

GOVERNMENT OF INDIA
PLANNING COMMISSION



REPORT
OF THE
VILLAGE AND SMALL SCALE INDUSTRIES
(Second Five Year Plan) COMMITTEE

October, 1955

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CHAPTER I

INTRODUCTORY

Appointment and terms of reference of the Committee.

The Standing Committee of National Development Council in its second meeting held on May 5, 1955 and the National Development Council in its fourth meeting held on May 6, 1955 considered the following documents relating to the draft plan-frame: (i) draft recommendations for the formulation of the second five year plan by Prof. P. C. Mahalanobis, (ii) a tentative framework of the second five year plan prepared jointly by the Economic Divisions of the Ministry of Finance and Planning Commission in consultation with the Central Statistical Organisation and the Indian Statistical Institute and, (iii) a Memorandum prepared by the Panel of Economists on basic considerations relating to the plan-frame and a note of dissent on the Memorandum by Prof. B. R. Shenoy. The principal objectives of the second five year plan embodied in the draft plan-frame and the memorandum of the Panel of Economists are an increase in national income by about 25 per cent over the plan period and creation of employment opportunities for about 10 to 12 million persons. The basic approach of the draft plan-frame is to assign higher priority and larger role to the development of basic industries for the manufacture of producer goods and also to accelerate the expansion of economic overheads like transport and power as well as social overheads like health, education and social services. The consumer demand arising from the increased expenditure in these sectors of the national economy is to be met substantially by the development of village and small scale industries which, on the one hand, will not make any heavy demand on the scarce capital resources available within the country and, on the other, will provide increasing employment opportunities.

2. In the draft plan-frame, a provision of Rs. 200 crores for five years has been made for the development of village and small scale industries. The provision seems to have been made only in the public sector and any amounts that may be forthcoming in the private sector, i.e., from persons engaged in these industries from out of their own savings would be additional. Targets of production have been mentioned in the draft plan-frame for only four or five industries. Production of khadi and other handloom cloth is envisaged to increase from 1,600 million yards in 1955-56 to 3,200 million yards in 1960-61, of soap from 28,000 tons in 1955-56 to 40,000 tons in 1960-61, of footwear from 80 million pairs to 100 million pairs, of food industries by 20 per cent and of metalware by 33 per cent. The estimated volume of employment from household enterprises and construction is envisaged to increase from 12 million in 1955-56 to 15 million in 1960-61 i.e. by 3 million in five years. The estimated increase in employment resulting from the development of village and small scale industries is not given separately but it is clear that since construction would account for an appreciable volume of employment the figure would be much less than 3 millions. The net domestic output at 1952-53 prices from household

enterprises and construction is estimated to increase from a little over 1,000 crores to over 1,400 crores or by about 40 per cent. Here again no separate estimate for village and small scale industries has been given in the plan-frame. In the Memorandum of the Panel of Economists, however, it is stated that investment in non-factory consumer goods industries is designed to bring about an increase in output of about 33 per cent in non-factory consumption-goods during the Plan period.

✓ 3. The Memorandum prepared by the Panel of Economists sets out certain basic considerations pertaining to the development of village and small scale industries in the second five year plan. The pattern of economy envisaged is one composed chiefly of small decentralised units of economic activity in which the increase in scale required in any activity is brought about chiefly through mutual cooperation, horizontal and vertical, and in which centralisation and large scale operation are resorted to only to the extent necessary to derive appropriate advantage from modern technology. It has been recommended that a large number of small towns widely distributed over different parts of the country should be developed into industrial townships with planned provision for small scale and light industries. It has also been suggested that such townships, could well be set up in the first instance in the community project areas and National Extension Service blocks. These would establish a link between the rural areas and the urban areas and take economic development into the regions which need it the most, i.e., rural India. This decentralised pattern of economy is recommended as appropriate to the development of village and small scale industries and as fitting in with the ideal of a Socialistic pattern of society.

Another point brought out in the Memorandum is that the needs of development with its accent on increased productivity cannot be reconciled with a continuance of the present inferior technical level of the existing trades and that, therefore, it is necessary to provide through common production programmes for a secure market for the products of these industries and for gradual improvement of techniques and skills among their workers.

Further, it has been stated that for carrying out programmes of development of these industries, co-operative and other forms of organisation will have to be adopted on a regional and national scale for the supply of raw materials and finance and for the marketing of finished goods of the workers engaged in the industries.

4. The Standing Committee and the National Development Council generally agreed with the basic approach of the plan-frame and with the basic considerations relating to the plan-frame put forward in the Memorandum of the Panel of Economists. They also agreed that the second five year plan should be drawn up so as to be capable of leading to an increase in national income of about 25 per cent over a period of five years and of providing employment opportunities to 10 to 12 million persons. Further they suggested that the second five year plan should be drawn up so as to give concrete expression to the policy decisions relating to the socialistic pattern of society. In regard to village and small scale industries, the Standing Committee and the National Development

Council suggested that the measures needed for the organisation of these industries on adequate scale in connection with the second five year plan should be taken in hand well in advance of the second five year plan.

5. In pursuance of the conclusions and suggestions of the Standing Committee and the National Development Council, the Planning Commission by Resolution No. FY II/CDI/23/55, dated the 28th June, 1955, (vide Appendix I) constituted a Committee, hereafter referred to as the Village and Small Scale Industries (Second Five Year Plan) Committee, with the following members:—

- Prof. D. G. Karve—Chairman
- Prof. D. R. Gadgil—Member
- Shri V. L. Mehta—Member
- Shri P. Govindan Nair—Member
- Shri V. Nanjappa—Alternate Member.

Dr. D. K. Malhotra, Deputy Secretary, Planning Commission was appointed the Secretary to the Committee.

The terms of reference of the Committee were to prepare, in the light of the provision made in the draft plan-frame for village and small scale industries and in the light of the recommendations made in the memorandum submitted by the Panel of Economists, a scheme, industry-wise and wherever possible State-wise, for the utilisation of the resources to be earmarked for the purpose of development of these industries as an integral part of the Second Five Year Plan. The Committee was required to frame its scheme with special reference to the following objectives:—

- (1) that the bulk of the increased production during the Plan period of consumer goods in common demand has to be provided by the village and small-scale industries;
- (2) that employment provided by these industries should progressively increase; and
- (3) that production and marketing in these industries is organised, in the main, on cooperative lines.

The Committee was required to submit an outline of all its recommendations before the end of September 1955.

Towards the end of July 1955 it was suggested to the Committee that as part of its terms of reference it might examine and report on the organisational pattern needed for the proper development of village and small scale industries, and that while considering this matter, it might draw upon the views of the State Governments also.

Procedure of enquiry

6. (a) The first meeting of the Committee was held in Bombay on June 15th, 1955 when the scope of the Committee's work in the light of its terms of reference was discussed and the main lines of its future programme of work were settled. The Committee decided that since the time within which it had to complete its work and formulate its conclusions and recommendations was limited it should make the fullest use of the readily available information and material. For the

same reason it was also decided that elaborate questionnaires need not be issued to the State Governments or other authorities and organisations, though representatives of such Governments and organisations might be invited for discussion of specific matters. The Committee held in all 12 meetings besides the discussions held with various bodies mentioned in sub-paragraph (c) below.

(b) The State Governments as well as the All India Boards, namely, All India Khadi & Village Industries Board, Handicrafts Board, Small Scale Industries Board, Handloom Board, Coir Board and Central Silk Board were requested to supply readily available data for various industries according to a prescribed proforma. The Registrars, Co-operative Societies in the various States were addressed for copies of annual reports on the working of industrial co-operative societies for the last four years. Steps were also taken to obtain whatever information was available with the Central Statistical Organisation and the Indian Statistical Institute Calcutta. The Registrar General in the Ministry of Home Affairs was requested to furnish detailed information in regard to employment in various occupational groups included in the Census of 1951. The All India Boards and State Governments were also addressed to furnish their proposals for the second five year plan in respect of village and small industries. The Central Ministries were requested to furnish such memoranda, notes or any other material pertaining to the terms of reference of the Committee as they desired to be taken into consideration by the Committee. A similar request was addressed to the various Divisions of the Planning Commission. In August 1955, all State Governments were requested to furnish their views on the organisational and administrative set-up necessary for implementing the second five year plan and on the machinery and procedure required for co-ordinating the developmental effort in the field of village and small scale industries.

(c) The Committee held discussions with the representatives of all the six All India Boards in regard to the problems of development of industries within their respective spheres of work. Discussions were held with the representatives of the Governments of all Part A and Part B States except the Jammu and Kashmir and Pepsu Governments. Pepsu Government did not send a representative but furnished copies of their plan for the village and small scale industries. Among the Central Ministries, Ministry of Production, Ministry of Food and Agriculture, Ministry of Irrigation and Power and Ministry of Education were invited to send representatives for discussion with the Committee. Discussions were held with the representatives of Community Projects Administration, the Bombay Electricity Board, the Bombay State Financial Corporation, All India Manufacturers' Organisation and Powerloom Weavers' Association. The Committee also held discussions with Shri A. W. Sahasrabudhe on the possibilities of supply of yarn from Amber Charkha, the Industrial Adviser, Textile Commissioner on questions of supply of yarn and Dr. Eugene Staley on certain aspects of the development of small scale industries. Notes and memoranda were obtained from some of the Central Ministries, State Governments and other bodies on specific points arising during our discussions with them. A statement showing the names of the Central Ministries, State Governments, associations, bodies and individuals with whom discussions were held by the Committee is given in Appendix II.

CHAPTER II

VILLAGE AND SMALL SCALE INDUSTRIES IN THE FIRST FIVE YEAR PLAN

7. In the first five year plan, village and small scale industries did not enjoy the same crucial or 'strategic' importance as has been assigned to them in the second plan. This shift in emphasis and importance follows from the objectives, priorities and general character of the two plans. The first plan having been drawn up in the context of shortages of foodgrains and certain agricultural raw materials like jute and cotton as well as of the economic strain imposed by the war, and the partition naturally accorded high priorities to irrigation, agriculture and transport. The importance of village and small scale industries for providing employment especially to the under-employed persons in the rural areas was, however, fully recognised and it was clearly stated that the Central Government must give the same attention to village and small scale industries as it had undertaken to give to agriculture. Probably for the first time an effort was made to view the difficulties and problems of the development of these industries from an all India angle and in an integrated manner. Various policies and measures which would strengthen the economic basis of these industries were examined and broad outlines of programmes of development for some of the industries were also drawn up in consultation with social workers and technicians who had experience of them. The general approach of the plan was one of rehabilitating these industries so as to provide for the rural population additional employment and opportunities of supplementing their earnings.

8. The notable directions in which the First Five Year Plan marked a definite advance over the pre-plan position was in making a substantial financial provision for the development of village and small scale industries and in emphasizing the need for setting up an organisation in the Central Government to look after the problems of village industries and to create favourable conditions for action by State Governments, organizations of social workers and village co-operatives. A provision of Rs. 11.94 crores in the States was made mainly for the continuance or elaboration of their existing programmes; this was subsequently increased to Rs. 12.34 crores on account of adjustments involving the inclusion of new schemes. Realizing that this provision might not be adequate for ensuring significant development in this sector, a further provision of Rs. 15 crores was made at the Centre in the plan of the Ministry of Commerce and Industry. In addition, in the budget of each community project, provision was made for the Cottage Industries programme, the total amount for the period of the plan being about Rs. 7 crores. Further resources earmarked for financial assistance to Khadi and handloom industries became available from the proceeds of a cess of 3 pies per yard on mill-made cloth levied under the Khadi and Other Handloom Industries Development (Additional Exise Duty on Cloth) Act 1953.

9. On the organisational side, the establishment or re-constitution of the six all India Boards was the most important step taken for the

planned development of village and small scale industries. The All India Handloom Board and the all India Handicrafts Board were constituted in October 1952 and November 1952 respectively to advise Government on the problems of development of handloom and handicraft industries. The All India Khadi and Village Industries Board was set up in February 1953 for preparing and organising programmes for the production and development of Khadi and village industries. The Small Scale Industries Board was constituted in November 1954 to coordinate the activities of regional Institutes for small scale industries, Small Industries Corporation etc. and also to frame and implement programmes generally for the development of small scale industries. The Central Silk Board which had been functioning since 1949 was re-constituted in April 1952 and a statutory Coir Board was set up in July 1954 to promote the development of the coir industry, under the control of the Central Government. The activities of these six Boards taken together cover the entire field of village and small scale industries.

10. The rate of development expenditure in the initial years of the working of the first five year plan was rather slow but in recent years largely due to the organisation of developmental effort by the All India Boards, the outlay has shown substantial increase. The details of the progress of development expenditure by the all-India Boards are shown below:—

Boards	(Rs. lakhs)					
	1951-52 Actuals	1952-53 Actuals	1953-54 Actuals	1954-55 Actuals	1955-56 Budget	1951-56 Total
Handloom	0.14	6.33	3,69.00*	4,55.00		11,36.47 (11,30.00)*
Khadi	2.00	9.00	1,97.00*	2,77.00*	3,50.00\$	8,35.00* (8,24.00)*
			5,03.00*	6,46.00*	8,05.00*	19,71.47 (19,54.00)*
Village Industries	0.59	0.73	21.88	91.00	3.00 00	4,14.20
Small-scale Industries	5.67	7.90	33.25	1,52.44	3,27.00	5,26.20
Handicrafts	4.50	2.60	14.00	23.00	60.00	1,04.10
Silk & Sericulture	1.42	2.70	13.22	61.00	50.00	1,28.34
TOTAL	14.32	29.26	5,85.35	9,73.44	15,42.00	31,44.36

*Expenditure being met from the Cess Fund.

@ Including Rs. 10 lakhs for the Coir Board.

\$ Excluding Rs. 100 lakhs carried over from previous year for trading operations.

In the States, development expenditure amounted to Rs. 121.96 lakhs in 1951-52 (Actuals), Rs. 129.07 lakhs in 1952-53 (Actuals) and Rs. 147.89 lakhs in 1953-54 (revised). The estimated expenditure included in the budgets for 1954-55 was Rs. 281.13 lakhs.

11. An important aspect of the first five year plan was the acceptance of the principle of a common production programme for large-scale and small-scale industries. One of the recommendations made in the plan was that besides the emphasis on technical

improvements, research and other measures for improving efficiency, the primary objective of policy should be to provide a field within which each cottage industry might be able to organise itself and in cases of competition between large-scale and cottage industry a common production programme should appropriately be formulated. The possible elements of a common production programme were stated to be (a) reservation of spheres of production, (b) non-expansion of the capacity of a large-scale industry, (c) imposition of a cess on a large-scale industry, (d) arrangement for the supply of raw materials and (e) coordination for research, training etc. While a fully worked out common production programme has not yet been adopted for any industry, some steps have been taken in relation to several of the elements of the programme mentioned above. In April 1950 Government of India issued a notification prohibiting the cotton mill industry from producing certain varieties of cloth like dhoties of certain width and borders, sarees, lungis etc. and reserving their production for the handloom industry. By another notification issued in December, 1952, the mills were directed not to produce during December, 1952 and every subsequent month a quantity of dhoties which was more than 60 per cent. of the average quantity packed for sale in India by them per month during the year from April 1951 to March, 1952. Under the Khadi and Other Handloom Industries Development (Additional Excise Duty on Cloth) Act, 1953, assistance was provided to Khadi and handloom industries out of a special cess levied on mill cloth. Besides, under Dhoties (Additional Excise Duty) Act 1953 an additional excise duty was levied on the production of bordered dhoties by large mills in excess of 60 per cent. of their production during 1951-52. Funds were placed at the disposal of All India Handloom Board and the All India Khadi and Village Industries Board for rendering financial assistance to these industries from the Cess Fund. The question of formulating a common production programme between the different sectors of the textile industry was examined by the Textile Enquiry Committee in 1953-54 and its report is now under consideration. Meanwhile Government has not permitted any expansion in the loomage of the mill industry except in special cases.

Regarding the match industry, it has been decided to create new category of match factories called class "D" producing upto 25 gross boxes a day and to subsidise them by an enhanced rebate on the excise duty. Under the Finance Act for 1955-56 the rebate on the excise duty for this class of factories has been enhanced to 9 annas per gross boxes of 60 sticks and 6 annas per gross boxes of 40 sticks.

In respect of leather footwear and tanning industries decision has been taken to examine all applications for either substantial expansion of existing large units or establishment of new large units in the light of their effects on the cottage and small scale sectors of the industry. Since the beginning of the first five year plan no application either for establishment of large new units or expansion of the existing ones has been approved by Government either for tanning industry or leather footwear industry. An excise duty was levied on the large scale leather footwear industry in March, 1954.

For two industries namely, rice milling and oil crushing, special enquiry committees were appointed with a view to formulating common production programmes. The report of the Rice Milling Committee is now under consideration. The report of the Committee on the Oil Crushing industry has not yet been submitted.

Regarding a number of other industries including furniture making, sports goods, slates and pencils, *bidis*, writing inks, chalks and crayons and candles, it has been decided to discourage establishment of large scale undertakings in future and to reserve further expansion of production for the small scale sector. A list of agricultural implements has also been drawn up in respect of which licence will not be granted for the establishment of large scale units or for expansion of capacity by the existing units. It may be added that expansion of the capacity of large units for garment making is already restricted and that all printing of cloth by large mills is limited to their best year's output during the period 1949-54. In the case of washing soap a differential excise duty has been imposed and a subsidy of 1 anna per seer of neem and non-edible oils used in making soap is also given.

12. Considerable stress was laid in the First Five Year Plan on the provision of adequate finance for the development of village and small scale industries. It was stated that finance for the development of village industries had to be viewed as a problem inseparable from finance for agriculture and that formation of industrial co-operatives was essential if Government and the co-operative movement were to be able to render substantial assistance to village artisans. Reference was also made to the establishment of Finance Corporations in the different States and it was hoped that it would be possible to render much greater assistance to village industries after their establishment. In pursuance of these recommendations, two important steps have been taken. Firstly, rules and conditions governing the grant of loans for the development of cottage and small scale industries were liberalised, and it was decided to shorten the procedure for verification of loan applications and to delegate powers to the Directors of Industries in the States to grant loans upto a specific ceiling. The Central Government has offered to place larger funds by way of loans at the disposal of State Governments to enable them to extend their operations and assistance and also to meet half the loss resulting from the liberalisation of terms and conditions of loans, upto a maximum limit of 5 per cent of the total loans granted. Secondly, in 10 States viz., Punjab, Bombay, West Bengal, Uttar Pradesh, Bihar, Assam, Travancore-Cochin, Hyderabad, Saurashtra and Rajasthan, State Financial Corporations have been set up for assisting medium and small industries. Proposals for establishing similar Corporations are under consideration in Madhya Bharat, Mysore and Orissa while Madras and Andhra States are considering the reconstitution of the present Madras Industrial Investment Corporation into separate Financial Corporations.

In regard to the formation of industrial co-operatives, progress has been somewhat slow but in some industries like handloom weaving encouraging results have been obtained.

13. It was recommended in the First Five Year Plan that utmost importance should be attached to arrangements for research and

training in village industries, handicrafts and small scale industries. Among the problems requiring necessary action were mentioned improvement of tools and implements as well as evolving of machines worked by power and suitable for small scale operations. Proposals for the establishment of an institute of village technology, of research institutions for handicrafts production, of a central institute for the study and preparation of designs and of special research sections for small industries in research institutes associated with individual large scale industries were emphasized in the plan as requiring special consideration. Further, it was recommended that technical training programmes should be so designed as to fit in with the over-all plan for the development of cottage and small industries in the country and that the training should be directed towards those trades in which prospects of stable employment were reasonably clear.

Several steps on the lines of the recommendations in the First Five Year Plan have been taken for organising training and research facilities. An International Team of Experts invited by the Government of India in 1953 to study the problems of the small scale industries recommended the establishment of regional Small Industries Service Institutes and four such Institutes have been set up at Bombay, Calcutta, Madurai and Faridabad with branch units in Uttar Pradesh, Bihar, Hyderabad and Travancore-Cochin. These Institutes will provide various kinds of technical service to village and small industries such as information about improved techniques of production, technical advice and assistance in the utilisation of the local raw materials. A programme drawn up by the Small Scale Industries Board includes also the establishment of model workshops for several industries such as carpentry, blacksmithy, leather and pottery, the formation of co-operatives with central workshops and service stations for providing common facilities to certain industries which are concentrated in particular areas such as bicycles and sewing machine parts, locks, cutlery and hardware. Decision to set up a technological institute for village industries has been taken recently by the All-India Khadi and Village Industries Board. This Board also appointed a Training Survey Committee in 1953-54 to undertake a survey of the existing training facilities. In pursuance of its recommendations a Central Training Institute has been started at Nasik and the regional institutes in other parts of the country. In addition, in the plans of State Governments provision has been made for training facilities and Rs. 4 crores have been allocated for these upto 1954-55. Training facilities are being provided mainly at two levels *viz.*, in industrial schools and through training-cum-demonstration parties, tuitional classes etc. for working artisans.

14. Two other recommendations in the First Five Year Plan related to (i) organisation of marketing of handicrafts by linking up consumers' co-operatives with producers co-operatives and by setting up emporia and (ii) establishment of machinery for the enforcement of decisions and reviewing the work with regard to State purchase of products of small enterprises and the grant of preference to such products. Some States have already established emporia and museums for handicrafts and village industries. Large emporia have also been set up in big cities for Khadi and village

industries as well as handicrafts. The Handloom Board has also set up a network of sales depots in each State and put on the road a number of mobile sales vans. The policy in regard to State purchase of the products of small scale and cottage industries and the granting of price preference as well as other assistance to them has been reviewed as a part of its terms of reference by the Stores Purchase Committee and its recommendations are now under examination by Government.

As regards the recommendation for the creation of new industrial centres in river valley project and other areas, the Damodar Valley Corporation has sanctioned a sum of Rs. 3.19 lakhs during 1954-55 on schemes for the promotion of lock manufacturing, cold storage and the establishment of a central Finishing Workshop for hand-forged items. The Small Scale Industries Board has submitted a scheme for setting up a number of industrial estates all over the country and this is now under examination in consultation with the State Governments.

15. An important point made in the First Five Year Plan was that village industries should become the concern of the village community functioning as an organised group. When the community projects were started, a definite provision was made for the promotion of small scale and cottage industries in each project area. Actual utilisation of the resources earmarked for this purpose has not, however, been encouraging. Recently, it has been decided to undertake 26 pilot projects in community project areas for the proper organisation and intensive development of such industries.

