apart from conducting studies, rendering service after sales etc.	11.4(3)
89	Delegations of small industrialists should be encouraged to visit foreign countries which offer potential for export.	11.4(3)
90	Annual target should be set for important items of exports.	11.4(4)
91	An immediate beginning should be made to provide raw materials to the State Depots to be kept on 'imprest' basis for issue to exporters. (Please see Recommendation No. 27(c)).	11.4(5)
92	Functional industrial estates should be specially organised for items which have export potential.	11.4(6)

Sl. No.	Recommendation	Para No.
93	The Industrial Design Cell should be further strengthened to pay special attention to designs of products.	11.4(7)
94	Establishment of cooperative societies of small industrialists should be encouraged to provide export services.	11.4(8)
95	Small industrialists should be given representation in the Export Promotion Councils through their Associations, and as an incentive may be allowed to pay reduced fees.	11.4(9)
96	The special scheme with liberalised term for providing export credit to small industrialists drawn by the State Bank of India may be finalised soon and circulated to all other commercial banks for adoption.	11.4(10)
97	The CSIO should work in close co-ordination with State Trading Corporation for increasing exports of small scale sector products.	11.4(11)
98	(a) A technical review of the list of items purchased by the DGS&D should be undertaken so that capable small scale engineering and chemical units might be encouraged to quote for those items. The review should also lead to additions to the list of Group (4) items. By the end of the Fourth Plan this list should contain at least 150 items. (Please see recommendation No. 16 also).	12.18(2) to-12.18(16)
	(b) The aim should be to ensure that by the end of the Fourth Five Year Plan small scale units supply at least 50% of the DGS&D purchases in Group (3) items.	
	(c) The DGS&D should evolve a procedure whereby tenderers for Group (2) items who agree to sub-contract to small scale units enlisted with the NSIC, get some special preference.	
	(d) State Directorates should nominate an officer to specially look after the stores purchase programme of the D.G.S. & D.	

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- (e) By the end of the Fourth Plan the aim should be to enroll 50,000 units for participation in the above programme.
- (f) State Directorates of Industries and SISIs should maintain and suitably index details of the enlisted units.
- (g) The DGS & D should recognise more test houses and laboratories.
- (h) Test houses proposed to be set up by the Ministry of Commerce should be recognised by the DGS & D as their testing agency. Similar recognition may also be given to SISIs and Extension Centres where facilities exist.
- (i) DGS & D should clearly indicate to those small scale industries who are registered with them directly that such registration will not carry any special treatment.
- (j) Libraries of specifications and museums of items regularly bought by the DGS & D should be established at all important centres (50 to 60 during the Fourth Plan).
- (l) Apart from giving a special price preference of 5% to units located in growth points, the DGS & D should also undertake final inspection of their products at the factory itself and arrange for its transport at Government's expense.
- 99 The CSIO should arrange to ensure that in course of time small scale units become regular suppliers of defence needs. 12.18(4)
- 100 A separate Directorate should be created in the CSIO with a full time Director-in-charge to look after the entire work regarding participation of small scale industries in Govt. stores purchase programme. 12.18(5)
- 101 State Governments should formulate schemes (on the lines of the scheme operated by the NSIC) and issue instructions to all purchasing Departments, regarding Govt. stores purchase. 12.18(10)

Sl. No.	Recommendation	Para. No.
102	The NSIC guarantee scheme in respect of Govt. contracts currently implemented by the State Bank of India should be operated by other commercial banks also.	12.18(17)
103	DGS & D should make special arrangements to release raw materials to small scale units as soon as Govt. contracts are awarded to them.	12.18(18)
104	The NSIC should concentrate on semi-urban and rural areas in implementing the scheme of hire purchase of machinery for which the following priorities may be adopted:—	13.15(1)
	(a) Applications from units established or proposed to be established at growth centres or other smaller areas— <i>first</i> priority.	
	(b) Applications from units established or proposed to be established in towns with a population below 1 lakh— <i>second</i> priority.	
	(c) Applications from all other towns excepting the 11 big cities— <i>third</i> priority.	
	(d) Applications from units in those 11 cities— <i>last</i> priority.	
105	Concessional rates of interest and service charges should also be allowed on the same priorities as given in Recommendation 104.	13.15(2)
	For this purpose a suitable schedule of rates will have to be worked out by the NSIC.	
106	For units in urban and metropolitan areas it should be possible for the State Bank and other commercial banks to advance loans on instalment credit system for the purchase of machinery.	13.15(3)
107	(a) Popular machine tools should be indigenously manufactured by the NSIC through its Prototype Production Centres.	13.15(4) & (5)

