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1. INTRODUCTION

Economic Reconstruction of India

1.1 Ever since India emerged as an independent nation in 1947, she was experiencing great transformations on the economic front - industrial as well as agricultural. The cumulative effect was the substantial economic progress, a type of which the country never experienced before, in its thousands of years of chequered history. A series of five year plans - beginning from 1950-51 - were instrumental in bringing about these changes.

1.2 The national income which stood at Rs. 5,690 millions in 1948-49 increased to Rs. 16,544 millions in 1968-69 (1948 prices) registering thereby a growth of 201 per cent. The per capita income also increased from Rs. 249 to Rs. 317. Increase in this sphere was only 127.2 per cent because the magnitude of growth was frustrated by an alarming increase in population from 296.3 millions (1948) to 537 million (1969). The net national product also increased from Rs. 133,080 millions (1961) to Rs. 168,300 millions (1969). In agricultural as well as industrial production, in savings and investment, in providing welfare facilities to the population, in life expectancy and in a variety of key national sectors, India witnessed tremendous progress. An important indicator of growth of an economy is the generation of power. From 5,650.1 m.w. in 1960-61, total power generated increased to 14,803 m.w. in 1968-69.

Strategy of industrialization

1.3 In accelerating economic growth, industrialization was taken as a basic and powerful instrument. Industrial growth achieved by India ever since she attained independence was so phenomenal that substantial changes were effected in the structure of Indian industry. The Indian industrial horizon was having a spread out of a few large scale industries and a vast expanse of village, cottage and small industries. Today, there are three distinct sectors among the factory type of industries, namely, large scale, medium scale and small scale.

1.4 Value added by manufacture registered an increase of 168.5 per cent by 1969 compared to that in 1960. The percentage increase in the value added by manufacture in traditional industries like jute and cotton were 72.8 and 110.7 respectively while

that in general engineering products was 200.5 per cent; electrical engineering products 312.9 per cent and chemical engineering products 212.2 per cent. This is indicative of the new leaps that industrialization has taken in India towards modernizing the structural complex of industries in the country. Great efforts were taken to bring about this grand industrial transformation. Investment in productive capital alone within almost a decade, increased from Rs.17,370 millions in 1959 to Rs.75,480 millions in 1966 registering thereby an increase of 334.5 per cent.

1.5 There was considerable progress in the production of basic raw materials, machinery, motive power and a variety of consumer goods of sophisticated types. Production of finished steel and aluminium - two important basic materials in the metal based group of industries - increased from 2.39 million tonnes and 0.18 million tonnes in 1960-61 to 4.5 million tonnes and 1 million tonnes respectively in 1967-68. Production of machine tools alone increased from Rs.70 million worth in 1960-61 to Rs.283 million worth by 1967-68. Electric motors (below 200 HP) which is a prime mover in industry and agriculture accounted for a total capacity of 2.08 million H.P. in 1967-68 as against 0.73 million H.P. in 1960-61.

Place of small industry

1.6 The growth of modern small scale industries in India has been one of the most significant features of our planned economy during the last decade. Our experience has demonstrated that modern small scale industry is a powerful factor in the rapid, decentralized growth of a developing economy. The policies and programmes adopted by us to accelerate the growth of the small scale sector are being keenly watched not only by other countries in South East Asia, Africa and Latin America, but also by many international organizations.

1.7 The small scale industry which is labour-intensive and capital-saving, plays a vital role in the overall economic development of a country like India where millions of people are unemployed or under-employed, where most of the entrepreneurs are capable of only small investment and where there is dearth of sophisticated machines and modern technology. Other factors which weigh in favour of the small industry are its adaptability to semi-urban and rural environment where the infrastructure is underdeveloped and its capacity to attract rural savings and divert them to production channels.

Industrial Policy Resolution

1.8 In view of the increase in the demand for a variety of consumer goods, the Five Year Plans recognized the role of small scale industries to absorb increased purchasing power and thereby contain inflation. There was also the pressing need to accelerate the tempo of industrialization at comparatively lesser cost and in quicker time. The benefit of development was to be spread over all deserving areas of the country and to the largest number of people. The small industry programme was taken as an effective tool in this developmental strategy.

