

# RESERVE BANK OF INDIA BULLETIN

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## INTRODUCTION

The Committee set up by the Reserve Bank of India in October 1970, under the Chairmanship of Shri V. D. Thakkar to review the special credit schemes of the commercial banks had expressed its concern at the delay in the settlement of bills of small entrepreneurs by large industries. The Reserve Bank of India, accordingly constituted in April 1971 a Committee to examine this problem and to make suitable recommendations which would ensure a speedy settlement of claims of small industrial units. The Committee has made a study of the problem on the basis of data and other material furnished by the institutions and agencies concerned *i.e.* the large scale industries, both in the private and public sector, small-scale industries as well as the banks. The Committee also extended the scope of the enquiry to cover the delay in payment of bills to small entrepreneurs by Government Departments/public sector undertakings.

The Committee has made a number of useful and practical suggestions for minimising the delay in the payment of bills of small industries. They deserve to be carefully studied by all those interested in the development of small-scale industries. It is hoped that the institutions and agencies concerned would take early steps to implement the various recommendations of the Committee, thereby removing one of the bottlenecks in the growth of small industrial enterprises in our country.

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*Deputy Governor*

RESERVE BANK OF INDIA  
INDUSTRIAL FINANCE DEPARTMENT  
CENTRAL OFFICE  
BOMBAY.

April 26, 1972

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## CHAPTER I

## INTRODUCTION

The Reserve Bank of India had set up in October 1970, a Committee under the Chairmanship of Shri V. D. Thakkar to review the working of special credit schemes of commercial banks, with particular reference to their employment potential. The Committee had, *inter alia*, recommended that early steps should be taken to ensure the regular and prompt settlement by large and medium industries of the claims of small entrepreneurs arising from the supplies made to them. Since immediate liquidation of the present substantial outstanding debts of large industries to small enterprises would result in financial strain to many units, the Committee had suggested a phased programme for liquidation of such debt. Accordingly, the Reserve Bank of India constituted in April 1971 the present Committee "to study the problem of payment of bills by large and medium industries to small enterprises and entrepreneurs in respect of supplies made to them and to work out suitable arrangements so as to ensure speedy settlement of claims." The composition of the Committee is as follows :

**Terms of reference and composition of the Committee**

1. Shri K. N. R. Ramanujam, Chairman  
Chief Officer,  
Industrial Finance Department,  
(Since Chief Accountant),  
Reserve Bank of India,  
Bombay.
2. Shri J. N. Mehta, Member  
Senior Assistant General  
Manager,  
Bank of India,  
Bombay.
3. Shri D. P. Sarin, "  
Deputy General Manager,  
United Commercial Bank,  
Calcutta.

4. Shri C. E. Kamath, Member  
Deputy General Manager,  
Canara Bank,  
Bangalore.
5. Shri S. P. Sen Gupta, "  
Chief Officer (Operations),  
State Bank of India,  
Bombay.
6. Shri M. S. Parthasarathy, "  
Vice-President, (Since President),  
Federation of Associations of  
Small Industries of India,  
Madras.
7. Shri B. M. Chopra, "  
Chief Accountant, (Since  
Financial Controller),  
Mahindra & Mahindra Ltd.,  
Bombay.

Shri D. G. Borkar, Assistant Chief Officer, Industrial Finance Department and Shri M. L. Inasu, Assistant Chief Officer, Department of Banking Operations and Development, Reserve Bank of India, assisted the Committee as Secretaries.

Shri D. P. Sarin who had since resigned from the United Commercial Bank, expressed his inability to continue to serve on the Committee. In his place, Shri S. K. Relan, Controller of Accounts, Rajasthan State Electricity Board, Jaipur was nominated on the Committee in August 1971.

2. The Committee held in all five meetings. The first meeting was held in Bombay on May 11, and the second meeting at Bangalore on July 23, 1971. The subsequent three meetings were held in Bombay on October 28, 1971, January 11 and February 11, 1972.

**Meetings of the Committee**

3. The Committee, after an examination of the problem referred to it, was of the opinion that the delay in payment of bills by Government Departments/public sector undertakings to small enterprises and entrepreneurs had equally an important bearing on them. The Committee, therefore, decided to extend the scope of its enquiry to cover the delay in payment of bills by the Government Departments/public sector undertakings. The schedules prepared for obtaining the relevant data from and eliciting the views of (a) small-scale industries/ancillaries, (b) large and medium industries and (c) scheduled commercial banks (*vide* Appendices I, II and III) were sent in May 1971 to (i) the Directors of Industries in the various States, requesting them to arrange to get the schedules duly filled in by the small-scale industries in the respective States (ii) about 1,500 medium and large companies covered by the Study of Company Finances conducted by the Reserve Bank of India and (iii) scheduled commercial banks. The various associations of industries and trade were also requested to submit memoranda on the various aspects of the problem under study.

4. So far as the schedule for the small-scale industries was concerned, apart from approaching the State Directorate of Industries and soliciting the co-operation of the Federation of Associations of Small Industries, the Reserve Bank of India had deputed field investigators to cover about 750 units located in 15 important industrial centres with a view to assisting the small industrial units in completing the original questionnaire which was somewhat detailed in scope and coverage. It was observed that even after a lapse of about two months the response to the questionnaire from small-scale industrial units was poor. It was, therefore, decided to revise the schedule (*vide* Appendix IV) calling for minimum possible data from the units. The number of

functioning small-scale industrial units based on registration by them with the Directorates of Industries in various States may be estimated at about 2 lakhs,\* of which about 1 lakh are financed by banks. Since it would be difficult to contact individually the numerically large number of units, it was decided to seek the co-operation of the State Bank of India and other major scheduled commercial banks in obtaining data from the units financed by them at about 125 intensive centres which are estimated to number at least 40,000. Arrangements also were made to publish the original as well as the revised schedules in the Bulletin issued by the Federation of Associations of Small Industries of India. Even so, at the end of October 1971, the response proved to be far from satisfactory. The major banks were, therefore, requested to approach the non-responding units with a simpler proforma on which the latter were required to express their opinion on the magnitude of delayed payments by medium and large industries/Government Departments/public sector undertakings (*vide* Appendix V). If in their opinion, the magnitude of the problem was widespread, they were requested to furnish the relevant data in the prescribed questionnaire.

5. The response to the schedule from medium and large industries was equally poor and with a view to evoking better response from them, the period for the submission of the schedule was extended from time to time.

6. The conclusions reached by the Committee and the recommendations made by it are based on such response as the Committee received from the small and large scale units and the banks.

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\* The figure may not be deemed as precise, as while on the one hand units which had ceased to function do not intimate to the Directorates, quite a few functioning units do not register with the Directorates. Further in terms of size, or possession of plant and equipment a large-number, being too small, may have to be excluded from this figure. -

## CHAPTER II

## NATURE AND MAGNITUDE OF THE PROBLEM

7. As indicated earlier, we are constrained to state that despite the best of efforts of the Committee, the response to the schedules, both from small-scale industrial units as well as medium and large industries, was far from satisfactory. By end January 1972, *i.e.*, eight months after the questionnaires were issued, we had received replies from only 1656 small-scale industrial units, of which 445 units had reported on the original questionnaire. Notwithstanding the simple questionnaire calling for only aggregate data, a large number of units had not been adequately responsive. This poor response from small-scale industries may be attributed partly to general apathy, partly to apprehension (perhaps not justified) that they would cause displeasure to the major industrial units to which they had supplied components and spare parts and partly to reluctance to disclose information on their operations.

8. The returns received by us from 408 branches of banks revealed that about 15 per cent of the units financed by them had sold their products to medium and large industries/Government Departments/public sector undertakings (*vide* Table-1 below).

The number of functioning small-scale industrial units/ancillaries in the organised sector is generally placed around 2 lakhs. Therefore, the number of units selling their products

wholly/partly to medium and large industries/Government Departments/public sector undertakings would be 30,000-35,000. A corroboration to this figure is provided by the fact that the number of small-scale units enrolled by the National Small Industries Corporation Ltd. (NSIC) for Government purchase programme is nearly 20,000 while according to the data furnished to us by the office of the Development Commissioner (Small-Scale Industries), the number of ancillary units is about 10,000. There would of course, be some overlapping as between these two categories of buyers ; on the other hand, not all the units supplying stores to Government Departments would have been registered with the NSIC. Assuming that there are around 30,000 units selling their products to medium and large industries/Government Departments/public sector undertakings, the number of returns received by us (1656) would account for 5.5 per cent of the total units. The sample though too small to lend itself to a firm conclusion, indicates that the problem does exist and that it is acute enough at least in respect of the responding units.

9. As regards medium and large industrial units, out of 1500 companies addressed, 79 companies had advised us that they were not industrial units, while 11 companies had reported that their units were not functioning at present ; 74 companies reported that they had either no dealings with or very negligible pur-

TABLE 1

No. of branches of banks which had furnished data	No. of small-scale industrial/ ancillary units financed by them	No. of units which had sold their products to medium and large industries/Government Departments/public sector undertakings during 1969-70	Col. (3) as % to Col. (2)
1	2	3	4
408	5312	818	15.4

chases from small-scale industries ; 43 companies had stated that they were promptly settling the bills and in view of the difficulties in compiling the data required, they were not submitting the schedules. Of the remaining 1293 companies, 194 companies had submitted the schedules of which 167 were found to be generally in order. This sample is again small but apparently it confirms the existence of the problem, even though it is likely that companies which had been relatively prompt in settling the claims of the suppliers in the small industrial sector were more responsive to the questionnaire.

10. Owing to lack of uniformity in the coverage of data in the original schedule and the revised return prescribed for obtaining data from small-scale industries, a separate analysis has been made of the data based on these two returns.

**Time-lag in receipt of payments from medium and large industries**

11. Out of 445 small-scale units which reported to us on the original questionnaire, 272 units had, during 1969-70, sold their products wholly/partially to medium and large industries. It will be seen from Table-2 below that of the total receipts on account of credit sales by these units to medium and large industries, about two-thirds of the amount was received after the due date.\* Nearly 46 per cent of the amount was received with a delay of up to 3 months after due date, 13 per cent with a delay of 3 to 6 months, about 3 per cent with a delay of 6 to 12 months and the balance of 1 per cent with a delay of over one year.

TABLE 2

Receipt of payment	(Rs. in lakhs)	
	Amount received Rs.	% to total receipts
(a) On due date .. .. .	4,72	37.3
(b) With delay :		
(i) up to 3 months .. .. .	5,80	45.8
(ii) 3 to 6 months .. .. .	1,68	13.3
(iii) 6 to 12 months .. .. .	32	2.5
(iv) beyond 12 months .. .. .	13	1.1
Total : .. .. .	12,65	100.0

\* As per sale contract with the seller ; where no such contract has been entered into, the date on which the amount is due to the seller as per the normal period of credit according to the trade practice.

12. 83 per cent of the payments were received either on due dates or with a delay of up to 3 months. In the case of units engaged in sale of machine tools and instruments and units selling electric/diesel motors and pump-sets, more than three-fourths of the amount was received after due dates reflecting to some extent the impact of recession. The units mostly affected were those in the printing line where 56 per cent of the amount was received with a delay beyond 3 months as also units engaged in sale of machine tools where nearly 30 per cent of the amount was received with a delay beyond 3 months ; the latter group had received 10 per cent of the payments with a delay beyond 6 months. (Statement-I).

13. Unit-wise analysis of the data showed that of the 272 units which had sold either wholly or partially to medium and large industries, only 22 units or 8 per cent had received their entire payments on due dates. In most of these instances, the amount involved was small being less than Rs. 25,000. It was noted that for 6 units, the entire amount due was delayed for a period beyond 3 months and the amounts involved were large, ranging from Rs. 1.4 lakhs to Rs. 4.3 lakhs. Further, out of 26 units which were selling their products exclusively to medium and large industries, as many as 21 units had not received their payments on due dates.

14. An analysis of the data on sundry debtors arising from credit sales to medium and large industries as on the latest accounting date furnished by 1211 units in the revised questionnaire showed that nearly two-fifths of the debt was more than 3 months old (*vide* Table-3 below).

TABLE 3 AGE-WISE CLASSIFICATION OF SUNDRY DEBTORS

Sundry debtors	(Rs. in lakhs)	
	Rs.	% to total
Upto 3 months old .. .. .	9,07	63.7
3 to 6 months old .. .. .	3,37	23.7
More than 6 months old .. .. .	1,79	12.6
Total : .. .. .	14,23	100.0



15. It was observed that in respect of units engaged in the manufacture of electric/diesel motors and pumpsets, over 50 per cent of their sundry debt was more than 3 months old and over 20 per cent more than 6 months old (Statement-II).

16. Of the 938 units which had sold their products wholly or partially to medium and large industries, in respect of as many as 519 or 55 per cent of the units, a part of the sundry debt was more than 3 months old. For 50 units (5 per cent), the entire amount of sundry debt was more than 3 months old and for 20 units (2 per cent), more than six months old (Statement II-A). In all these instances, the amount of book debts involved was above Rs. 1 lakh. Out of 314 units which had sold their products exclusively to medium and large industries, a part of the sundry debts of as many as 273 units was more than 3 months old.

17. The schedule drawn up for medium and large industries was intended to serve, *inter alia*, as a counter-check to the replies received from small-scale industries regarding the magnitude and extent of delay in payment of bills to the latter. Only 150 companies had furnished to us data regarding sundry creditors on account of purchases from small-scale industries with a break-up covering the delay in payments (Statement-III). The total sundry credits of these units stemming from purchases from small-scale industries amounted to Rs. 5.6 crores of which delayed payment of Rs. 83 lakhs accounted for 15 per cent. Of Rs. 83 lakhs, three-fourths comprised delayed payments up to 3 months after due date and about one-fifth, delayed payments of 3 to 6 months.

18. Unit-wise, out of 167 companies for which data were available, as many as 62 units or 37 per cent had delayed the payments to small-scale industries. Of these 62 companies, 26 companies had delayed the payments beyond 6 months. More than half the amount of delayed payments was on account of engineering industry.

19. Thus, in all, out of 1210 units\* which had supplied their goods to medium and large

\* Taking into account units which have reported in the original as well as the revised schedules.

industries, as many as 769 units or 64 per cent had received payments from their buyers entailing a fair measure of delay. However, we take note of the fact that, by and large, those industrial units which had no problem of delayed payments had not sent us the return and in the later stage of our enquiry, were not required to do so. Even allowing for this factor, it appears that more than half the number of small-scale industrial units supplying their products to medium and large industries face the problem of delayed payments from their buyers. This inference is also borne out by the data furnished by 408 branches of banks indicating that three-fifths of the units had stated that the problem of delayed payment was widespread.

20. To sum up, the number of small industrial units supplying goods to medium and large industries/Government Departments/public sector undertakings would seem to account for about one-sixth of the total number of estimated functioning units in the small-scale sector. At the same time, notwithstanding the inadequacy of data it appears that within this sector, which in fact falls within the scope of our enquiry, the problem of delayed payments relates to a major segment.

21. We now turn to the analysis of data on receipt of payments from Government Departments/public sector undertakings for sales made by small-scale industrial units (Statement-IV). Unlike in respect of private trade, there is no definite date for payment for sales to Government Departments/public sector undertakings. No credit is involved in these sales inasmuch as according to the procedure laid down, an 'initial payment' (90 per cent or more) is required to be made after submission of inspection note and proof of despatch of goods, (such as, railway receipt) and the 'balance payment' (10 per cent or less) is required to be made after the receipt and acceptance of material.

22. Out of 445 small-scale units which reported to us on the original questionnaire, 286 units had sold, during 1969-70, their products wholly/partially to Government Departments/public sector undertakings. The pat-

tern of receipt of payments from Government Departments/public sector undertakings was broadly the same as was witnessed in respect of medium and large industries (*vide* Table-4 below).

TABLE-4

		(Rs. in lakhs)	
Receipt of payment		Amount received Rs.	% to total receipt
(a) Without delay	.. ..	3,06	35.5
(b) with delay			
(i) upto 3 months	.. ..	3,85	44.7
(ii) 3 to 6 months	.. ..	1,06	12.3
(iii) 6 to 12 months	.. ..	35	4.1
(iv) beyond 12 months	.. ..	30	3.4
Total :	.. ..	8,62	100.0

About two-thirds of the amount due was delayed ; nearly 45 per cent of the amount was received with a delay up to 3 months and 3 per cent with a delay beyond 1 year. The units engaged in the manufacture of electrical goods and chemical and pharmaceutical goods seemed to be the worst affected, inasmuch as receipt of nearly four-fifths of the amount of the former and three-fourths of the amount of the latter were delayed.