Sl. No.	Recommendation	Para No.
	(b) Arrangements should also be made for the regular supply of machine tools on a priority basis with parties like HMT.	
108	There is enough room for both the NSIC and State Small Industries Corporations to operate in the field of hire purchase of indigenous machinery. The former might establish a branch in each State for this purpose.	13.15(6) & (7)
109	The loans advanced to NSIC should be treated as long term loans so that it might be constituted as a 'revolving' fund.	13.15(8)
110	The NSIC should continue to encourage applications for balancing equipment, modernisation, replacement of machinery and applications for smaller values.	13.15(9)
111	(a) Services of State Directors of Industries, Small Industries Service Institutes, Small Industries Associations etc. should be pressed for collecting dues. (b) Possibilities of obtaining PL 480 funds should be explored for operating the hire purchase scheme.	13.15(10) & 11
112	Keeping in view the instalment credit system operated by Banks and the proposed revolving fund at the disposal of the NSIC a provision of Rs. 35 crores would be necessary to operate the programme of hire purchase of machinery during the Fourth Plan period (Rs. 25 crores as Rupee provision of which 10 crores should be in the form of free foreign exchange; and Rs. 10 crores of foreign exchange from AID sources).	13.17
113	A sum of Rs. 5 crores of free foreign exchange should also be provided for direct import of machines by small scale industrialists.	13.19
114	Special surveys should be undertaken to study the extent of the activities and the problems faced by small units supplying parts/components to large units and public sector undertakings. [Please see Recommendation No. 22(g)]. In view	14.14(1)

Sl. No.	Recommendation	Para No.
115	of the fact that it would be in their own interest for large scale units to resort to procurement of parts/componetns from small scale units, the Federation of Indian Chambers of Commerce and Industry and similar other associations should take special steps to foster this ancillary relationship between their member firms and small scale units.	14.14(2)
116	Raw materials should be supplied directly to small scale ancillary units on a priority basis and suitable deductions made in the entitlements of corresponding large scale units. [Please see Recommendation No. 23(c)].	14.14(3)
117	(a) The representatives of the CSIO should be associated with the licensing of large scale units so as to ensure the scrutiny of applications from the ancillary point of view. Such components/ parts which could be made in the small scale sector should not be licensed and it should be the responsibility of the large scale units to locate ancillaries. [Please see Recommendation No. 21]. (b) List of standard parts/components that could be made in ancillary units prepared by the CSIO should be widely publicised and copies provided to all Govt. Deptts., DGTD, members of the Licensing Committee, etc.	14.14(4) & 14.14(5)
118	(a) The agreed list of items to be farmed out to ancillaries made by the CSIO in consultation with DGTD should be considered by the Licensing Committee for suitable endorsement in the licence. (b) A copy of the application for licence should also be endorsed to the Director, SISI of the concerned State to enable him to examine it from the point of view of ancillaries which will be placed before the Licensing Committee.	14.14(6) & 14.14(7)
119	(a) The DGTD should publish a quarterly bulletin with a view to stimulating the ancillary relationship between large scale and small scale units.	14.14(8) & 14.14(9)