1.9 The Industrial Policy Resolution of 1956 which is the basic document laying down the directive principles of State policy regarding development of industries - large, medium and small, recognized the important role of small scale industries in the development of the national economy. In relation to some of the urgent problems that needed immediate attention, the small scale industries were recognized as offering some distinct advantages such as immediate prospects of large scale employment, mobilization of local resources of capital and skill, more equitable distribution of the national income, etc. In view of these special features, the declared aim of the State policy, as enunciated in the Industrial Policy Resolutions of 1948 and 1956, was to ensure that the small industries sector would acquire sufficient vitality to be self-supporting and that its development was integrated with that of the large scale. It was, therefore, suggested that the Government should concentrate on measures designed to remove the basic handicaps of small scale industries such as lack of technical and financial assistance, suitable working accommodation, inadequacy of tooling, repairs and maintenance facilities, etc. It was also laid down that the technique of production of the small scale industries should be constantly improved and modernized, the pace of transformation being regulated so as to avoid, as far as possible, technological unemployment.

1.10 The basic objectives of the various programmes for the development of small scale industries, as set out in the Industrial Policy Resolution (1956) and in the successive Five Year Plans, are indicated below:-

- (i) To create immediate and substantial employment opportunities at a relatively small capital cost;

- (ii) To meet a substantial part of the increased demand for consumer goods and simple producer goods;
- (iii) To facilitate motilization of resources of capital and skill which might otherwise remain inadequately utilized;
- (iv) To bring about integration of the development of small scale industries with the rural economy on the one hand and the large scale on the other;
- (v) To improve the productivity of the worker and the quality of small industry products by placing greater emphasis on the adoption of improved methods of production and the use of better machinery and equipment;
- (vi) To ensure more equitable distribution of the national income and a balanced industrial development in different regions, i.e. to lay down basis for an essentially decentralized society.

1.11 Having regard to these aspects, the Government of India undertook the development of small scale industry as a Plan Programme during the First Five Year Plan and more and more emphasis had been laid on the development of this vital sector during the successive Plans. A special organization with Development Commissioner at its head was set up to advise, co-ordinate and help implement Government schemes directed towards the development of the small scale industries in the country. This organization, through a Small Industries Service Institute in each State and a number of Extension Centes set up all over the country, provides industrial extension service to the small entrepreneurs so as to bring about improvement in quality, cost reduction, diversification of production, introduction of modern techniques of production and management and new methods of sales promotion, etc.

Definition

1.12 The need for providing assistance, especially by the Government, called for identifying small scale industries. The identifying process was guided in some countries by historical and social factors and in some others by purely economic factors. The basis of definition may be either employment, investment, use of power, machinery, size of the market or any other factor, or a combination of these factors.

1.13 In India, a small scale unit was first defined as one employing less than 50 workers working with power and less than 100 workers who working without power and having an investment in fixed assets not exceeding Rs.0.5 million. This definition was later revised so as to make the employment ceiling relate to employment per shift without, of course, altering the investment ceiling. In 1950, the definition was further revised, discarding the employment ceiling altogether and retaining only the investment ceiling. In June 1966, this sector was again redefined as comprising manufacturing enterprises with a capital investment in plant and machinery (original value) not exceeding Rs.0.75 million, thus enlarging the scope of the sector and thereby enabling more and more units to take advantage of the Government Assistance Programme.

Magnitude of the Sector

1.14 Small scale industrial units have grown rapidly in recent years. The following table indicates the phenomenal growth:

Registered small industrial factories in India

<u>Year</u>	<u>No. of units</u>
1961	35,728
1962	56,550
1963	69,530
1964	90,000
1965	100,557
1966	112,904
1967	124,586
1968	146,276
1969	178,000

Source: Annual Reports of SSIDO

Within a decade, the number of units increased almost sixfold thereby registering a spectacular growth and in spite of heavy odds including a disastrous recession which virtually pushed back not only the national income but industrial growth also. Small industry sector has shown an inherent strength of resilience and scraped

through this recession. There are a fairly good number of factories which are not registered and a recent estimate of the Small Scale Industries Development Organization (SSIDO) has placed the number of small enterprises (factory type) at around three lakhs. Clusters of modern small units humming with industrial activity can now be seen in almost all towns throughout the country. Small scale industries have thus carried the message of industrialization to the nooks and corners of the country. There are about 493 industrial estates with small industry complexes in different parts of the country. Small industry sector because of its qualities of viability and adaptability quickly took to this new urge towards regional balancing, very fast. The third Five Year Plan took the small industry programme as the essential instrument towards a policy of dispersal of industries.