23. Of the total receipts on account of 'initial payment' at Rs. 7 crores, over two-fifths was received without delay and about half with a delay up to 3 months ; that is to say, nearly 90 per cent of the amount was received either without delay or with a delay up to 3 months. On the other hand, hardly 8 per cent of the 'balance payment' was received without delay and as much as 35 per cent of the amount with a delay up to 3 months. For units engaged in the manufacture of machine tools and instruments and iron, steel and metal products, about 20 per cent and 30 per cent respectively of the 'balance payment' were received with a delay of more than one year.

24. Data furnished by 1211 units in the revised questionnaire on sundry debtors on account of sales to Government Departments/public sector undertakings showed that 38 per cent of the debt was more than 3 months old and 16 per cent more than 6 months old (*vide* Table-5.)

TABLE-5 AGE-WISE CLASSIFICATION OF SUNDRY DEBTORS.

		(Rs. in lakhs)	
Sundry debtors		Rs.	% to total
Upto 3 months old	.. ..	3,94	62.4
3 to 6 months old	.. ..	1,38	21.8
More than 6 months old	.. ..	1,00	15.8
Total :	.. ..	6,32	100.0

It was observed that in the case of units engaged in the manufacture of electric/diesel motors and pumpsets as much as 85 per cent of the book debts were more than 3 months old and nearly 20 per cent more than 6 months old, while for units engaged in the manufacture of machine tools, iron and steel and auto spare parts more than 40 per cent of the debts were more than 3 months old and for the first two groups of industries more than one-fifth of the debts were more than 6 months old (Statement-V).

25. Only 30 per cent of the debts on account of 'initial payment' were more than 3 months old while the proportion was as high as 51 per cent in respect of 'balance payment' (*vide* Table-6 below).

TABLE 6

		(Rs. in lakhs)			
		Sundry debtors on account of			
		Initial payment Rs.	% to total	Balance payment Rs.	% to total
Upto 3 months old		2,85	70	1,09	49
3 to 6 months old		80	19	58	26
More than 6 months old	.. ..	45	11	55	25
Total	.. ..	4,10	100	2,22	100

26. An analysis of the unit-wise data showed that of the 550 units which had sold their output either wholly or partially to Government Departments/public sector undertakings, for half of the units (275), a part of the amount of sundry debts was more than 3 months old and for 140 units, more than 6 months old. For 69 units, the entire amount of sundry debts was more than 3 months old and for 20 units more than 6 months old, although the amount outstanding in several cases was less than Rs. 25,000. It was observed that in respect of 43 units which had sold their products exclusively to Government Departments/public sector undertakings, the entire amount of sundry debt was more than 3 months old.

27. Although, we had, in the original schedule, requested the units to furnish separately data on receipt of payments from the Central Government, State Governments, public sector undertakings, etc., some of them furnished to us the data without any such break-up. The available data in this respect indicate that the extent of delay on the part of the State Governments and public sector undertakings in making payment to small-scale industries is relatively greater than that on the part of Central Government Departments (*vide* Table-7 below).

In fact, the data furnished to us by the Director General of Supplies & Disposals (D.G.S. & D) in respect of bills received by them during the period April 1971 to September 1971, showed that as much as 83 per cent of the bills were disposed of within 20 days. Since only about one-third of the total purchases by Government is made through D.G.S. & D., it appears that the delay was mainly confined to purchases directly made by the Central Government Departments. Even within the Central Government Departments, a sample scrutiny of bills on the books of the Northern Railway revealed that the usual time-lag between the date of receipt of the bills and payment thereof was 7 to 15 days.

28. However, the broad conclusion emerging from the data was that the position of the small enterprises in regard to receipt of payments from the Government Departments/public sector undertakings, was more or less identical with the pattern of their sales to medium and large scale industries although the magnitude of delay would seem to differ considerably as between the various categories of buyers in Government Departments/public sector undertakings.

TABLE 7

(Rs. in lakhs)

Sales to	No. of units	Amount Rs.	Delay in payment		Col. 4 as % of Col. 2	Col. 5 as % of Col. 3
			No. of units	Amount Rs.		
1	2	3	4	5	6	7
Central Government .. .. .	104	2,38	85	1,31	82	55
State Governments .. .. .	147	4,07	133	3,17	90	78
Public sector undertakings .. .. .	98	1,25	87	95	89	76

## CHAPTER III

## REASONS FOR DELAY IN PAYMENT TO SMALL-SCALE INDUSTRIES

29. An analysis of the data furnished by 160 medium and large companies showed that the total value of raw materials and stores purchased by them from small-scale industries during 1969-70 formed hardly 9 per cent of their total purchases (Statement-VI). The proportion, however, differed widely as between industries, being as high as 40 per cent for the units engaged in the processing of foodstuffs, followed by engineering industries (12 per cent) and tobacco products (11 per cent). For 62 companies which had reported delayed payments to small-scale industries, the proportion of their purchases from small-scale industries to their total purchases was hardly 8 per cent. Moreover, the available data in respect of 155 companies which had furnished to us a break-up of sundry credits on account of purchases from small-scale industries during 1969-70 revealed that, such credits formed hardly 8.5 per cent of their total sundry credits (Statement-VII). It is, therefore, obvious that payments to small-scale industries do not form any significant proportion of the total expenditure of the big companies. Even so it is possible that lack of adequate financial planning on the part of some medium and large companies led to temporary strains on their liquidity. In such a context, there might have been a tendency on their part to cushion its impact, to the extent possible, through delayed payments to their suppliers which specifically affected small-scale industries whose bargaining position was relatively weak.

30. We find that of the total credit sales by 167 big companies, Government Departments and public sector undertakings had accounted for hardly 16 per cent, the balance of 84 per cent being accounted for by other parties (Statement-VIII). For the textile industry, less than 1 per cent of the sales were to Government Departments, while for cement industry, about two-fifths of the sales were accounted for by Government Departments and public sector undertakings. An analysis

of the data supplied by 62 companies, which had delayed payments to small-scale industries, revealed that only 28 per cent of their total sales were to Government Departments/public sector undertakings and none of them attributed the delay to late receipt of payments from Government Departments. Moreover, it is observed that the delay in the payments to these companies by Government Departments was, by and large, up to a period of 3 months since about 90 per cent of the amounts were received either on due dates or within 3 months (Statement-IX). Further, out of 105 medium and large industrial units, which had stated that there was no delay in payment to small-scale industries, as many as 31 units had received delayed payments from Government Departments/public sector undertakings. It could be, therefore, inferred that the delay in payments to medium and large industries by Government Departments/public sector undertakings, had no major bearing on the delayed payments to small-scale industries by the former.

31. Out of 62 medium and large industrial units which had delayed payments to small-scale industries, 25 units had stated that performance of small-scale industries in regard to supply of quality materials as also adhering to the supply schedule was not very satisfactory with the result that the proportion of rejections was high and consequently the payments were delayed. We find that so far 153 small-scale units manufacturing 395 products had licences to use ISI marking facilities. It is understood that the small-scale units producing specialised or sophisticated components and spare parts as ancillaries and thus do not have a wide market, may not derive any material benefit out of ISI licensing. Lack of adequate testing facilities with the small-scale manufacturers also stands in the way of expansion of ISI licensing system in this sector.

32. A large number of reporting small-scale units complained that there was undue delay in inspection of goods with the result

that in the absence of inspection notes, they could not obtain the payments from the departments authorised to pay. Another factor resulting in delay in payments was essentially procedural, arising out of lack of adequate care taken by suppliers in the submission of relevant documents (invoices, bills, etc.). The various types of discrepancies in documentation brought to our notice are given in Annexure-I.

33. So far as the delay in making payments by the Government Departments/public sector undertakings are concerned, the consensus of

**Government  
Departments/  
public sector  
undertakings**

opinion among small-scale units, medium and large industries as well as banks is that

the delay is essentially procedural and due to lack of co-ordination between the concerned departments of Government, namely, the Purchase Department, the Indenting Department and the Pay and Accounts Office. We requested the D.G.S. & D., State Governments, State Electricity Boards and 15 public sector undertakings to send us detailed notes containing their individual procedure for payment of bills in respect of goods supplied to them. We received notes on the payment procedures from the D.G.S.&D., State Governments of Assam, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Mysore, Uttar Pradesh, West Bengal, and Pondicherry, State Electricity Boards of Andhra Pradesh, Bihar, Gujarat, Haryana, Kerala, Maharashtra, Madhya Pradesh, Mysore, Punjab, Tamil Nadu and West Bengal and seven other public sector undertakings. The replies received are summarised in Annexure-II.

34. We find that in respect of stores ordered by the D.G.S.&D. on behalf of the Central and State Government Departments, an 'initial payment' equivalent to 90 to 98 per cent of the value of goods supplied is made on proof of inspection and despatch. The delay at least in respect of 'initial payment' is considerably reduced because (a) the payments are made on proof of inspection and despatch (b) time schedules for carrying out inspections are specified and it is ensured that these are strictly adhered to and (c) the D.G.S.&D. has been authorised to debit the indenting department concerned on production of neces-

sary documents by the suppliers. The 'balance payment' of 10 per cent or less is paid on receipt of certificate from the consignee to the effect that goods have been received in good condition. At this stage, besides processing the claims, the Pay and Accounts Office keeps a watch on outstanding Government debts recoverable from the relative suppliers in respect of previous contracts. Thus, the delay in the settlement of 'balance payment' occurs mainly at the stage of scrutiny of claims and particularly if there is the need to adjust earlier dues, and some times also on account of late receipt of certificates from the consignees.

35. Payments for supplies are generally made by some State Governments (*viz.* Madhya Pradesh) only after the stores have been received and inspected. On the other hand, in Gujarat, Haryana, Maharashtra and West Bengal the 'initial payment' of 90 to 95 per cent of the value of stores is made on inspection and despatch of documents. In Gujarat, if no inspection is made before despatch of stores, 75 per cent of the value of stores is paid within 15 days of receipt of goods if the department concerned is satisfied with the quality/quantity of goods, the balance 25 per cent being paid within two weeks thereafter. It appears that delay in payments to suppliers arises due to the time-lag between the supply of goods and the receipt of certificate from the consignees to the effect that stores have been duly received and the quality/quantity and value claimed conform to the stipulations.

36. As regards the State Electricity Boards and public sector undertakings, although there is a provision requiring them for making an 'initial payment' to the extent of 90 to 98 per cent of the value of goods supplied against proof of despatch and inspection note and the payment of balance amount after the receipt of a certificate from the consignee, it appears that the delay in payment is on account of lack of co-ordination between the consignee, purchase department and paying authorities and also due to delay in inspections. It was observed that the Electricity Boards, in particular, insist upon the suppliers to furnish a security deposit to the extent of 5-10 per cent of the value of orders placed with them for the proper performance of the contract or a general bank guarantee in lieu thereof

In the event of bank guarantee forthcoming, the Andhra Pradesh State Electricity Board allows the suppliers to draw bills of exchange with a usance of 60 days for the full value of supplies. Mention may be made here of the simplified procedure followed by Heavy Electricals whereby the documents of despatch are directly received by the paying authority instead of the consignee.

37. In the light of what is stated in the foregoing paragraphs we are inclined to accept, in the first instance, the view expressed by small-scale industrial units, medium and large industries and banks that governmental procedures covering payments to the suppliers and, more importantly, the manner of their

implementation has an important bearing on the problem under examination.

38. Secondly, we feel that another reason for the delay in payment is that in several instances, suppliers do not take adequate care in submitting the documents. The several reasons given by the Chief Pay and Accounts Officer for returning the bills to the suppliers would serve to illustrate the point (*vide* Annexure-III).

39. Thirdly, another factor stated to be responsible for the delay in payment to small industry by some State Governments and public sector undertakings was lack of adequate budgetary provision for their indents.

## CHAPTER IV

### IMPACT OF THE DELAYED PAYMENT ON SMALL-SCALE ENTERPRISES

40. The replies received from medium and large-scale industrial units indicated that the period of credit for purchases from small-scale industries should normally be up to 3 months ; some of the units in the textile industry had suggested a period up to 1 month while some of those manufacturing engineering goods had indicated the period up to 45 days. The small-scale units on their part also seem to be agreeable to sell on credit terms for a period up to 90 days, although some of them felt that this should be matched by the period of trade credit on their purchases. While it is conceded that the period of supplier's credit would depend upon several factors such as the type of product, the distance between the points of sale and delivery, means of transportation used, etc., we consider that a period up to 3 months may be considered as a norm, any extension of this period to be justified by special factors.

41. It is obvious from the data available with us that a majority of the units in the small industry sector selling their goods to medium and large industries/Government Departments/public sector undertakings, which falls within the scope of our enquiry, have not been getting a fair deal from their buyers. We

find that, of the total value of sales (during 1969-70) of the 1656 small-scale industrial units which had supplied their goods to medium and large industries/Government Departments/public sector undertakings for which data are available, the share of large and medium industries was about half and that of Government Departments/public sector undertakings was one-fifth (Statement-X). Thus, about 70 per cent of the sales were to medium and large industries and Government Departments/public sector undertakings. An analysis of the data in respect of 445 small units which had filled in the original schedule, showed that hardly 18 per cent of the total sales were on cash terms and the balance of 82 per cent represented credit sales (Statement-XI). The impact of the delayed payments was particularly large on small-scale industries partly because of the slender capital base on which they operated and partly because their sundry credit position was none too comfortable. We find that the total sundry debts of the 445 units for which data are available with us amounted to Rs. 7.1 crores (Statement-XII) which were  $2\frac{1}{2}$  times the sundry credits of these units as on the same date (Statement-XIII). Sundry credits, on an average, formed 12.5 per cent of the total value of purchases

of raw materials and stores during 1969-70, while sundry debts, formed 19.4 per cent of the sales during the same year. For medium and large industries on the other hand, the ratio of sundry credits to purchases (12.5 per cent) was 50 per cent higher than the ratio of sundry debts to sales (8.2 per cent) (Statements-VII and XIV).<sup>\*</sup> In fact, a major portion (56 per cent) of the raw materials and stores purchased by small-scale units during 1969-70 was on a cash basis (out of 445 units, 151 units had purchased their raw materials and stores on cash payments). This adverse sundry debt/sundry credit position for small-scale industrial units was a reflection of the weaker bargaining position of this sector in a com-

<sup>\*</sup> In analysing the data relating to sundry debts we do not have particulars of the bill component of this item. It is possible that in respect of some companies the sundry debts may not include bills negotiated. This limitation in the data however does not seem materially to affect the comparison between the two ratios and the conclusions derived therefrom.

petitive market. Obviously, for those units which sold their products exclusively to medium and large industries or Government Departments, the impact of delayed payments on the operations would be particularly severe.

42. The impact of the delayed payments on the liquidity of small-scale industries is mitigated to the extent to which banks extend the period of retention of bills drawn by them or the period of advance against book debts beyond, say, 90 or 120 days. A few banks do extend the period. Against the present background of increasing demands on bank finance from various sectors of the economy, we are of the view that undue extensions of the period of credit against receivables are not a correct remedy for minimising the delay in payment of the bills of small-scale industries. Moreover, in the long run, such undue extensions of the period of credit by banks will only contribute to perpetuate the problem.

## CHAPTER V

### SUGGESTIONS FOR MINIMISING THE SCOPE FOR DELAY IN PAYMENTS TO SMALL-SCALE ENTERPRISES

43. We consider that the magnitude of the problem of delayed payments to small industries covers a sizeable segment of small industry sector, where it is of a significant dimension and that in view of the imperative need to encourage the growth of small enterprises in our economy, it is necessary to take measures to remove any disabilities from which they suffer. The small industry sector is fast growing and the emphasis of Government policy on the development of ancillary units will provide further impetus to their growth. The Fourth Five-Year Plan has indicated the need for encouraging a co-ordinated development of large and small industries through the promotions of ancillaries. Unless measures are, therefore, taken now to assist small enterprises in getting their payments on due dates, the problem may assume wider dimensions in course of time particularly in the

**Need for taking suitable measures**

context of the buyers' market and the growing evidence of credit stringency.

44. This problem, in our opinion, has to be looked at from various angles as the delay in payments to small-scale industries is not attributable to any single factor but several factors which differ as between the suppliers and the buyers. We have also to take note of the fact that the role of small-scale industries in our economy is complementary to that of the medium and large industries and any adverse impact of measures suggested by us on medium and large industries would have repercussions on the growth of small-scale industries. Further, we find that a number of medium and large-scale industrial units offer various types of assistance to small-scale industrial units and, particularly to the ancillaries. Thus, out of 167 companies which furnished to us the relevant information, as many as 118 companies (70 per cent)

**Our approach to the problem**

had indicated that they were providing various types of assistance to small-scale industries. Such assistance was particularly common to companies engaged in the manufacture of engineering goods and machinery. The type of assistance rendered was supply of raw materials (47 companies), provision of technical know-how (39 companies), financial facilities in the form of advance payment for orders placed for purchase of raw materials (20 companies), training facilities (14 companies)-management advice and marketing (7 companies) and provision of tools (3 companies).