16. The results of the developmental effort of the All India Boards and State Governments achieved so far during the period of the plan cannot always be stated precisely in terms of increase in production and employment in particular industries. This is partly due to insufficiency of statistical data but also to the fact that the bulk of the expenditure on development has been incurred on schemes like the organisation of training centres, manufacture and distribution of equipment etc. which usually strengthen the technical base of an industry and increase its production and employment potential but do not result in an appreciable increase in production and employment immediately. In those industries or lines of development on which the All India Boards have concentrated their efforts, a fair measure of progress has been recorded in recent years and foundations have been laid for more rapid progress in the future. A short account of the major developments relating to these industries and of the progress made by them is given in the following paragraphs.

17. Production of cotton textiles by the handloom industry from millyarn (handloom fabrics) as well as handspun yarn (khadi) has shown substantial progress. From 843 million yards in 1951, production of handloom cloth rose to 1200 million yards in 1953 and 1318 million yards in 1954. Production in 1955 is expected to be even higher and may exceed 1500 million yards. Production of khadi, which was valued at Rs. 1.3 crores in 1950-51, more than doubled by 1954-55 when its total value was Rs. 3.5 crores for a total production of 18 million square yards. By the end of the plan period both production and sales of khadi are expected to record further increase. This progress of the handloom industry is, to a small extent, due to the disappearance of certain adverse post-war

conditions such as shortages of mill yarn in the case of production of handloom fabrics, but very largely it may be ascribed to a number of measures which were taken during the first plan period for the promotion of both handloom and khadi industries. These included the reservation of production of certain varieties of cloth for the handloom weaver and imposition of a cess on millmade cloth the proceeds of which were utilized for development schemes of the handloom and khadi industries. The amount disbursed from the Cess Fund during 1953-54 and 1954-55 was Rs. 11.5 crores. In addition, an indirect incentive for increase in the production of handloom cloth has been provided by the decision not to allow installation of new loomage in mills pending decision on the recommendations of the Textile Enquiry Committee. Steps for better organisation of the marketing of handloom fabrics were also taken, and besides the establishment of a Central Marketing Organisation with regional offices and showrooms, and of an export marketing organisation with marketing officers stationed at foreign centres, an All India Handloom Fabrics Marketing Co-operative Society, to which Apex societies in the States will be affiliated, has also been set up. Rebates on the sales of handloom cloth varying from 9 pies to 1½ annas in the rupee and on those of certified khadi at the rate of 3 annas in the rupee were granted. Two modern emporia for the sales of the products of Khadi and village industries were established, one at Bombay and the other in New Delhi. Measures for bringing a larger number of weavers within the co-operative fold have yielded encouraging results and already 8.5 lakhs of handlooms have been brought into the co-operative fold. Loans have been given to weavers to subscribe to the share capital of co-operative societies and a liberal provision has been made for working capital for co-operative societies, the amount for the latter purpose in 1954 being over Rs. 2 crores. A notable development in the programme of assuring the supply of yarn to handloom weavers was the setting up of a co-operative spinning mill at Guntakal. Two other Co-operative Mills are proposed to be started, one in Orissa and the other in Madras. At the same time schemes for technical improvement through conversion of throw-shuttle looms into fly-shuttle looms, addition of pick regulators to handlooms, establishment of finishing and calendaring plants and the standardisation of products and improvements in design and pattern, are being implemented.

18. A beginning has been made with the development of nine village industries (excluding khadi), which have been selected for this purpose by the All India Khadi and Village Industries Board. For the village oil industry a special Enquiry Committee has been set up by the Ministry of Food and Agriculture to evolve a common production programme of the village and the large scale oil industry and suggest lines of future development. The immediate programme of the All India Khadi Board which is being implemented, is to replace the traditional ghani by the improved Wardha ghani with a view to increasing the output and reducing the cost of production. For examining the possibilities of promoting hand-pounding of rice, a special Committee was appointed and its report, which was submitted recently to Government, is under consideration. Schemes for the development of this industry already taken in hand by the All India Khadi and Village Industries Board, include introduction of improved dhenkis, winnowing fans and par-boiling process, improvement of

the existing dhenkis and research for the improvement of hand-pounding equipment. A basis for the development of cottage match industry was provided by the Government decision to encourage the creation of 'D' class factories with a production capacity of 25 gross boxes per day. An enhanced rebate of excise duty has been granted to such factories under the Finance Act of 1955-56. The All India Khadi and Village Industries Board has taken in hand schemes for the establishment of 'D' class factories in different States and loans for the purchase of equipment for such factories have been given. Steps taken for the development of hand-made paper include the establishment of 30 production centres in different States, arrangements for training of workers, technical assistance in respect of equipment used, research for exploring new uses for hand-made paper and the establishment of a marketing organisation. Production of hand-made paper increased to 400 tons by 1954-55 and 2000 persons were employed under the development schemes. Another village industry being developed is the manufacture of soap from non-edible oils particularly neem. The programme is still in its early stages of implementation and expenditure incurred consists mostly of loans given to the recognised institutions for organising oil pressing and soap production centres and production subsidies. For the village tanning and leather goods industry, a decision was taken not to allow expansion of the capacity of large factories except in special circumstances. No new schemes for the expansion of the capacity of either large tanneries or leather footwear factories have been sanctioned. Development schemes for the tanning and leather industry, implemented by the Board include the establishment of flaying centres and training-cum-demonstration centres for tanning and training-cum-production centres for certain leather goods. Bee-keeping is a smaller industry providing part-time employment to rural population in particular areas and steps already taken for its development include the establishment of bee-keeping centres, training of fieldmen and supervisors, introduction of bee-keeping courses in elementary and agricultural schools, supply of standardised implements at subsidised prices and organisation of marketing through co-operatives.

19. Handicrafts have far greater importance than is indicated by the volume or value of their production because they embody ancient cultural traditions of the country and are an expression of its creative and artistic genius. Development of handicrafts is, therefore, not merely a matter of rehabilitating a few craftsmen in their ancestral trades but of keeping alive traditional art and giving free scope to the creative faculties and inherited skills of the people. Yet products of handicrafts, like the products of any other industry, are appraised on the market and in relation to them questions of cost, designs, supply of suitable raw materials, organisation of craftsmen into associations and arrangement for proper marketing facilities require as much consideration as in other industries. The sphere of work of the Handicrafts Board covers about 42 industries but the Board has selected for direct and intensive development a few crafts such as pottery, mat weaving, handprinting of textiles, toy making, with priority for dolls and wool products. The Board has also been giving financial assistance for schemes of State Governments and private organisations for development of these and other crafts. An important part of the Board's programme of work relates to organising exhibitions within the country and participating in exhibitions

and fairs abroad and setting up emporia. The Board has made financial provision for the revival of the old blue and black pottery industry of Delhi and has also set up a pilot pottery centre near Madras, besides assisting pottery schemes in a number of other States. Assistance has also been given for mat weaving industry in West Bengal where five production centres were set up. Toy making schemes in different States have been assisted and exhibitions of dolls were organised. In addition, Handicrafts Board has assisted research into new designs, patterns and improved processes and has encouraged and assisted the training of personnel in special techniques. Through the Indian Cooperative Union, it organised a survey of marketing and various aspects of the production of handicrafts. The report on the survey prepared by the Union has been submitted to the Board and action to be initiated on the recommendations made is being considered.

20. The programme of work of the Small Scale Industries Board follows largely the lines indicated in the report of the International Planning Team. The main part of the programme was the establishment of a number of institutions for organisation, technical servicing and business counselling and marketing assistance. Reference has already been made to the establishment of the regional Small Industries Service Institutes; in addition to these, a National Small Industries Corporation with an authorised capital of Rs. 10 lakhs has been set up to organise production for meeting Government orders and to assist the manufacture of parts and components of small units so as to fit in with the production of the corresponding large units. Reference has been made earlier to the establishment of the Small Scale Industries Board in November 1954 and to its functions. Small Scale industries constitute a large group with varying levels of technique and the Board's efforts have been largely directed so far towards technical advice and assistance and provision of common service facilities. In respect of certain selected industries where definite scope for development exists, the Board has made proposals for common production programmes to which reference has been made in an earlier paragraph. Another line along which action was taken to assist the development of small scale industries, was the liberalisation of rules governing the grant of loans under the State Aid to Industries and similar Acts.

21. Development of the sericulture industry falls within the sphere of work of the Central Silk Board and the schemes initiated at the Centre and by the State Governments relate to development of mulberry plantations, improvement of mulberry, production of silk worm seeds and improvement of tassar and eri silk. A number of schemes for training and research have also been undertaken and arrangements were made for the study of the improved techniques in Japan by experts from sericulture Departments of various States.

22. Development work relating to the coir industry, which is concentrated in Travancore-Cochin and Malabar district of Madras State, is still in early stages. A number of Husk Societies and Coir Co-operative Societies in Travancore-Cochin and also a Central Marketing Society have been organised with a view to eliminating the hold of the middlemen over the industry. Arrangements have also been made for providing training facilities in the various processes of coir manufacture.

CHAPTER III

BASIC APPROACH

23. The main work entrusted to the Committee is that of preparing allocations of resources required in the second five year plan period by different administrations and industries to achieve certain objectives and targets in the field of village and small scale industries. We had to examine proposals of the various Boards, Ministries and States and to determine the targets of production that might be required for the proper fulfilment of the Plan and the measures necessary to enable these being reached. Before coming to any decisions in this regard we had to define for ourselves fairly fully the role to be played by the village and small scale industries sector in plans of national development.

24. The allocations proposed by us and the measures suggested by us to reach the objectives are related to this definition which is derived from a careful interpretation by us of our terms of reference and of the contents of the documents specifically mentioned in them. As our conception of the developing part of this sector in national plans is essential to an understanding of the recommendations made by us, it is briefly set out in the first instance.

25. Our work involves dealing with a field that is wide; our recommendations have also to provide for a changing and dynamic pattern. A number of aspects of the work may be separately indicated. In the first instance, it involves making recommendations for stopping any increase in unemployment or under-employment in existing occupations. Secondly, it has to be directed towards providing progressively for as much additional employment as can be afforded. Thirdly, it must lay the basis for the structure of an essentially decentralised society for the future and while doing this provide also for progressive economic development at a fairly rapid rate. It may be emphasised that this Committee is not writing on a clean slate. We have to take into account the fact that capital investments and employment opportunities have been created in various directions as a result of historical developments and that productive structures of various degrees of efficiency and employing various types of techniques already exist in all the important fields. We have also to take account of the evolution of policy and the structure of measures that are in operation today.

26. Avoidance of what may be called further technological unemployment may be said to be the starting point of the work. (One of the most important features of the existing economic situation is the large extent of unemployment and under-employment in the country.) The seriousness of this has been recognised by the emphasis on provision for additional employment that has been laid in the formulation of the second five year plan. In such a

situation the avoidance of additional technological unemployment becomes an important aspect of economic policy. Whatever the merits and fruits of a given transition in the long run, if it aggravates an existing unfavourable situation, measures must necessarily be taken either to postpone or modify the process of transition. The largest extent of continuing additions to technological unemployment, actual and potential, are in the field of traditional industry. The impact of the progress of modern technology on agriculture in India has not so far caused direct unemployment in that sphere. In the sphere of traditional industry, on the other hand, production through modern techniques makes redundant the capital and labour employed in traditional industry and creates a very large problem of unemployment of resources, especially labour resources. (In the peculiar Indian situation the possible compensating effects on total employment of rapid introduction of modern technology are not immediately obtainable.) The result is the creation of an increasingly difficult problem. Over a series of decades the importance, in terms of size and urgency of this problem, has been progressively recognised. It has been now fully accepted that in the next immediate phase of planned economic development in India the course of development should avoid as far as possible creation of technological unemployment. In terms of present numbers employed, this is very largely the sphere of traditional hand and small scale industry—a sphere which is also in the main engaged in producing consumer goods required for the mass of people. An important reason for the emphasis laid in the second five year plan on obtaining increased supplies of consumer goods through the village and small scale industry sector is this desire to prevent a further aggravation of the unemployment and underemployment problem.

27. It needs to be emphasised here that the so called reluctance to or prohibition of adoption of modern technology is related specifically to the question of technological unemployment. As far as can be seen there is no general acceptance of a view that a less advanced technology is in itself the more desirable. It is noticed later that modifications of modern techniques of production may be necessary for keeping, to a decentralised pattern of society. Such modification does not, however, involve rejection of modern techniques, only their adaptation to certain values accepted by society. Such adaptation of improved or modern techniques need not at all lead to their progress being retarded. The deliberate regulation of the pace of adoption is related specifically to those spheres where the adoption of such technique is likely to cause unemployment of both existing capital equipment and labour. It is necessary to bring this out because of the erroneous impression, which appears somewhat widespread, that the decision taken to reserve the bulk of increased supply of consumer goods to village and small scale industries in the second five year plan is indicative of an opposition to technical improvement.

28. A second aim of the decision is to find as large a measure of increased employment as possible in various spheres during the plan period. It has been pointed out above that the existence of a large volume of unemployment and underemployment creates a

very serious situation in the country. Before a programme of economical development can be launched or at least simultaneously with the launching of such a programme it is extremely necessary to remedy this situation and to increase the extent of employment available. Existence of a large number of unemployed and underemployed persons indicates wastage of available resources of manpower and in terms of distribution it creates a very large problem of low income groups living much below any recognised subsistence level. Granted that the economic and administrative resources of Governments in the country are extremely inadequate for any system of relief or social security which would take care of this large problem, it follows that the relief to this large class must be given chiefly through providing additional employment. In so far as a substantial proportion of the persons suffering especially from acute underemployment belong to the village and small scale industry group, providing relief to them in occupations to which they have been traditionally trained and for which they have equipment appears to be a more reasonable and logical way of dealing with the problem than any other. The above, of course, implies that the avenues of additional or fuller employment for existing persons, in this sector, are such that the contribution of their productive effort substantially lowers the cost of such, what might be called, part-relief employment.

✓ 29. Apart from the reasonableness of providing the fuller employment immediately required for the class in its own traditional vocations there is another important consideration in favour of utilising the older capital and labour structure for increasing the needed supply of consumer goods. One of the main shortages which are experienced in planning for economic development in India is shortage of capital. Next to this is the shortage of trained persons. Therefore, if existing investment and personnel can produce required results fairly efficiently it might be wiser for the next stage of development to utilise them fully than to utilise scarce resources of capital in creating substitutes for them.

30. Moreover, the process of adoption of modern technique involves changing the structure of economic society. The adoption of the modern, usually capital intensive and roundabout processes, leads to a deepening of the structure of industrial production. It involves the provision of economic overheads and the apparatus of external economies in a large measure, at least partly, in advance of the adoption of modern techniques in the direct production of consumer goods. At least, this is necessary if the country is to avoid lop-sided development and continued dependence on foreign economies. In such a situation it is again reasonable to avoid, to the extent it is possible, new capital investment and additional efforts at training personnel for the immediately needed increase in production of consumer goods. Consumer goods may be taken to be the end product of the process of economic development. The building up of the complex structure of modern economy systematically from the base involves some postponement of the availability of consumer goods produced through the modern processes. Otherwise, a consumer goods structure will develop which for all practical purposes rests on the underlying base of producers' goods industry and super-structure of important services of foreign economies. It would

thus be an advantage for the economy if in the building up of the modern structure it could for some time rely on the production of consumer goods coming from another source. In such an eventuality the building up of the modern structure, logically from the base upwards, could proceed without unnecessary shortage of consumer goods. A structure built in this way would, for the same expenditure of resources, be broader-based and deeper than a structure in the building up of which attention needed to be paid to an early increase in the production of consumer goods.

31. Thus this consideration regarding the logical building up of the modern structure and the consideration regarding avoidance of use of capital resources in directions in which such investment is immediately unnecessary point to the utilisation, to the greatest extent possible, of the existing structure and means of production of consumer goods for satisfying the increased demand for them during the second five year plan period. It should be emphasised that this does not lead to any retardation of improvement in techniques. Effort for improving techniques training personnel and investing capital in certain directions is avoided because the same effort canalised in other directions gives larger dividends in the long run. This is possible in those spheres of the economy where a labour and capital structure which can satisfy a volume of even increased demand already exists. The utilisation as far as possible of the existing capital and labour structure for satisfying increased demand also leads to additional employment being afforded to the personnel engaged in the sector; and the large fuller employment provided to persons in this sector makes a considerable contribution to the solution of the problem of the underemployed.

32. While doing this it is, of course, necessary to remember that the Second Five Year Plan is itself only one of a series of five year plans and that the measures taken during this period should not be interpreted as putting handicaps in the way of progress or planning in the future five year periods. It thus becomes necessary that the programme of avoidance of technological unemployment or of utilisation to full capacity of the existing capital and labour structures in given directions, thus providing fuller employment to the personnel engaged in them, should be so framed and implemented that the fulfilment of the immediate objectives of these series of measures does not in any way hamper the building up of a rational programme of future development.

33. The importance and relevance of this consideration may be illustrated as follows. The objective of providing additional employment may be achieved by creating special opportunities of work for large numbers of people in productive activity carried on in ways which may yield only a very small amount of net income to them. Programmes of creation of such work would then have to be supported by direct or indirect subsidies to yield a minimum level of subsistence income. In effect, this would involve relief of the unemployed through public funds with only a very small contribution being received from the fruit of their employment. Further, if this involves either bringing in new persons who are not engaged traditionally in those occupations or creating new equipments for

the purpose, it would result in the employment of labour in directions where its use is patently uneconomic. In a programme of future development, this would prove a handicap as, presumably, these resources and personnel will soon have to be withdrawn from these uses. The same reasoning applies to the extent and duration of the protection given to existing employment in means of production which have become completely obsolete or relatively very uneconomic.

34. Of course, the above reasoning presupposes that it is possible in the plan to explore alternative avenues of employment. If additional employment in the plan has to come only through the sphere of village and small scale industry then it would either become necessary to extend very widely the use of relatively uneconomic techniques in all fields or to consider the desirability and feasibility of giving direct relief to the unemployed. However, if it is assumed, as appears reasonable, that employment afforded in other sectors of economic activity, especially those connected with the development of economic and social overheads, will be comparatively ample in the Second Five Year Plan, it may be presumed that no expansion of employment in specially uneconomic techniques need be artificially stimulated.

35. It is assumed that the ultimate test of the relative backwardness of a technique is that the labour income afforded in its adoption is very low as compared to incomes in alternative directions of employment and to any concept of the subsistence level. It follows that in particular regions where there exists a special dearth of employment opportunities a larger and longer period of prevalence of relatively backward techniques may have to be tolerated and provided for. The need to provide for progressive development in the future also involves adopting all improvements to the extent immediately possible and providing for a regular programme of gradual transition in the future.

36. The above leads to the conclusion that when new capital investment has to be made, it should be made as far as possible only in improved equipment or where existing equipment is itself capable of being improved by addition or adaptation. Capital investment will be specially fruitful in so far as it can take full advantage of the older investment and improve it by additions or transformations. In the adoption of improvements a long period view must necessarily be taken, so that the improvements now effected are capable of being utilised at higher techniques without being rendered obsolete at an early stage in the process of development. It may be noted, at this point, that as regards the need for technical improvement of existing equipment or of adopting the most improved technique possible in the existing structure there is no difference of opinion. So long as the improvement is capable of wide adoption in a decentralised system and so long as it has no deleterious effects on employment its adoption is agreed upon by all. The needs of the future programme thus emphasise a discriminating attitude in both protecting existing techniques and providing fuller employment and indicate that additional capital investment and employment or training of new persons has to be oriented towards an improvement in existing techniques.

37. The programme has also to be related to the concept of a decentralised economy in the future. The concept of decentralisation is not necessarily related to any level of technique or any mode of operation. All that decentralisation means is adopting improvements in technique in such a manner and to such an extent that economic activity is still possible and is carried out in comparatively small units widely scattered or dispersed throughout the country. It is recognised that for certain essential purposes of a common or overhead type centralised and large scale activity may be necessary. But it seeks to keep such activity at a minimum. The bias towards decentralisation would mean that in the future programme of technical improvement, the techniques adopted are appropriate to the decentralised pattern, and further that continuous effort is made to adjust existing improved techniques for particular production activities which are ordinarily centralised in modern economies to a decentralised mode of operation or, to invent or to discover decentralised substitutes for them.

38. One of the important measures generally recommended for stabilising the existing situation and fully utilising the production capacity of existing small scale and village industry is to prevent further increase in the capacity of modern large scale establishments in the appropriate lines. But when existing traditional equipment no longer meets the needs of increased supply, i.e. when the existing capital and labour structure in traditional and small scale industry is fully employed and an additional demand emerges, the need for technical improvement becomes apparent. Moreover, at this stage improvement could be undertaken without straining the employment situation. Technical improvement of traditional industry would not, however, mean adding to the capacity of large scale machine industry because such machine production is usually not on a decentralised basis. The temporary freezing of the present position in the large-scale consumer goods sector has thus the additional merit of affording the opportunity of building up a decentralised pattern by deliberate transition from traditional small scale industry to an improved modern but decentralised industry.

39. On this interpretation, the plan of development of village and small scale industries in the second and subsequent five year plan periods will be concerned with the progressive improvement in productivity and in the conditions of life and work of the large number of persons engaged in this sphere, with comparatively little disturbance to their locational and social set-up. The location of activities in this sector is to-day widely dispersed and it is largely carried on by self-employed workers in or near their own houses. No doubt there is some concentration in finance and trading connected with these activities. The adoption of a co-operative mode of organisation should lead to a removal of the evil effects of this concentration without in any way decreasing efficiency. To the extent necessary, co-operative producers' organisations would also provide for any increase in scale that particular improved techniques may render necessary; they will also look after the common services, the assembly plants etc. that will have to be provided. Some redistribution of workers and some concentration of particular types in particular locations may undoubtedly be involved in the process of development. However, this would not mean either denuding

certain areas of industries or industrial workers or over-concentration in particular localities. And the bulk of the workers would remain in small industries and would not be reduced to the ranks of casual labour, being replaced by the factory wage labour in urban concentrations. Such movements of workers as take place in the plan period will neither be in the mass nor over large distances and the benefits of improvement will be widely and evenly spread. Above all, with comparatively little separation between work and living not only will the heavy social and economic costs of urban concentration of industry be avoided but also all expenditure incurred on improvement of techniques, improvement of conditions of work and on provision of economic overheads will simultaneously improve conditions of living and add considerably to the welfare of workers in these industries.