Sl. No.	Recommendation	Para. No.
	(b) Preference should be given for tenderers of Group II Items who will sub-contract to small scale units and develop ancillaries; periodical evaluation of the use made of ancillaries should also be undertaken.	
120	Ancillary units housed in industrial estates established by private sector undertakings should be free to supply to the replacement market and also other large scale buyers. They should also have an option to produce parts other than those required by the concerned large scale units.	14.14(10)
121	(a) The C.S.I.O. should be associated in the preparation of project reports for public sector undertakings for indicating the possibilities of establishing ancillary industrial estates. (b) At least 50% of the cost of the ancillary estate may be given to the project company as a long term loan. Alternatively traditional or cooperative industrial estates may be established in the vicinity of the project.	14.14(11) & 14.14(12)
122	(a) Regional committees of the Standing Committee on Ancillary should be established in all States. (b) The Standing Committee on Ancillary should be further strengthened with the addition of representatives of small scale industries and the regional committees should co-opt representatives.	14.14(13) & 14.14(14)
123	Industrial cooperatives in the small scale sector is largely confined to industries of simple nature; the progress in the more sophisticated types, like engineering industries, chemical industries, metal working and machine tool industries etc. has been slow.	15.10(1)
124	A distinction should be made in assistance provided to the workers' or artisans' societies on the one side and the entrepreneurs societies on the other.	15.10(3)

Sl. No.	Recommendation	Para No.
125	The recommendations made by the Second Working Group on Industrial Cooperative are endorsed and the idea that the small scale entrepreneurs could be brought together into industrial cooperatives even if the workers in those units are not made members of the society should be given a fair trial.	15.11(1)
126	Promotional and developmental measures in the field of industrial cooperatives should be intensified for which (a) the Director of Industries should be made responsible for this work who should be assisted by a Joint Director who has experience in cooperative work. Where the Registrar is himself responsible for promotional activities he should be assisted by a Joint Registrar who has industrial experience. In either case, the officer should be exclusively earmarked for this work.	15.11(2)
	(b) Standing Committee on Industrial Cooperatives should be constituted in each State.	
	(c) An officer of the rank of a Deputy Director should be earmarked to coordinate work for development of industrial cooperatives in all the SISIs; technical, managerial and other assistance should also be provided.	
	(d) Case studies of successful industrial cooperatives should be undertaken and results widely published.	
127	Efforts should be made to organise cooperative societies in sophisticated industries; development of ancillaries on a cooperative basis should be encouraged and industrial estates in all urban areas should be started on a cooperative basis.	15.11(3)
128	The element of subsidy in the pattern of assistance should as far as possible be eliminated except in the case of societies formed by artisans/workers.	15.11(4)
129	Cooperative assembling units should be organised on the lines of functional industrial estates. Members should be free to	15.11(5)

Sl. No.	Recommendation	Para No.
	work their individual enterprise in certain spheres while coming together to cooperate with each other in certain other spheres; such cooperation would be mutually beneficial.	
130	The recommendation of the Japanese Delegation on small scale industries that common service facilities should be organised on a cooperative basis should be accepted and implemented. Existing common facilities centres should be handed over to industrial cooperatives.	15.11(6)
131	Export houses should be started in each State on cooperative basis and packing units and forwarding services etc. can also be provided by entrepreneurs themselves on similar lines. [Please see Recommendation No. 27(b).]	15.11(7)
132	(a) Officers of the State Directorates of Industries, Small Industries Service Institutes etc. should be trained specifically in industrial cooperation.	15.11(8) & 15.11(9)
	(b) Intensive training should be given to managers and supervisors of industrial cooperatives in industrial management.	
133	Industrial cooperatives should be made self-supporting institutions by gradually reducing grants and subsidies.	15.11(10)
134	(a) The Federation of Associations of Small Industries of India and the local Associations should devote more attention to improving the working efficiency of their member units.	16.8.3 & 16.8.4
	(b) Marketing research and statistical sections should be set up in the Federation and local Associations to study and advise on problems of growth of small scale industries.	
135	Federation of Associations of Small Industries of India should take up among others, functions mentioned below :—	16.8.5
	(i) Popularise modern management practices amongst small industrialists.	
	(ii) Cooperate with CSIO in conducting productivity studies—for this purpose a separate productivity section may be added within the Federation.	