45. Our recommendations for minimising the delay in making payments to small-scale industries, therefore, emanate from the basic need to strengthen the bargaining position of the small-scale units on the one hand, and the need to inculcate a greater measure of financial discipline on the medium and big industries as well as Government Departments on the other. Our subsequent recommendations that follow, therefore, pertain to the need for widening the scope of quality control, financing of credit sales through bills, streamlining of procedures with regard to inspection of goods, scrutiny of bills etc., and correct documentation.

46. In the first place, we consider that small-scale industrial units should pay greater attention to the quality of products manufactured by them and adhere to the schedule of supplies prescribed by the buyers. Quality control, apart from assisting small units in marketing their products, also facilitates quicker inspection of the products by their buyers and, in certain cases, can even dispense with inspection. Having regard to the complexity and wide range of products manufactured by the small industrial units, the Committee is of the opinion that there is a good deal of scope for the units to avail themselves of ISI marking facilities particularly in the manufacture of final products. Among components and spare parts too, a large number of products (such as, for instance, head lights, radiators, wind screen wipers, screw drivers, needle bearings, automobile polish), could be brought within the ambit of quality control and it should be possible for the buyers to accept these goods on

the basis of ISI certification mark (Please see Annexure-IV for a comprehensive list of products for the automobile industry). One of the pre-requisites for eligibility for ISI marking facilities is that the small-scale unit should have an arrangement for testing its products. In this connection, we wish to point out that, bearing in mind the importance of providing testing facilities to small-scale industries for improvement of their quality, the Government of Japan provides financial assistance for setting up of testing laboratories as well as research institutes; by the end of 1969, 44 such laboratories were expected to be completed.\* Since it may not be possible for all the small-scale units in India to have testing facilities, we recommend that State Governments as well as promotional agencies in the field of small industries, such as the National Small Industries Corporation Ltd. and State Small Industries Corporations should set up a chain of laboratories for facilitating testing of products of small-scale industries, on payment of reasonable charges. We consider that charges thus paid by small-scale units will be more than compensated by the possible benefits accruing to them through minimisation of rejections, reduction in the time involved in obtaining receipts from the buyers, improvement in quality of products, etc.

47. Our recommendation for widening the ambit of quality control for small industries products has a vital bearing on our recommendation for extending the scope of bill finance to credit sales by the small industry sector. As has been already indicated in paragraph 41 of Chapter IV, the data in respect of the 445 units which had filled in the original schedule showed that hardly 18 per cent of their total sales were on cash terms and the balance 82 per cent represented credit sales. A substantial portion of the total sales of the small-scale units is thus effected on credit terms. In effecting a credit sale, the supplier may either resort to the mechanism of 'bills of exchange' or make use of the 'open account' system. In the former instance, the supplier draws a regular bill of exchange on the buyer either on a demand or usance basis. While a demand bill is payable on presentation, a usance bill is normally to

\* Report of the Indian Government delegation to Japan to study Small-Scale Industries (September 1969)



be accepted by the buyer of goods. Where a sale transaction thus culminates in a bill of exchange, a regular instrument of credit is created. As consideration for a bill of exchange is presumed under law, a holder of this instrument of credit can raise finance against it with comparative ease even though the instrument may not have been 'accepted' by the buyer of goods. The acceptance of the bill by the drawee or his banker will, no doubt, considerably add to the negotiable character of the bill. Under the 'open account' system, however, the sellers supply the goods to the buyers without drawing a regular bill of exchange covering the sales. Normally, the supplies are accompanied by an invoice only. The supplier effects the sales by debiting the accounts of the buyers in his books. These transactions thus give rise to an asset item in the books of the suppliers, namely, 'sundry debtors' or 'book debts'. This asset is not represented by any specific or separate instrument of credit as in the case of bills of exchange. The payments as and when made towards the purchases by the buyers are credited to their accounts in the books of the suppliers. These payments are in the nature of 'on account receipts' by the sellers and do not necessarily extinguish the claims of the suppliers on the buyers at any particular moment of time. The balance, if any, is carried forward and merged in the further transactions of sales and receipts on account that take place between the supplier and buyer. It will be observed from Statement-II that the outstanding book debt of 1211 small-scale units which have furnished us data in the revised schedule, amounted to about Rs. 12.49 crores as against their outstanding bills of Rs. 1.74 crores, thereby implying that the volume of credit sales financed under the 'open account' system was much more than that financed under the bills system.

48. From the lending bank's point of view, book debts, by way of security, are not as attractive as bills of exchange.

**Limitation on bank advances against book debts**

Data furnished by commercial banks in connection with the study made by the Committee indicate that out of the total

advances of Rs. 373 crores (excluding term loans) granted by 34 reporting banks to the small-scale industries, about 20 per cent constituted advances against receivables : com-

ponent-wise (excluding State Bank Group),\* the advances by way of purchase/discount of bills were 68 per cent, overdrafts against bills 25 per cent and advances against book debts 7 per cent of the total advances against receivables (Statement-XV). Out of 34 reporting banks, only 12 have advances against book debts. In practice, therefore, commercial banks prefer bills to book debts for their lending. The reluctance on the part of banks to make advances against book debts is understandable. Whereas the bill of exchange is an instrument enforceable on its own strength as the consideration therefor is presumed under law, a charge can be created on book debts only by an assignment or hypothecation of the debt. There are also practical difficulties from the lending bank's point of view in making advances against book debts. The bill of exchange stipulates a definite period for payment whereas for book debts no specific period of payment is envisaged. The sum total of book debts of a borrower will consist of numerous individual debts and banks advancing against such book debts do not normally undertake the work of collection of debts directly, this task being left to the borrower himself to perform, while the bills of exchange negotiated by banks are collected by them directly. The borrower is expected to route the realisations of his book debt through the account ensuring that his liability to the bank is covered at all times by the outstanding debt of permissible maturity. It would thus appear that advances against book debts are secured by a floating charge and in this context the registration of the charge as also the periodical audit system assume significance. Since these aspects are taken care of in respect of companies, many banks mainly confine their advances against book debts to their small-scale clients in the corporate sector.

49. The discussions in the foregoing paragraphs lead to the conclusion that if the sale transactions of the small-scale units can be converted into bills, the advances of the commercial banks to this sector against receivables will auto-

\* In view of the policy followed by the State Bank Group to provide a package deal of assistance to small-scale industries under their need-based approach, it was not possible for them to furnish the break-up of advances against receivables.

matically go up. It will also ensure a financial discipline on the buyers of goods as well as on the borrowers by restricting the period of the bank advance to the usance of the bills. The need for converting the credit sales transactions into bills is thus obvious. Bills drawn by the small-scale units on medium and large scale industries can be negotiated by the former with their bankers and they would be getting finance against such bills immediately. According to the data furnished by the 33 reporting banks in response to the questionnaire issued by the Committee, their advances by way of bills purchased (*i.e.* demand bills) constituted 40 per cent of their total advances against receivables while the bills discounted by them (*i.e.* usance bills) accounted for only 28 per cent of their advances against receivables. These figures would indicate that usance bills do not find favour with purchasers of products supplied by small-scale units. This aspect has been dealt with in the subsequent paragraphs. The higher proportion of demand bills used in financing the sale transactions of small-scale units is probably a reflection of the prevailing trade practices. However, if the bills drawn by these units are accepted by the drawees, their worth as security for bank advances is considerably enhanced and to that extent bank finance against such bills would expand. Apart from this, banks also would be in a position to discount the bills under the new Bill Market Scheme of the Reserve Bank.

50. As the bill system of financing credit sales appeared to the Committee to be of considerable advantage in enlarging bank credit to the suppliers as well as enforcing financial discipline on the parties concerned, (*viz.* the suppliers and the buyers of goods), it specifically looked into the objections on the part of the medium and large scale units in accepting the bills drawn on them by the small-scale sector. From the replies received by the Committee from industries which purchase goods from the small-scale units, it is observed that the majority of them do not accept bills drawn by the small-scale units. (It is not known whether they accept bills drawn by the other suppliers which, in fact, is conditioned by the prevailing trade practices). Out of 167 companies which have

**Reasons given by the medium and large units for not accepting bills**

furnished information to us, hardly 42 followed the system of accepting bills and even in these instances, bills are not accepted as a matter of course but the facility is extended only on a selective basis. The reasons given by most of the units for not adopting the procedure of accepting bills are as follows :—

(a) the system involves a financial commitment to pay the amount of the bill on a specific date, which the large industrial units find it difficult to meet in the event of an emergency ;

(b) owing to lack of quality control in small industry sector, the resultant rejection of goods which takes place from time to time, would complicate matters on both sides ; at present where rejections occur, suppliers take back the products, modify or salvage them and return where possible ;

(c) the stamp duty charges would have to be borne by drawer of the bill and this would be additional expenditure ;

(d) the amounts involved are too small ; and

(e) possible delay in submission of the bills which are normally routed through banks.

51. We consider that the bill of exchange is a basic instrument for financing commercial transactions and medium and large units should not have any objection to accepting the bills drawn on them by small-scale industries, particularly those who are regular suppliers and who have established satisfactory dealings with them in the past. Small-scale units would, no doubt, have to bear the stamp duty on bills drawn by them on the medium and large industries covering their sales to them. We consider that until such time as the bills drawn by small-scale industries attain a measure of popularity, Government may consider the scope for reduction of the stamp duty on such bills. Even otherwise, the cost of stamp duty to the drawer of the bills would be more than compensated by receipt of the sale proceeds on due dates on the one hand and the scope for obtaining bank finance on

easier terms on the other. Besides, as the margin stipulated by banks on advances against bills is considerably lower than that on book debts, the small-scale sector adopting the bill system of financing sales will be able to procure larger finance from banks by way of negotiation of bills than against book debts.

52. We appreciate that the bills drawn by the small-scale sector would be for comparatively small amounts and there may be some administrative difficulties in accepting such bills. We, therefore, recommend that for the time being, only bills for Rs. 1,000 and above need be accepted by the medium and large scale industries. Incidentally, in terms of the amendments to the Bills Rediscounting Scheme of the Reserve Bank of India advised to banks in October 1971, banks have been given the authority to hold individual bills upto Rs. 2 lakhs and below with themselves as agents of the Reserve Bank and they need submit only a statement of such bills to the Reserve Bank for availing themselves of rediscounting facilities in respect of such bills. In view of this change in procedure, individual bills for any amount are now eligible for rediscount with the Reserve Bank ; but for administrative convenience banks have been advised to avoid as far as possible inclusion of bills for amounts of less than Rs. 1,000 each in the statement.

53. As regards delay involved in the submission of bills through banks, while there can be no difficulty in such bills being sent direct to the drawees, where no acceptance is involved (in fact, such a procedure is being followed by a few banks), bills which require acceptance will have to be routed through banks. While the Committee agrees that there might be some unavoidable time lag in routing the bills through banks, undue delays, if any, in this regard could be taken care of by banks through modifications in their office procedures.

54. The Committee understands that in some instances, although the bills are drawn on a demand basis, in practice they are paid only after the expiry of a certain period depending upon the practices prevailing in the trade. It will be in the interest of the lending bank

as well as the supplier if in such cases, the bills are drawn on a regular usance basis. This will also help to bring such bills within the purview of the new Bill Market Scheme of the Reserve Bank of India.

55. With a view to providing incentives to the buyers to accept the bills, we suggest

**Additional incentives for popularising the bill system**

that suppliers may offer a discount to the buyers more or less on the lines of the 'cash discount' offered for settlements in cash. The possibility of the drawee of a bill refusing to pay the amount of the bill even after its acceptance on the due date cannot be ruled out. To dissuade such practices, it is also desirable to insist upon payment of overdue interest at the rate stipulated by drawers if the bills are not paid on due dates. As a further measure for popularisation of the bill system, particularly for bringing the bills within the purview of the new Bill Market Scheme of the Reserve Bank of India, we suggest that there should be a separate sub-limit within the overall credit limits sanctioned to medium and large scale industries for acceptance/letter of credit facilities covering their purchases from the small-scale industries. This sub-limit may be based on the proportion of their peak/annual purchases from small industries. Banks should encourage the prescription of such sub-limits through offer of liberal and concessionary terms therefor as against their usual terms for the total credit limits. The banks should allow the sub-limit thus set up to be operated in a flexible manner. This is necessary, as some of the large and medium scale industries may not be obtaining their requirements from regular suppliers in the small-scale sector and even when they do so, they may be subject to seasonal or other influences. Hence any rigid application of the sub-limit proposal may cause practical difficulties to them.

56. In order to encourage the system of financing credit sales through the mechanism of bills of exchange, the Committee also suggests that the rate of discount on bills discounted by banks for small-scale industries should be  $\frac{1}{4}$  to 1 per cent lower than the rate of interest on advances against book debts.

57. We appreciate that quality control will not by itself necessarily ensure that the products supplied by the small-scale industrial units would conform to the standard of quality, design and specification laid down by the buyers. For this purpose, the buyers and particularly those in the sophisticated lines of activity, may have to inspect goods before acceptance. We suggest that with a view to facilitating credit sales through bills, the buyers should take steps to ensure that the quality of inspection is as thorough as possible so that rejections at a later stage are reduced to the minimum.

58. We now turn to the possible delay in the payment of bills on account of delay in the inspection of goods after delivery. The Committee is of the opinion that if the big industries properly plan out their schedule of production, it would be incumbent on them to carry on the inspection of raw materials/components supplied to them by small enterprises in the minimum possible time. We, therefore, recommend that medium and large industries should specifically indicate in the purchase contract that the inspection of goods manufactured by small-scale units would be completed within the agreed period which should not exceed 30 days from the date of receipt of goods and that any delay in this regard would be compensated in the form of payment of penal interest on the value of stores supplied.

59. In this context, we have considered the scope for introducing legislation in India on the lines as in Japan, where a law entitled 'Prevention of Deferment of Payment to Sub-Contractors Act' is in force since 1956. The Act lays down that parent enterprises must, while dealing with Sub-contractors, refrain from delay in payment of bills beyond a period of 60 days after receipt of the goods, undue reduction of price, unreasonable refusal of acceptance of products of Sub-contractors, etc. (*vide* Annexure-V). The Indian Government Delegation which visited Japan during September 1969 had, *inter alia*, recommended similar legislation in

India. More recently, the Small-Scale Industries Board had in its meeting held in August 1971 supported this measure. We have, however, to appreciate the fact that, unlike in India, the entire growth of small industry-sector in Japan is governed by a series of legislative enactments. Ancillary units predominate the small industry sector in Japan which, moreover, is better organised and more sophisticated than that in India. The Ministry of Industrial Development, Government of India, has constituted a Committee to draft suitable legislation bearing on certain aspects of small industry development, such as reservation, sub-contracting relationship, prompt payment of bills, partnership law, simplification of company law, etc. We would, therefore, refrain from making any specific recommendations in this regard.

60. As regards minimising the delay in payments by Government Departments/public sector undertakings, as we had indicated earlier the issue is largely procedural, except in the case of some State Government Departments and public sector undertakings where the delay is stated to be attributable also to inadequate budgetary provisions for the indents made.

61. We are aware that a Working Group has been set up by the Government of India under the Chairmanship of Shri S. S. Shiralkar to examine the present procedures for payment for goods purchased from small-scale industries by Central Government Departments and public sector undertakings. The Working Group is at present examining the adoption of a letter of credit or authorisation procedure for payment to suppliers by Government Department/public sector undertakings. Certain suggestions have been considered in regard to the implementation of this procedure at a few selected centres but the matter has still not been finalised.

62. We have noted earlier that the D.G.S. & D. has been able to minimise the delay in payments to suppliers through a system of inspection before despatch of goods and the fixing of time limits for attending to inspection jobs at all stages and ensuring that these

time limits are also adhered to. Further, to avoid delays in payments, it is stipulated that the 'balance amount' should be paid by the Pay and Accounts Officer, even without consignee's receipt certificate, automatically after 3 months from the date of the 'initial payment' subject to certain conditions. The railways have also taken steps to streamline their procedures regarding payment to suppliers and there is now contractual obligation for payment within one month of the receipt of a bill provided it was complete in all respects. Besides, the audit has been decentralised. We have also noted earlier that with a view to simplifying payment procedures, a public sector undertaking asks the suppliers to despatch the documents directly to the paying authority instead of to the consignee.

63. We strongly recommend that all Government Departments/public sector undertakings should carefully study their payment procedures with a view to simplifying and streamlining them consistent with the need to ensure that supplies are received according to the terms of the contract. In particular, we recommend stipulation of time limit for (a) completion of inspection by the buyer, (b) submission of certificate of receipt by the consignee and (c) checking and scrutiny of bills so as to ensure that the entire process is completed within 45 days. If it is found that the delay in payment has occurred even though the supplier had fulfilled the terms of contract, he should be compensated by way of penal interest on the outstanding debt for the period for which the payment had been delayed.