CHAPTER IV

PRINCIPLES AND POLICIES

1. Decentralisation

40. The decentralised pattern of organised and progressive planning of the nation's economic effort takes into account more than one salient feature in our economic evolution. Much as we hope for from a more secure, balanced and progressive agriculture there is no doubt that not only the proportion to the total population but also the absolute numbers of those dependent on agriculture have to be lowered. The most natural way of bringing this about is to provide as near to the village as possible means of non-agricultural productive employment. This transition from agriculture to industry would require a development of skills, resources and organisation by and through the people of the rural areas themselves. It is, therefore, necessary to ensure that whenever conditions are held to be ripe for the introduction of superior methods of production in industries now pursued by less productive traditional methods, those who are employed in the latter should be invariably given the first opportunity to benefit by the adoption of superior tools and equipment. Unless this concept is made an assential feature of national economic policy industrial progress may only lead to the exploitation of rural by urban interests.

41. It should, therefore, be a normal principle of economic planning that whatever the villagers can undertake by way of improved industry in their own village should be organised on a village basis. This would, of course, be subject to physcial factors such as location of minerals, availability of transport facilities etc. In the process of change towards a better technique and larger and more diversified demand a stage would no doubt be reached when even for the pursuit of village-based industry some specialisation in production and centralised common services would become necessary. This process of building upwards from the village base would naturally centre round small towns. Many of our older townships are located by reference to important geographical and economic features. These in most cases would continue to be important in any further improvement of economic organization. [To be able to build round existing small centres of urban life would reduce not only the direct economic cost of industrialization but the indirect social and administrative costs. Experience in other countries shows that the effort of building up new industrial townships is wasteful, unless a special physcial advantage exists in the new location or a specific social objective makes the effort necessary.]

42. The 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 movement

towards administrative decentralisation as well as towards the organization of agricultural services such as credit and marketing may be expected to lead to the rehabilitation and development of big villages or small towns. The industrial pattern of the future should appropriately fit in with this complex. Already the vertical concentration in a single economic unit which is a common feature of Indian industrial development is attracting adverse notice. If the large scale industry of the future is deliberately planned in such a way that component parts are produced in dispersed and small establishments which use centralised facilities for common servicing, assembly and finishing, there would be considerable economy of effort.

43. A realisation of the essential superiority of the small and medium-sized town as a centre of socio-economic life in an egalitarian democracy would emphasise the need of a re-orientation of our attitude towards the further growth of some of our large cities like Bombay and Calcutta. Encouraged by the advantages of power, transport, finance and trained labour which are usually available in these places, new ventures, large and small, are attracted to them. In the absence of any clear cut and consistent policy not to permit new establishments in and around these cities, the pressure on available resources of power and transport is growing to a breaking point. While every effort must be made to relieve both existing and prospective shortages of essential services in our industrial cities, the trend towards unchecked expansion of demand for further services must also be halted if not reversed. In this connection the policy of permitting the industrial expansion on the periphery of large towns, under the mistaken belief that such a development in any significant way reduces concentration of industry, is equally undesirable. In fact, this type of development without in any way reducing the demand on public services like transport and power would only add to the social disadvantages of large industrial populations living without the requisite amenities.

44. While, therefore, all possible efforts should be made to provide efficient services to industrial units now located in cities, and especially to the smaller units among them, the definite policy of government must be not to permit the growth of a city beyond a roughly prescribed limit. 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 similarly related to bigger ones. Thus a pyramid of industry broad-based on a progressive rural economy will be built up. In such an organization small centres can experience a co-operative interest in the bigger ones, and these latter would develop a genuinely supporting instead of an exploitative relationship towards the smaller towns and the countryside.

45. A steadily expanding federalization of economic life on a decentralised, and wherever, possible, on a co-operative basis is to be desired not only for maximising the scope for efficient utilization of human and other resources but also for making a democratic control of economic life possible. The principle of self-employment is at least as important to a successful democracy as that of self-government. According to the extent of the size and importance of a function the individual by himself or through a democratic organization is

enabled to order his life in a democracy. That is how federal governmental institutions with the maximum possible scope for free and associated individual activity emerge. In the economic sphere such federalization is possible only through co-operative organisations.

2. Rural Electrification

46. Both the physical and the economic aspects of a decentralised yet progressive economy are vitally dependent on the availability of cheap power in rural and semi-urban areas. Large schemes of hydro-electric and thermal generation of electricity have been included in the first and second five year plans. There is, however, a tendency to look upon the financial results of each system in isolation. From a state of having no plan, as regards utilization, to making hurried contracts with bulk purchasers of energy all manner of variations in policy have been known to exist. As a rule electricity tariffs are such as favour the large consumer in preference to small consumer, and the urban consumer in comparison with the rural one. While some reservation of energy for rural uses is being planned and some concessional rates given, there is as yet no revision of the whole policy of the generation, distribution and sale of electrical energy in conformity with the accepted policy of decentralisation.

47. Once this policy is firmly adopted in the plan, along with a grid for energy there should be a pooling of costs and returns as well. In some States, the most advantageous areas from the point of view of returns are at present the preserve of private licensees. It is necessary to ensure that the operations of private licensees conform in this respect to the requirements of national policy.

48. One of the most important factors in transforming Indian economy into a progressive yet decentralised and co-operative structure is the spread and use of electric power all over the country. The cost of rural electrification may, therefore, be appropriately counted as part of the general costs of improvement of the economy as a whole. Wherever an electrification scheme is likely to take long before it begins to pay its way, as is likely to be case with several schemes of rural electrification, it should be the policy to charge a large part of its initial investment e.g. installations and distribution lines to the developmental budget of the State. Equally any deficit in working cost incurred during the initial years as a result of a tariff structure which is framed so as to make power available to the small consumer at reasonable rates should be treated on the same lines.

3. Licensing

49. Another matter to which attention will have to be directed is the method and procedure for licensing of plants which have a direct and vital bearing on the development of village and small scale industries. We recommend that powers to license plants for processing and other industries such as rice milling which affect the working of the programmes of development in the sector of village and small scale industries should be conferred on the State Governments. Licensing Committees at the Centre and in the States should give adequate representation to the interests of village and small scale industries.

4. Planned Supply

50. The task of transforming a system of manual and household production into an organized structure of production with improved techniques calls for a sustained and positive effort on the part of the community. A mere price margin, or even an assured market, is by itself no substitute for the positive programme of reconstruction, though it is equally true that without the price and the market shelter the positive programme will not succeed. To be effective the scheme of reformation must ensure favourable conditions at all stages of the process of production and sale.

51. The essential purposes of the plan are that the decentralised sector should produce the requisite quantity and quality of goods and that these should actually be made available to the consumers. The various sections of producers will be in need of assured supplies of raw materials, implements and other accessories. To the largest possible extent these supplies should be organised through general purchase and sales cooperatives serving more than one section of producers. On the sales side the products ought to be taken over from the producers as near the place of production as possible. The primary purchase and sale societies which perform these services will form parts of a co-operative system which will provide for the needs of all the constituent elements in the sector of village and small-scale industries and which will be closely linked with the agricultural marketing and the general co-operative credit systems. A well-designed buying and selling organisation with branches in all parts of the country is a *sine qua non* of a scheme of planned transformation of the small and village industries.

52. In view of the vital part that this co-operative system will play in plans for the future the task of building it up must enjoy high priority and must be taken up immediately. For ensuring that the increased supplies of consumer goods are actually produced some additional steps will have to be taken. The first of these is to offer to the producers in this sector an appropriate profit margin and an assured market. The measures proposed by us for limiting production of large scale industry, the imposition of excise duty etc. should achieve this end. However, the measures may not prove adequate for ensuring continued production at an increasing level by the vast number of small scale producers in this sector. The resources of the producers individually are very small; consequently, their scale of operations is extremely limited and their capacity to produce for stock is almost non-existent. With the slightest fall in the immediate demand for their products or in the price obtained by them they are liable to contract their productive activity. The subsidy on sale through co-operatives offered for handloom cloth no doubt offers a direct incentive to the individual producer in the co-operative fold. However, a fixed rebate is not likely to be effective in emergencies or in passing phases like that of a seasonal slackening of demand or a temporary fall in prices. And even temporary setbacks are sufficient to affect the economy of the small producer and to discourage him from expanding the level of his productive activity. More successful than the rebate in getting over this problem has been the system adopted recently by handloom co-operatives of buying off the hands of member weavers all their production

continuously. If the co-operative is in a position to assure its members that it will buy their total production of given types and qualities at a steady price or at a margin between raw material supplies and the final price which gives them an adequate wage, the producers need have no fears regarding temporary recessions. To the devices set up for maintaining a profit margin and an assured market must, therefore, be added the buying operations which will make the margin and the market a living reality to each individual producer during all seasons of the year. The ability of the co-operative system to convey the needed assurance to the individual producer and to continue buying from him will depend on the financial strength of the co-operative system. In the initial stages at least the operations of the co-operative system in this direction could rest only on the base of a State guarantee. The estimates of increased demand made by the State and Planning authorities will have to be translated into requirements of production from various regions and centres in the country. These will afford data to individual co-operatives in relation to which they can frame their programmes of making increased supplies of materials to producers and of obtaining increased production from them.

53. The financial burden of the guarantee to be held out to co-operatives will be in addition to the cost of the rebate or other devices adopted to maintain the appropriate price differentials in favour of the hand producers. It is, at least theoretically, possible to combine the cost of the guarantee and the rebate and to bring down the total cost to a minimum, by assisting the co-operative-cum-State trading system in the maintenance of support prices. The advantages of such a course, which is described in some detail below, are not only in the direction of the minimising of cost and of administrative difficulties but also in offering special incentive for increasing efficiency on the part of producers. It could, if found practicable, also be more closely adjusted in operation to changing circumstances in time and place than the system of fixed rebate. We may state that even if the experiment we recommend below is not found generally practicable it will still be necessary for the co-operative system in this entire sector to offer assured purchases from individual members, and to regulate through this the size of their operations.

54. Taking into account the production, employment and earning targets with regard to each article of general consumption it may be possible from time to time, and often from region to region, to fix what may be considered to be the minimum prices at which the co-operatively produced goods should find a market. Working out this calculation, the marketing system should offer to buy at prescribed places given articles at given minimum prices. These prices may vary from place to place. Thus while the normal marketing of co-operative products will continue and may be expected to provide sufficient incentive for the artisans to adopt the programme of improvements, the State would be free to adjust the guaranteed purchase price in keeping with the estimated progress of the positive plan of improvement. Such minimum prices to be effective, will have to be fixed in advance for a sufficiently long period. They

would be based on the costs of production of a representative producer. The State would deal only with the recognised central institutions and make the necessary arrangements with them from time to time. Any losses sustained by these institutions on account of having to sell cheaper than the purchase price would justify can be made good by the State, if on examination it is found that the resulting loss is not within the normal trading limits.

55. There is no doubt that the administration of such a scheme of price incentives will make a heavy call on the strength and skill of the public authorities and institutions charged with the responsibility of working out the arrangements. But what is being attempted under the programme of planned development and through the co-operative sector in the Plan is no less exacting. Indeed, if the objective of a socialistic pattern of society were to be treated as of immediate practical significance, existing institutions will have to assume heavy responsibilities and new ones will have to be brought into being to handle the responsible tasks. In the sphere of co-operative marketing generally, and of the marketing of handloom products in particular, new institutions have recently begun to be set up. A far-reaching programme of co-operative marketing and rural warehousing designed to serve the needs of the agricultural sector has been planned. As much of the activity in the industrial cooperative sector is likely to be closely associated with the movement of goods in rural areas, and as many of the Central and State warehouses are likely to be located in important marketing centres they should prove very serviceable in working out a scheme of providing floor prices for selected goods of common consumption produced in the co-operative sector. We would recommend that when legislation is enacted for the creation of a Cooperative Development and Warehousing Corporation, provision should be made to include within its scope the marketing of the products of village and small scale industries.

5. Sources and Channels of Finance

56. In bringing about a transformation of the industry of small artisans in villages and towns into an organised and improving enterprise, capital investment has to be made both for the purchase of equipment and for the purpose of carrying on current operations. Towards these investments little contribution can be expected in the initial stages from the artisans themselves. There is no doubt that as their business is put on a firm and profitable basis they will be able to contribute a portion of the fixed capital and often supply the working funds.

57. The programmes of development must be so operated as to provide, in course of time, for institutional financing to become a normal process. But for some time to come, provision for adequate fixed and working capital has to be made by the State. Recognizing this, the Central Government has already provided substantial amounts to be granted by way of loans through State governments and through All-India Boards. We have taken account of requirements for these operations when recommending allocations for the various industries.

58. While in the stages of initial development direct State financing has a legitimate role to play, anything in the nature of a normal

programme of developmental finance must be operated through institutional channels. Several of the State governments have already set up State Finance Corporations, and it is in the fitness of things that any capital contribution for purchase of implements or installation of plant made either by the State Governments or on behalf of the Central Government should flow through these bodies.

59. The agency of State Finance Corporations should be used for the purpose of providing long term credit to village and small scale industries. A special cottage industries section should be set up as an essential part of the structure of each Corporation. At present, most of the Corporations have no machinery of their own to investigate into applications for loans for small amounts or to keep in touch with small-sized borrowers spread an over a State. To set up such a machinery may also be somewhat costly. Hence we would suggest that for the purpose of inquiring into applications for assistance and building up contacts, the Corporations may, as a rule, draw on the good offices and utilize the agency of appropriate cooperative organizations such as the federal industrial societies that have been started in some States or the District Central Cooperative Banks. These latter, particularly, will find it easier to offer working capital and marketing finance as a part of a plan of development worked out jointly with the Corporations.

60. It has to be admitted that existing Central co-operative financing agencies are themselves not sufficiently adjusted to the needs of village and small-scale industries. But with an assured programme of expansion in this sector, institutional practices can be suitably developed or re-adjusted as they already have begun to be in the field of agricultural credit. For making the initial choice of suitable borrowers, for regulating the future issues of credit according to legitimate needs, and for arranging normal recoveries institutional channels such as these are essential and preferable to departmental agencies.

61. Once the operations of small-scale producers are fitted into a publicly sponsored and institutionally regulated programme, co-operative central financing agencies should arrange to make current finance available more or less on the same terms as are now applicable to "crop" loans. No doubt, a new technique of scrutiny and supervision will have to be evolved. But the financing of normally self-liquidating operations of artisans through their societies should not present any inherent difficulties. Central financing agencies will, ordinarily, find it easier to operate for this purpose through primary societies. As the entire credit structure for rural development constitutes an integrated service, it is best to utilise, to the maximum possible extent, the same set of institutions for industrial as well as agricultural finance in the cooperative sector. Governments as well as national institutions like the Reserve Bank of India and the State Bank of India are likely to find such an arrangement both more convenient and more secure. While some local variations of pattern are inevitable, the general policy should be one of incorporating the financing side of the co-operatively organised small-scale producers into the machinery set up for the agricultural counter-part of the same programme.

62. With almost the entire rural finance brought within the scope of co-operative agencies—for supply, credit and marketing—other institutionalized agencies such as the State Bank of India will find it easier to develop normal business relations with their co-operative opposite numbers. In the absence of any experience of such a relationship, it is difficult to be more specific, but two things are obvious. The State Bank of India should find it possible to deal with co-operative customers in the same way as it now does with private customers. In fact, the overall conformity of the co-operative sector to the general purposes of State policy should make it both easier and more necessary for the State Bank of India to take an increasing interest in the financing of village and small-scale industries. The normal practice should, however, be to draw on the resources of the State Bank only where the nearest co-operative financing agency is unable to meet the legitimate requirements of industrial co-operatives. For this purpose, channels of communication and consultation have to be built up between the State Bank of India and the co-operative organizations.

63. The Reserve Bank would have an overall responsibility for this publicly sponsored programme of financing rural and co-operative industry in the same way as it now has in the sphere of agricultural credit. Special emphasis has been laid by the Rural Credit Survey Committee in its Report on the Reserve Bank of India playing a more active role than hitherto in augmenting the short-term resources of industrial co-operatives. The provisions of Section 17 (2) (bb) of the Reserve Bank of India Act should be availed of, increasingly, for this purpose through the apex co-operative banks in the various States. The advice and guidance of the Reserve Bank should, besides, be available to the State Bank of India in respect of the latter's functions in regard to co-operative industry and marketing.

64. To ensure proper co-ordination, a concerted financial policy should, we recommend, be chalked out at as early a stage as possible, by the Reserve Bank, the State Bank of India, State Finance Corporations and the Central co-operative banking institutions. Procedural details such as limits and conditions of borrowing can be evolved only when the details of the programme of industrial co-operative extension are more specifically worked out. It may be that a system of guarantees by the State Finance Corporations may prove suitable in certain circumstances. The financial assistance, long-term, medium-term as well as short-term, as also by way of guarantees, offered directly by the State, will, however, continue to have an important role in the financing of village and small-scale industries till a new integrated structure of institutional credit for the small scale producer has been drawn up.

65. In an integrated structure for the credit needs of smaller individual producers, financial provision will have to be made through their co-operative societies. While it is possible to organise primary societies of artisans where they are concentrated in large numbers, the dispersed artisans will have to be encouraged to become members of the large-sized primary societies, the formation of which is now being promoted in rural areas. The credit needs

of these artisan members would be met by such societies out of their own resources, and out of monies made available by their central financing agencies.

66. In our opinion, the integration of rural industrial development programmes should be effective at all stages, namely, purchase, equipment, finance, storage, marketing, etc. For the industrial co-operatives that will in increasing numbers be started in pursuance of such programmes, State participation in the share capital of industrial co-operatives is, we believe, even more essential for their financial success than it is held to be for agricultural co-operatives. Nothing would convince the artisans more that the State is wholeheartedly backing the programmes of ordered transformation of village and small scale industries than its assistance in the shape of extension of credit for the establishment of industrial co-operatives.)

67. In addition to contributions towards share capital that are now being made to promote the organization of handloom weavers' co-operative societies—for the continuance of which practice suitable financial provision has been made in our proposals—we have recommended the extension of the principle to assist in the formation of industrial co-operatives for those engaged in the oil ghani industry as well as for leather workers. It may be decided, in consultation with the Reserve Bank of India and the Ministry of Food and Agriculture, Government of India, on what basis contributions to the share capital of approved types of industrial co-operative societies should be met by allocations from the National Agricultural Credit (long-term Operational) Fund and the National Co-operative Development Fund. We would point out that the Rural Credit Survey Committee in its Report definitely visualised use of the Fund being made for promoting the development of cottage industries on co-operative lines.

68. Besides the needs of artisans which can be appropriately met through co-operative channels described above, there are legitimate requirements of small scale enterprises which must properly be satisfied by the normal financing agencies e.g. the State Bank of India, State Finance Corporations and the Commercial Banks. We expect that with more familiarity with industrial business, and with an improving prospect for indigenous small scale industry, these financing bodies will find it increasingly advantageous to extend their business to small scale industrialists as well.

CHAPTER V

FRAMEWORK OF SUGGESTED MEASURES

69. Before going on to a detailed exposition of our recommendations it would be useful to give an account of the framework of the measures suggested by us and relate them to the conception of the role of this sector as outlined above. It may be made clear that we have proceeded on the assumption that a substantial part of the increase in national income will be available for being spent on consumer goods and that the plan for the sector of village and small scale industries should provide to the fullest extent for the required increase of supply. The first set of measures we recommend are concerned with reaching stabilised positions from which the evolution of the newly defined pattern of decentralised small industry can begin. In fields where modern industry exists side by side with large numbers employed in traditional industry the above involves regulating, for the time being, either expansion of the total capacity of modern industry or an expansion of its productive effort above a certain level having regard to estimated demand and the capacity of the village and small scale industries. Such measures provide an interval of time during which rehabilitation or reconstruction of traditional industry can take place. Even when this stage has been reached the expansion of capacity allowed may not necessarily be that of modern large scale establishments but only of the improved decentralised units, if these prove to be adequate substitutes. In spheres where a large number of units in traditional industry does not exist the corresponding measure recommended is that large scale establishments should not be licensed or set up as long as their place can be filled by decentralised units at the correspondingly improved levels of technique.

70. The second group of measures recommended is directed towards improving the financial, trading, technical and labour structures of traditional industry. They involve both State initiative and assistance in various directions including that of setting up and operating co-operative organisation, and they include programmes of at least a minimum of immediate improvement in methods and equipment and training of workers in use of these. The third set of measures aim at ensuring that the targets of increased production set for various industries in the sector are, in fact, achieved. They include chiefly programmes for preferential purchase, assured marketing and price differentials or other incentives. The existing measures in regard to rebates, subsidies, differential excises etc. have been taken into account by us. We do not favour new measures for introducing the rebate on sales or production subsidy and indeed look forward to the possibility of doing away with them in course of time. We are keen that the cost of schemes of protection afforded to any activity is readily measurable and that all schemes of protection for normal economic activity are so planned that they can ultimately be withdrawn.

71. Similarly, we have not generally recommended any further extension of the device of reservation of certain fields of production for village and small scale industries. A clear operable definition of separate fields is not usually possible and reservations imposed at one point of time may prove inappropriate in a changed situation. The effect of reservation, in general though not in specific terms, can be obtained by overall limitations on production or expansion and through control over the licensing of new establishments. We are in favour of keeping the possibilities of adjustment, within certain overall limitations, as open as possible.

72. Though we are not in favour of initiating new schemes of subsidies, rebates etc., we realise that generally the measures taken for limitation of production in certain directions make necessary a system of excise duties. The excise duty, in this context, may be said to have three objectives. The first is the raising of funds from the consumers of a product for rehabilitating a section of the producers of that product. In so far as the specially large investment of national resources in a particular section of industry has afforded a differential advantage to consumers of the products of that section, the rehabilitation of the more backward sections in the same industry can reasonably be accepted as a responsibility by them. The second objective is that of draining away from entrepreneurs in the advanced section the extra profits that will accrue to them from national policy. Limitation of further expansion or increased production will create for the products of this section a closed market in which the entrepreneurs in this section will, unless prevented by measures of direct control, charge higher prices. As this is a result of total national policy there is no reason why the surplus flowing from these higher prices should be allowed to remain with these entrepreneurs. A third objective or rather result, of the levy of excise would be the creation of price differentials in favour of small scale and village industry. We do not advocate the levy of excise at a level which will deliberately create a high price differential. The level of excise duty justified by the second objective would itself give the measure of price differentials indicated as necessary by market conditions at a particular time. The maintenance of this differential appears inevitable in the initial stages. We do not advocate any increase of the level of excise in order to increase this price differential. We also expect that with the successful prosecution of programmes of positive help and the rehabilitation of traditional industry the price differentials required by market forces will diminish appreciably and when this happens there should be a declared policy of gradually reducing the levels of excise duties.