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	(iii) Induce its members to adopt modern methods of book-keeping, cost accounting, etc.	
	(iv) Train permanent staff in the working of such Associations abroad.	
	(v) Strengthen the public relations section and enhance its role as an interpreter of the Policy of the Govt. on one side and of the problems of small industrialists on the other.	16.8.6
	(vi) Bring out annually the hand-book and directory on small industries.	16.8.7
136	The Government should assist the Federation financially for continuing its present activities and for taking up additional activities mentioned in Recommendation No. 125.	16.8.8
137	Establishment of Management associations should be encouraged by the Federation to focus the attention of members on the scope for improving efficiency and reducing cost by adopting better management practices.	16.9
138	Selected small industries associations in the metropolitan areas should be encouraged to run extension centres, common facility centres etc. on a cooperative basis.	16.10
139	In the matter of legislation to govern the development of small industries, the greatest advantage would seem to lie in leaving matters as they are, at least for the time being. [Please see Recommendation No. 30.]	17.6
140	The definition of the small scale unit should be revised that the Rs. 5 lakhs limit of capital should be deemed to include only plant and machinery (at original price as now reckoned). [Please see Recommendation No. 19 and 31(a).]	17.12
141	Special concessions in the matter of technical assistance, hire purchase of machinery etc. should be given to small scale units with an investment of less than Rs. 50,000 in plant and machinery and to those located in areas with a population of 50,000.	17.13

Sl. No.	Recommendation	Par No.
142	The efforts of the CSIO and the State Directorates should be more and more combined and coordinated especially in programmes like financial assistance, participation in Government stores purchase programme, industrial estates etc.	17.1
143	(a) In the long run, it may be advantageous to make the NSIC a purely commercial undertaking.	17.1 & 17.11
	(b) The NSIC, as an experimental measure, might finance small scale units by participating in their share capital.	
144	(a) The management of conventional industrial estates in urban areas and departmentally run production units should be transferred gradually to the SSI Corporations.	17.21 to 17.24
	(b) The raw material depots established by the SSI Corporations should be recognised as registered/controlled stockists for distribution of steel and as agents of the State Directorates for distribution of steel and of other scarce raw materials, imported parts/components, basic raw materials/intermediates etc.	
	(c) A provision of Rs. 3 crores should be made to strengthen the capital base of SSI Corporations.	
	(d) State Governments may guarantee loans advanced by the State Bank of India to the SSI Corporations.	
	(e) The flow of raw materials to small scale units should be systematised and rationalised so as to minimise leakages into the open market and stabilise prices.	
	(f) State Governments should provide the SSI Corporations with sufficient finance to undertake hire purchase of machinery, particularly indigenous machinery.	

Sl. No.	Recommendation	Para No.
145	In the last year of the Fourth Five Year Plan the small scale sector is expected to achieve a gross output of about Rs. 4,500 crores. [Please see Recommendation No. 14.]	18.2
146	The doubling of the present gross output will therefore mean an additional net output of about Rs. 500 to 600 crores in this sector during the last year of the plan.	18.2
147	A fixed investment of the order of Rs. 425 to 480 crores will be required to attain the targets mentioned in recommendation No. 145 and 146.	18.2
148	The estimated total Government outlay will be about Rs. 195 to 210 crores for the Fourth Five Year Plan for the development of small scale industries—State Government 90 crores, Central Schemes 60 crores, Industrial Estates 45 to 60 crores.	18.3
149	A sum of Rs. 75 crores (approximately) is expected to be provided to small scale industries for obtaining fixed assets by (a) State Financial Corporations and similar other institutions : Rs. 50 crores; (b) State Bank of India under its medium term loan instalment credit system : Rs. 10 to 15 crores; and (c) LIC for industrial estates: Rs. 19 crores.	18.6
150	Foreign exchange to the tune of Rs. 107 crores (approximately) will be required during the Fourth Plan—Rs. 27 crores for capital goods and Rs. 80 crores for raw materials.	18.11 & 18.12

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