64. We have in paragraph 49 made a plea that sale transactions, to the extent possible, should culminate in bills of exchange and should not be on open account basis. We see no reason why Government Departments/public sector undertakings should not also fall in line. It may be mentioned that the Study Group constituted by the Reserve Bank, in February 1970, for the creation of bill market in India had recommended that the Reserve Bank may take up with the D.G.S. & D. the question of acceptance of bills by Government Departments. We understand that the Reserve Bank of India had taken up the matter with the D.G.S. & D. and that D.G.S. & D. is not in favour of accepting bills of exchange mainly because, according to them, under the existing system the percentage of cases where payments are delayed for valid reasons is very small. We recommend that the Reserve Bank may pursue the matter with D.G.S. & D. and also take up this question with those Central Government Departments which are authorised to indent for stores direct, State Governments and public sector undertakings.

65. Finally, we suggest that the Federation of Associations of Small Industries of India should take immediate measures to train the small-scale entrepreneurs in documentation procedures, particularly with regard to the supply of goods to large/medium industries as well as to Government Departments so that the bills do not remain unpaid on account of purely procedural defects (*vide* Annexures-I and III).

**Training in documentation procedures**

**Scope for reduction in margin**

## CHAPTER VI

### ROLE OF COMMERCIAL BANKS IN FINANCING SMALL-SCALE INDUSTRIES AGAINST RECEIVABLES

66. We have considered in this section the part played by banks in financing the credit sales of small industries and more specifically how far they can offer relief to the small industries in resolving their difficulties arising out of the delay in the payment of their bills for supplies.

67. The information gathered by the Committee indicates that the margin stipulated against bills ranges from nil to 20 per cent. Normally, banks do not prescribe any margin when purchasing documentary bills. Clean bills

as well as overdrafts against bills usually attract a margin. A reduction in margin on bills, where margins are stipulated by banks, will enable the small-scale industrial suppliers to augment their funds. Where the credit limits are fixed on a need-based approach and margin itself is stipulated according to the capacity of a unit, a reduction in the margin may not be relevant. In other cases, considering the self-liquidating character of the bill, the margin on bills purchased/discounted by the bank, if at all, should be nominal and in order to reimburse the small borrower to the full extent of the cost of production, the margin should not exceed the profit element. As finance against bills is normally granted in conjunction with other lines of credit against inventories and fixed assets, the margin usually taken against fixed assets and inventories should suffice to establish the borrowers' stake in the business.

68. Apart from purchase/discount of bills, a few banks also make advances by way of overdrafts against bills in the course of collection especially where the number of bills is large and the amount of individual bills small. As the system is essentially in substitution of negotiation of bills and is resorted to only for the sake of operational convenience, there is no reason why the margin on such advances against bills should materially differ from that on bills purchased or discounted.

69. Book debts, however, stand on a different footing. The legal and practical difficulties faced by banks in lending against book debts have already been examined at length in paragraph 48 of Chapter V. The margin normally taken against book debts, as reported by banks, ranges between 25 and 40 per cent and sometimes even 50 per cent. If, however, the objective of margin, especially in respect of small borrowers, is to establish the stake of the borrower in the business and as book debt advances are generally made along with advances against inventories and fixed assets, there is no reason why banks should prescribe such a high margin on book debts, if they satisfy themselves that the debts are current and good. Although the Committee is not in favour of financing credit

sales through the 'open account' system, to the extent that advances against book debts are inevitable, the margin thereon should not be much more than that on bills and may vary between 20 and 25 per cent. A difference in the levels of margins on bills and book debts will be desirable, at least to discourage advances against book debts. In this context, it may be stated that the Committee has also recommended that the rate of discount on bills discounted should be less than the rate of interest on advances against book debts.

70. It has been indicated in paragraph 41 of the Report that the small-scale industries by themselves extend larger credit in respect of their sales than what they obtain from their purchasers. The two categories of purchasers from small-scale industries are (i) the Government and (ii) the large industrial units; hence it is quite likely that, along with Government, the large-scale industries are in a position to take advantage of the relatively weak bargaining position of the small-scale industries and compel them to extend to them a larger and an unduly long credit.

71. The Committee, therefore, examined whether the commercial banks by virtue of their role in the provision of substantial credit to medium and large scale units could set right the position, at least to some extent, through a detailed scrutiny of the item of 'sundry creditors' in the financial statements submitted by the larger industrial borrowers at the time when they sanction, review or renew their credit limits. For this purpose, it will be necessary for the banks to obtain from the borrowers a break-up of their sundry creditors as under :

Sundry creditors :—

- (1) on open account
  - (a) small industries
  - (b) others
- (2) bills payable (i.e. bills drawn on and accepted by them in respect of their purchases)

(a) to small industries

(b) others

With the help of data on these lines received from the large borrowers at the time when banks sanction, review or renew their credit limits (at intervals of a year usually) they can watch whether or not there is a progressive improvement in the proportion of credit purchases from small industries converted into bills payable. The banks can take up with the large borrowers when there is either no improvement or a deterioration in the ratio of bills payable to their credit purchases from small industries.

72. We appreciate that the mechanism of detailed scrutiny of the sundry creditors of the larger borrowers by itself may not give any substantial and immediate relief to the small-scale industrial sector. The process of reducing the period of trade credit enjoyed by the large-scale units from the small-scale industrial sector and the conversion of the credit sales into bills can only be gradual and spread over a period of time. The mechanism of the detailed scrutiny of the sundry creditors by banks will facilitate a review of the progress made by individual units from time to time as regards both the amount and the period of trade credit and they would be in a position to put pressure on such units as are not showing any improvement in this respect.

73. The above proposals may be tried by banks in respect of their borrowers enjoying credit facilities of Rs. 25 lakhs and over. In the case of borrowers enjoying credit facilities of Rs. 1 crore and above from the banking system, i.e. those covered by the Credit Authorisation Scheme of the Reserve Bank of India, it is further suggested that the Reserve Bank should keep an overall check on the implementation of the above proposals. It should advise banks that the data as suggested by the Committee should be collected by them from their borrowers and they should give the information to the Reserve Bank along with their proposals for sanction under the Credit Authorisation Scheme.

74. In the Report of the Committee to review the special credit schemes of banks with particular reference to their employment potential, it has been observed that an immediate liquidation of the present outstanding debt due by the large industry to the small industry sector would impose a strain on the finances

of the large industry and the Committee has, therefore, suggested a phased liquidation of such debts as early as possible. This point has been examined by us. In the absence of any reliable data, it has not been possible to form any judgment on the acuteness of this problem. The banks, which were asked a specific question in this regard, themselves do not have apparently any sizeable portfolio of unadjusted overdue bills. The Committee is of the opinion that no general recommendations in this regard are necessary and banks in the normal course will be able to take care of any such instances coming to their notice during the assessment of credit limit requirements of such large units.

75. The public sector undertakings such as State Trading Corporation, Joint Plant Committee, etc. often demand cash deposits/earnest money from the small-scale units in connection with the purchases made by them. If such cash deposits were substituted by letters of credit opened by banks on behalf of the small-scale units in favour of the public sector undertakings, it will be possible to release the deposits so blocked and to that extent the liquidity position of the small-scale units will improve. The letters of credit opened by the banks in this regard are eligible for guarantee cover under the Credit Guarantee Scheme of the Central Government for small-scale industries and there is, therefore, substantial protection to banks in undertaking this type of business. The Committee, therefore, suggests that it will be advantageous to the small-scale units to replace the practice of cash deposits for their orders by a system of letters of credit.

**Phased liquidation of the outstanding debt of the large industry to the small industry sector**

**Letters of credit in lieu of cash deposits with public sector undertakings**

## CHAPTER VII

## 76. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

1. About one-sixth of the total number of functioning small-scale industrial units was estimated to supply goods to medium and large industries/Government Departments/public sector undertakings. The number of small-scale industrial units which responded to our schedule though too small (5.5 per cent) to lend itself to a firm conclusion, indicated that the problem of delay in payment of bills of small industries did exist and it was acute enough at least in respect of the units which responded to our questionnaire (Paragraph 8).

2. More than half the number of small-scale industrial units supplying their products to medium and large industries faced the problem of delayed payment. The position of small enterprises in regard to receipt of payments from the Government Departments/public sector undertakings, was more or less identical with the pattern of their sales to medium and large industries, although the magnitude of delay would seem to differ considerably as between the various categories of buyers, either Government Departments, or public sector undertakings (Paragraphs 19 and 28).

3. Although payments to small-scale industries did not form any significant proportion of the total expenditure of the big companies, during times of temporary strains on their liquidity there might have been a tendency on their part to cushion the impact, to the extent possible, through delayed payments to their suppliers which specifically affected small-scale industries whose bargaining position was relatively weak (Paragraph 29).

4. The delay in payment to medium and large industries by Government Departments/public sector undertakings had no major bearing on the delayed payments to small-scale industries by the former (Paragraph 30).

5. The delay in payments to small-scale industries by medium and large industries was generally attributed to (i) the inferior quality of goods supplied by them (ii) non-adherence to the supply schedules (iii) lack of adequate care taken by suppliers in the submission of

relevant documents (invoices, bills, etc.) and (iv) the delay in inspection of goods by the buyers (Paragraphs 31 and 32).

6. In the case of Government Departments/public sector undertakings, in addition to the above, the governmental procedures covering payments to the suppliers and, more importantly, the manner of their implementation had also an important bearing on the delay (Paragraph 37).

7. While the period of supplier's credit would depend upon several factors, a period upto 3 months may be considered as a norm for purchases from small-scale industries and any extension of this period should be justified by special factors (Paragraph 40).

8. The sales to medium and large industries/Government Departments/public sector undertakings accounted for 70 per cent of the total sales of the small-scale industrial units, which supplied goods to them. Further, a major portion of their sales (82 per cent) was on credit terms, while a substantial part of their purchases was on a cash basis. Obviously, for those units which sold their products exclusively to medium and large industries or Government Departments, the impact of delayed payments on their operations was severe (Paragraph 41).

9. The impact of delayed payment on the liquidity of small-scale industries was mitigated to the extent to which banks extended the period of retention of bills or the period of their advances against book debts. However, undue extensions of the period of credit against receivables do not constitute an appropriate remedy for minimising the delay in the payment of bills. Moreover, in the long run, such undue extensions of the period of credit by banks would only contribute to perpetuate the problem (Paragraph 42).

10. The magnitude of the problem of delayed payments to small industries covered a sizeable segment of small industry sector, where it was of a significant dimension and that in view of the imperative need to en-



courage the growth of small enterprises in our economy, it is necessary to remove any disabilities from which they suffered in the past (Paragraph 43).

11. The recommendations for minimising the delay in making payments to small-scale industries emanated from the basic need to strengthen the bargaining position of the small-scale units on the one hand and the need to inculcate a greater measure of financial discipline on the medium and large industries as well as Government Departments (Paragraph 45).

12. The small-scale industrial units should pay greater attention to the quality of goods manufactured by them and adhere to the schedule of supplies prescribed by the buyers. There is a good deal of scope for the units to avail themselves of ISI marking facilities in the manufacture of final products as well as components and spare parts. The State Governments as well as promotional agencies in the field of small-scale industries such as NSIC and State Small Industries Corporations should set up laboratories for facilitating testing of products of small-scale industries on payment of reasonable charges (Paragraph 46).

13. At present, a major portion of credit sales of small-scale industries is financed under the 'open account system'. The conversion of credit sales into bills will not only expand the volume of credit provided by banks against receivables but also ensure financial discipline on buyers as well as on borrowers. Apart from this, the banks also would be in a position to discount these bills under the new Bill Market Scheme of the Reserve Bank of India (Paragraphs 47 and 49).

14. Medium and large industries should not have any objection to accepting the bills drawn on them by small-scale industries, particularly those who are regular suppliers and who have established satisfactory dealings with them. As the small-scale units have to bear the stamp duty on bills drawn by them, until such time as these bills attain a measure of popularity, Government may consider the scope for reduction of the stamp duty on such bills. (Paragraph 51).

15. For administrative convenience, only bills for Rs. 1,000 and above need be accepted by the medium and large industries. (Paragraph 52).

16. Where the payment is made after the expiry of a certain period, usance bills should be drawn instead of demand bills which will also help to bring such bills within the purview of the new Bill Market Scheme of the Reserve Bank of India. (Paragraph 54).

17. With a view to providing incentives to the buyers to accept the bills, the suppliers may offer a discount to the buyers more or less on the lines of 'cash discount' offered for settlements in cash. To dissuade the drawees of bills from refusing the payment on the bill, even after acceptance, it is desirable to insist upon payment of overdue interest at the rate stipulated by drawers if bills are not paid on due dates. As a further measure for popularisation of the bill system, particularly for bringing the bills within the purview of the new Bill Market Scheme of the Reserve Bank of India, there should be a separate sub-limit within the overall credit limits sanctioned to medium and large industries for acceptance/letter of credit facilities covering their purchases from small-scale industries. Banks should encourage the prescription of such sub-limits through offer of liberal and concessionary terms therefor. The rate of discount on bills should be  $\frac{1}{2}$  to 1 per cent lower than the rate of interest on advances against books debts. (Paragraphs 55 and 56).

18. With a view to facilitating credit sales through bills, the buyers should take steps to ensure that the quality of inspection is as thorough as possible so that rejections at a later stage are reduced to the minimum (Paragraph 57).

19. The medium and large industries should specifically indicate in the purchase contracts that the inspection of goods manufactured by small-scale units would be completed within the agreed period which should not exceed 30 days from the date of receipt of goods and that any delay in this regard would be compensated by payment of penal interest on the value of stores supplied (Paragraph 58.)

20. The Government Departments/public sector undertakings should carefully study their payment procedures with a view to simplifying and streamlining them so as to ensure that supplies are received according to the terms of the contract. In particular, they should stipulate a time limit for (a) completion of inspection, (b) submission of certificate of receipt by the consignee and (c) checking and scrutiny of bills so that the entire process is completed within 45 days. If it is found that a delay in payment has occurred even though the supplier has fulfilled the terms of the contract, he should be compensated by way of payment of penal interest on the outstanding debt for the period of delay (Paragraph 63).

21. Purchase transactions of Government Departments/public sector undertakings, to the extent possible, should culminate in bills of exchange. The Reserve Bank may pursue this question with D.G.S. & D. and also take up this with those Central Government Departments which are authorised to indent for stores direct, State Governments and public sector undertakings. (Paragraph 64).

22. The Federation of Associations of Small Industries of India should take steps to train their members in documentation procedures. (Paragraph 65).

23. The margin on bills purchased and discounted, if at all, should be nominal. The margin on overdrafts against bills in the course of collection should also not materially differ from the margin on purchase/discount of bills. To the extent that advances against book debts are inevitable, the margin on such advances should not be much more than that on bills. A difference in the levels of margin on bills and advances against book debts will, however, be desirable, at least to discourage advances against book debts (Paragraphs 67, 68 and 69).

24. A detailed scrutiny of the 'sundry creditors' item in the financial statements submitted by the larger borrowers will enable banks to keep a watch whether the proportion of 'bills payable' to the sundry creditors is showing a progressive improvement. These

proposals may be tried by banks in respect of their borrowers enjoying credit facilities of Rs. 25 lakhs and over. For borrowers enjoying credit facilities of Rs. 1 crore and above the Reserve Bank of India should keep an overall check on the implementation of the above proposals through their Credit Authorisation Scheme (Paragraphs 71 and 73).

25. It will be advantageous to the small-scale units to replace cash deposits for their orders by a system of letter of credit (Paragraph 75).

77. We wish to place on record our appreciation of the valuable work performed by Sarvashri D. G. Borkar and M. L. Inasu in calling for and analysing the statistical information received from banks, large, medium and small industries, Government Departments and public sector undertakings and preparing a draft of the Report. But for their hard and devoted work the Report could not have been completed within the time schedule. The members of staff in the Planning Division of the Industrial Finance Department of Reserve Bank did, under the able supervision of Shri K. V. Ramachandran, an excellent job in the compilation of statistical data and preparation of Annexures for the use of the Committee. We also acknowledge the co-operation in answering our questionnaires received from commercial banks, large, medium and small industries, public sector undertakings and Government Departments.