73. Finally, there are measures for the provision of socio-economic overheads and the external economies. These would play a particularly large part in the evolution of modern decentralised small industry. To the extent that the rehabilitation or improvement of techniques of particular industry requires certain common plants, services etc., these have been included in the plan of that industry. However, the more general provisions are much more important for small decentralised industry than the specific ones. The provision of efficient systems of transport, money and credit, water and

power supply, technical training and advice, throughout the country would alone make possible the evolution of an efficient network of decentralised industry. The detailed problems of a plan of providing these systems have not been considered by us. We have also not been able to provide for a requirement even more directly connected with production in the small industry sector, viz, the housing of artisans. The place of work and of residence of the self-employed persons in small industry who form the large bulk of workers engaged in the industry is usually the same. The improvement of technique and of conditions of work, therefore, necessarily involve improvement of places of work. But such schemes are usually classified as schemes of housing, and this aspect of improvement has not yet become widely recognised. We would, however, emphasise that we attach the highest importance to the improvement of conditions of living and work of workers in this sector, the bulk of whom belong to some of the lowest income groups in the country, whose conditions of living are among the least satisfactory and to whose welfare very inadequate attention has so far been paid in national plans of industrial and rural housing.

CHAPTER VI

OUTLINES OF DEVELOPMENT PROGRAMMES

74. One of the objectives of the scheme for utilisation of resources for the development of village and small scale industries, which we are required to draw up by our terms of reference, is that the bulk of the increased production of consumer goods in common demand during the plan period should be provided by these industries. Reliable data regarding demand, production, capital investment, marketing etc. for even some of the more important consumer goods are lacking. The number of principal items of common consumption of an average person is, however, limited and we consider that for all practical purposes it would suffice if our scheme for utilisation of resources covers in a somewhat detailed manner those consumer goods which are being traditionally supplied from the village and small scale industries for the daily consumption of a large number of persons in rural and urban areas and makes an overall provision for the increased production of the more important ones among the rest. We have, therefore, selected for detailed examination the following consumer goods in common demand:—(i) Cotton cloth, (ii) Woollen goods, (iii) Handpounded rice, (iv) Vegetable oils, (v) Gur and Khand-sari, (vi) Leather footwear (and tanned hides and skins) and (vii) Matches. We have also examined the development programmes for the sericulture and silk industries because though the goods produced by these industries cannot, strictly speaking, be described as being in common demand, the progress of the industries is important from the standpoint of providing employment opportunities especially in the rural areas. For similar reasons we have considered it necessary to examine separately the development programme of the coir industry also.

75. The general procedure adopted by us for working out industry-wise allocation of resources is to make first a broad assessment of the increase in demand for the products of the industry during the period of the second five year plan and to determine the extent to which production has to be increased during the plan period. We have next considered the capacity of the existing or improved sector of village and small scale industries to satisfy the increased demand. The task of the village and small scale sector of the industry having been thus defined, we have, on the basis of available data as well as information contained in the programmes of All India Boards and the schemes prepared by State Governments for the second five year plan, worked out the expenditure that would be required for the development of each of the selected industries. We have also made an appraisal of the employment potential in each case on the basis of certain assumptions and with the help of certain outlay-employment ratios. The existing structure and form of organisation of each of the selected industries

has been briefly described and the measures necessary for organising production and marketing on co-operative lines have been outlined. We have indicated, wherever possible, State-wise distribution of resources for these industries. For the remaining village and small scale industries also we have worked out a broad basis for allocation of resources among the States.

1. COTTON WEAVING (HANDLOOM)

76. Next to food, cloth is the most important item in the budget of an average household and according to the available data regarding the proportion of consumer expenditure on cloth to the total expenditure, accounts for about 8 per cent. of the consumer expenditure as against about 40 per cent. on foodgrains and pulses. Sufficient information regarding elasticity of consumer demand for cloth is not available. On the basis of data collected by the National Sample Survey (Fourth Round), the elasticity appears to be somewhat less than unity i.e. a given increase in consumer expenditure does not seem to lead to proportionate increase in the expenditure on cloth. For estimating the increase in consumer demand for cloth during the second five year plan, the principal factor to be taken into account along with elasticity of demand is the increase in *per capita* consumer expenditure.

On the basis of 25 per cent. increase in national income, estimated to accrue by the end of the plan period and allowing for savings and the increase in population we consider that the increase in total consumer outlay might be of the order of 20 per cent. over the plan period. Allowing for a liberal margin in calculations, we have taken the estimated increase in demand for cloth to be somewhat higher than the increase in total consumer outlay. Production of cloth by mills and registered powerlooms in 1954 was about 5000 million yards and 200 million yards respectively and that of handlooms was estimated at 1300 million yards i.e. a total of 6500 million yards, of which about 860 million yards were exported giving an availability of a little over 5600 million yards for internal consumption. Handloom production is expected to increase during 1955-56 to about 1550 million yards and the total availability for internal consumption, after allowing for exports of 800 million yards, would be about 5950 million yards in 1955-56. Assuming that consumer demand for cloth will increase by 20 per cent. during the plan period, the demand for cloth for internal consumption may be estimated to increase to about 7150 million yards by 1960-61. Taking exports at about 1000 million yards the total demand at the end of the plan period may be estimated at about 8150 million yards i.e. about 1400 million yards above the level reached in 1955. We have also made an alternative calculation on the basis of even more favourable demand conditions than have been assumed above i.e., on the basis of 25 per cent. increase in demand by the end of the plan period and have arrived at an estimate of total demand of 8450 million yards, the increase in demand during the plan period being about 1700 million yards. This, in our view, might be taken to represent the maximum limit to which the total demand could be expected to rise during the plan period.

A part of the internal demand for cloth is being met in some areas from the traditional domestic handlooms or from self-sufficiency or other Khadi schemes. The total quantity of cloth thus produced is, however, on the whole relatively small.

77. We have examined whether the whole of the increased demand during the second plan period can be met by expansion of handloom production, especially because such expansion would have the result of reducing underemployment or unemployment in an important sector of the economy and also reinforcing the decentralised pattern of production we aim at.

On the basis of figures reported by State Governments in 1951 the total number of handlooms (inclusive of cotton, wool, silk and others) was 28.7 lakhs; separate figures for cotton, wool, silk and other handlooms do not seem to have been reported. According to the information available to the Committee, the number of handlooms engaged on silk is about 2 lakhs and the number of those engaged on wool about 80,000. The remaining 25.9 lakh handlooms may be engaged on cotton, and also on mixtures and other fibres; the number of these latter would be relatively small. On the basis of available information the total number of non-commercial looms in Assam, Manipur and Tripura engaged on cotton, is estimated at about 5 lakhs. The total number of commercial looms engaged on cotton, both active and idle, thus works out to about 20 lakhs. On the basis of the results of Sample Survey conducted by the Textile Enquiry Committee (1954), it is estimated that about 20 per cent or 4 lakh of handlooms out of the total of 20 lakhs are idle.

In many of the States throw-shuttle looms are stated to have been replaced to a fairly large extent by fly-shuttle looms and in several others there is a definite trend towards such replacement. The average daily production of a fly-shuttle loom is estimated at 6 yards. We understand that even those looms which are active, are not being worked on the average for more than 150 days in the year.

78. To enable the handloom industry to expand its production to 3,200 million yards by 1960-61, it is necessary on the one hand to create favourable conditions for its expansion and on the other to implement a programme for its internal re-organisation and technical improvement consistent with considerations of providing maximum employment. We, therefore, recommend that production by mills and powerlooms should be limited to the level already reached i.e., to 5,000 million yards (assuming an export target of 1,000 million yards) and 200 million yards respectively and all the increased demand during the plan period should be met by expansion of handloom production. Such steps as are necessary to maintain mill production at the level of 5,000 million yards may be taken.

We do not under-rate the importance of maintaining steady supply of a vital article of consumption like cloth to meet the consumer demand nor do we minimise the hardship to which the

average consumer might be exposed if handloom production cannot be expanded to the required extent or at the required pace. We are, therefore, of the view that a phased production programme for the handloom industry should be drawn up for the five year period and should be periodically reviewed. If at any stage there are adequate reasons to think that the programme cannot be worked to schedule, the position should be reviewed and alternative arrangements for obtaining the requisite production of cloth examined.

79. The three major objectives of the development programme for the handloom industry on the production side should, in our opinion, be to extend co-operative organisation to a larger number of handlooms, to introduce such improvements in the existing handlooms as raise the level of their technical efficiency and output and to bring idle handlooms into use. It is estimated that about 2 lakh idle looms will come into use as a part of the Handloom Board's programme of bringing 14.5 lakh looms into the co-operative fold by 1960-61. The number of looms in co-operative fold is 8.5 lakhs at present and is expected to increase to 10 lakhs by the end of 1955-56.

Handlooms in the co-operative fold enjoy the benefit of rebate on the sales of cloth produced by them and they are also assisted by provision of working capital. These and other forms of State assistance, by bringing about an improvement in the level of earning of weavers, operate as an incentive for an increase in production.

We have referred to the substitution of fly-shuttle looms for throw-shuttle looms in several States in recent years. This is a process which might, in our opinion, be encouraged in order to secure an increase in the average daily output of a handloom. (Another programme which deserves to be encouraged is the equipping of handlooms with the take-up motion attachment or pick regulators.) We are informed that while this may not increase the average daily output of a handloom by more than 3 to 4 per cent, it ensures the evenness and smoothness of the fabric. We are of the view that all the handlooms in the co-operative fold should be equipped with fly-shuttles and take-up motion attachments.

We have mentioned in an earlier paragraph that part of the supply of cloth required for consumption is derived from domestic handlooms in the States of Assam, Manipur and Tripura. In some other areas also cloth is being produced for consumption on a self-sufficiency basis i.e., the consumer spins the yarn and wears the cloth woven from it. The handlooms operated for domestic purposes or self-sufficiency schemes contribute to the production of cloth for meeting the consumer demand in the same way as the commercial handlooms. We are, therefore, of the view that the technical assistance provided for conversion into fly-shuttle and for adding take-up motion attachments should also be extended to handlooms operated for domestic purposes or self-sufficiency schemes on the same basis as for commercial looms including those producing Khadi. Similarly, those commercial handlooms which are outside the co-operative fold will also contribute a sizeable

proportion of the total production required to meet the increased demand during the Plan period. These also should be equipped by the weavers with fly-shuttles and pick regulators and steps may be taken to provide technical advice to them. The necessary expenditure for introducing these technical improvements will, we expect, be forthcoming from the private sector.

80. Production programme for the handloom industry should aim at ensuring by 1960-61 the working of about 20 lakh handlooms for about 300 days in the year with a daily average output of 6 yards per loom. We expect that as a result of the necessary technical improvements indicated in the earlier paragraphs, the incentives to production provided for handlooms in the co-operative fold and the general stimulus to production operating over the entire handloom sector, it will be possible to fulfill the targets of production to be laid down in the second five year plan for the handloom industry. We should, however, be prepared for unforeseen contingencies and shortfalls in production. If the performance of handlooms is found to be inadequate even after the schemes of technical improvement and other assistance have been implemented, it should be considered in the light of supply and demand position of cloth whether further measures for the introduction of technically more efficient or power-driven equipment in the handloom industry on decentralised basis should be taken.

Requirements of Yarn

81. The total additional requirements of yarn for a five year phased programme of handloom production are estimated at 375 million lbs., on the basis of an additional requirement of 75 million lbs. in each of the five years. With the mill spindleage already in commission and taking into account the recently licensed spindleage which may, on reasonable estimate, be installed, the additional yarn supply which might be available for the handloom industry is estimated at about 150 million lbs. by the end of 1957-58 i.e. just about equal to the estimated additional yarn requirements.

82. In conformity with our basic approach to the question of development of village and small-scale industries, we would like to emphasise that production of yarn required for the additional production of cloth during the Plan period should be organised on a decentralised basis to the greatest possible extent. At present cotton spinning on decentralised basis is being carried on mostly by the ordinary spinning wheel (Charkha). If yarn supply for the Plan period has to be organised on decentralised basis it is clear that a higher level of technique than has already been attained, will have to be introduced for cotton spinning equipment. Considerable thought has already been given to the devising of a more efficient equipment, either manually operated or power driven, and experiments have also been made with the newly invented spinning units. Among these, mention may be made of the manually operated spinning unit, described as Ambar Charkha as well as spinning units associated with the names of Shri Gupte and Shri Kale. A demonstration of spinning on Ambar Charkha was specially arranged for us at Poona through the courtesy of the All-India

Khadi and Village Industries Board and we have also received from the Ministry of Commerce and Industry an account of the results of tests carried out on Kale's spinning unit, and Gupte's spinning unit. We understand that a technical examination of Ambar Charkha is being conducted with a view to testing its mechanical structure and the various aspects of its productive activity such as degree of cleanliness of yarn, count variation, tensile strength etc. The General Secretary of the Serva Seva Sangh informed us that the Sangh had a programme of introducing Ambar Charkha in about 100 centres by the end of April 1956 to test the suitability of Ambar Charkha yarn for handloom industry and the acceptability of handloom cloth woven from such yarn to the consumer. Experiments for the improvement of Kale's and Gupte's spinning units are also understood to be in progress.

On the basis of the present information regarding the mechanical soundness and performance of the three units and the quality and general acceptability of the yarn obtained from them, we are unable to express any opinion about the possibility of meeting the yarn requirements for additional cloth production from small spinning units operating on decentralised basis. The technical and organisational experiments connected with such units should, in our opinion, continue to be pursued with vigour and the position should be reviewed periodically. Any interim steps taken to meet urgent needs of yarn should be without prejudice to the prospects of a decentralised spinning and weaving industry organised on the domestic and co-operative pattern.

The position stated in paragraph 81 above shows that if the expectations materialise sufficient spindleage has been licensed for our requirements upto December, 1957. Normally there is a time lag of one year to 18 months between the issue of licenses and the spindles going into production. But as the results of the experiments now being made on Ambar Charkha would be finally known by April or May 1956, licensing of new spindleage could be deferred until that date. If, however, installation of spindleage does not materialise according to the estimated rate required for yarn supplies in 1956 and 1957, installation of new spindleage will have to be permitted to the necessary extent.

If on a review of the position in May 1956 it is found necessary to license new spindleage, this may be allowed to the necessary extent. The new spindleage should, however, be licensed to the greatest possible extent in the public or co-operative sector and it should be ensured that the new spinning units which may be set up are of the minimum economic size and are located in places accessible to weaving centres.

83. We have kept in view the possibility that experiments now being made with Ambar Charkha in selected centres are not successful and have indicated in the earlier paragraphs the action that should be taken in these conditions. The programme for the development of Khadi production from yarn spun on the ordinary spinning wheel (charkha) would have to be re-examined in the light of the results of experiments of Ambar Charkha. However, for

the present, the Khadi programme can continue to be carried out mainly on self-sufficiency basis and to a limited extent for the wider market.

84. A successful implementation of the production programme for cloth involves not merely an increase in the production of cloth so as to meet the total increase in demand but also production of varieties which would correspond to the pattern of demand. At our request the office of the Handloom Board worked out estimates of demand for different varieties of cloth for civil consumption during the second five year plan on two different basis viz. requirements of the States as reported in 1951 and actual packings for civil consumption in 1954. The main varieties for which these figures have been worked out are dhoties, sarees, mulls, poplin and crepes, voils, long cloth, twill, shirting, sheeting, leopard, drill, coating and miscellaneous. (According to the estimates made, total demand for dhotis and sarees will increase to about 2000 million yards by 1960-61 representing an increase of 400 to 500 million yards over 1956-57 level. These two categories are at present reserved to a substantial extent for the handloom sector. If the present reservations continue, a large part of the increased demand for these categories will be met from the increased handloom production. It has been brought to our notice that certain varieties of cloth cannot be produced by the handlooms and the demand for them will have to be met by the mills. Our examination shows that if the production of cloth by mills is limited as recommended by us to 5000 million yards and the existing reservations of certain categories such as dhotis, sarees etc. in favour of the handloom industry continue on the existing basis, it may be expected that the handloom industry would be able to adjust its patterns of production so as to meet the estimated market demand in these and other categories.

85. We consider the establishment of adequate organisational machinery for marketing of handloom cloth and the formulation of suitable conditions for grant of subsidies, rebates etc. on sales of cloth, vital to the success of the production programme. At present a rebate is being given on sales of handloom cloth produced by handlooms within the co-operative fold and in many States rebate is granted also on cloth produced on handlooms outside the co-operative fold but brought for sale at the fair-price shops. Similarly rebate is given on sales of certified khadi. The expenditure on the rebate is met out of the Cess Fund built up from the proceeds of the cess-levied on mill cloth. The present system of rebates on handloom cloth and khadi is, however, somewhat cumbersome and gives rise to several difficulties in actual operation. We suggest that an examination should be undertaken at an early date to ascertain whether it would be feasible to replace or supplement this system by a system of guaranteed purchase of handloom cloth including Khadi by Government and its sale through the institutional agency of cooperative societies. Taking into account production, employment etc. it may be possible from time to time to fix, on a regional basis, where necessary, certain minimum prices at which cloth produced by handlooms in the cooperative sector would be purchased by Government through an institutional agency. The transactions would be made by the State with recognised co-operative institutions and the purchased goods would be held on

behalf of the State until the time of sale. The prices and terms of sale would be determined by the State and any losses that might be sustained by the institutions, would be made good by the State provided they are in excess of the normal trade losses. We are aware that the adoption of this system would involve a major organisational effort and, therefore, we suggest that the system may be introduced in the first instance on an experimental basis in a few selected centres and for selected varieties of cloth.

86. The total expenditure required for the development programme of the handloom industry from the public sector is estimated at Rs. 80 crores. Out of this, about Rs. 19 crores are for investment i.e., for improvement of equipment etc., about Rs. 17 crores for working capital, nearly Rs. 42.5 crores for schemes of marketing, subsidy etc. and about Rs 1.5 crores for organisation, publicity, administration etc. Expenditure on the programme of further development of Khadi production is shown separately.

Of the total estimated expenditure of Rs. 80 crores, Rs. 1.5 crores is estimated to be incurred on schemes to be implemented directly by the Centre, viz., organisation, publicity etc. and the remaining Rs. 78.5 crores on schemes to be implemented by the States. State-wise allocations of Rs. 78.5 crores were worked out by us on the basis of despatches of cotton yarn to the States in 1952. It was, however, brought to our notice that this basis does not make sufficient allowance for (a) that the yarn delivered to particular States might not have been consumed within those States and (b) that it might not have been consumed wholly by the handloom industry in the various States. The Handloom Board have furnished to us a formula which is used for fixing ceiling shares of the State Governments from the Cess Fund. This formula is stated to take into account factors (a) and (b) mentioned. We have, therefore, taken the basis furnished by the Handloom Board for working out the State-wise allocations.

87. In the main, the development programme mentioned in the previous paragraph relates to only those handlooms which are, or will be brought, within the cooperative fold. These handlooms are estimated to contribute about two-thirds of the total production of 3000 million yards. No indication was available from the Handloom Board of the development expenditure which was expected during the plan period from weavers outside the cooperative fold (namely, those working independently, or under master-weavers or in karkhanas) who are estimated to contribute the remaining one-third of the total production. We have assumed that the expenditure required in the private sector for introducing the technical improvements viz. fly-shuttles and take-up motion attachment would be on the same basis as in the cooperative sector and may be estimated at about Rs. 5 crores.

88. Housing schemes for handloom weavers in the cooperative fold are acceptable in principle and we think that they should be encouraged, as such schemes are an essential factor in creating conditions favourable to the promotion of decentralised pattern of industrial production. The aim of such programmes should, however, be as far as possible to improve the conditions of work

Council suggested that the measures needed for the organisation of these industries on adequate scale in connection with the second five year plan should be taken in hand well in advance of the second five year plan.

5. In pursuance of the conclusions and suggestions of the Standing Committee and the National Development Council, the Planning Commission by Resolution No. FY II/CDI/23/55, dated the 28th June, 1955, (vide Appendix I) constituted a Committee, hereafter referred to as the Village and Small Scale Industries (Second Five Year Plan) Committee, with the following members:—

Prof. D. G. Karve—Chairman

Prof. D. R. Gadgil—Member

Shri V. L. Mehta—Member

Shri P. Govindan Nair—Member

Shri V. Nanjappa—Alternate Member.

Dr. D. K. Malhotra, Deputy Secretary, Planning Commission was appointed the Secretary to the Committee.

The terms of reference of the Committee were to prepare, in the light of the provision made in the draft plan-frame for village and small scale industries and in the light of the recommendations made in the memorandum submitted by the Panel of Economists, a scheme, industry-wise and wherever possible State-wise, for the utilisation of the resources to be earmarked for the purpose of development of these industries as an integral part of the Second Five Year Plan. The Committee was required to frame its scheme with special reference to the following objectives:—

- (1) that the bulk of the increased production during the Plan period of consumer goods in common demand has to be provided by the village and small-scale industries;
- (2) that employment provided by these industries should progressively increase; and
- (3) that production and marketing in these industries is organised, in the main, on cooperative lines.

The Committee was required to submit an outline of all its recommendations before the end of September 1955.

Towards the end of July 1955 it was suggested to the Committee that as part of its terms of reference it might examine and report on the organisational pattern needed for the proper development of village and small scale industries, and that while considering this matter, it might draw upon the views of the State Governments also.

Procedure of enquiry

6. (a) The first meeting of the Committee was held in Bombay on June 15th, 1955 when the scope of the Committee's work in the light of its terms of reference was discussed and the main lines of its future programme of work were settled. The Committee decided that since the time within which it had to complete its work and formulate its conclusions and recommendations was limited it should make the fullest use of the readily available information and material. For the

are also a number of uneconomic units where it would be necessary to allow more loomage to achieve balanced production; otherwise there is a risk that they would close down altogether. Priority will be given to such units in permitting expansion in the mill sector. It is estimated after taking into account the capacity of the decentralised sector to meet the demand, the total expansion to be allowed to the mill sector would probably have to be about 500 million yards. In the view of Shri V. Nanjappa, the Textile Commissioner, it is not likely that the handloom sector would be able to produce by 1960-61 more than a total of 2500 million yards, i.e. not more than 1000 million yards over their present production. The deficit would have to be made up by suitable expansion in mill production by say 500 million yards, and the rest through powerlooms.