Shri K. N. R. Ramanujam — *Chairman*

Shri J. N. Mehta — *Member*

Shri C. E. Kamath — *Member*

Shri S. P. Sen Gupta — *Member*

Shri M. S. Parthasarathy — *Member*

Shri B. M. Chopra — *Member*

Shri S. K. Relan — *Member*

Shri D. G. Borkar — *Secretary*

Shri M. L. Inasu — *Secretary*

17th March, 1972

## APPENDIX I ✓

## FORM I

CONFIDENTIAL

## Schedule for Small-Scale Industries/Ancillaries

(Amount in Rs. thousands)

## PART I

1. Name and address of the unit :
2. Type of organisation (Proprietary/Partnership/Private Limited Company/Public Limited Company/Co-operative) :
3. Product/products sold : (a)  
(b)  
(c)  
etc.

4. (a) Value of sales to medium and large industries during 1969-70 (accounting year) :	Cash/Sight drafts through banks	Credit/Acceptance or usance bills	
		Local (mainly drawn on persons in the same centre)	Up country (other than local and exports)
	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)
(b) Value of sales during 1969-70 (accounting year) to :—	Credit/Acceptance or usance or supply bills		
	Local (mainly drawn on persons in the same centre)	Up country (other than local and exports)	
	(Rs. in thousands)	(Rs. in thousands)	
(i) Central Government Departments (including the Director General of Supplies & Disposals):			
(ii) State Government Departments (including electricity boards) :			
(iii) Public sector undertakings (such as Hindustan Steel Ltd.) :			
	(Rs. in thousands)		
(c) Value of exports during 1969-70 (accounting year):			
(d) Value of sales other than those covered by (a), (b) and (c) above :	Cash/Sight drafts through banks	Credit/Acceptance or usance bills	
		Local (mainly drawn on persons in the same centre )	Up country (other than local and exports)
	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)
Total value of sales during 1969-70 (accounting year) (a+b+c+d) :	(A) Cash/Sight drafts through banks	(B) Credit/Acceptance or usance bills	(C) Total (A + B)
	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)

5. (a) Receipts on account of sales on credit during 1969-70 (accounting year) to medium and large industries :

On due date, £	Delay in receipt of payment			
	Upto 3 months	3 to 6 months	6 to 12 months	Over 12 months
(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)

- (b) Receipts on account of sales on credit during 1969-70 (accounting year) to :

On due date*	Initial Payment				On due date*	Balance payment			
	Delay in receipt of initial payment					Delay in receipt of balance payment			
	Upto 3 months	3 to 6 months	6 to 12 months	Over 12 months		Upto 3 months	3 to 6 months	6 to 12 months	Over 12 months
(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)

(i) Central Government Departments (including the Director General of Supplies & Disposals):

(ii) State Government Departments (including electricity boards) :

(iii) Public sector undertakings (such as Hindustan Steel Ltd.) :

(c) Receipts on account of sales on credit during 1969-70 (accounting year) to others (including exports) :

6. Sundry debtors, as on latest accounting date, on account of sales to :

(i) medium and large industries :

(ii) Central Government Departments (including the Director General of Supplies & Disposals) :

(iii) State Government Departments (including electricity boards) :

(iv) Public sector undertakings (such as Hindustan Steel Ltd.) :

(v) Others :

TOTAL (i+ii+iii+iv+v) :

7. Value of raw materials and stores purchased during 1969-70 (accounting year) :

(A) Cash/Sight drafts through banks	(B) Credit/Acceptance or usance bills	(C) Total (A+B)
(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)

8. Sundry creditors on account of purchases of raw materials and stores as on the latest accounting date :

9. Period of credit availed of in respect of raw materials and stores purchased during 1969-70 (accounting year):

Upto 3 months	3 to 6 months	6 to 12 months	Over 12 months
(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)

£ As per sale contract with the buyer. Where no such contract has been entered into, the date on which the amount is due from the buyer as per the normal period of credit according to the trade practice.

\* As per sale contract.

## PART II

10. What, in your opinion, should be the normal period of trade credit for :—

- (a) your purchases of raw materials and stores and :  
 (b) sales of your products to medium and large industries ? Please state reasons :

11. What, in your opinion, are the reasons for the delay in settlement of bills by :—

- (a) medium and large industries :  
 (b) Central Government Departments (including the Director General of Supplies and Disposals) :  
 (c) State Government Departments (including electricity boards) :  
 (d) Public sector undertakings (such as Hindustan Steel Ltd.) :

12. (A) What are the terms and conditions with regard to :—

- (i) period of credit (covering bills against which advances are made by banks and period of book debts against which advances are made):  
 (ii) margin :  
 (iii) rate of interest :  
 (iv) any other charges (like commission, incidental charges etc.) on which bank credit is extended to you in respect of your supplies to :—  
 (a) medium and large industries :  
 (b) Central Government Departments (including Director General of Supplies and Disposals) :  
 (c) State Government Departments (including electricity boards) :  
 (d) Public sector undertakings (such as Hindustan Steel Ltd.) :

This information may please be supplied separately for :

- (i) purchase/discount of bills :  
 (ii) advances against bills :  
 (iii) advances against book debts :

(B) What changes would you suggest in the terms and conditions ? :

(C) What is the procedure adopted by banks in respect of bills remaining unpaid beyond the stipulated period ? What suggestions would you offer in this regard ? :

(D) What is the rate of interest paid by you on

- (i) bills paid on due date :  
 (ii) overdue bills :

13. What suggestions would you offer for minimising delay in obtaining payment from :—

- (i) medium and large industries :
- (ii) Central Government Departments (including Director General of Supplies and Disposals) :
- (iii) State Government Departments (including electricity boards) :
- (iv) Public sector undertakings (such as Hindustan Steel Ltd.) :

CONFIDENTIAL

APPENDIX II

FORM II

Schedule for large and medium industries

(Amount in Rs. thousands)

PART I

1. Name and address of the unit :
2. Product/products manufactured and sold during 1969-70 (accounting year) :
 

	Name of product/s	Value of sales
		(Rs. in thousands)
	(a)	
	(b)	
	(c)	
	etc.	
3. (a) Total value of purchases of raw materials and stores during 1969-70 (accounting year) :
 

	Names of products/components purchased/nature of job works executed.	Value
		(Rs. in thousands)
	(a)	
	(b)	
	(c)	
	etc.	
- (b) Value of products/components purchased from/job works etc. executed by small-scale industries including ancillaries during 1969-70 (accounting year) :
 

	Names of products/components purchased/nature of job works executed.	Value
		(Rs. in thousands)
	(a)	
	(b)	
	(c)	
	etc.	
- (c) Please state whether more than one suppliers enlist in respect of goods specified in Para 3 (b) above and whether or not you are in a position to obtain competitive terms :
4. Kindly indicate the nature of assistance if any, rendered by you to small-scale industries including ancillaries with regard to :—
  - (a) supply of raw materials :
  - (b) marketing :
  - (c) provision of technical knowhow :
  - (d) management advice :
  - (e) training facilities to their workers/staff :
  - (f) financial assistance (giving full particulars) :
  - (g) any other :

5. Outstanding sundry creditors on account of purchase of raw materials and stores as on latest accounting date :

6. (a) Outstanding sundry creditors on account of purchases from small industries including ancillaries as on the latest accounting date :

*of which*

(b) payments made after the due date £ with delay :	Upto 3 months	3 to 6 months	6 to 12 months	over 12 months
	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)

7. Please state in detail, the reasons for non-payment of bills on due dates to small industries/small enterprises in respect of their supplies to you. If such delay is confined to selected items of supplies, please state specific reasons for this :

8. (a) Total sales during 1969-70 (accounting year) :

(b) Sales on credit terms during 1969-70 (accounting year) to :-

(i) Central Government Departments (including Director General of Supplies and Disposals) :

(ii) State Government Departments (including electricity boards) :

(iii) Public sector undertakings (such as Hindustan Steel Ltd.) :

(iv) Others :

9. Sundry debtors as on latest accounting date on account of sales to :-

(i) Central Government Departments (including the Director General of Supplies and Disposals) :

(ii) State Government Departments (including electricity boards) :

(iii) public sector undertakings (such as Hindustan Steel Ltd.) :-

(iv) Others :

10. Receipts on account of sales on credit during 1969-70 (accounting year) to	On due date*	Initial Payment				Balance Payment				
		Delay in receipt of initial payment				Delay in receipt of balance payment				
		Upto 3 months	3 to 6 months	6 to 12 months	Over 12 months	On due date*	Upto 3 months	3 to 6 months	6 to 12 months	Over 12 months
	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)	(Rs. in thousands)
(a) Central Government Departments (including Director General of Supplies and Disposals) :										
(b) State Government Departments (including electricity boards) :										
(c) Public sector undertakings (including Hindustan Steel Ltd.) :										

£ As per sale contract with the seller. Where no such contract has been entered into, the date on which the amount is due to the seller as per the normal period of credit according to the trade practice.

\* As per sale contract.

## PART II

11. What, in your opinion, should be the normal period of trade credit for purchases from small industries/small enterprises? State reasons. If the period of trade credit should differ as between different commodities supplied, please indicate the period for each commodity and state reasons. :
12. (a) Are you in favour of small industries/small enterprises drawing on you bills of exchange? If not, please state reasons.
- (b) Do you at present accept bills of exchange drawn on you by small industries/small enterprises? If not, please state reasons. :
13. What suggestions would you offer for reducing delay, if any, in payment of claims to small industries/small enterprises? :
14. What procedure would you suggest for a phased liquidation of overdue debts, if any, owed by you to small industries/small enterprises?
15. What, in your opinion, are the reasons for the delay in settlement of bills by :—
  - (a) Central Government Departments (including Director General of Supplies and Disposals) :
  - (b) State Government Departments (including electricity boards) :
  - (c) Public sector undertakings (such as Hindustan Steel Ltd.) :
16. What suggestions would you offer for reducing delay in receipt of payment for sales effected by you to
  - (a) Central Government Departments (including Director General of Supplies and Disposals) :
  - (b) State Government Departments (including electricity boards)
  - (c) Public sector undertakings (such as Hindustan Steel Ltd.)

## APPENDIX III

CONFIDENTIAL

## FORM III

## Schedule for Commercial Banks

1. Kindly furnish us with particulars of financial assistance rendered by your bank to small industries as in the Annexure. If possible, kindly furnish separate data on outstanding credit against Government supply bills :



2. (a) Kindly indicate the basis on which you fix the credit limits for advances to small industries/small enterprises :
- (i) against purchase/discount of bills :
  - (ii) overdraft against bills :
  - (iii) against book debts. The difference, if any, in the basis for fixing credit limits as between Government Departments, public sector undertakings, and medium and large industries may please be indicated :
- (b) What are your usual terms and conditions with regard to :—
- (i) the period of credit (covering bills against which advances are made and the period of book debts against which advances are made) :
  - (ii) margin :
  - (iii) rate of interest :
  - (iv) security and :
  - (v) any other charges, for advances granted to small-scale industries/small enterprises :
- (a) against purchase/discount of bills\* :
  - (b) overdraft against bills\* :
  - (c) against book debts, in respect of their supplies to :—
    - (i) Central Government Departments (including the Director General of Supplies and Disposals) :
    - (ii) State Government Departments (including electricity boards) :
    - (iii) Public sector undertakings (such as Hindustan Steel Ltd.) :
    - (iv) medium and large industries :
3. What has been your general experience with regard to payment of bills drawn by small enterprises/small industries on :—
- (a) medium and large industries :
  - (b) Central Government Departments (including the Director General of Supplies and Disposals) :
  - (c) State Government Departments (including electricity boards) :
  - (d) Public sector undertakings (such as Hindustan Steel Ltd.) :
4. What is the procedure adopted by you in respect of bills of small industries/ancillaries remaining unpaid beyond the stipulated period ? :

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\* Particulars in regard to D/A and D/P bills may be given separately.

5. What, in your opinion, are specific reasons for delay in payment of bills by :—
- (a) Central Government Departments (including the Director General of Supplies and Disposals) :
  - (b) State Government Departments (including electricity boards) :
  - (c) Public sector undertakings (such as Hindustan Steel Ltd.) :
  - (d) Medium and large industries :
- If the reasons differ depending upon the type of commodity/product etc. supplied, please indicate separately for each item. :
6. What specific suggestions would you offer to ensure speedy settlement of claims of small industries/small enterprises by :—
- (a) Central Government Departments (including the Director General of Supplies and Disposals) :
  - (b) State Government Departments (including electricity boards) :
  - (c) Public sector undertakings (such as Hindustan Steel Ltd.) :
  - (d) Medium and large industries :
7. Are you in favour of a system of small industries drawing bills of exchange on medium and large industries? If so, please indicate the procedure for documentation, acceptance, etc. and whether such bills should be drawn under letters of credit. If you are not in favour of this system, please state reasons. :
8. (A) Please state the procedure adopted by you in respect of 'stocks not paid for' while :—
- (a) fixing credit limits
  - (b) working out drawing power for,
    - (i) small industries/small enterprises :
    - (ii) medium and large industries :
- (B) Please let us have your views on the treatment of 'Sundry Debtors/Sundry Creditors' for goods supplied/purchased in respect of (a) & (b) above :
9. In case you are aware that there is a sizeable amount of overdue debts owed by :—
- (a) medium and large industries :
  - (b) Government Departments :
  - (c) Public sector undertakings,
- to the small/industries small enterprises, what procedure would you suggest for its phased liquidation ?
10. Under the Credit Guarantee Scheme of the Central Government for small industries, letters of credit opened by banks on behalf of small industries/small enterprises are eligible for guarantee cover. Would you, therefore, be agreeable to open letters of credit in lieu of cash deposits required by public sector undertakings such as the State Trading Corporation, Joint Plant Committee etc., for purchases by small industries/small enterprises? If not, please state reasons. :

## ANNEXURE

## Outstanding credit to small-scale industries against sales as on last Friday of March 1971

(Amount in rupees thousands)

Purchase/Discount of bills		Total	Advances by way of overdraft against bills*	Against book debts*	Total
Demand	Usance	(a) + (b)			(1 + 2 + 3)
(a)	(b)	1	2	3	

*Note* ;—Please state the amount of outstanding bills for collection (*i.e.* bills against which advances are not granted) as on last Friday of March 1971.

\* In the case of composite limits, the outstandings against bills/book debts may be segregated and shown on the basis of drawing power allowed against such bills/books debts.

## APPENDIX IV

## Revised Schedule for Small Scale Industries/Ancillaries

1. Name and address of the unit :
2. (a) Whether registered with the State Directorate of Industries : Yes/No  
(b) If yes, the registration No. :
3. Type of organisation (Proprietary/partnership/Private Ltd. Co. /Public Ltd., Co./Co-operative) :
4. Value of product/products sold :  
Name of the product : Value  
(a) (Rs. in thousands)  
(b)  
(c)  
(Rs. in thousands)
5. Total value of sales during 1969-70 (accounting year) :  
*Of which*  
(a) to medium and large industries :  
(b) to Government Departments/Public sector undertakings :  
(c) to others  
(d) Exports

(Rs in thousands)

6. (A) Sundry debtors (excluding bills of exchange) on account of sales to medium and large industries as on the latest accounting date. :

*Of which*

- (a) upto 3 months old :  
 (b) 3 to 6 months old :  
 (c) more than 6 months old :

(Rs. in thousands)

- (B) Bills of exchange outstanding (excluding sundry debtors) on account of sales to medium and large industries as on the latest accounting date :

- (a) upto 3 months old :  
 (b) 3 to 6 months old :  
 (c) more than 6 months old :

(Rs. in thousands)

7. Sundry debtors on account of sales to Government Departments/public sector undertakings as on the latest accounting date :

*Of which*

- (a) upto 3 months old :  
 (b) 3 to 6 months old :  
 (c) more than 6 months old :

8. Suggestions if any, for reducing delay in obtaining payments from :

- (a) medium and large industries :  
 (b) Government Departments/Public sector undertakings :

Initial payment

(Rs. in thousands)

Balance payment

(Rs. in thousands)

## APPENDIX V

1. Name and address of the unit :
2. Do you sell your products wholly/partly to medium and large industries/Government Departments/public sector undertakings ? YES/NO
3. If answer to item 2 is 'yes', whether you agree with the tentative conclusion arrived at by the Committee that the problem of delayed payment by medium and large industries/Government Departments/public sector undertakings to small industries is not as wide spread as it is believed to be ? YES/NO
4. If you do not agree with the conclusion at item 3 above, kindly furnish the relevant particulars requested in the schedule furnished to you by your bank. (Copy enclosed)

## ANNEXURE I

## Types of discrepancies observed in various documents submitted by small-scale industries to medium and large industries

1. Price in the bill differs from the price quoted on the purchase order. Regular amendment of the price not obtained before billing.
2. Incorrect Purchase Order No. quoted on Challan/ Invoice.
3. Other charges like Excise Duty, Transport, Insurance, etc. which are added on to the bill amount but not stipulated on the Purchase Orders.
4. Insufficient details furnished in the bill :
  - (a) Challan No./s omitted.
  - (b) Lorry Receipt/Railway Receipt not quoted.
  - (c) Purchase Order No. not quoted.
  - (d) Name and Department of the person collecting material not stated.
  - (e) Sales Tax Registration No./s not indicated.
5. Other discrepancies in the bill :
  - (a) Invoice submitted to Department other than Accounts.
  - (b) Incorrect description of material supplied.
  - (c) Incorrect quantity billed.
  - (d) Incorrect Sales Tax Rate charged.
  - (e) Disparity in the unit of measurement as per Purchase Order and as per bill.
  - (f) Mix-up in the supplies against Purchase Orders for O.E. and Spares.
  - (g) Invoice not made in the correct name.
  - (h) Insufficient number of Invoice copies submitted.
6. Invoices not submitted as they are made, causing time-lag between Invoice date and its submission resulting from submission of Invoices in a bunch.

## ANNEXURE II

## Procedure for payment of bills for supplies made to Central Government Departments/State Government Departments/State Electricity Boards/Public Sector Undertakings.

## I. Director General of Supplies and Disposals (D.G.S. &amp; D.)

According to the existing payment procedure, powers for making payments for stores ordered on behalf of Government by DGS & D are centralised in the Chief Pay & Accounts Officer. There are about 700 rate contracts and about 6000 direct demanding officers located in various parts of the country. A direct demanding officer could place indents on any supplier for rate contract items and send a copy of the order placed to the Chief Pay & Accounts Officer. After the goods have been despatched by the supplier, he forwards the RRs and other documents along with the bills to the direct demanding officer. The direct demanding officer records a certificate of receipt and forwards the bill along with the certificate of inspection to the Chief Pay & Accounts Officer for payment. All documents and bills are connected in the Office of the Chief Pay & Accounts Officer before payment is made. According to the present practice followed by the Chief Pay & Accounts Officer, 95% of the value of goods supplied to D.G.S. & D. are paid on proof of inspection and despatch. However, in the case of goods covered by rate contracts/running contracts, up to 98% of the value of goods is made on proof of inspection and despatch, while in the case of contracts for supply of plant and machinery, only 90% of value of goods is made by way of initial payment. The balance of 5%/2%/10% respectively is paid on receipt of a certificate from the consignee to the effect that goods have been received in good condition.

2. The suppliers are required to prefer their claims in the prescribed form to the Pay & Accounts Officer mentioned in the purchase order. Normally, the bills for initial payment are settled within three weeks of their receipt, if they are supported by necessary documents, such as supplier's copy of the purchase order, invoice, proof of inspection, proof of despatch, such as R/ R duly attested by the D.G.S. & D. Inspectors. The inspection is arranged by the D.G.S. & D. through its inspectors after the contract has been placed on the suppliers. The inspection starts right from raw material, through

various stages of production, to ensure the quality of products. Inspection is done either in the suppliers' premises or at National Test House/Test Laboratories, whichever necessary. The Department has specified certain time schedules for carrying out inspection and it is ensured that these are strictly adhered to.

3. The bills for 'balance payment' should be accompanied by a certificate from the consignee to the effect that goods have been received in good condition. There is some delay in settling the bills for balance payment as they are subjected to thorough scrutiny and audit. The main points looked into are (i) whether the goods have been supplied within the time schedule, (ii) whether there is any difference in the value of goods claimed in the bills and purchase order and if so, whether the D.G.S. & D. has issued necessary amendments to that effect, (iii) checking of arithmetical accuracy, (iv) verification of inspection notes (v) adjustment of earlier dues if any, to the Government Departments by the same supplier. To avoid delays in payments of balance amounts due to delays in obtaining receipt of certificate from the consignee, it has been laid down in the standard conditions of contract that the balance amount will be paid by the Pay & Accounts Officer without consignee's receipt certificate automatically after three months from the date of the advance payments subject to certain conditions. According to D.G.S. & D., if the supplier has satisfactorily discharged his responsibility under the contract and has completed the bill as per instructions laid down for his guidance, there is no reason why he should not receive payment within 14 days.

4. The Officers other than the direct demanding Officers, have no powers to directly enter into contract with suppliers. Items which are not covered by the D.G.S. & D. rate contracts are arranged by the concerned Department through D.G.S. & D. Even in this case, the payment of bills is made by the Chief Pay & Accounts Officer. D.G.S. & D. is however, authorised to debit the indenting department for supplies made to that department on production of necessary documents by the suppliers. In some cases, D.G.S. & D. also requires Government undertakings to deposit money in

advance with the D.G.S. & D. It is mainly because of this provision that D.G.S. & D. has been able to settle majority of the bills promptly.

## II. State Governments

5. In the case of State Governments, stores are purchased either directly or through D.G.S. & D. In respect of direct purchases, the concerned departments call for tenders and orders are placed according to the general rules. Payments are made by drawing pay orders or cheques in favour of suppliers on the nearest Treasury. All the articles supplied are subject to inspection before acceptance and the bills submitted are subjected to pre-audit. As a general rule payment to suppliers is not permitted unless the stores have been received and inspected. The bills should be accompanied by a certificate from the consignee to the effect that stores have been duly received and quality/quantity, value claimed, etc. conform to the specifications. Payments prior to verification of quality and quantity of goods are permitted only in exceptional cases.

6. From the replies received from the Governments of Maharashtra, Gujarat, West Bengal, Uttar Pradesh, Haryana and Pondicherry, it is observed that they are making payment of 75% to 90% of the value of stores ordered within 2 weeks from the date of receipt of bill along with the inspection note and proof of despatch. The balance of 25% or less is paid within one month of the receipt of goods. In the case of goods purchased from Suppliers who are registered with the DGS & D, the Governments of Maharashtra and Gujarat make payment as per terms and conditions followed by the DGS & D viz. 95% against inspection note and despatch documents and the balance of 5% within 30 days of the receipt of goods. Further, when no inspection is made before despatch of stores, the Government of Gujarat makes payment of 75% of the value of stores within a fortnight of the receipt of goods if the Government is satisfied with the quality and quantity thereof. The balance of 25% is made within 2 weeks thereafter.

## III. State Electricity Boards

7. The indents for purchase of goods on behalf of different departments are placed by the Chief Purchase Officer. The usual terms of payments offered are (i) 90/95/98% against proof of despatch and test certificate approval within 10 to 15 days and (ii) advance payment to the extent of 90/95/98% against the required documents through banks against a letter of credit.

8. The State Electricity Boards generally insist upon suppliers to furnish a security deposit to the extent of 5 to 10 per cent of the value of the orders placed with them for proper performance of the contract or a general bank guarantee in lieu thereof.

9. The Andhra Pradesh State Electricity Board has stated that according to its terms of payment the suppliers can draw bills of exchange with usance of 60 days for 100 per cent value of supplies provided the suppliers furnish a bank guarantee for 10 per cent of the value of orders placed with them.

10. The suppliers after despatching the goods to the consignees, send the bill, R/Rs, or Lorry Receipts to the consignees and prefer the claims with the Accounts Department with reference to the copy of the purchase order received from the Purchase Department. If the bills are in order, the payment is made within 10 to 15 days after receipt of certificate from the consignee for having received the despatch documents. In the case of documents sent through banks against the letter of credit the payment is made without any delay.

11. As soon as materials are received by the consignee, they prepare a Stores Receipt Note (SRN) wherein the quantity and value of goods received, shortage, breakage, etc. are noted. A copy of SRN is sent to the supplier and to the Accounts Department. The bills for balance payment are to be accompanied by a copy of the SRN note. In the Accounts Department the SRN note is linked up with the concerned purchase order, initial payment bill, etc. In the usual course there is no delay in making balance payment. The delay occurs only when (i) there is discrepancy in the bills, and (ii) when there is any remark in the SRN made by the consignee regarding damages/breakage/shortage, etc.

## IV. Public Sector Undertakings

12. The procedure for payment of supplier's bills in public sector undertakings is some what similar to that obtained in the State Electricity Boards. Here also, placing of indents on suppliers is centralised in the Purchase Department while payment of bills is attended by the Accounts Department. The usual terms of payments are (i) 90/95/98 per cent against presentation of despatch documents (ii) 100 per cent payment within 30 days after receipt and acceptance of material (iii) 90 to 100 per cent payment against despatch documents negotiated through banks (only in the case of some public sector undertakings). The balance payment is made on receipt of goods and completion of inspection.

13. Bills for initial payment are to be preferred with the Accounts Department along with the proof of despatch such as RRs, Lorry Receipts, etc. In the Accounts Department, the invoice and concerned copy of the purchase order received from the Purchase Department are linked together. The bill is scrutinised to see that initial payment claimed is according to the relevant clause in the purchase order and all the conditions have been satisfied by the supplier. The initial payment is generally made within one/two weeks of the receipt of the bills supported by the documents.

14. The consignee will take delivery of the goods and prepare a Stores Receipt and Verification (SRV) note, copies of which will be sent to the Accounts Department and the supplier. The suppliers are required to attach the copy of SRV note to the balance payment bills. In the Accounts Department, copies of SRV note will be linked up with the relative purchase order and suppliers' bills. In the normal course, the bills are settled within 6 to 8 weeks. The delay occurs only when there is shortage/damages in the goods supplied, the payments for which will be made only when the suppliers make replacement of the damaged goods.

## ANNEXURE III

### Reasons for which bills are returned to contractors by the Chief Pay and Accounts Officer.

1. The Contractors do not submit the bills in the prescribed form but use their own bill forms. At other times the duplicate and triplicate copies of the bills are not sent with the original. Since the duplicate copy is required by the Pay & Accounts Officer for adjustment of

account with the consignee's Accounts Officer (from whom the reimbursement of the payment made on his behalf is obtained) and the triplicate is required for sending to the consignee as Debit Intimation Memo, (to enable the consignee to know in advance the debits likely

to be received for the purpose of exchequer control). It is not possible for the Pay & Accounts Officer to pay the bill without these copies.

2. The correct number and date of the Rate Contract/Supply Order/Acceptance of Tender are not indicated in the bill. In the absence of the same it is not possible for the Pay and Accounts Officers to link the bill with the relevant contractual document.

3. The bill is not prepared in ink or type written and/or signature of the Contractor is not given in ink below the words "Received Payment" in the bill form.

4. The number and date of the Railway Receipt or the Bill of Lading or postal receipt or Air Consignment note as the case may be and/or the No. and date of the letter forwarding documents to the consignee is not indicated in the bills. A copy of the Bill of Lading or Air Consignment note or postal receipt is not sent with the bill as required.

5. Some times 10 paise Revenue Stamp is not affixed to the original copy of the bill for a sum in excess of Rs. 20.

6. Erasures and alterations in the rates or amounts claimed are not attested by the firms.

7. Arithmetical calculations are not correctly made.

8. Railway Cash Receipt or copy of bill of lading is not submitted in support of the payment of freight, when claimed.

9. Vouchers, in support of actual expenses, are not submitted where required.

10. When payment is desired to be made to a Banker or other party, the irrevocable Power of Attorney or Transfer Deed conferring authority on the Banker/Party concerned to receive payment on behalf of the Contractor is not got registered with the concerned Pay and Accounts Officer.

11. While submitting the Bill for payment to the Banker or any other party, the Contractor does not strike out the word "SELF" before signing it.

12. Separate Bills in respect of each Acceptance of Tender/Consignee are not submitted. This is necessary as the Pay & Accounts Officers are to raise debits against different Accounts Offices.

13. Where the date of Railway Receipt or the date of letter forwarding documents to Consignee is subsequent to date of preparation of the bill for 90/95/98 per cent Advance Payment, (which, if admitted, will be

tantamount to interpolation of entries) the entries in the bill are not attested by the Contractor by putting his dated signature against them.

14. Interpolations and belated entries on the bills bearing dates subsequent to the date of the bill are not attested with full signature and date.

15. Bills relating to supplies made to Post Deposit Parties are presented to the Pay & Accounts Officer direct, instead of routing them through the Consignee as per instructions in the Acceptance of Tender or Rate or Running Contract.

16. Balance 10/5/2 per cent bills are submitted before the delivery period is regularised and/or prices finalised in those cases where the prices stipulated in the contracts are provisional, and final amendment letter is issued by the Purchaser, or provisional payment thereof is authorised by the Purchaser.

17. The Contractors do not check the Inspection Notes and Receipt Certificates before submission to the Pay & Accounts Officer and get the following defects rectified :—

(a) The Accounts Office copy No. 1 and Accounts Office copy No. 2 of the Inspection Notes supporting the bill should be so endorsed by the Inspecting Officer and attested by him and under separate signature. But this is, however, not done so.

(b) The Receipt Certificate is either incomplete or not signed by the proper consignee.

(c) The description of the Stores given in the Inspection Note is incomplete.

(d) The corrections in quantity/quality made in the Inspection Notes are not attested by the Inspecting Officer or Consignees.

(e) The Receipt Certificate should be signed in ink by the Consignee and the designation of the official signing the certificate on behalf of the consignee should be given but this is not done.

(f) The particulars of the Railway Receipt number and date and station of despatch of stores in case of F.O.R. contracts and the actual date of delivery of stores in case of local delivery are not indicated by the Consignee in the appropriate portion of the Receipt Certificate.

(g) The Inspection Notes are not prepared in indecipherable pencil or transcript or ink and each continuation sheet attached to the Inspection Note is not signed by the Inspector as well as the consignee.

(h) Column 2 of the Receipt Certificate portion of the Inspection Note regarding details of page of stock ledger etc. where stores have been accounted for by the consignee is not completed by the consignee.

#### ANNEXURE IV

List of ancillary products in Automobile Industry which could be brought within the ambit of quality control.

##### (a) Mechanical Items

- |   |  |
|---|--|
| 1. Screw drivers                              | 11. Portable jacks for automobiles, mechanical and hydraulic |
| 2. Leaf springs for automobile suspension     | 12. Battery terminal pliers                                  |
| 3. Engineers files                            | 13. Tyre levers  |
| 4. Open jaw spanners                          | 14. Automotive fan belts and pulleys                         |
| 5. Ring spanners                              | 15. Radiators  |
| 6. Box spanners                               | 16. Shackle pins and bushes                                  |
| 7. Helical springs for automobiles suspension | 17. Fasteners  |
| 8. Automotive break lining                    | 18. Fuel hose  |
| 9. Hexagonal keys for socket head screws      | 19. Radiator cap   |
| 10. Crease nipples                            | 20. Drain cock   |
|   | 21. Hand type inflators                                      |

22. Platform jacks
  23. Tyre
  24. Tubes
- (b) **Electrical Equipments**
1. Lead-acid storage batteries (light duty) for motor vehicles
  2. Lead-acid storage batteries (light duty) for motor vehicles
  3. 14 mm sparking plugs
  4. Lead-acid storage batteries for motor cycles, autorickshaws and similar vehicles
  5. Automobile lamps
  6. Automobile electric horns
  7. Automobile electric horn relays
  8. Ignition coils
  9. Automobile head lights (replaceable bulb type)
  10. Side lights, tail lights, parking lights, stop lights and direction indicators for automobile use
  11. Fog lights
  12. Ammeters for automobiles
  13. Wind screen wipers
- (c) **Raw materials**
1. Cold rolled carbon steel sheets
  2. Hot rolled carbon steel sheet and strip.
  3. Cold rolled steel strip for springs
  4. Hard drawn steel wire for upholstery springs
5. Steel tubes for automotive purposes
  6. Steel for volute, helical and laminated springs for automotive suspension
  7. Steel wires for cold formed springs
  8. Bead wire for tyres
  9. Carbon steel sheets for integral coaches
  10. Grey iron castings
- (d) **Miscellaneous items**
1. Sulphuric acid (covers battery grade acid)
  2. Automotive hydraulic brake fluid
  3. Internal combustion engine lubricating oils
  4. Grease, L/A No. 1
  5. Upholstery leather
  6. Fuel pump diaphragm fabric
    - (a) Synthetic rubber proofed
    - (b) Varnish proofed
  7. Multipurpose grease, No. 1, No. 2, and No. 3
  8. Water for storage batteries
  9. Gear lubricant, multipurpose (extreme pressure gear oil)
  10. Vinyl coated fabrics (leather cloth)
  11. Oil, lubricating, axle, regular and premium
  12. Latex foam rubber products
  13. Gear lubricants, compounded
  14. Safety glass
  15. Radiator hoses
  16. Automobile polish
  17. Automotive air brake hose
  18. Automotive hydraulic brake hose.