They consider also (there is a sufficiently strong case to allow the handloom weaver to change over to power-looms on a regulated basis, *immediately*.) According to the estimates given, the normal capacity that a handloom would attain on a fly shuttle may be taken at 6 yards per day. The present production of handloom cloth is about 1550 million yards. The number of idle handlooms has been estimated at about 4 lakhs. According to the estimates given in the outline above, it is necessary to bring these idle handlooms into active production in order to produce the additional 1400 to 1700 million yards of cloth mentioned as the target for 1960-61. To what extent this could be achieved is very doubtful. Even if it is achieved it would involve bringing in, to a certain extent at least, new entrants into the handloom field. (It would be extremely undesirable to increase the number of workers in this low wage sector.) When, therefore, there is no diminution in employment but fuller employment is being given to existing workers there could be no objection to the handloom weaver being permitted a changeover to powerlooms, the structure of decentralised production through co-operative effort being maintained. This could be allowed on an experimental basis and limited in the first place to 25,000 powerlooms, the position being reviewed when this limit is reached. This would be the equivalent of about 100,000 handlooms out of the doubtful quantum of idle handlooms. Another point is that unless the existing handloom weaver working on a decentralised basis is permitted and assisted to increase his production and earnings in this fashion, (there is a risk of small capitalist establishments of powerlooms coming into existence, regardless of Government regulations and prohibitions.) This has already happened in the past. Mill production is being restricted and there is, therefore, a strong incentive to such authorised powerloom factories."

2. SILK WEAVING (HANDLOOM)

91. Silk handloom weaving is mainly concentrated in the States of Madras, Assam, Mysore, Uttar Pradesh and Bombay. The Fact Finding Committee in its report (1942) stated the number of handlooms engaged in silk and art silk as 3.46 lakhs of which nearly 2 lakhs were in Assam alone. As mentioned earlier, the number of handlooms engaged on silk weaving does not seem to have been

reported by the States separately in 1951. According to such information as we have been able to obtain, the number of handlooms engaged on silk weaving in Assam is only 34000 and the total number of handlooms engaged on silk and art silk weaving in the country is estimated at about 2 lakhs.

92. The Plan for Development 1956—61 for the handloom industry prepared by the Handloom Board provides for 72000 handlooms engaged on silk being brought into the co-operative fold. Of the share capital of Rs. 100 per handloom in a co-operative society, Rs. 87-8 is to be sanctioned as loan from Government and the balance to be contributed by the weavers. Working capital will be provided at the rate of Rs. 500 per loom, i.e., Rs. 3.6 crores in all for 72000 looms. Allowing for expenditure on take-up motion attachments and other essential items but excluding that on thrift fund, the estimated expenditure for the plan period is about Rs. 5 crores. Of this, expenditure at the Centre is estimated at about Rs. 10 lakhs and that in the States Rs. 490 lakhs. We have worked out State-wise allocations on the basis of the reported number of silk handlooms in the various States.

93. Assuming that the proportion of idle looms to the total number of handlooms engaged on silk and art silk is the same *viz.*, 20 per cent as in the case of handlooms engaged on cotton, it may be estimated that about 40,000 handlooms will be brought into full use as a result of the implementation of the development programme and all the 2 lakhs looms will be more fully used. Fuller employment may thus be created for about 250,000 persons. The extent of increase in production as well as employment will, however, depend largely on the relative prices of silk handloom fabrics and other textiles and the shifts in consumer preference.

3. WOOL WEAVING (HANDLOOM)

94. Demand for woollen goods produced by the handloom industry is largely confined to the northern part of the country. Data regarding present availability of woollen goods are not very satisfactory. Figures available from the office of the Textile Commissioner are in yardage and according to these, production of the mill sector was 13.75 million yards in 1954. Production of the cottage sector is estimated at 4.5 million yards. Total production thus comes to about 18 million yards. Average annual imports during 1952—55 were about 3.5 million yards and exports are small. The total quantity available for consumption is thus of the order of 22 million yards. An important part of the demand for the products of woollen handloom industry comes from Government orders for blankets and blanketing cloth. A measure of price preference is being allowed in Government purchases of blankets and blanketing cloth produced by small and cottage units.

Assuming an increase in demand of about 25 per cent over the present level in the second plan period, the demand may be estimated to increase to about 27 million yards by 1960-61 i.e. by about 5 million yards.

As regards the composition of demand the only basis to go upon is the production data relating to the mill industry. Production of

mill industry in 1954 consisted of suiting (5.3 million yards), blankets and rugs (2.05 million yards), lohis and shawls (1.58 million yards), melton and shoddy (1.04 million yards), uniform-cloth (1.22 million yards), and others (2.53 million yards). Similar information in respect of cottage production is not available but it may be assumed that the bulk of production consists of blankets, blanketing cloth, rugs, lohis, kambhis, shawls, pattus etc. It may not perhaps be correct to group together production of identical description in mill and cottage sector because of differences of quality and finish and of the two somewhat different markets to which they cater.

Production in the cottage sector is roughly estimated at 4.5 million yards. No estimate of capital employed is available, and as regards employment, it has been put approximately as 2,00,000. The 1951 Census shows about 60,000 self-supporting persons having woollen spinning and weaving as their principal means of livelihood.

According to the data obtained from the office of the Handloom Board, there are about 80,000 handlooms working on woollens of which 18,000 of the fly-shuttle type consume mill spun yarn. Depending on the market conditions, the handlooms are reported to be used inter-changeably for woollen and other textiles. As in the other sections of the handloom industry, there seems to be an appreciable measure of idle capacity in the woollen handlooms also.

95. Expenditure proposed by the Handloom Board for the Plan period on handlooms engaged in wool, to be brought into the co-operative fold, is on the same scale as on handlooms in cotton but has not been shown separately. We have estimated it on *pro rata* basis at about Rs. 3 crores of which Rs. 6 lakhs may be at the Centre and Rs. 294 lakhs in the States. State-wise allocations have been worked out on the basis of the reported number of handlooms engaged on wool.

96. Assuming the same proportion of idle looms as in the case of those engaged on cotton, about 16,000 handlooms may be estimated to be brought into full use. Fuller employment is likely to arise for about 1,00,000 persons.

4. WOOL SPINNING AND WEAVING (KHADI)

97. The programme of the Khadi Board for wool spinning and weaving (from hand-spun yarn) is intended to be additive to that of the Handloom Board. It aims at increasing the production of blanketing cloth from 2.55 lakh yards in 1956-57 to 10 lakh yards in 1960-61 and of other varieties of cloth from 6.25 lakh yards in 1956-57 to 35 lakh yards in 1960-61. The total increase in production would thus be of the order of 36 lakh yards. Important items of the development programme are organisation of 9 production centres in the principal woollen goods producing States of the country and establishment of 4 central finishing plants, 2 central dyeing plants and 5 training centres equipped with improved charkhas and looms. The total expenditure envisaged over the plan period is Rs. 4.5 crores. Our view is that the element of sales subsidy provided in the programme is not necessary for the success of the pro-

gramme. After making the necessary adjustments we have estimated the expenditure on the production programme of Khadi woolen goods over the plan period at Rs. 2.2 crores of which Rs. 26 lakhs are estimated for the Central schemes and Rs. 194 lakhs for the States. State-wise allocations will have to be worked out after more detailed information is available and a suitable basis can be adopted.

98. Additional employment opportunities will arise as a result of the programme for spinners as well as weavers. Employment created for weavers is not likely to be additive to that already mentioned in regard to wool weaving (handloom) above. Part time employment for willowers, carders and spinners may be estimated at about 30,000.

5. DECENTRALISED COTTON SPINNING AND KHADI

99. During our examination of the production programme for cloth, we have referred to the experiments being made on the various small spinning units and emphasised that such experiments should continue to be pursued with vigour. If increased production of cloth in the second plan period is organised, as suggested by us, on decentralised cottage basis on handlooms, it would be desirable to aganiszze cotton spinning also in small decentralised units and to integrate spinning with weaving. These integrated units would thus bring to the rural areas some of the economies and advantages which in their own sphere are enjoyed by the composite (spinning-cum-weaving) mills. The supply of yarn to the handlooms from spinning units operating in close proximity would lessen the difficulties and problems now arising from the transport of mill-made yarn over long distances, its distribution and preliminary processing before weaving. It might also to some extent relieve the strain on spindleage in some of the composite mills which have now to produce yarn surplus to their own requirements in order to make it available for consumers like the handloom industry.

100. From present indications it seems to us that a good deal of hard thinking and sustained effort will be needed before a workable, efficient and economical spinning unit can be introduced on a wide scale. We believe that there is enough talent and inventive faculty in the country to construct a spinning unit which will answer to the main tests viz., low cost, technically sound but simple mechanism, easy to operate and repair and capable of producing yarn of proper quality which would be generally acceptable to the weavers. This is a field in which experiments should be continually made so that out of several spinning units offering themselves for examination, the one most suitable may be chosen.

101. The programme for development of decentralised cotton spinning through Ambar Charkha and the programme for development of Khadi production are, to a large extent, alternative to each other. If experiments now being made on Ambar Charkhas are successful, a programme for their manufacture and introduction in a large number of centres and also for the necessary purchase and stocking of cotton and yarn may have to be drawn up. An allocation for this progamme will have to be made after taking all the relevant factors into consideration. Programme of production of

khadi from yarn spun on ordinary charkha in that event would probably be continued only on a limited scale and mainly on a self-sufficiency basis. Until the experiments are successful or their results known, the programme of khadi production will be carried on and necessary provision for that has to be made. The average annual expenditure on khadi taking into account expenditure in 1954-55 (revised) and 1955-56 (Budget) is about Rs. 310 lakhs. Allowing for an average annual increase of 10 per cent, it may be estimated for the next plan period at about Rs. 23 crores. An allocation of Rs. 23 crores has been suggested for decentralised cotton spinning and khadi, Rs. 1 crore at the Centre and Rs. 22 crores in the States. State-wise allocations will have to be worked out when the programme takes a definite shape and a suitable basis for making allocations is available.

102. The extent of employment opportunities created will depend on the nature and dimensions of the programme of development which is eventually adopted. If an enlarged khadi production programme is carried out, part-time employment may be created for 2 to 3 lakh spinners.

6. HANDPOUNDING OF RICE

103. Production of rice in 1952-53, 1953-54 and 1954-55 was 22.5 million tons, 27.6 million tons and 24.2 million tons respectively, giving an annual average of about 24.8 million tons. On the basis of an estimated increase of 10 million tons in food-grains production over the plan period, the increased production of the rice on *pro rata* basis may be estimated at about 4.4 million tons. In terms of paddy this would be equivalent to about 6.6 million tons.

104. Hand-pounding of rice has been over the ages a family occupation in the rice-growing areas, providing employment to a large number of persons. The average output from the traditional hand-pounding equipment is relatively low and, therefore, the employment potential for given size of the rice crop is high. Various types of equipment such as stone chakki, wooden chakki, clay chakki, pestle and mortar and dhenki are in use in different parts of the country; of these only pestle and mortar and dhenki are used for both the processes involved in processing of paddy into rice viz. de-husking and milling. The average production per day of eight hours by pestle and mortar is stated to be $\frac{3}{4}$ to 1 maund and by dhenki 1 to $1\frac{1}{2}$ maund as against the capacity of 50 maunds of paddy per hour of sheller-type rice mill and 4 to 6 maunds per hour of a single huller. Sheller and huller type mills existed even before the last war but during the war owing to the conditions created by systems of monopoly-procurement, they became more strongly entrenched while hand-pounding industry received a set-back. In the post-war period also the number of mills and their output have increased and hand-pounding has suffered considerably in some States. In several important rice growing States, however, such as Bihar, Orissa, Madhya Pradesh and West Bengal more than 70 per cent of the paddy crop is stated to be hand-pounded even at present.

105. The case for hand-pounding usually rests on three principal arguments: firstly, it gives higher percentage recovery of rice; secondly, it provides larger employment per unit of paddy process-

ed and thirdly, it yields rice with higher nutritive value. In favour of rice mills (mostly shellers) it is generally urged that they provide a fairly effective agency for bulk purchasing, bulk processing and bulk supply of rice; their cost of processing being lower they can supply rice at a lower price which is more within the means of low income groups; and they can satisfy the consumer preference of certain classes of people for the more polished rice.

106. We consider that hand-pounding of rice should be treated as an integral part of village economy for the purpose of meeting domestic and local demand. Factors which operate to dislodge it from this position should be resisted and counter-acted. At the same time we think that in particular areas and for particular purposes, processing of paddy in the mills will be necessary as long as a suitable alternative is not available. We, therefore, recommend that new sheller or combined sheller-huller mills or huller mills or single hullers should not be allowed to be set up and no increase in production above the present level should be permitted during the plan period, except when handpounding cannot be organised: for example, when production in an area where labour is scarce has to be augmented quickly or supply to a new industrial area has to be arranged. In such cases, the mills allowed to be set up should be owned wherever possible by cooperative societies or by Government.

These measures will not result in transfer of paddy, which is already being processed by the mills or hullers, to hand-pounding but they will ensure that the increased production of paddy of 6.6 million tons is processed almost entirely by hand-pounding equipment.

107. We consider that the hand-pounding equipment can and should be greatly improved in technical efficiency. We are informed that the improved Assam dhenki can produce as much as 5 maunds per day of 8 hours as against 1 to 1½ maunds by ordinary dhenki. We have no doubt that by constant research even better type of equipment can be devised and we would emphasise that all schemes for the manufacture and introduction of improved hand-pounding equipment such as chakki-dhenki units, improved (Assam) dhenkis and winnowing fans and for the organised marketing of handpounded rice should be given all possible encouragement and assistance. It should be ensured that such assistance is extended through co-operative agencies.

108. Measures for preventing establishment of new sheller and Muller mills and single hullers and limiting their production to existing levels which we have recommended in paragraph 106 above, will have the effect of placing the existing mills in a position of advantage. We consider that there would be justification for levying an excise duty on all hullers and sheller, huller, or combined sheller-huller mills. We therefore, recommend that an excise duty at an appropriate rate should be levied on all these to offset the advantage which would accrue to them as a result of the ban on the establishment of new mills. The proceeds of the excise duty will be available for being utilised for the improved equipment and better organisation of the hand-pounding industry.

109. The excise duty may offset substantially the differential advantage enjoyed by rice mills and together with the measures of positive assistance recommended by us would enable the handpounding industry to withstand the competition of mills. However, it may be necessary, in the initial stages, to give, where competition is keen, extra assistance in the form of a temporary production subsidy, to co-operative societies or to approved registered institutions composed of handpounders to induce and assist the change over to improved methods.

110. In making the above recommendations we have taken into account the production and employment aspects of rice milling. The higher nutritive value of under-milled rice is admitted by the nutritional experts. In what manner the advantages in respect of nutrition can be obtained through regulation of the rice mills and their processing operations is a matter for Government to decide.

111. Total expenditure on developing and improving the handpounding industry with a view to the hand-pounding of the entire increased production of rice, over the plan period is estimated at Rs. 8.26 crores, Rs. 26 lakhs at the Centre and Rs. 800 lakhs in the States. For working out State-wise allocations, the annual average of rice production in the States in 1953-54 and 1954-55 has been adopted as the basis.

112. It is estimated that additional seasonal employment will be provided to about 1 million persons engaged in the hand-pounding of rice.

7. VILLAGE OIL INDUSTRY

113. Oil pressing is an important village industry from the standpoint of employment. According to the 1951 Census about 193,000 self-supporting persons were employed in oil pressing and refining and allowing for the number engaged in oil mills and expellers, the number of those engaged in ghani industry may be placed at about 150,000. Allowing for the number of working dependents, the number will be even higher.

114. An important question having a bearing on the future development of the village oil industry relates to reservation of the crushing of certain oil seeds for the village ghanis only. The production of major oil seeds as estimated in 1954-55 and at the end of the second plan period is shown below:

Seed	1954-55 (in lakh tons)	1960-61
Groundnut	38.11	47.00
Castor	1.12	1.60
Sesamum	5.92	6.51
Rape & Mustard	10.62	10.80
Linseed	3.00	4.28
TOTAL	58.77	70.09

Production of the major oilseeds in 1954-55 was estimated at 5.8 lakh tons and is estimated to increase, according to the tentative target for the second five year plan, to 70 lakh tons. Production of the major vegetable oils is estimated at about 14 lakh tons from both mills and ghanis. The bulk of production of sesamum and almost the entire production of niger and kardi oilseeds is being crushed by ghanis. In addition a part of the groundnut, rape seed, linseed, castor and mahua is also being crushed by ghanis.

Availability of cotton seed in India is estimated at 9.3 lakh tons. Among the suggestions made for ensuring for the ghani industry a definite field of operation are : (i) to reserve the crushing of certain edible oil seeds such as sesamum, rape and mustard exclusively for the ghani industry, (ii) to divert larger proportion of groundnut to ghanis, and (iii) to allocate the whole of cotton seed to the mill industry to enable it to maintain utilisation of its capacity.

We consider that the possibility of crushing cotton seed deserves early examination, since a national resource which is probably not being fully utilised at present can be put to good use. We therefore, suggest that Government should examine whether cotton seeds which are not being used at present for oil crushing can be utilised for augmenting the supply of vegetable oils in the country. As such utilisation of cotton seed in the oil mills will also enable larger supplies of edible oilseeds to be made available for crushing in ghanis, Government should extend assistance to mills to take up crushing of cotton seed.

As regards reserving the crushing of certain edible oil seeds for ghanis, we are of the view that subject to administrative feasibility, measures should be adopted for discouraging and where necessary regulating on a regional basis the crushing of sesamum, niger and kardi seeds by the mills. In view of the difficulty experienced by ghani owners, even when organised cooperatively, to secure supplies of oil seeds in a highly competitive market, a programme should be formulated for State Governments ensuring the requisite supplies from season to season.

115. The installed crushing capacity of the organised sector is stated to be 40 lakh tons. Actual quantity crushed in 1949-50, for which year along complete figures are available, was about 22.12 lakh tons. Actual production, therefore, represents utilisation of the installed capacity only to the extent of 50 per cent. As regards ghanis, according to an estimate made by the Indian Central Oilseeds Committee, based on the Census of Livestock in 1951, there are about 446,000 ghanis spread all over the country with a total crushing capacity of 20 lakh tons oilseeds. According to an estimate made by the Indian Central Oilseeds Committee in 1948-49, it appears that only about 50 per cent of the total capacity of the ghanis is being used.

As even the existing capacity of oil mills is not fully utilised, we are of the view that no new mills should be allowed to be set up except in areas where alternative methods of crushing oilseeds are not feasible. It is not necessary to prevent by legislation fuller utilisation of capacity by the oil mills.

116. An important factor in the rehabilitation and development of the ghani industry is the relative extractive efficiency of ghani as compared with other equipments such as expellers and hydraulic presses. Percentage recovery of oil from the oil seeds crushed by different types of equipment and percentage of residual oil content in cakes from different pressing units are given below:

Pressing Unit	Approximate recovery		
1. Ordinary teli kohlu driven by bullocks			35%
2. Improved Wardha Kohlu driven by bullocks			40%
3. Bengal type power driven ghani			42%
4. Bombay type power driven ghani			4%
5. Expellers			45%
6. Hydraulic press			44 to 45%
Pressing Unit	Linseed cake	Mustard cake.	Til cake.
Ordinary Teli Kohlu driven by bullocks	14.15%	15.16%	14.15%
Improved wardha Kohlu driven by bullocks.	12.58%	11.2%	12.54%
Bengal type power driven ghani	11%	10.5% to 11%	11.12%
Bombay type power driven ghani	11%	10.5%	11.1%
Expellers	7.75%	8%	9%
Anglo-American or cage type hydraulic presses	8.9%	9%	8.9%

Whether the higher oil content of the cakes obtained from ghanis represents waste of oil or is necessary as cattle feed is still a disputed point. There is so far no conclusive evidence. The Indian Central Oil Seeds Committee is conducting research under the auspices of the Indian Veterinary Institute, Izatnagar. The final report on the results of the experiments is not yet ready.

In recent years an attempt has been made to improve the efficiency of the ghanis and several models of improved ghanis such as Wardha ghani, Nutan Ghani and Pinto Cheku Ghani, have been introduced. The improved ghanis have reduced to a great extent the difference in the percentage recovery of oil from ghani and mills. The number of the improved ghanis introduced, however, is so far very small. In recent years the Indian Central Oil Seeds Committee has been financing the replacement of old traditional ghanis by Wardha Ghanis and has been able to introduce nearly 4,000 Wardha Ghanis. The more important among the States which have introduced these ghanis are Bihar (225), Orissa (65), Uttar Pradesh (1430), Punjab (8) and Bombay (10). The number of Wardha Ghanis introduced has been given within brackets. In addition, the All India Khadi and Village Industries Board has also introduced a large number of Wardha ghanis. The plan of the Khadi Board for village oil industry for 1956-61 envisages the introduction of 50,000 improved or Wardha ghanis over the five year period and the provision of assistance to 150,000 ordinary ghanis through cooperatives and registered organisations. The estimated expenditure on the plan of the Khadi Board is Rs. 18.38 crores.

117. It appears to us that in this industry a stage has been reached for the abandonment of the old technique represented by the traditional ghani and the introduction of a new technique represented by an improved ghani. The change-over which is now taking place on a small scale is quite different from the improvement of traditional equipment being effected in industries like the handloom industry, by adding fly-shuttles and pick regulators. It is complete replacement of the old equipment by the improved one. Conditions appear to us to be favourable for experiments being made for the introduction of power driven equipment as a part of the process which is already going on, subject, however, to two provisos *viz.*, that such equipment can be operated by self-employed individuals on a decentralised basis and that its introduction does not cause unemployment. In implementing the programme of introducing improved ghanis and experiments with power-driven equipment on decentralised basis, conditions of each region will have to be kept in view. Areas where the availability of oil seeds of different kinds is satisfactory are more suitable for the introduction of improved equipment on an experimental basis.

118. We attach great importance to the improvement of technical equipment in the ghani industry and to organisation of proper marketing facilities for its product. We think that a small cess on the oil industry to obtain resources for meeting the expenditure on improved technical equipment and marketing facilities for the village oil industry will not place any unduly heavy burden on the mill industry. We, therefore, suggest that a cess of about 12 annas per maund subject to necessary further examination, should be levied on the oil mills and the proceeds utilised for improving the technical equipment and marketing facilities for the ghani industry.

119. A major handicap under which the village oilman is labouring at present is that in the absence of adequate working capital he is not able to purchase and stock sufficient quantities of oil seeds and when prices of oil seeds rise he is unable to sell his product in competition with the mills. Apart from the programme for procuring supply of oilseeds referred to in paragraph 113 above, what he needs is credit facilities so that he can stock sufficient quantities of oil seeds to meet his full requirements. We recommend that co-operative societies of village oilmen should be organised for the purchase and storage of oil seeds and the marketing of oil. Arrangements should be made for the supply of necessary working capital to those societies. Given improved equipment and assured supply of oil seeds at reasonable prices, we think that the purpose underlying proposals for the grant of production subsidy or rebate on sales to ghani workers will be better served by giving an interest-free loan to each oilman upto a maximum of Rs. 20/- so that he can become shareholder of a co-operative society which organises the programme of supply of seeds and increased production.

120. The main part of the development programme of the village oil industry for the second plan period would thus centre round the introduction of improved ghanis and improvement of existing ghanis. On the basis of estimates given by the All-India Khadi and Village Industries Board in their proposals for the Second Five Year Plan, we estimate the expenditure on the improvement of the village oil industry at Rs. 13 crores, Rs. 40 lakhs at the Centre and Rs. 12.6

crores in the States. State-wise allocations for an amount of Rs. 8.85 crores have been worked out on the basis of number of improved ghanis to be introduced in the various States as indicated by the Khadi Board and Rs. 2.75 crores on the basis of number of traditional ghanis in the States.

121. As a result of the implementation of the development programme, fuller employment will be provided to 150,000 oilmen plying ordinary ghanis and fuller and more remunerative employment for those plying improved ghanis, besides smaller numbers of carpenters engaged in the manufacture of improved ghanis.

8. LEATHER FOOTWEAR AND TANNING INDUSTRY (VILLAGE)

122. There are three more or less related sections of the tanning and leather industry, viz., tanning, leather footwear and leather goods other than footwear. Leather footwear industry in India consists of an organised sector represented by large-scale factories, a sector of small factories and a third sector of widely dispersed cottage units. The broad line of demarcation is that the large units fall within the scope of Industries (Development & Regulation) Act 1951 and the small units do not come within the scope of the above Act. Among the latter there are a number of cottage units which are run on household basis. Small factories and cottage units are spread throughout the country but important centres are Agra, Kanpur, Calcutta and Bombay. Agra is probably the largest centre with about 100 small factories producing about 3 million pairs of footwear per annum. Production on a cottage basis is being carried on all over the country but the main centres are Agra, Calcutta and Bombay.

123. Production of the small factories and cottage units was estimated by the Planning Commission in its Programmes of Industrial Development 1951-56 at 83 million pairs (13 Western type and 70 indigenous type). Production of large scale factories in 1951-52 was about 5.6 million pairs. Exports in 1951-52 were about 1.4 million pairs. Actual availability for internal consumption was thus estimated at about 85 million pairs in 1951-52. The domestic requirements were estimated by the Planning Commission to go upto 90 million pairs by 1955-56 and exports were estimated at $\frac{1}{2}$ to 1 million pairs.

Reliable data regarding actual availability of footwear for internal consumption in 1955-56 are not available. Production in 1955-56 in the draft planframe is taken at 80 million pairs. On the basis of the figures mentioned in the Programmes of Industrial Development referred to above, production of 90 to 91 million pairs (factories and small scale and cottage combined) may perhaps be a better estimate. Of this about 6 million pairs might be factory production and the remaining 85 million pairs small scale and cottage production.

On the basis of an increase in demand for footwear by 18 per cent in the plan period, we have estimated the additional number of footwear required at about 16 million pairs i.e. about 106 million pairs in 1960-61.

124. It has been suggested that production of large factories should be stabilised at existing levels so that the whole of increased

demand may be met by small scale and cottage units. It may be mentioned that in accordance with the recommendations made in the first five year plan, no new large scale factories have been allowed to be set up during the last four years. Establishment of new small scale units has been encouraged through financial assistance sanctioned by the Small Scale Industries Board, All-India Khadi and Village Industries Board and Community Projects Administration. With a view to formulating the common production programme between the large and small sectors of the industry, it was decided sometime ago to keep a watch over the volume of production of the large scale factories and also to consult the Khadi Board in regard to any proposals for increasing the capacity of those factories. Since March, 1954, an excise duty has also been levied on the existing large scale factories. We are of the view that no expansion of the capacity of large scale units should be allowed in the second plan period. A ceiling need not be placed on the utilization of unutilised capacity by existing factories but they should be encouraged to take up as much production of producer leather goods as possible.

125. We think that the first step in assisting small scale and cottage units producing footwear should be to organize them into co-operative societies for the purchase of raw materials and marketing of finished goods. As in the case of handloom industry, necessary financial assistance should be extended by Government in the form of loans for enabling the workers to contribute to share capital, for improvement of equipment and for meeting the requirements of working capital.

126. Broadly, the tanning section of the industry consists of an organised section consisting of large tanneries producing vegetable tanned buffalo and cow hides and leather including chrome leather and a less organised or unorganised section consisting of (a) small scale chrome tanneries working on factory basis with the aid of power (b) small scale vegetable tanneries producing vegetable tanned leather almost entirely by manual labour and (c) village tanners producing vegetable tanned leather on cottage basis. The number of units and estimated output of the two sections are given below:

	No. of Units	Production of tanned pieces (in million)	
		Vegetable	Chrome.
I. Organised section	24	1.4 hides	0.64 hides
II. Less organised or unorganised section.			
(a) Chrome tanneries (mostly in Clacutta area)	250	..	1.25 to 1.50 hides
(b) Small-scale vegetable tanneries (mostly in Madras area)	500	(8 to 9 light buffalo & cow (20 to 22 raw goat & sheep skins.);	
(c) Village tanners (all over India)	N.A.	(8 to 9 buffalo & cow hides) (3 to 4 raw goat & sheep skins.)	

Thus the total output of the small and village sector including small scale chrome tanneries which are located mostly in the Calcutta area and are worked by the Chinese community, is of the order of 17½ to 19½ million pieces of tanned hides and 23 to 26 million pieces of tanned skins.

127. The demand for tanned hides and skins being derived demand—derived from the demand for footwear and other leather goods—estimation of future demand will have to be based on (a) estimated requirements for leather footwear and other leather goods and (b) estimated demand for export. More than 90 per cent of the village tanned hides are used for the manufacture of indigenous type leather shoes and leather meant for charsa. For estimated increased production of 16 million pairs of footwear, about 2.5 million hides and 0.75 million skins would be required. Current requirements for leather footwear may be estimated at 11.5 million hides and 4.2 million skins. In 1960-61, therefore, the total requirements of hides and skins for leather footwear may be estimated at about 14 million hides and 5 million skins. Exports of tanned hides and sheep skins are now restricted but exports of semi-finished East India tanned kips and raw skins can be stepped up with a view to developing the tanning industry. Exports of tanned hides and skins can also be stepped up as a part of the policy of reducing exports of raw hides and skins with a view to developing the tanning industry.

In a note furnished to us by the Deputy Development Officer of the Small Scale Industries Board, the position in regard to availability of raw hides and skins is indicated as follows:—

<u>Description.</u>	<u>Million pieces.</u>
(i) Raw buffalo hides	4.8
(ii) Raw cow hides	14.2
(iii) Raw goat skins	31.0
(iv) Raw sheep skins	13.0

Items in short supply at present are raw buffalo hides, raw cow hides and raw sheep skins. Raw goat skins of the type known as "Daccas" and "Khustias" which are suitable for the manufacture of glazed kid leather on account of fine grain and substance of the skins, are imported. Some quantity of raw hides—to the extent of about 1 million pieces—is also imported.

128. We consider that the programme of development of the tanning industry should aim primarily at raising the present extremely low level of technical efficiency of the small tanner by providing common service facilities for improved tanning, finishing etc. at well-equipped centres serving well-defined areas. The general pattern of organization should be that in addition to flaying centres and small tanning centres or tanneries in rural and urban areas, there should be central tanneries for providing finishing and other facilities to smaller units. No expansion in the capacity of large tanneries should be allowed during the period of the plan.

As the small tanner does not possess sufficient resources or sufficient knowledge of the conditions of the market, co-operative societies of tanners should be organized for purchasing hides and skins and arranging for their tanning on improved lines.

129. A variety of consumer and industrial leather goods is being produced in the country mostly on a cottage and small scale but no information is available regarding the total quantity of such goods produced or the number of persons engaged in their manufacture. The more important industrial or producer goods are cotton pickers, jute pickers, picking bands, buffers, roller skins leather belting etc.. Among the consumer leather goods may be mentioned zip folio cases, wallets, purses, hand bags etc. while the industrial leather goods are produced at present mainly by well organised units, consumer leather goods are mainly hand-made and the only machine used is probably a sewing machine. An export market for leather goods is being developed. There is still considerable scope for expanding the total output of these goods, especially those industrial leather goods which are being imported. We are of the view that the development of this section of the industry should be pursued on the lines indicated by us for the leather footwear and tanning industries.

130. We have proposed an allocation of Rs. 6.15 crores for the village tanning and leather industry, Rs. 30 lakhs at the Centre and Rs. 5.85 crores for the States with a State-wise break-up broadly on the basis of number of self-supporting persons engaged in leather, leather products and footwear industries according to 1951 Census. This allocation is exclusive of expenditure on leather industries which are within the sphere of the Small Scale Industries Board.

131. We estimate that fuller employment may arise during the period of the plan for about 38,000 persons.

9. GUR AND KHANDSARI

132. Estimated consumption of sugar, khandsari sugar and gur in India from 1947-48 to 1954-55, according to the information supplied by the Ministry of Food and Agriculture, is shown below:

Season	Sugar	Khandsari Sugar	Total Sugar & khandsari sugar	Gur	Total sugar, khandsari sugar and gur
(in lakh tons.)					
1947-48	9.40	1.05	10.45	35.03	45.48
1948-49	12.50	1.13	13.63	27.64	41.27
1949-50	9.32	1.75	11.07	27.43	38.50
1950-51	10.79	1.25	12.04	32.54	44.58
1951-52	11.74	1.00	12.74	32.40	45.14
1952-53	16.63	0.91	17.54	28.77	46.31
1953-54	18.22	0.95	19.17	25.93	45.10
1954-55	17.50*	1.50*	19.00	28.17	47.17

*Estimate.

It will be seen that while the consumption of sugar has shown a definite and an appreciable increase in recent years, that of khand-sari sugar and gur has shown marked variations but no clear trend towards an increase. If these figures are an indication of the pattern of consumer preference obtaining at present, it is difficult to foresee any large shift for demand in favour of either gur or khand-sari sugar.

The Development Council for Sugar has estimated the domestic demand for sugar in 1960-61 at 22.5 lakh tons as against 17.5 lakh tons estimated in 1954-55. Allowing for 20 to 25 per cent increase in consumer expenditure on sugar, the demand may be estimated to increase to about 21 to 22 lakh tons.

133. It has been suggested that to ensure the expansion of khand-sari sugar industry, the production of sugar factories should be stabilised at the level already reached and the whole of the increased production required for meeting demand should be reserved for khand-sari. We have carefully examined this suggestion. Khand-sari sugar industry is located mainly in the western and central districts of Uttar Pradesh where about 90 per cent of the total khand-sari sugar is produced. The remaining 10 per cent is produced in other parts of Uttar Pradesh and the adjoining districts of Punjab. The volume of production in a particular area depends largely on the relative prices of gur and sugar. When gur prices are relatively low, a number of cane growers instead of converting their cane juice into gur, make *rab* (massecuite) for being processed into Khand-sari sugar. About 90 per cent of khand-sari sugar is produced by centrifuging the *rab*. There are two stages in the process of manufacture: in the first stage cane juice is processed into *rab* by the open pan process of boiling and at the second stage it is converted into khand-sari sugar. Molasses obtained may be processed further for recovery of second sugar or preparation of molassein gur depending largely on the relative prices of molassein gur sugar and final molasses. The process used in the production of khand-sari yields a low percentage of recovery—4.6% of first sugar and 6% of both first and second sugar as against 9.8% in vacuum pan factories. A comparative idea of the yields of sugar and molasses in the case of vacuume pan sugar factories and khand-sari sugar industry can be had from the following table:—

	Percentage recovery.	
	In vacuum pan factories	In Khand-sari industry
Ist sugar	9.8	4.6
2nd sugar	1.4
Ist molasses (if 2nd khand is not obtained)	7.0
Molassein gur (if all the Ist molasses are converted into gur)	..	5.3
2nd or final molasses if 2nd khand is recovered	3.5	4.5

It seems to us that even after taking into account the processing of edible molasses, the khandsari process involves some waste. Until, therefore, the process of manufacture of khandsari sugar is improved very considerably, it will not be desirable to put a ceiling on the production of sugar factories with a view to reserving to khandsari the new production for meeting the entire increased demand.

An active policy for ensuring the stability of gur prices and eliminating avoidable disparities between the prices of gur and sugar will afford some protection to cane growers, but circumstances may arise, as they have often done in the past, when it would be helpful to the sugarcane growers in particular regions if they can convert their cane into sugar by the decentralised open pan system of production. It will be an advantage if in such areas co-operative marketing and processing societies are assisted in installing improved plants for the manufacture of khandsari sugar.

134. We are informed that some improvement in the existing method of manufacturing khandsari has been made possible through the research carried out at the gur and khandsari section of the Indian Institute of Sugar Technology, Kanpur and that percentage recovery of sugar has been increased to about 7.5 per cent as against 6 per cent by the existing method. The quality of sugar produced by the new process is also stated to be better. The new process is, however, reported to require substantial investment and cannot be used on a small scale. Moreover, it is stated to be uneconomical unless sugar-cane can be obtained at relatively low prices.

We are of the view that efforts for the technical improvement of the process of khandsari production with a view to increasing percentage recovery and obtaining better quality sugar should continue to be pursued with vigour. All necessary assistance and encouragement required for the research, improvement of technique etc. with a view to raising the level of efficiency of khandsari industry should be given. Vacuum pan process for the manufacture of khandsari on decentralised basis, if found successful after investigation, should be assisted by the State.

135. The gur industry is especially important from the point of view of employment provided by it. According to the 1951 Census, the total number of self-supporting persons employed in gur manufacture was of the order of 41,000 but this figure does not give a clear idea of the employment provided by the industry because it includes only those persons whose main occupation was manufacture of gur. A very large number of agriculturists take up manufacture of gur as a subsidiary occupation.

The gur industry in many parts of the country suffers from two main disadvantages; on the technical side from inefficient tools and backward methods of production and on the marketing side from lack of effective arrangements for storage, packing and standardisation of quality. Development programme for the gur industry should, therefore, have as its main objectives introduction of power-driven crushers and improvement of the pans and other equipment on the technical side and measures for bringing about an improvement in the keeping quality of sugar, proper storage and packing and standardisation of quality on the marketing side. As the gur

industry consists of a large number of dispersed producers, successful implementation of development programme on the marketing side would require the organisation of co-operative societies of gur producers. Necessary technical advice and assistance as well as working capital should be provided to these societies.

136. With the improvement of the quality of gur, its marketing under hygienic conditions and a better appreciation of the comparative dietetic values of gur and refined sugar the demand for gur may be expected to rise. In giving further licences to the sugar factories an account should necessarily be taken of this expectation.

137. We have suggested an allocation of Rs. 8 crores for the development of gur and khandsari industry, Rs. 1 crore at the Centre and Rs. 7 crores in the States. State-wise allocations have been worked out on the basis of the average of estimated production of gur and raw sugar in 1953-54 and 1954-55. Generally speaking, the implementation of the development programme may be expected to result in the improvement of the quality of gur and khandsari and reduction of costs. The employment potential of the programme will be relatively small and unimportant.

10. COTTAGE MATCH INDUSTRY

138. On the basis of production figures in 1954, the consumption of matches can be assumed to be of the order of 30 million gross boxes. It was envisaged in the first five year plan that the demand for matches would increase to about 35.3 million gross boxes by 1955-56 including 0.3 million gross boxes for export but neither internal consumption nor export has shown any appreciable increase over the 1950-51 level.

In estimating the demand for the second plan period, a good workable basis will be the estimated increase in consumer expenditure *per capita* of about 10 per cent. No information is available regarding the elasticity of demand of matches. Assuming that the demand increases by about 16 per cent, the total demand by 1960-61 would be about 35 million gross boxes.

There have been in the past three classes of factories: (i) 'A' class producing 5 lakh gross boxes or above per annum, (ii) 'B' class producing over 100 gross boxes per day but less than 5 lakh gross boxes per year, and (iii) 'C' class producing 100 gross or less per day. Recently it was decided to create a new category of 'D' class match factories producing up to 25 gross boxes per day.

The total annual rated capacity of the match industry inclusive of all categories of factories is estimated at about 35 million gross boxes. Of this Western India Match Company (WIMCO) and Assam Match Company (AMCO) account for about 22.8 million gross boxes and 'B' and 'C' class factories for the remaining 12.5 million gross boxes. Actual production of WIMCO and AMCO factories in 1953-54 was 19.5 million gross boxes (60 sticks) and of the rest 9.8 million gross boxes. Total production of all the factories in 1953-54 was 293 million gross boxes in terms of 60 sticks each.

Total productive capital employed in the match industry in 1953 was estimated at about 4.5 crores, the bulk of it having been invested by WIMCO and AMCO. The total number of persons employed in the match industry is estimated at about 24,500. Of this about 8,500 are employed in the fully mechanised sector and about 16,000 in the cottage sector.

139. Between the large factories and the cottage units there is a vast difference in respect of resources, efficiency and marketing organisation. The cottage and small units have to face several difficulties such as shortage and high price of raw materials, shortage of working capital and the competition from large-scale units arising to a substantial extent from their inability to organise an efficient and independent marketing service. A development programme for the small and cottage units will have to take into account all these difficulties and provide for their solution.

140. We consider that no expansion of capacity of 'A' class factories should be allowed and their production should be stabilised at the level already reached or at such lower level as might have been agreed to by a factory. The increased demand estimated during the second plan period should be met by increased production from 'B', 'C' and 'D' class factories.

141. We are of the view that all factories which are set up to meet the increased demand should be organised as industrial co-operatives. To assist the factories to market their products all the necessary credit and other facilities which are to be extended to industrial co-operative societies as part of the general programme should also be made available to them.

142. In the Finance Act for 1955-56 rebates of excise duty on cottage match units have been enhanced as follows:—

<i>Class of factories.</i>	<i>Rebate.</i>
'B' 60 sticks.	3 annas per gross boxes
'B' 40 sticks.	2 annas per gross boxes
'C' 60 sticks.	6 annas per gross boxes
'C' 40 sticks.	4 annas per gross boxes
'D' 60 sticks.	9 annas per gross boxes
'D' 40 sticks.	6 annas per gross boxes

We have assumed that these enhanced rates of rebate will be continued.

143. The All India Khadi and Village Industries Board has proposed to set up 3,000 'D' class factories during the second plan period with a total outlay of Rs. 1.65 crores. We consider that in view of the initial difficulties of organisation etc., a somewhat lower target of 2,000 factories may be kept in view. On this basis the estimated expenditure on the development of 'D' class match factories is estimated at Rs. 1 crore, Rs. 40 lakhs at the Centre and Rs. 60 lakhs in the States. State-wise allocations will have to be calculated when the production programme is more fully worked out. Estimated expenditure on 'B' class factories is included in the estimate of expenditure on Small Scale Industries.

144. We estimate that additional employment will be created during the plan period for about 10,000 persons on wholetime basis and about 1 lakh persons on part time basis.

11. OTHER VILLAGE INDUSTRIES

145. Besides the major village industries viz., cotton spinning and weaving, wool spinning and weaving, silk weaving, handpounding of rice, vegetable oil, tanning and leather and gur and khandsari which we have already examined and for which specific allocations have been proposed, there are several other village industries which also make some contribution to income and employment in rural areas. The scope for development of many of these industries is yet to be determined, as even the ordinary data are lacking. A few of these industries have been taken up for development by the All-India Khadi and Village Industries Board; these are neem oil soap, handmade paper, palm gur, bee-keeping and village pottery. We would like to emphasise that special attention should be given to traditional village industries like pottery and rope and basket making. Measures for improving equipment and for organising the workers engaged in these industries on co-operative basis should be taken in hand so that the quality of the products as well as the earnings of the workers are improved. Provision should be made in the case of pottery industry for the introduction of improved wheels and furnaces and for organisation of workers on co-operative basis.

146. Among the other village industries palm gur industry deserves encouragement both because it provides employment to a substantial number of persons in the manufacture of gur and sugar and also offers scope for developing the manufacture of palm leaf products.

147. We have suggested an allocation of Rs. 11 crores for the development of other village industries including palm gur during the plan period. Of this Rs. 35 lakhs is estimated for Central schemes and Rs. 10.65 crores in the States. State-wise allocations have been suggested by us on the broad basis of the size of rural population of the States. It is estimated that employment may be provided to about 1,40,000 persons in terms of whole-time employment.

12. HANDICRAFTS

148. Handicrafts stand in some ways in a special category, distinguishable alike from village as well as small scale industries, though in a few cases the dividing line may not be sharp and clear. They are essentially products of artistic skill, embodying the creative imagination of the Indian craftsman and thus having a character inimitably Indian. They are a link with India's ancient past and a heritage of her cultural traditions. Craftsmen working in metal, ivory, wood, clay or other media have created products of rare beauty, often drawing on mythological and religious themes which are so much a part of the daily life of an average Indian. Ordinary criteria of multiplication of number of units to satisfy growing wants are generally out of place and inapplicable in this field and claims of development rest on the recognition of values

which are woven into the texture of India's social and religious life and go far back into her history.

It is possible to pick out a few of the handicrafts which come very near to satisfying the description of "consumer goods in common demand", for example, textile prints, toys, metalware etc. We think that from the standpoint of the requirements of our terms of reference, development schemes relating to these goods should receive special encouragement. It is, however, undeniable that there is a large variety of other products having excellence and artistic merit of high order which would always be in demand for decoration, social and ceremonial purposes and as embodiments of India's art and culture. Such products have acquired considerable popularity in foreign countries owing to the keen interest in India's life and culture and also due to the efforts made by the All India Handicrafts Board in recent years to organise exhibitions of such products.

149. As in other fields of village and small scale industries, the Indian craftsman has to be assisted in regard to the supply of raw material and marketing of products. Effort should be made, as far as possible, to organise these activities also on a co-operative basis. Schemes for subsidised supply of tools and equipment should receive special attention and research into new designs and models should be encouraged. A good part of the effort will have to be concentrated as before on organisation of emporia, etc., in the country and of exhibitions and participations in international fairs abroad.