#### ANNEXURE V

##### Important legislative provisions for prohibiting/protecting the delay in payment of Sub-Contractors in Japan

- (i) The sub-contract must be paid by the parent firms within 60 days after receipt of the goods.
- (ii) The parent-firms must issue the contract to the smaller firms giving full particulars of the transaction.
- (iii) Legal Obligations of parent-enterprises :
- The following acts are strictly prohibited :
- (a) Refusal of payment of sub-contractors by undue reasons.
  - (b) Non-payment on the due date.
  - (c) Reduce the agreed payment on unreasonable grounds.
  - (d) Return of goods to sub-contractors.
  - (e) Unreasonable reductions in prices.
  - (f) Enforcing the sub-contractor to purchase raw materials from particular firms only.
- (g) Retaliation against sub-contractors' appeal/protest to the Government authorities.
- (iv) Payment must be made within 60 days by cash, and/or cheque promissory notes to enable sub-contractors to discount the same.
- (v) Delayed interest must be paid by the parent firms.
- (vi) Parent firms must always keep the relative contract on their files for inspection by the Fair Trade Committee.
- (vii) The Chief of the Agency of Small & Medium Enterprises is fully empowered to punish through Fair Trade Committee the parent firms in case of irregularities.
- (viii) If need arises, the irregularities committed by parent-firms shall be made public.
- (ix) The Small Scale & Medium Agency and the Fair Trade Committee will jointly act in case of irregularities.



**STATEMENT I\***  
**RECEIPTS ON ACCOUNT OF CREDIT SALES TO MEDIUM AND LARGE INDUSTRIES BY SMALL-SCALE INDUSTRIES/  
 ANCILLARIES IN 1969-70**  
 (Amount in lakhs of rupees)

Sl. No.	Type of products manufactured	No. of units	Receipts on account of credit sales to medium and large industries					TOTAL
			On due date	Delay in receipt of payments				
				Upto 3 months	3 to 6 months	6 to 12 months	over 12 months	
1.	Machine tools and instruments .. .. .	128	63	123	50	17	10	263
2.	Iron, steel and other metal industries .. .. .	101	187	176	43	6	2	414
3.	Chemicals and pharmaceuticals .. .. .	43	36	88	9	2	—	135
4.	Electrical goods .. .. .	45	55	19	8	1	—	83
5.	Auto spare-parts .. .. .	32	41	77	7	(0.19)	—	125
6.	Plastic/rubber/leather products .. .. .	22	28	9	34	—	—	71
7.	Printing .. .. .	12	3	1	4	1	—	9
8.	Textiles .. .. .	11	5	4	2	—	—	11
9.	Paper and paper products .. .. .	8	30	33	2	1	1	67
10.	Electrical/diesel motors and pump-sets .. .. .	7	4	12	3	1	—	20
11.	Bicycle parts .. .. .	10	17	9	4	2	—	32
12.	Miscellaneous† .. .. .	26	3	29	2	1	—	35
<b>TOTAL .. .. .</b>		<b>445</b>	<b>472</b>	<b>580</b>	<b>168</b>	<b>32</b>	<b>13</b>	<b>1265</b>

\* Based on original schedule.

† Includes units manufacturing wooden furniture and fixtures ropes, nets, bags, etc.  
 Figures in brackets indicate actual amounts upto Rs. 0.50 lakh.

## STATEMENT II\*

## AGE-WISE CLASSIFICATION OF SUNDRY DEBTORS OF SMALL-SCALE INDUSTRIES ON ACCOUNT OF SALES TO MEDIUM AND LARGE INDUSTRIES

(Amount in lakhs of rupees)

Sr. No.	Type of products manufactured	No. of units	Sundry debtors (excluding bills)				Bills				TOTAL			
			upto 3 months old	3 to 6 months old	More than 6 months old	Total	upto 3 months old	3 to 6 months old	More than 6 months old	Total	upto 3 months old	3 to 6 months old	More than 6 months old	TOTAL
1.	Machine tools and instruments ..	314	160	79	43	282	32	14	11	57	282	93	54	339
2.	Iron, steel and other metal industries ..	314	235	87	46	368	30	8	3	41	265	95	49	409
3.	Chemicals and pharmaceuticals ..	140	97	36	29	162	13	5	4	22	110	41	33	184
4.	Electrical goods .. .. .	118	56	15	6	77	10	2	1	13	66	17	7	90
5.	Auto spare-parts .. .. .	47	35	17	4	56	5	2	2	9	40	19	6	65
6.	Plastic/rubber/leather products ..	60	33	9	3	45	3	—	—	3	36	9	3	48
7.	Printing .. .. .	42	18	4	3	25	1	(0.02)	—	1	19	4	3	26
8.	Textiles .. .. .	50	51	17	3	71	12	—	—	12	63	17	3	83
9.	Paper and paper products .. ..	30	34	6	4	44	—	—	—	—	34	6	4	44
10.	Electrical/diesel motors and pump-sets	19	12	11	6	29	9	3	3	15	21	14	9	44
11.	Bicycle parts .. .. .	14	21	2	2	25	—	—	—	—	21	2	2	25
12.	Furniture and fixtures .. .. .	28	18	7	2	27	(0.39)	—	—	(0.39)	18	7	2	27
13.	Oil .. .. .	9	3	—	—	3	—	—	—	—	3	—	—	3
14.	Miscellaneous .. .. .	26	18	13	4	35	1	—	—	1	19	13	4	36
	<b>TOTAL ..</b>	<b>1211</b>	<b>791</b>	<b>303</b>	<b>155</b>	<b>1249</b>	<b>116</b>	<b>34</b>	<b>24</b>	<b>174</b>	<b>907</b>	<b>337</b>	<b>179</b>	<b>1423</b>

\* Based on revised schedule.

Figures in brackets indicate actual amounts upto Rs. 0.50 lakh.

**STATEMENT IIA\***  
**SUNDRY DEBTORS OF SMALL-SCALE INDUSTRIES ON ACCOUNT OF SALES TO MEDIUM AND LARGE INDUSTRIES**

Sr. No.	Type of products manufactured	No. of units which had sold wholly or partially to medium and large industries	No. of units for which part of sundry debt was more than 3 months old	No. of units for which entire amount of sundry debt was more than 3 months old	No. of units for which entire amount of sundry debt was more than 6 months old	No. of units which had sold exclusively to medium and large industries	Of which part of sundry debt was more than 3 months old
1.	Machine tools and instruments ..	230	150	11	5	73	63
2.	Iron, steel and other metal industries ..	256	147	13	6	104	92
3.	Chemicals and pharmaceuticals .. ..	124	56	6	3	22	18
4.	Electrical goods .. .. .	83	45	6	2	25	21
5.	Auto spare-parts .. .. .	38	16	3	—	15	14
6.	Plastic/rubber/leather products ..	41	22	3	—	15	14
7.	Printing .. .. .	32	15	2	1	11	10
8.	Textiles .. .. .	28	19	2	—	13	12
9.	Paper and paper products .. .. .	28	15	—	—	12	11
10.	Electrical/diesel motors and pump-sets	18	13	2	2	5	4
11.	Bicycle parts .. .. .	12	5	—	—	3	—
12.	Furniture and fixtures .. .. .	22	7	—	1	8	7
13.	Oil .. .. .	7	—	—	—	—	—
14.	Miscellaneous .. .. .	19	9	2	—	8	7
<b>TOTAL ..</b>		<b>938</b>	<b>519</b>	<b>50</b>	<b>20</b>	<b>314</b>	<b>273</b>

\* Based on revised schedule.

## STATEMENT III.

## DELAY BY LARGE AND MEDIUM INDUSTRIES IN PAYMENT TO SMALL-SCALE INDUSTRIES ON ACCOUNT OF PURCHASE OF RAW MATERIALS AND STORES IN 1969-70

(Amount in lakhs of rupees)

Sl. No.	Nature of Industry	No. of units	Sundry creditors in respect of purchase from small-scale industries	Of which payments made after due date				TOTAL (5)+(6)+(7)+(8)
				upto 3 months	3 to 6 months	6 to 12 months	Over 12 months	
1	2	3	4	5	6	7	8	9
1.	Engineering goods .. .. .	64	459	48	7	2	1	58
2.	Textiles .. .. .	25	8	1	—	—	—	1
3.	Chemicals and pharmaceuticals ..	29	55	6	1	—	—	7
4.	Cement .. .. .	1	9	— (0.29)	7	2	—	9
5.	Iron and steel .. .. .	1	3	—	—	—	—	—
6.	Generation and supply of electricity ..	2	3	2	—	—	—	2
7.	Paper .. .. .	2	— (0.28)	—	— (0.10)	— (0.15)	—	—
8.	Glass and ceramics .. .. .	3	—	—	—	—	—	—
9.	Sugar .. .. .	7	6	4	2	—	—	6
10.	Jute .. .. .	3	—	—	—	—	—	—
11.	Tobacco .. .. .	2	2	—	—	—	—	—
12.	Tea .. .. .	5	2	—	—	—	—	—
13.	Mining .. .. .	2	— (0.10)	—	—	—	—	—
14.	Food stuffs .. .. .	4	11	—	—	—	—	—
<b>TOTAL</b> ..		<b>150*</b>	<b>558</b>	<b>61</b>	<b>17</b>	<b>4</b>	<b>1</b>	<b>83</b>

\* 17 Companies (4 companies in engineering industry, 2 companies in textile industry, 3 companies in chemicals and pharmaceuticals industry, 1 company in cement industry, 1 company in iron and steel industry, 3 companies in generation and supply of electricity, 3 companies in printing industry) have been omitted from the statement as they have not given the data in respect of delayed payments.

Figures in brackets indicate actual amounts upto Rs. 0.50 lakh.

## STATEMENT IV\*

RECEIPTS ON ACCOUNT OF CREDIT SALES TO GOVERNMENT DEPARTMENTS/PUBLIC SECTOR UNDERTAKINGS  
BY SMALL-SCALE INDUSTRIES/ANCILLARIES DURING 1969-70

(Amount in lakhs of rupees)

Sl. No.	Type of products manufactured	No. of units	Initial payment				Balance payment				Total Payment				TOTAL			
			On due date	Delay in receipt of initial payment			On due date	Delay in receipt of balance payment			On due date	Delay in receipt of total payment						
				upto 3 months	3 to 6 months	6 to 12 months		Over 12 months	upto 3 months	3 to 6 months		6 to 12 months	Over 12 months	upto 3 months		3 to 6 months	6 to 12 months	Over 12 months
1.	Machine tools and instruments .. ..	128	63	74	15	3	1	6	19	18	15	16	69	93	33	18	17	230
2.	Iron, steel and other metal industries .. ..	101	86	36	12	4	1	1	6	3	2	5	87	42	15	6	6	156
3.	Chemicals and pharmaceuticals .. ..	43	14	14	8	4	1	—	13	2	—	1	14	27	10	4	2	57
4.	Electrical goods .. ..	45	40	166	11	3	2	(0.06)	15	4	(0.05)	1	43	181	15	4	4	247
5.	Auto spare-parts .. ..	32	9	2	2	—	—	—	1	21	—	—	9	3	23	—	—	35
6.	Plastic/rubber/leather products .. ..	22	53	2	2	3	—	—	—	—	—	—	53	2	2	3	—	60
7.	Printing .. ..	12	1	1	—	—	—	—	(0.31)	(0.41)	(0.15)	(0.18)	1	4	1	—	—	6
8.	Textiles .. ..	11	18	7	(0.03)	1	—	(0.10)	—	—	(0.50)	—	20	7	1	—	—	28
9.	Paper and paper products .. ..	8	3	1	1	—	—	—	—	(0.34)	1	—	3	1	2	—	—	6
10.	Electrical/diesel motors and pump-sets .. ..	7	2	5	—	—	—	—	—	—	—	—	2	5	—	—	—	7
11.	Bicycle parts .. ..	10	—	—	(0.22)	(0.41)	(0.08)	(0.02)	—	—	(0.01)	—	—	—	—	—	—	—
12.	Miscellaneous .. ..	26	5	19	4	—	—	—	1	—	—	1	5	20	4	—	1	30
	TOTAL .. ..	445	294	327	56	17	5	12	58	50	18	25	306	385	106	35	30	862

\* Based on original schedule.  
Figures in brackets indicate actual amounts upto Rs. 0.50 lakh.

## STATEMENT V\*

## AGE-WISE CLASSIFICATION OF SUNDRY DEBTORS OF SMALL-SCALE INDUSTRIES/ANCILLARIES ON ACCOUNT OF SALES TO GOVERNMENT DEPARTMENTS/PUBLIC SECTOR UNDERTAKINGS

(Amount in lakhs of rupees)

Sr. No.	Type of products manufactured	No. of units	Initial payment				Balance payment				Total payment			
			upto 3 months old	3 to 6 months old	More than 6 months old	Total	upto 3 months old	3 to 6 months old	More than 6 months old	Total	upto 3 months old	3 to 6 months old	More than 6 months old	TOTAL
1.	Machine tools and instruments ..	314	63	36	20	119	25	18	14	57	88	54	34	176
2.	Iron, steel and other metal industries ..	314	59	11	10	80	13	10	16	39	72	21	26	119
3.	Chemicals and pharmaceuticals ..	140	59	12	8	79	14	5	6	25	73	17	14	104
4.	Electrical goods .. .. .	118	75	13	6	94	38	15	14	67	113	28	20	161
5.	Auto spare-parts .. .. .	47	3	2	—	5	—	1	—	1	3	3	—	6
6.	Plastic/rubber/leather products .. ..	60	1	—	(0.39)	1	(0.25)	1	(0.05)	7	7	1	—	8
7.	Printing .. .. .	42	5	(0.09)	(0.03)	6	1	1	1	3	6	1	2	9
8.	Textiles .. .. .	50	7	(0.41)	1	8	9	4	1	14	16	5	1	22
9.	Paper and paper products .. .. .	30	2	(0.11)	(0.30)	2	1	—	—	1	3	—	—	3
10.	Electrical/diesel motors and pump-sets	19	(0.39)	1	(0.30)	1	1	(0.20)	(0.17)	5	1	4	1	6
11.	Bicycle parts .. .. .	14	(0.40)	—	—	—	—	—	—	—	—	—	—	—
12.	Furniture and fixtures .. .. .	28	3	(0.05)	—	3	1	—	1	2	4	—	1	5
13.	Oil .. .. .	9	—	—	—	—	—	(0.30)	—	—	—	—	—	—
14.	Miscellaneous .. .. .	26	8	4	(0.13)	12	(0.29)	(0.27)	1	1	8	4	1	13
<b>TOTAL</b> ..		<b>1211</b>	<b>285</b>	<b>80</b>	<b>45</b>	<b>410</b>	<b>109</b>	<b>58</b>	<b>55</b>	<b>222</b>	<b>394</b>	<b>138</b>	<b>100</b>	<b>632</b>

\* Based on revised schedule.

Figures in brackets indicate actual amounts up to Rs. 0.50 lakh.

**STATEMENT VI.**  
**COMPOSITION OF PURCHASE OF RAW MATERIALS AND STORES BY MEDIUM**  
**AND LARGE INDUSTRIES DURING 1969-70**

(Amount in lakhs of rupees)

Sl. No.	Nature of industry	No. of units	Total value of purchase of raw materials and stores in 1969-70	Of which value of purchase from small-scale industries
1.	Engineering goods .. .. .	66	27334	3285
2.	Textiles .. .. .	26	4767	275
3.	Chemicals and Pharmaceuticals .. .. .	29	13264	843
4.	Cement .. .. .	2	615	28
5.	Iron and Steel .. .. .	2	4647	72
6.	Generation and supply of electricity .. .. .	5	1175	57
7.	Paper .. .. .	2	124	2
8.	Printing .. .. .	2	22	1
9.	Glass and Ceramics .. .. .	3	112	— (0.32)
10.	Sugar .. .. .	7	1918	28
11.	Jute .. .. .	3	1780	—
12.	Tobacco .. .. .	2	1023	111
13.	Tea .. .. .	5	195	9
14.	Mining .. .. .	2	78	1
15.	Food stuffs .. .. .	4	1760	701
<b>Total</b> ..		<b>160*</b>	<b>58814</b>	<b>5413</b>

\* 7 companies (2 companies in Engineering industry, 1 company in Textile industry, 3 companies in Chemicals and Pharmaceuticals industry and 1 company in Printing industry) have been omitted from the statement as they have not furnished the value of purchase from small-scale industries.

Figures in brackets indicate actual amounts upto Rs. 0.50 lakh.