150. Taking into consideration the importance of development programmes in this field we have proposed an allocation of Rs. 11 crores, Rs. 3 crores at the Centre and Rs. 8 crores in the States. State-wise allocations will have to be made when the development plan of the Handicrafts Board has been fully worked out. Employment which will be created is difficult to estimate but on the basis of an outlay-employment ratio of 3,000:1, which appears to us to be on the cautious side, wholtime work may be created for about 36,000 persons.

13. SMALL SCALE INDUSTRIES

151. Small Scale Industries form a somewhat heterogenous group with their large variety and considerable differences in the amount of capital employed and technique used. It is hardly possible to pick out a few industries as typical of the entire group as they range over a wide field, for example, small engineering establishments, small tanneries, furniture makers, powerlooms, wool finishing plants etc. A workable definition for these industries which we understand is at present being followed for certain purposes such as grant of loans by the State is fairly wide in scopes; it includes all industries which have a capital investment of less than Rs. 5 lakhs and employ less than 50 persons when using power and less than 100 persons when not using power. Some of these industries are run on factory scale and come under the Indian Factories Act, some others are run as small entrepreneurial enterprises while in several there are some units which are rather small and some

which are not quite so small operating side by side. Many of these industries are located in towns and cities and some of them are ancillary to large industries not by well established sub-contracting system obtaining in other countries but as suppliers of products against occasional orders.

152. We have examined the principal heads of development proposed by the Small Scale Industries Board for the second five year plan and have also held discussions with representatives of several State Governments on the development schemes for small scale industries included in their plans. Among the principal types of schemes included in the plans of State Governments are those for industrial estates; loans to industries, development schemes of a general nature, *e.g.*, production-*cum*-training centres, marketing, Credit Corporations *etc.* and schemes for particular industries of which the more prominent are carpentry, blacksmithy, cycle parts, cutlery and locks, tanning and leather, sports goods, woollen industry, surgical instruments, umbrella parts and pottery and ceramics. Proposals in respect of some of these industries have been made by several State Governments. We suggest that duplication of effort and waste of resources should be avoided by the State Governments in their schemes for the development of small scale industries.

153. Schemes for industrial estates which form an important part of the proposals of State Governments for the development of small scale industries should be carefully examined to ensure that these estates are located in such a way that they do not encourage further concentration of population in large urban centres. Preferably they should be located in or near towns of smaller size.

The money allotted to schemes of industrial estates should be utilised not only for the development of a small number of estates but also for financing the improvement of transport, water and power supply and housing for work and living for industrial workers in as large a number of places as possible. We recommend that careful attention be paid to this possibility in preparing schemes of expenditure under this head.

154. We have suggested an allocation of Rs. 65 crores for the development of small scale industries of which Rs. 10 crores are for the central schemes of Small Industries Service Institutes, National Small Industries Corporation, hire-purchase of machines *etc.*, Rs. 10 crores for industrial estates and Rs. 45 crores for service and production schemes for small scale industries. State-wise allocation of expenditure for industrial estates will have to be made when the schemes for such estates are fully worked out. We have worked out the allocations for the remaining amount of Rs. 45 crores on the basis suggested by the Ministry of Commerce and Industry which is stated to take into account past performance and future expectations.

155. It is difficult to estimate the extent of employment which would be created in this sector during the plan period but very roughly opportunities for employment may be created for about 1,60,000 persons.

14. SERICULTURE

156. According to the available information the present domestic demand for raw silk (mulberry and non-mulberry) is estimated at about 3.5 million lbs. and that for spun silk yarn at 1.5 lakh lbs. It is difficult to estimate the increase in demand during the second plan period because the demand for raw silk and spun silk yarn depends largely on the demand for silk fabrics which itself is liable to large fluctuations due to competition from other textile fabrics. India is importing at present about 3.6 lakh lbs. of raw silk and exporting about 4,000 lbs. of raw silk. To the extent to which imports can be eliminated, there is definite scope for expansion of indigenous production and if in addition there is increase in demand arising from increase in population and the rise in consumer outlay, a measurable stimulus may be provided for the development of the industry.

According to the present division of responsibility between the Central Silk Board and the All India Handloom Board, the development of silk upto the stage of weaving lies within the sphere of the Central Silk Board and that from the stage of weaving onward within the sphere of the All India Handloom Board. We have already referred in paragraphs 91—93 to the development of handloom silk weaving industry. Sericulture industry is mainly concentrated in Mysore, Madras, Jammu and Kashmir, West Bengal, Assam, Bihar, Punjab and Orissa and to a smaller extent in other States and its importance lies chiefly in providing subsidiary employment to agriculturists. Most of the persons are employed only part of their time and as the rearing of silk worms is a domestic activity, a large number of women find employment in the industry. The number of persons obtaining employment is roughly estimated at about 4 to 5 millions.

Sericulture industry consists of two main operations *viz.* rearing of silk worms and reeling of raw silk. Nearly 87 per cent. of the raw silk is stated to be reeled on what are called country charkhas and the rest on filatures which represent the organised sector of the reeling industry. Production of mulberry silk in 1954 was about 24 lakh lbs. and of non-mulberry silk a little over 8 lakh lbs. Production of silk waste in 1954 was 17.6 lakh lbs.

157. The plan for development of silk industry prepared by the Central Silk Board provides for expenditure on the organisation and improvement of the various operations of the industry. We suggest that an allocation of Rs. 6 crores, subject to examination of the details of the various proposed schemes, may be made for the development of sericulture during the second plan period. After providing Rs. 32 lakhs for Central schemes, State-wise allocations have been worked out on a tentative basis which the Central Silk Board is examining further.

158. Generally speaking, the implementation of the development programme for sericulture may be expected to result in the improvement of the quality of silk and reduction of costs. Estimates of additional employment arising as a result of the working of the development programmes in the States have not yet been finally

worked out but it is expected that additional employment may arise for about 60,000 persons.

15. COIR SPINNING AND WEAVING

159. The coir industry is concentrated largely in Travancore-Cochin and Malabar and South Kanara areas of Madras, is also carried on on a smaller scale in West Bengal and Bombay and can be developed in Andhra, Orissa and Mysore. Development of the industry depends on proper organisation of three stages: (i) collection of husk and its distribution for retting, (ii) retting, collection and distribution of retted husk for spinning and (iii) collection of yarn and its marketing. As coir spinning is being done by a large number of small producers in their homes and cottages, the middleman has established himself at all the three stages and in regard to retting especially he occupies a key position. The main part of the development programme proposed by the Coir Board for the Second Five Year Plan is, therefore, the organisation of co-operative societies—Thondu (Husk) Co-operative Societies for collecting husks and its distribution to primaries, Primary Co-operative Societies for arranging for retting, the distribution of retted husk to members for production of coir yarn and for collection of yarn, and Coir Marketing Societies for sale of yarn received from the Primaries. Formation of Unions to exercise supervision and control over the Primary Societies has also been proposed. Expenditure is proposed largely in the form of grants to meet establishment expenses and loans to meet the working capital requirements of co-operative societies.

Manufacture of coir yarn into mats, mattings, carpets, rugs etc. is being done in over 50 large size factories, over 450 small factories having less than 20 looms each and by a very large number of individual manufacturers in Travancore-Cochin State. Only one third of the total manufacturing capacity is stated to be utilised at present. Development proposed in the field of coir manufacture is the re-organisation of some of the small factories and individual manufacturers into Mats and Matting Co-operative Societies and the establishment of a Central Coir Products Marketing Society.

In addition to the extension of co-operative organisation to almost the entire industry, the Coir Board has proposed the setting up of a Central Coir Research Institute and the establishment of a pilot plant at the Institute for weaving of coir yarn by mechanised processes. Other items of the development programme are opening of show-rooms and warehouses, trade delegations to foreign countries and organisation of publicity.

160. The development programme proposed by the Coir Board is generally acceptable and we have proposed an allocation of Rs. 2 crores for the second plan period, Rs. 30 lakhs for central schemes and Rs. 170 lakhs for State schemes. State-wise allocations have been worked out on the basis adopted by the Coir Board in its proposals for the second five year plan. The expenditure in Travancore-Cochin State is expected to result in improved earnings but may not lead to an appreciable increase in employment. In other States new employment may be created for only about 25,000 persons.

16. GENERAL SCHEMES

161. In the allocations proposed by us for the development of the various industries above, we have included the estimated expenditure on schemes of training, research etc. which are specifically related to the industries. In addition to these specific schemes, however, there are others which have a bearing on the development of the entire, or a large part of the field of village and small scale industries, for example, proposals for strengthening the Departments of Industries in the States, schemes for setting up emporia and sales depots for the products of several industries, polytechnics and training centres for meeting the requirements of a number of industries etc. The importance of these schemes from the point of view of the successful implementation of development programmes of industries as a whole at the State level need hardly be emphasized. At the Centre also there will be some schemes which would not be intended for specific industries or specific States. To this category belong the general training and research schemes and the intensive area development schemes of the All India Khadi and Village Industries Board which, it is understood, will be implemented directly by the Board. We consider that for all such schemes it is necessary to make a substantial provision both at the Centre and in the States. We have, therefore, suggested a total allocation of Rs. 15 crores for such schemes, Rs. 6 crores at the Centre and Rs. 9 crores at the States. Assuming an outlay-employment ratio of 10,000:1 for expenditure on such schemes, we estimate wholtime employment to be created for about 15,000 persons.

162. We have worked out State-wise allocations of expenditure on general schemes on the basis of the totals of the allocations under the remaining heads. As State-wise allocations for some of the industries, e.g., decentralised cotton spinning and khadi, handicrafts, match etc. will have to be made later and allocations of expenditure on certain industries for some of the States will also have to be worked out, a part of the expenditure on general schemes is shown as unallocated.

CHAPTER VII
SCHEME OF ALLOCATION OF RESOURCES AND
EMPLOYMENT

1. ALLOCATION OF RESOURCES

163. Estimates of expenditure and allocations suggested by us for different industries and for general schemes are given below:—

Industry	Allocation of resources		
	Centre	State	Total
	(In lakhs of rupees).		
1. Cotton Weaving (handloom)	150	7,850	8,000
2. Silk weaving (handloom)	10	490	500
3. Wool weaving (handloom)	6	294	300
4. Wool spinning and weaving (Khadi)	26	194	220
5. Decentralised cotton spinning and Khadi	100	2,200	2,300
6. Handpounding of rice	26	800	826
7. Vegetable oil (ghani)	40	1,260	1,300
8. Leather footwear and tanning (village)	30	585	615
9. Gur and khandsari	100	700	800
10. Cottage match.	40	60	100
11. Other village industries	35	1,065	1,100
12. Handicrafts	300	800	1,100
13. Small scale Industries	1,000	5,500	6,500
14. Sericulture	32	568	600
15. Coir spinning and weaving	30	170	200
16. General schemes e. g., administration, research, etc.	600	900	1,500
TOTAL	25,25	234,36	259,61

164. It will be noticed that the estimated expenditure adds upto about Rs. 260 crores. Out of this, allocations proposed for the Centre are about Rs. 25 crores and for the States over Rs. 234 crores. Allocations for the Centre are tentative and subject to further examination with reference to the estimated cost of actual schemes.

165. Allocations for the Centre and the States are based on whether the schemes are to be implemented by the Central Government or the State Governments. They have no reference to the manner in which resources will be found. For example, a large part of expenditure to be incurred by the States on certain schemes such as loans to small scale industries may come out of the sums made available by the Centre but this has been included in the expenditure shown against the States. We consider that the question of flow of resources from the Centre to the States for meeting expenditure on different types of schemes and the principles and conditions governing such flow should be treated separately from the allocations themselves.

166. The total of allocations of Rs. 259.61 crores should, in our view, be treated as the entire expenditure in the sector of village and small scale industries irrespective of the departments or agencies through which it is channelled. State allocations, for example, should be treated as inclusive of expenditure on schemes of village and small scale industries in Community Project Areas, schemes of rehabilitation or social welfare schemes, schemes for welfare of tribes or backward classes etc. Any expenditure to be incurred on such schemes at the Centre is similarly included in the Centre's allocations for specific or general schemes.

167. State-wise break-up of allocations for States, where possible, is given in Statements I to XII below. For some of the industries, namely, wool spinning and weaving (khadi), decentralised cotton spinning and khadi, handicrafts and cottage match industry, a suitable basis for working out State-wise allocations will be available only when the development programmes are worked out in greater detail. The estimated expenditure on these industries in the States has therefore, been shown as unallocated. For similar reason, break-up of the allocation for Industrial Estates has not been shown. For the remaining industries, State-wise allocations have been shown but as the information required for making allocations for certain States was not available at the time of the finalisation of this report, a certain sum out of the total allocation has been shown as 'unallocated amount'.

We have adopted a specific, though often a somewhat broad, basis for working out the State-wise allocations for different industries. This has been indicated in each case in the outlines of development programmes in chapter VI. It is likely that in some cases the basis adopted by us will be found not to take fully into account certain relevant factors or the peculiar conditions of particular States. We suggest that in such cases variations to the extent necessary may be made in the allocations worked out by us. We may point out that in our scheme State-wise allocations are essentially based on the estimated costs of overall programmes for different industries and are not derived from proposals or schemes put forward by the States without reference to such programmes.

Statement I—Cotton Weaving (Handloom)
(Reference paragraphs 86 and 167)

State	Allocation (Rs. lakhs)
PART A	
Andhra	1067·96
Assam	106·56
Bihar	403·35
Bombay	727·09
Madhya Pradesh	487·96
Madras	2202·46
Orissa	302·43
Punjab	75·76
Uttar Pradesh	844·61
West Bengal	416·98
PART B	
Hyderabad	356·65
Madhya Bharat	76·39
Mysore	226·89
P.E.P.S.U.	11·52
Rajasthan	122·15
Saurashtra	90·89
Travancore-Cochin	198·62
Jammu & Kashmir	9·00
PART C	
Ajmer	33·30
Bhopal	3·37
Coorg	0·71
Delhi	6·74
Himachal Pradesh	1·18
Kutch	12·54
Manipur	10·03
Tripura	28·28
Vindhya Pradesh	19·74
OTHER TERRITORIES	
Andamans & Nicobar	
N.E.F.A.	
Pondicherry	
Unallocated Amount	6·84
TOTAL	7850·00

The Handloom Board's formula on the basis of which the allocations have been worked out was arrived at by the following series of calculations: (a) Percentages of delivery of yarn to individual States to the total yarn deliveries during January 1952 to June 1953 were worked out (a maximum of half a bale per handloom was adopted in the case of those States where yarn delivery figures were

higher) (b) 76 per cent of yarn delivery was taken as representing consumption by handlooms in the States and percentages worked out (c) an average of (a) and (b) was taken and (d) further adjustments in percentages as in (c) were made to take into account the consumption of yarn in certain States by powerlooms, hosiery machines etc.

Statement II—Silk Weaving (Handloom)

(Reference paragraphs 92 and 167)

State	Allocation (Rs. lakhs).
PART A	
Andhra	
Assam	83.00
Bihar	6.00
Bombay	7.00
Madhya Pradesh	3.00
Madras	85.00
Orissa	1.00
Punjab.	3.00
Uttar Pradesh	195.00
West Bengal	14.00
PART B	
Hyderabad	24.00
Madhya Bharat	
Mysore	12.00
P.E.P.S.U.	
Rajasthan	0.08
Saurashtra	0.16
Travancore-Cochin	
Jammu & Kashmir	
PART C	
Ajmer	
Bhopal	0.06
Coorg	
Delhi	1.00
Himachal Pradesh	0.01
Kutch	0.05
Manipur	0.37
Tripura	
Vindhya Pradesh	
OTHER TERRITORIES	
Andamans & Nicobar	
N.E.F.A.	
Pondicherry	
Unallocated amount	55.27
TOTAL	490.00

Statement III—Wool Weaving (Handloom)

(Reference paragraphs 95 and 167)

State	Allocation (Rs. lakhs).
PART A	
Andhra	12.29
Assam	
Bihar	8.59
Bombay	25.69
Madhya Pradesh	23.12
Madras	0.83
Orissa	
Punjab	9.56
Uttar Pradesh	
West Bengal	2.20
PART B	
Hyderabad	55.78
Madhya Bharat	
Mysore	18.35
P.E.P.S.U.	12.84
Rajasthan	3.67
Saurashtra	1.36
Travancore-Cochin	
Jammu & Kashmir	
PART C	
Ajmer	
Bhopal	0.62
Coorg	
Delhi	
Himachal Pradesh	37.50
Kutch	
Manipur	
Tripura	
Vindhya Pradesh	
OTHER TERRITORIES	
Andamans & Nicobar	
N.E.F.A.	
Pondicherry	
Unallocated amount	81.60
TOTAL.	294.00

Statement IV—Handpounding of Rice

(Reference paragraphs 111 and 167)

State	Allocation (Rs. lakhs).
PART A	
Andhra	79.20
Assam	51.28
Bihar	104.40
Bombay	40.00
Madhya Pradesh	81.60
Madras	95.20
Orissa	68.64
Punjab	
Uttar Pradesh	67.76
West Bengal	138.80
PART B	
Hyderabad	18.56
Madhya Bharat	
Mysore	11.84
P.E.P.S.U.	
Rajasthan	
Saurashtra	
Travancore-Cochin	8.48
Jammu & Kashmir	
PART C	
Ajmer	
Bhopal	
Coorg	2.16
Delhi	
Himachal Pradesh	
Kutch	
Manipur	
Tripura	
Vindhya Pradesh	
OTHER TERRITORIES	
Andamans & Nicobar	
N.E.F.A.	
Pondicherry	
Unallocated amount	32.08
TOTAL	800.00

Statement V—Village Oil Industry

(Reference paragraphs 121 and 167)

State	Allocation (Rs. in lakhs)
PART A	
Andhra	26.55
Assam	0.74
Bihar	70.80
Bombay	27.63
Madhya Pradesh	10.83
Madras	239.18
Orissa	88.50
Punjab	28.83
Uttar Pradesh	201.18
West Bengal	28.80
PART B	
Hyderabad	94.58
Madhya Bharat	70.80
Mysore	10.85
P.E.P.S.U.	1.72
Rajasthan	99.34
Saurashtra	18.34
Travancore-Cochin	8.85
Jammu & Kashmir	
PART C	
Ajmer	8.85
Bhopal	3.56
Coorg	
Delhi	0.78
Himachal Pradesh	1.74
Kutch	4.59
Manipur	
Tripura	0.42
Vindhya Pradesh	16.51
OTHER TERRITORIES	
Andamans and Nicobar	
N.E.F.A.	
Pondicherry	
Unallocated amount	196.03
TOTAL	1260.00

Statement VI—Leather footwear and Tanning (Village)

(Reference paragraphs 130 and 167)

State	Allocation (Rs. in lakh)
PART A	
Andhra	32.53
Assam	6.36
Bihar	21.64
Bombay	51.50
Madhya Pradesh	35.90
Madras	45.13
Orissa	7.20
Punjab	34.55
Uttar Pradesh	81.76
West Bengal	34.30
PART B	
Hyderabad	65.36
Madhya Bharat	20.14
Mysore	9.55
P.E.P.S.U.	16.51
Rajasthan	54.33
Suarashtra	10.78
Travancore-Cochin	5.82
Jammu & Kashmir	
PART C	
Ajmer	7.7
Bhopal	8.57
Coorg	0.05
Delhi	8.32
Himachal Pradesh	1.23
Kutch	7.29
Manipur	0.05
Tripura	0.09
Vindhya Pradesh	8.76
OTHER TERRITORIES	
Andamans & Nicobar	
N.E.F.A.	
Pondicherry	
Unallocated amount	9.50
TOTAL	585.00

Statement VII—Gur and Khandasari
(Reference paragraphs 137 and 167)

State	Allocation (Rs. in lakhs)
PART A	
Andhra	42.56
Assam	9.52
Bihar	24.43
Bombay	74.93
Madhya Pradesh	6.23
Madras	41.44
Orissa	15.82
Punjab	57.54
Uttar Pradesh	336.39
West Bengal	12.95
PART B	
Hyderabad	18.20
Madhya Bharat	5.88
Mysore	14.21
P.E.P.S.U.	13.37
Rajasthan	5.39
Suarashtra	4.62
Travancore-Cochin	
Jammu & Kashmir	0.14
PART C	
Ajmer	
Bhopal	
Coorg	0.63
Delhi	
Himachal Pradesh	0.14
Kutch	0.14
Manipur	
Tripura	0.91
Vindhya Pradesh	0.42
OTHER TERRITORIES.	
Andamans & Nicobar	
N.E.F.A.	
Pondicherry	
Unallocated amount	14.00
TOTAL	700.00

Statement VIII—Other Village Industries

(Reference paragraphs 147 and 167)

State	Allocation (Rs. in lakhs)
PART A	
Andhra	62·64
Assam	31·32
Bihar	135·72
Bombay	87·52
Madhya Pradesh	66·64
Madras	97·96
Orissa	52·20
Punjab	35·32
Uttar Pradesh	187·92
West Bengal	66·64
PART B	
Hyderabad	54·20
Madhya Bharat	21·88
Mysore	23·88
P.E.P.S.U.	10·44
Rajasthan	42·00
Saurashtra	10·44
Travancore-Cochin	31·34
Jammu & Kashmir	
PART C	
Ajmer	1·46
Bhopal	2·50
Coorg	0·73
Delhi	1·04
Himachal Pradesh	3·75
Kutch	1·48
Manipur	2·08
Tripura	2·08
Vindhya Pradesh	10·82
OTHER TERRITORIES	
Andamans & Nicobar	
N.E.F.A.	
Pondicherry	
Unallocated amount	21·00
TOTAL	1065·00

Statement IX—Small Scale Industries

(Reference paragraphs 154 and 167)

State	Allocation (Rs. in lakhs)
PART A.	
Andhra	261·82
Assam	74·10
Bihar	225·00
Bombay	375·91
Madhya Pradesh	148·65
Madras	337·72
Orissa	186·83
Punjab	450·00
Uttar Pradesh	450·00
West Bengal	375·90
PART B.	
Hyderabad	186·83
Madhya Bharat	148·65
Mysore	74·10
P.E.P.S.U.	112·27
Rajasthan	112·27
Suarashtra	225·00
Travancore-Cochin	225·00
Jammu & Kahsmir	74·11
PART C.	
Ajmer	37·28
Bhopal	37·28
Coorg	37·27
Delhi	148·65
Himachal Pradesh	37·28
Kutch	37·27
Manipur	37·27
Tripura	37·27
Vindhya Pradesh	37·27
OTHER TERRITORIES.	
Andamans & Nicobar	
N.E.F.A.	
Pondicherry	
Unallocated amount	1009·00
	(including Rs. 1,000 lakhs for In- dustrial Estates).
TOTAL	5500·00