## STATEMENT VII.

## SUNDRY CREDITORS OF LARGE AND MEDIUM INDUSTRIES AS ON LATEST ACCOUNTING DATE

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(Amount in lakhs of rupees)

Sr. No.	Nature of industry	No. of units	Sundry creditors on account of purchase of raw materials and stores	Total value of purchase of raw materials and stores in 1969-70	% of Col. (4) to Col (5)	Sundry creditors on account of purchase of raw materials and stores from small-scale industries	Value of purchase from small-scale industries in 1969-70	% of Col (7) to Col. (8)
1	2	3	4	5	6	7	8	9
1.	Engineering goods .. .. .	66	4049	27334	14.8	474	3285	14.4
2.	Textiles .. .. .	25	366	4135	8.8	8	259	3.2
3.	Chemicals and pharmaceuticals ..	29	961	13264	7.3	55	843	6.5
4.	Cement .. .. .	2	479	615	77.9	9	28	32.1
5.	Iron and steel .. .. .	1	56	1013	5.5	3	47	6.4
6.	Generation and supply of electricity ..	2	71	209	33.9	3	3	100.0
7.	Paper .. .. .	2	73	124	58.8	— (0.28)	2	14.0
8.	Printing .. .. .	2	1	22	4.5	—	1	—
9.	Glass and ceramics .. .. .	3	27	112	24.1	—	—	—
10.	Sugar .. .. .	7	107	1918	5.5	6	(0.32) 28	21.4
11.	Jute .. .. .	3	315	1780	17.7	—	—	—
12.	Tobacco .. .. .	2	110	1023	10.7	2	111	1.8
13.	Tea .. .. .	5	4	195	2.0	2	9	22.2
14.	Mining .. .. .	2	14	78	17.9	— (0.10)	1	10.0
15.	Foodstuffs .. .. .	4	40	1760	2.3	11	701	1.6
TOTAL .. .. .		155*	6673	53582	12.5	573	5318	10.7

\* 12 companies (2 companies in engineering industry, 2 companies in textiles industry, 3 companies in chemicals and pharmaceuticals industry, 1 company in iron and steel industry, 3 companies in generation and supply of electricity and 1 company in printing industry) have been omitted from the statement as they have not furnished the amount of sundry creditors on account of purchase of raw materials and stores from small-scale industries.

Figures in brackets indicate actual amounts upto Rs. 0.50 lakh.



## STATEMENT VIII.

## COMPOSITION OF SALES BY MEDIUM AND LARGE INDUSTRIES DURING 1969-70

(Amount in lakhs of rupees)

Sl. No.	Nature of Industry	No. of units	VALUE OF SALES DURING 1969-70 ON CREDIT-TERMS TO					Others	Total credit sales (7)+ (8)	TOTAL Sales
			Central Government Departments	State Government Departments	Public sector undertakings	Total sales to Government Departments and public sector undertakings (4) + (5) + (6)				
1.	2	3	4	5	6	7	8	9	10	
1.	Engineering goods .. .. .	68	2585	2142	590	5317	21847	27164	44714	
2.	Textiles .. .. .	27	19	3	—	22	6447	6469	10252	
3.	Chemicals and pharmaceuticals ..	32	646	907	40	1593	3665	5258	36575	
4.	Cement .. .. .	2	2402	1	83	2486	4123	6609	9012	
5.	Iron and steel .. .. .	2	719	515	887	2121	14001	16122	16273	
6.	Generation and supply of electricity ..	5	6	2	7	15	3665	3680	3680	
7.	Paper .. .. .	2	2	—	—	2	259	261	318	
8.	Printing .. .. .	3	27	2	1	30	109	139	140	
9.	Glass and ceramics .. .. .	3	— (0.45)	— (0.36)	— (0.03)	—	330	330	330	
10.	Sugar .. .. .	7	66	48	5	119	750	869	2695	
11.	Jute .. .. .	3	106	—	10	116	2591	2707	2707	
12.	Tobacco .. .. .	2	3	—	—	3	5615	5618	6557	
13.	Tea .. .. .	5	— (0.41)	—	1	1	382	383	429	
14.	Mining .. .. .	2	—	—	155	155	420	575	575	
15.	Foodstuffs .. .. .	4	256	—	4	260	255	515	2165	
<b>TOTAL</b> ..		<b>167</b>	<b>6837</b>	<b>3620</b>	<b>1783</b>	<b>12240</b>	<b>64459</b>	<b>76699</b>	<b>136422</b>	

Figures in brackets indicate actual amounts upto Rs. 0.50 lakh

## STATEMENT IX.

## RECEIPT BY LARGE AND MEDIUM INDUSTRIES ON ACCOUNT OF SALES TO GOVERNMENT DEPARTMENTS AND PUBLIC SECTOR UNDERTAKINGS DURING 1969-70

(Amount in lakhs of rupees)

Sr. No.	Nature of industry	No. of units	On due date	Initial payment				Balance payment				Total payment					TOTAL	
				Delay in receipt of initial payment				Delay in receipt of balance payment				Delay in receipt of total payment						
				upto 3 months	3 to 6 months	6 to 12 months	Over 12 months	On due date	upto 3 months	3 to 6 months	6 to 12 months	Over 12 months	On due date	upto 3 months	3 to 6 months	6 to 12 months		Over 12 months
1.	Engineering goods	61	1449	1688	250	93	28	59	52	71	54	60	1508	1740	321	147	88	3804
2.	Textiles	25	17	—	—	—	—	—	—	—	—	—	17	—	—	—	—	17
												(0.24)					(0.24)	
3.	Chemicals and pharmaceuticals	30	38	66	16	—	14	3	15	1	1	—	41	81	17	1	14	154
						(0.15)						(0.05)						
4.	Cement	2	2155	85	69	60	60	10	10	16	12	10	2165	95	85	72	70	2487
5.	Iron and steel	1	407	—	—	—	—	—	—	45	—	—	407	—	45	—	—	452
6.	Generation and supply of electricity	3	665	75	3	—	—	—	—	—	—	—	665	75	3	—	—	743
						(0.19)	(0.04)									(0.19)	(0.04)	
7.	Paper	2	2	—	—	—	—	—	—	—	—	1	2	—	—	—	1	3
						(0.06)		(0.03)			(0.28)					(0.34)		
8.	Printing	1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9.	Glass and ceramics	3	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
			(0.40)						(0.28)	(0.16)			(0.40)	(0.28)	(0.16)			
10.	Sugar	7	—	39	—	—	—	4	1	—	—	—	4	40	—	—	—	44
11.	Jute	2	—	70	—	—	—	—	—	—	—	—	—	70	—	—	—	70
12.	Tobacco	2	—	—	—	—	—	3	—	—	—	—	3	—	—	—	—	3
13.	Tea	5	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
					(0.34)	(0.06)	(0.03)								(0.34)	(0.06)	(0.03)	(0.43)
14.	Mining	1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15.	Foodstuffs	3	209	—	—	—	—	—	23	—	—	—	209	23	—	—	—	232
								(0.19)										
<b>TOTAL</b>		<b>148*</b>	<b>4942</b>	<b>2023</b>	<b>338</b>	<b>153</b>	<b>102</b>	<b>79</b>	<b>101</b>	<b>133</b>	<b>67</b>	<b>71</b>	<b>5021</b>	<b>2124</b>	<b>471</b>	<b>220</b>	<b>173</b>	<b>8009</b>

\*19 companies (7 companies in engineering, 2 companies in textiles, 2 companies in chemicals and pharmaceuticals, 1 company in iron and steel, 2 companies in generation and supply of electricity, 2 companies in printing, 1 company in jute, 1 company in mining and 1 company in foodstuffs) have been omitted from the statement as they have not furnished details of their receipts on account of sales to government departments/public sector undertakings.

Figures in brackets indicate actual amounts upto Rs. 0.50 lakh

**STATEMENT X\*.**  
**COMPOSITION OF SALES BY SMALL-SCALE INDUSTRIES/ANCILLARIES**  
**DURING 1969-70**

(Amount in lakhs of rupees)

Sr. No.	Type of products manufactured	No. of units	Value of sales to				TOTAL
			Medium and large industries	Government Departments and public sector undertakings	Others	Exports	
1.	Machine tools and instruments	442	1469	688	635	25	2817
2.	Iron, steel and other metal industries .. ..	415	2315	613	844	54	3826
3.	Chemicals and pharmaceuticals	183	761	291	686	13	1751
4.	Electrical goods .. ..	163	566	639	413	39	1657
5.	Auto spare-parts ..	79	292	75	124	3	494
6.	Plastic/rubber/leather products	82	367	109	161	4	641
7.	Printing .. ..	54	94	51	36	1	182
8.	Textiles .. ..	61	341	138	378	90	947
9.	Paper and paper products	38	264	19	25	1	309
10.	Electrical/diesel motors and pump-sets .. ..	26	117	20	59	1	197
11.	Bicycle parts .. ..	24	67	2	98	4	171
12.	Furniture and fixtures	28	95	52	19	1	167
13.	Oil .. ..	9	89	5	270	—	364
14.	Miscellaneous .. ..	52	204	80	107	— (0.10)	391
<b>TOTAL ..</b>		<b>1656</b>	<b>7041</b>	<b>2782</b>	<b>3855</b>	<b>236</b>	<b>13914</b>

\* Combined statement in respect of units which have submitted the data in the original and the revised schedule.

Figures in brackets indicate actual amounts upto Rs. 0.50 lakh.

**STATEMENT XI\***  
**COMPOSITION OF SALES BY SMALL-SCALE INDUSTRIES/ANCILLARIES DURING 1969-70**  
 (Amount in lakhs of rupees)

Sl. No.	Type of products manufactured	No. of units	Value of sales during 1969-70 to						Total			
			Medium and large industries			Govt. Deptts.	Others (including exports)			Cash	Credit	TOTAL
			Cash	Credit	Total		Cash	Credit	Total			
1.	Machine tools and instruments ..	128	59	296	355	235	75	130	205	134	661	795
2.	Iron, steel and other metal industries	101	105	444	549	172	57	210	267	162	826	988
3.	Chemicals and pharmaceuticals ..	43	31	139	170	65	61	131	192	92	335	427
4.	Electrical goods .. .. .	45	24	95	119	251	105	80	185	129	426	555
5.	Auto spare-parts .. .. .	32	7	128	135	40	19	45	64	26	213	239
6.	Plastic/rubber/leather products ..	22	5	80	85	63	1	32	33	6	175	181
7.	Printing .. .. .	12	—	9	9	10	1	5	6	1	24	25
			(0.12)									
8.	Textiles .. .. .	11	4	12	16	29	72	31	103	76	72	148
9.	Paper and paper products ..	8	—	68	68	5	6	5	11	6	78	84
			(0.03)									
10.	Electrical/diesel motors and pump-sets	7	1	20	21	11	1	15	16	2	46	48
11.	Bicycle parts .. .. .	10	—	32	32	—	6	21	27	6	53	59
			(0.32)									
12.	Miscellaneous .. .. .	26	20	36	56	35	4	30	34	24	101	125
	<b>TOTAL ..</b>	<b>445</b>	<b>256</b>	<b>1359</b>	<b>1615</b>	<b>916</b>	<b>408</b>	<b>735</b>	<b>1143</b>	<b>664</b>	<b>3010</b>	<b>3674</b>

\* Based on original schedule. Figures in brackets indicate actual amounts upto Rs. 0.50 lakh.

**STATEMENT XII\***  
**SUNDRY DEBTORS OF SMALL-SCALE INDUSTRIES/ANCILLARIES**  
 (as on latest accounting date)  
 (Amount in lakhs of rupees)

Sl. No.	Type of products manufactured	No. of units	Sundry debtors	Value of total sales	Percentage of Col (4) to Col. (5)
1	2	3	4	5	6
1.	Machine tools and instruments	128	185	795	23.2
2.	Iron, steel and other metal industries	101	189	988	19.1
3.	Chemicals and pharmaceuticals ..	43	68	427	15.9
4.	Electrical goods .. .. .	45	119	555	21.4
5.	Auto spare-parts .. .. .	32	55	239	23.0
6.	Plastic/rubber/leather products ..	22	23	181	12.7
7.	Printing .. .. .	12	5	25	20.0
8.	Textiles .. .. .	11	9	148	6.0
9.	Paper and paper products ..	8	16	84	19.0
10.	Electrical/diesel motors and pump-sets	7	16	48	33.3
11.	Bicycle parts .. .. .	10	7	59	11.8
12.	Miscellaneous .. .. .	26	20	125	16.0
	<b>TOTAL ..</b>	<b>445</b>	<b>712</b>	<b>3674</b>	<b>19.4</b>

\* Based on original schedule.

## STATEMENT XIII\*.

SUNDRY CREDITORS OF SMALL-SCALE INDUSTRIES/ANCILLARIES ON ACCOUNT OF PURCHASE  
OF RAW MATERIALS

(Amount in lakhs of rupees)

Sl. No.	Type of products manufactured	No. of units	Purchase of raw materials and stores during 1969-70			Sundry creditors as on latest accounting date	Percentage of Col. (7) to Col. (6)
			Cash	Credit	Total		
1	2	3	4	5	6	7	8
1.	Machine tools and instruments .. .. .	128	228	252	480	84	17.5
2.	Iron, steel and other metal industries .. .. .	101	454	216	670	60	8.9
3.	Chemicals and pharmaceuticals .. .. .	43	114	168	282	35	12.4
4.	Electrical goods .. .. .	45	184	176	360	39	10.8
5.	Auto spare-parts .. .. .	32	101	53	154	18	11.6
6.	Plastic/rubber/leather products .. .. .	22	73	45	118	14	11.8
7.	Printing .. .. .	12	4	9	13	2	15.3
8.	Textiles .. .. .	11	29	15	44	4	9.0
9.	Paper and paper products .. .. .	8	35	24	59	9	15.2
10.	Electrical/diesel motors and pump-sets .. .. .	7	22	12	34	9	26.4
11.	Bicycle parts .. .. .	10	17	18	35	10	28.6
12.	Miscellaneous .. .. .	26	57	42	99	10	10.1
<b>TOTAL</b> ..		<b>445</b>	<b>1318</b>	<b>1030</b>	<b>2348</b>	<b>294</b>	<b>12.5</b>

\* Based on original schedule.

**STATEMENT XIV.**  
**SUNDRY DEBTORS OF LARGE AND MEDIUM INDUSTRIES AS ON LATEST ACCOUNTING DATE**

(Amount in lakhs of rupees)

Sr. No.	Nature of Industry	No. of units	Sundry debtors as on latest accounting date on account of sales to			Total value of sales during 1969-70	Percentage of Col. (6) to Col. (7)
			Govt. Departments & public sector undertakings	Others	Total (4) + (5)		
1.	2	3	4	5	6	7	8
1.	Engineering goods .. .. .	67	1756	3815	5571	44693	12.5
2.	Textiles .. .. .	27	3	1021	1024	10252	10.0
3.	Chemicals and pharmaceuticals .. .. .	31	284	1279	1563	34424	4.5
4.	Cement .. .. .	2	184	347	531	9012	5.9
5.	Iron and steel .. .. .	2	313	725	1038	16273	6.4
6.	Generation and supply of electricity	5	88	333	421	3680	11.4
7.	Paper .. .. .	2	1	46	47	318	14.8
8.	Printing .. .. .	3	9	25	34	140	24.2
9.	Glass and ceramics .. .. .	3	—	106	106	330	32.0
			(0.08)				
10.	Sugar .. .. .	7	15	23	38	2695	1.4
11.	Jute .. .. .	3	28	277	305	2707	11.3
12.	Tobacco .. .. .	1	—	14	14	4109	0.3
			(0.12)				
13.	Tea .. .. .	5	1	17	18	429	4.2
14.	Mining .. .. .	2	20	53	73	575	12.6
15.	Foodstuffs .. .. .	4	3	32	35	2165	1.6
	<b>TOTAL</b> .. .. .	<b>164*</b>	<b>2705</b>	<b>8113</b>	<b>10818</b>	<b>131802</b>	<b>8.2</b>

\* 3 companies (1 company in engineering industry, 1 company in chemicals and pharmaceutical industry and 1 company in tobacco industry) have been omitted from the statement as they have not furnished the amount of sundry debtors.  
Figures in brackets indicate actual amounts upto Rs. 0.50 lakh.

**STATEMENT XV.**  
**SCHEDULED COMMERCIAL BANKS' ADVANCES TO SMALL-SCALE INDUSTRIES AS ON THE 31st MARCH 1971**

(Amount in lakhs of rupees)

No. of reporting banks	Total outstanding advances to small-scale industries	Total advances against receivables		Purchase of bills		Discount of bills		Overdrafts against bills		Advances against books debts	
		Amount Rs.	% of Col 3 to Col. 2.	Amount Rs.	% of Col 5 to Col. 3	Amount Rs.	% of Col 7 to Col. 3.	Amount Rs.	% of Col 9 to Col. 3.	Amount Rs.	% of Col. 11 to Col. 3.
1	2	3	4	5	6	7	8	9	10	11	12
34	37345*	7619@	20.4	1473	40.0	1014	27.6	912	24.8	281	7.6

\* Excludes term loans.

@ Break-up of total advances against receivables (Rs. 3939 lakhs) in respect of State Bank of India Group is not available

**Registered No. M H 157**

**Owner :—Reserve Bank of India, Bombay.**

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