Statement X—Sericulture
(Reference paragraphs 157 and 167)

State	Allocation (Rs. in lakhs)
PART A.	
Andhra	16·00
Assam	104·00
Bihar	
Bombay	4·00
Madhya Pradesh	7·00
Madras	82·00
Orissa	21·00
Punjab:	
Uttar Pradesh	
West Bengal	185·00
PART B.¶	
Hyderabad	
Madhya Bharat	
Mysore	30·00
P.E.P.S.U.	12·00
Rajasthan	7·00
Suarashtra	
Travancore-Cochin	
Jammu & Kashmir	60·00
PART C.	
Ajmer	
Bhopal.	1·00
Coorg	
Delhi	
Himachal Pradesh.	12·00
Kutch	
Manipur	
Tripura	
Vindhya Pradesh	
OTHER TERRITORIES.	
Andamans & Nicobar	
N.E.F.A.	
Pondicherry	
Unallocated amount	27·00
TOTAL	568·00

Statement XI—Coir Industry
(Reference paragraphs 160 and 167)

State	Allocation (Rs. in lakhs)
PART A.	
Andhra	4.00
Assam	
Bihar	
Bombay	4.00
Madhya Pradesh	
Madras	27.00
Orissa	1.00
Punjab	
Uttar Pradesh	
West Bengal	4.00
PART B.	
Hyderabad	
Madhya Bharat	
Mysore	1.00
P.E.P.S.U.	
Rajasthan	
Suarashtra	
Travancore-Cochin	129.00
Jammu & Kashmir	
PART C.	
Ajmer	
Bhopal	
Coorg	
Delhi	
Himachal Pradesh	
Kutch	
Manipur	
Tripura	
Vindhya Pradesh	
OTHER TERRITORIES.	
Andamans & Nicobar	
N.E.F.A.	
Pondicherry	
Unallocated amount	
TOTAL	170.00

Statement XII—General Schemes
(Reference paragraphs 162 and 167)

State	Allocation (Rs. in lakhs)
PART A.	
Andhra	64·11
Assam	18·65
Bihar	39·94
Bombay	56·91
Madhya Pradesh	34·78
Madras	129·95
Orissa	29·74
Punjab	27·74
Uttar Pradesh	94·43
West Bengal	51·10
PART B.	
Hyderabad	34·91
Madhya Bharat	13·73
Mysore	17·28
P.E.P.S.U.	7·61
Rajasthan	17·82
Suarashtra	14·44
Travancore-Cochin	24·25
Jammu & Kashmir	5·72
PART C.	
Ajmer	3·54
Bhopal	2·30
Coorg	1·63
Delhi	6·66
Himachal Pradesh	3·79
Kutch	2·53
Manipur	1·99
Tripura	2·76
Vindhya Pradesh	3·73
OTHER TERRITORIES.	
Andamans and Nicobar	
N.E.F.A.	
Pondicherry	
Unallocated amount	187·96
TOTAL	900·00

2. ESTIMATES OF EMPLOYMENT

168. Firm estimates of employment resulting from the estimated expenditure on village and small scale industries are difficult to work out particularly because of the insufficiency of reliable data and also because the nature of employment opportunities that would arise i.e. whether employment would be part-time, whole-time or seasonal cannot be clearly foreseen or precisely stated. In the case of certain industries such as handicrafts and small scale industries there appears to be no clear and definite basis on which estimates of employment can be framed. The same considerations apply to schemes of administration, research and training. The best that could be done, therefore, was to utilise the available data and to work out the estimates on the basis of certain assumptions. In making the estimates the outlay as a whole including the not easily extricable element of working capital which would be provided in the public sector has been taken into account. The related investment which would be required in the private sector to match the expenditure in the public sector has not been taken into account. An element of approximation in the estimates thus arrived at is inevitable.

169. The method adopted for estimating employment in the case of individual industries or groups of industries is briefly explained below:—

- (i) *Cotton weaving (handloom)*.—16-lakh handlooms taken as active are assumed to be working on the average for only about 140 to 150 days in the year. Some of the 4 lakh idle looms are assumed to be working for only a few days in the year. The Textile Enquiry Committee has mentioned that 1.25 persons may on the average be taken as engaged on one loom. When 20 lakh looms which on the average are worked at present only half the time are brought into full use, fuller employment will be created for 25 lakh persons.
- (ii) *Silk weaving and wool weaving (handloom)*.—Taking the number of silk handlooms as 2 lakhs and of wool handlooms as 80,000, the same assumptions as in (i) above have been made.
- (iii) *Wool spinning and weaving (khadi)*.—As the wool handlooms more fully worked are included in the figure of 80,000 already taken into account, no further employment for weavers is estimated to arise. Employment is estimated to arise for willowers, carders and spinners and Khadi Board's estimate has been adopted. It may be mostly part-time employment.
- (iv) *Decentralised cotton spinning and khadi*.—The future shape of decentralised cotton spinning is not known. Estimates had, therefore, to be framed on the basis of the other alternatives, viz., khadi programme, going through. Khadi production is estimated to increase by 20 million yards. Requirements of yarn for this are taken as 5 million lbs. Yarn output on ordinary charkha according to Khadi Board is not more than 3½ hanks

per day of 8 hours or 3/20 lb. (16 hanks=3/4 lb.). For 300 days it will be 45 lbs. For providing 5 million lbs. of yarn, part time employment may be provided to about 2 to 3 lakhs spinners.

- (v) *Handpounding of rice*.—An additional 6.6 million tons of paddy (4.4 million tons of rice) have to be handpounded. Taking the average output of improved dhenkis to be introduced as 4 to 5 maunds per day for the season of 150 days in the year, about 10-12 tons will be the output for two persons i.e. 5 to 6 tons per person. Seasonal employment is thus estimated to arise for about one million persons.
- (vi) *Vegetable Oil*.—The sum total of various measures recommended by the Committee is assumed to lead to stabilisation of ghani industry and somewhat fuller employment for 1,50,000 oilmen, plying traditional ghanis and fuller and more remunerative employment to about 50,000 persons plying improved ghanis.
- (vii) *Leather footwear and tanning (village)*.—On the basis of Khadi Board's programme, employment is estimated to arise for 38,000 persons.
- (viii) *Gur and Khandsari*.—In this industry benefits of expenditure are expected to accrue generally in the form of better quality of the product and lower cost but no sizable increase in production or employment.
- (ix) *Match industry*.—On the basis of Khadi Board's programme for the development of the industry, the figures of employment for an expenditure of Rs. 1 crore have been worked out.
- (x) *Other Village industries*.—Outlay-employment ratios worked out from the Khadi Board's estimates are as follows:—
 Handmade paper—1100:1
 Soap—450:1
 Bee keeping—460:1
 Palm gur—600:1
 Taking an average of 800:1, fuller employment for 1,40,000 persons is estimated to be created.
- (xi) *Small scale Industries and Handicrafts*.—An analysis was made of expenditure—employment ratios on the basis of data contained in the recent surveys of Small scale industries in Calcutta, Delhi and Aligarh and also in the schemes proposed by the State Governments for the second five year plan. Ratios were found to vary widely from industry to industry. A ratio 3,000:1 was picked out as representing the entire gamut of these industries and applied to the outlay of Rs. 45 crores (including Rs. 5 crores from Central expenditure on hire-purchase of machinery) for production and service schemes. Employment resulting from Central expenditure of Rs. 5 crores on Small Industries Institute etc.

is estimated at 10,000 persons. It may be noted here that expenditure of Rs. 45 crores is only from the public sector and if, as may be assumed, matching expenditure is found in the private sector, employment may be somewhat higher. For the handicrafts, in the absence of anything better, outlay—employment ratio of 3,000:1 has been assumed.

(xii) *Sericulture*.—Employment is estimated to be created for 60,000 persons.

(xiii) *Coir*.—On the basis of Coir Board's estimate, employment will be created for about 25,000 persons.

(xiv) *General schemes*.—On the basis of outlay-employment ratio of 10,000:1, employment from an expenditure of Rs. 15 crores is estimated to arise for 15,000 persons.

170. The estimated volume and nature of employment resulting from the proposed expenditure are shown in the statement below:—

ESTIMATED EMPLOYMENT

Industry	Estimated expenditure as per allocation (Rs. lakhs)	Volume of employment (Number of persons)	Nature of additional employment
1. Cotton weaving (handloom)	8,000	25 lakhs	Fuller
2. Silk weaving (handloom)	500	2.5 lakhs	Fuller
3. Wool weaving (handloom)	300	1 lakh	Fuller
4. Wool spinning and weaving (khadi)	220	30,000	Part time.
5. Decentralised cotton spinning and khadi.	2,300	2 to 3 lakh spinners.	Part time.
6. Handpounding of rice	826	10 lakhs	Seasonal
7. Vegetable oil (ghani)	1,300	150,000 oilmen plying traditional ghani. 50,000 oilmen plying improved ghani.	Fuller and more remunerative.
8. Leather footwear and tanning (village) .	615	38,000	Fuller
9. Gur and khandsari	800	*	
10. Cottage match	100	10,000 100,000	Whole time Part time.
11. Other village industries	1,100	140,000	Whole time
12. Handicrafts	1,100	36,000	Whole time
13. Small scale industries	6,500	160,000	Whole time
14. Sericulture	600	60,000	Whole time
15. Coir spinning and weaving	200	25,000	Whole time
16. General schemes e.g., administration research etc.	1,500	15,000	Whole time.
		259,61	

*Expenditure on this industry is expected to lead to improvement of quality and reduction of costs. Additional employment created would be relatively small and unimportant.

CHAPTER VIII

PATTERN OF ORGANISATION

171. The whole field of village and small scale industries is now covered by six all-India Boards, viz. Coir, Small-scale Industries, Handloom, Silk, Handicrafts and Khadi and Village Industries. Of these the last three are under the Production Ministry, and the rest are under the Ministry of Commerce and Industry. Two of them, namely, Silk and Coir are statutory Boards. On the whole, experience shows that the existence of these Boards has been helpful in focussing attention on the problems of particular industries and in supplying an agency for framing and executing suitable policies of assistance. It is true that some clear cases of overlapping emerge among almost all of them, leading occasionally to some aspect being neglected by all, but more often to one and the same item being attempted by more than one Board. Steps should be taken to avoid such overlapping and lacunae. But the positive advantage of having the six Boards as at present is so obvious that no immediate step towards amalgamation or redistribution of any of them can be suggested.

172. Co-ordination of functions, policy and finance must, however, be brought about without any further loss of time. The first step which is clearly called for is to put all these Boards under one and the same central Ministry. The inherent importance of the fields covered, and the growing significance of this sector of the economy in the national plan would easily justify the setting up of a separate Ministry. As is made clear in our report there is an internal unity of policy in regard to the whole field of industry, large-scale as well as small-scale, which necessitates the securing at the earliest possible stage of a complete integration of industrial policy. We feel, however, that as yet the field to be covered by the decentralised units of industry has to secure for itself that whole-hearted recognition which is now readily accorded to the field of large-scale industry. For this reason we recommend that for some time to come the Ministry dealing with small-scale and village industries should be a separate Ministry with cabinet rank, and that co-ordination in industrial policy of the Union Government should be brought about through an appropriate Committee of the Cabinet. It may be that when the common industrial policy affecting all sectors of industry comes to be more specifically worked out and more generally supported some other form of co-ordination at the Ministries' level may be thought of. This is not, however, the unanimous view of the Committee as one of the Members of the Committee (Shri Govindan Nair) is of the view that in order to ensure a common approach and effective co-ordination between the large-scale and small-scale sectors, it is essential that even from the beginning both these sectors should be the responsibility of the same Ministry. Another Member (Shri Nanjappa, Textile Commis-

sioner) is of the view that at least the subject of textiles inclusive of all sectors (mill, powerloom and handloom) should be under one Minister.

173. But whether the Minister for Small-Scale and Village Industries acts independently or is a part of a bigger Ministry he should have the assistance of a wholetime Secretary attending to the decentralised sector as a whole. The six Boards which will be the concern of the Minister and the Secretary should themselves have a co-ordinating committee consisting of Chairmen of all the Boards and presided over by the Minister in charge. It would be for this Committee to ensure that effective co-ordination of policy, finance and administration is secured over the entire field allotted to the Boards.

174. As at the Centre, in the States also all the functions which pertain to any of the six Boards should be looked after by one and the same Minister. It is equally important that this Minister should be the same as is responsible for Co-operation. We also attach great importance to the same Secretary dealing with the connected problems of village and small-scale industries and co-operation. The bulk of the programme in the decentralised sector will have to be executed through co-operative bodies. At all stages of the developmental programme the co-operative as well as the technical or business aspects will have to be jointly considered. This will not be achieved with the requisite speed and efficiency if the spheres of co-operation and village and small-scale industry fall in the portfolios of two separate Ministers.

175. To ensure the necessary integration of planning on the administrative level it is important to have a self-contained department in the States looking after all the problems of village and small-scale industries. The head of this department should have a status of no lesser importance than that of the head of any other department of State Government. Appropriate powers under all the relevant Acts which bear on the regular and routine functioning of the department should be conferred on the head of this department. A certain duplication of role is at the highest level unavoidable, but the practice of comparatively junior officers of department e.g., Deputies having dual functions supervised by senior officers of more than one department should be avoided. An officer of the highest departmental status should be in effective control of all the aspects of making and working out of the integrated programme for small-scale and village industries.

176. According to the pattern of administration prevailing in each State individual variations in organization and nomenclature appear to be natural and inevitable. But for the success of the integrated programme on which so much depends it is essential that in each District there should be at least one wholetime officer looking after the administrative and organizational functions connected with this sector. It is presumed, of course, that for technical aspects of the programmes of several industries qualified officers will be maintained by the State as well as the Central Governments. To administration and to training we attach the greatest possible importance. Considerable strengthening of the staffs of the

departments concerned and adequate training at the various levels are essential for the success of the programme. We have, therefore, suggested adequate provision of funds for these items. Any undue economy attempted on these heads will lower the chances of success of the whole plan. The essential staffing will include the Block Level Officer for Small-Scale and Village Industries who is now sanctioned for the pilot industrial projects, and who will, we assume, be part of all block level personnel as soon as the programme is extended to them. It is for the Union and State Governments to decide how the several functions, technical as well as organizational, should be distributed among the normal departments and Ministries on the one hand, and special organizations, e.g., the Community Projects Administration at the centre, and the Extension Administration in the States, on the other. We assume, however, that wherever a function connected with the implementation of the programme for small-scale and village industries is transferred to any of these special organizations or is undertaken by a Central or State Ministry other than the Ministry dealing with the subject of village and small industries in prior consultation with the latter, an appropriate portion of the financial provision for the same will also be transferred along with it.

177. The six all-India Boards had their origin in circumstances peculiar to each, and hence in their organization as well as functions they show some peculiarities of their own. The Coir and the Silk Boards are Statutory bodies who execute directly research and servicing schemes within the framework of policies laid down by Government. Actual production programmes are, however, the responsibility of State Governments. In effect, therefore, they are in line with the other Boards except the Khadi and Village Industries Board. All these five with again one exception *viz.* the Handicrafts Board, have officials as Chairmen, and all their decisions are implemented through either the State or the Central Governments. The actual working out of the detailed plans of several of these e.g., the Handloom Board, or the Small-Scale Industries Board is also done in some respects through registered bodies, co-operative or other. Wherever institutions of training or some central servicing by way of research or experimental working is necessary, institutions operating directly under the control of the Board concerned have been set up. By and large, this arrangement has been found to be satisfactory, though there is need to ensure that all-India Boards and institutions operate in States through local organizations so as to ensure the maximum possible economy of resources and unity of policy. The present arrangement has ensured an effective opportunity for persons specially interested in an industry or group of industries to influence policy, planning and administration, without encroaching in any way on the normal constitutional and administrative processes of the Central and State Governments. In their present form these Boards have enough powers to discharge their appropriate functions. While giving adequate opportunities for non-official workers to influence the course of policy, they have effectively oriented normal official action in the desired direction.

178. In its origin, as also in its working to date, the Khadi and Village Industries Board has also been an advisory body, whose

executive acts are technically performed as an organ of the Central Government. The circumstances in which this Board came into being were, however, peculiar. The role of traditional village industries in a scheme of planned economic development of the country has been a subject of discussion for some time. Latterly ideas on this subject are getting more and more defined, as the circumstances leading to the appointment of this very Committee indicate. But at the time when the First Five Year Plan was prepared, there appeared to be a strong feeling among certain non-official workers that the Village Industries would not secure a sufficiently enthusiastic and whole-hearted support and direction unless more than merely advisory functions were specifically entrusted to the Board to be created for them. The First Five Year Plan recommended that the Village Industries Board should be in charge of the programmes made by them. As far as its own working is concerned, it does not seem that any insurmountable difficulty has been caused by its having to carry on its advisory as well as executive and business functions as on behalf of the Government of India. But the large scale financial and administrative functions discharged by it could not be suitably fitted into normal administrative and constitutional set up. While it was possible to overcome many of the administrative difficulties by establishing an understanding between the Board and the Union Ministry concerned, it was considered that the earliest possible steps should be taken either to conform completely to the normal financial provisions and procedures for execution of schemes through the normal administrative machinery or the status of a statutory authority should be conferred on the Board. After some deliberation this latter course has been adopted and a Bill for constituting the statutory Commission has been introduced in the Parliament. Most of the States have already set up statutory bodies for the promotion of Khadi and village industries, some with official and some with non-official Chairmen and Secretaries.

179. While the somewhat special character of the circumstances in which each of these Boards was set up must be recognized, we feel that the time has come to consider the proper type of organization for implementing a regular and normal programme for village and small scale industries. Such a programme would be so much a part of the normal activities of planning, finance and administration of the Central as well as State Governments that it cannot either with constitutional propriety or operational efficiency be disassociated from the regular plan administration for long. Before the process of conferring a statutory status on this and similar Boards is further extended it is desirable to give fresh consideration to the whole question.

Acknowledgments

180. We wish to express our thanks to Ministries of the Central Government, All India Boards, State Governments, Community Project Administration, and organisations, associations and individuals who responded to our invitation for a discussion and supplied us with very useful information.

We would like to place on record our high appreciation of the services of the Secretary, Dr. D. K. Malhotra. His contribution to

the work of the Committee in the administrative as well as technical spheres has been most valuable. Other officers and staff of the Committee, especially Shri S. E. Joseph, Senior Research Officer, Shri P. N. Dhar, Research Officer and Shri Prem Kapur, Section Officer, have also been of great assistance.

D. G. KARVE,
Chairman.

D. R. GADGIL,
VAIKUNTH L. MEHTA,
P. GOVINDAN NAIR,
Members.

V. NANJAPPA,
Alternate Member.

D. K. MALHOTRA,
Secretary.

Bombay,

Dated 8th October, 1955.

Appendix I
(Reference paragraph 5)
PLANNING COMMISSION
Resolution

New Delhi, the 28th June, 1955

No. FYII/CDI/23/55.—The National Development Council at its meeting held on May 6, 1955 recommended that the measures needed for the organisation of village and small scale industries on an adequate scale in connection with the Second Five Year Plan should be taken in hand immediately. In pursuance of this recommendation, a Committee consisting of the following gentlemen has been appointed to prepare in the light of the provision made in the draft plan frame for village and small scale industries and in the light of the recommendations made in the memorandum submitted by the Panel of Economists, a scheme industry-wise, and wherever possible State-wise, for the utilisation of the resources to be earmarked for the purpose of development of these industries as an interegral part of the Second Five-Year Plan :—

1. Prof. D. G. Karve (Chairman).
2. Prof. D. R. Gadgil,
3. Shri V. L. Mehta,
4. Shri P. Govindan Nair, and
5. Shri V. Nanjappa—alternate member.

Dr. D. K. Malhotra, Deputy Secretary, Planning Commission, will be the Secretary of the Committee.

2. The Committee should frame its scheme with special reference to the following objectives :—

- (1) that the bulk of the increased production during the Plan period of consumer goods in common demand has to be provided by the village and small-scale industries;
- (2) that employment provided by these industries should progressively increase; and
- (3) that production and marketing in these industries is organised, in the main, on co-operative lines.

3. The Committee, which commenced work from the 10th June, 1955, will submit an outline of all its recommendations before the end of September, 1955.

Order

Ordered that a copy of the Resolution be published in the Gazette of India and communicated to all concerned.

(Sd.) V. S. HEJMADI,
Secretary, Planning Commission.

Appendix II

(Reference paragraph 6)

Central Ministries, All-India Boards, State Governments and other associations, bodies and individuals with whom discussions were held.

<i>Central Ministries</i>	<i>Date of discussion.</i>
1. Ministry of Production	August 12, 1955.
2. Ministry of Food & Agriculture :	
(i) Oil crushing industry	August 12, 1955.
(ii) Gur and Khandsari	" "
(iii) Rice milling	" "
3. Ministry of Education	August 13, 1955.
4. Ministry of Irrigation & Power	" "
 <i>All India Boards</i>	
1. Handloom Board	July, 27, 1955.
2. Central Silk Board	July 27, 1955.
3. Coir Board	July 28, 1955.
4. Small Scale Industries Board	July 29, 1955.
5. Khadi & Village Industries Board	July 30, 1955.
6. Handicrafts Board	August 13 1955.
<i>Community Projects Administration</i>	August 22, 1955.
 <i>State Governments.</i>	
1. Bombay	July 27, 1955.
2. Madras	July 38, 1955.
3. West Bengal	July 29, 1955.
4. Mysore	" "
5. Uttar Pradesh	" "
6. Saurashtra	August 10, 1955.
7. Bihar	" "
8. Orissa	" "
9. Assam	" "
10. Rajasthan	" "
11. Madhya Pradesh	August 11, 1955.
12. Hyderabad	" "
13. Andhra	" "
14. Puniab	August 13, 1955.
15. Madhya Bharat	August 23, 1955.
16. Travancore-Cochin	September 1, 1955
 <i>Organisations, Associations and Individuals</i>	
1. All-India Manufacturers' Organization	July 18, 1955.
2. Powerloom Weaver's Association	July 28, 1955.
3. Industrial Adviser to Textile Commissioner, Bombay	August 12, 1955.
4. Bombay Electricity Board	August 23, 1955.
5. Bombay State Financial Corporation	September 5, 1955.
6. Shri A. W. Sahasrabudhe	September 1, 1955.
7. Dr. Eugene Staley	September 28, 1955.