1.15 The achievement of this sector in terms of the diversification and sophistication of production is equally impressive. The few small scale units which existed before 1954 were engaged in the production of ordinary consumer goods requiring simpler skills. These included items like chappals, leather shoes and boots, iron boxes, metal polish, etc. By the end of the Second Five Year Plan period, most of the units in this sector were in a position to produce articles requiring highly technical skill. They started production of many items which were being previously imported. Also, they took up many newly developed items like plastics, chemicals, etc. Production of items like Radio Amplifiers, Transistor Radios, Tape Recorders, Optical Lenses including Microscopic Lenses, Telescopic Lenses, Electronic Instruments, Water Meters, Precision Measuring Instruments, Hypodermic Needles, Diamond and Carbide Dies, etc., was successfully taken up by many new units. Similarly, small scale units have established their competitive position in such sophisticated items as Electric Horns, Beam Lights, Engine Valves, Textiles Accessories, Glass Tubes for thermometers, Photo Flash Pulbs, etc., etc. By about the middle of the Third Five Year Plan period, impartial observers began to testify that small scale industrial units, especially some of those in the light engineering and chemical industries, have developed a degree of technical skill comparable to that of the corresponding units in the large scale sector and that the choice between the large scale and the small scale in many cases, could be made solely on economic criteria. The expanding ancillary production in the small scale sector testifies to the high precision and technology achieved by the manufacturing units.

1.16 This phenomenal growth may be attributed to various factors. In our Constitution, among the Directive Principles, it was laid down that the operation of the economic system should not result in the concentration of wealth and means of production to the common detriment. It was the objective that the benefits of economic development should accrue to the relatively less privileged classes of society and that there should be progressive reduction of concentration of incomes, wealth and economic power. To give effect to these principles small scale industries have been accorded a high place in our Plans of economic development. A comprehensive programme has been drawn up to strengthen and vitalize the existing small scale units and to attract new entrants into this field in large numbers. The programme caught the imagination of the young educated men at the middle level of society. The large and growing internal market and the import restrictions consequent on foreign exchange limitations were the additional incentives.

1.17 Initially, entrepreneurs to set up small scale units came from the trader and experienced craftsman categories. With their experience in marketing or in production, they were quick to grasp the new opportunities. Gradually entrepreneurs from the professional and landlord classes have also come into the field. These now constitute a progressive, vigorous section of the industrial community of this country. It has, however, been recognized that the policy objectives could be fully attained only when educated young men and experienced technicians in large numbers could be induced to set up independent units. Efforts are now being made in this direction.

1.18 The small industry programme has been geared recently to meet the challenging problem of educated unemployed especially those who are technically qualified. Programmes are being worked out to mould and train them in entrepreneurship which will be discussed subsequently in this paper.

Economic Significance of the Small Scale Sector

1.19 One decade back, it was difficult to identify a small industry sector. It was an appendage of the cottage and village industries sector. Organized factories were few and far between. Today this sector has found out its own place in the structural entity of industries in India. Its contribution to national economy is significant.

1.20 In statistics in 1968 found out that 51 per cent of the total factory type establishments (registered) in India belong to the small industry sector. Its contribution towards value added by manufacture is one-third of the national total. As early as in 1961, the total employment provided by this sector was estimated as 39 per cent of the total employment in the factory sector. With the phenomenal increase registered during the decade, the current census (1970) is likely to give an enhanced figure. Gross output in the small scale sector was estimated as Rs.60,420 millions in 1968 which was 52 per cent of the total gross industrial output.

1.21 A number of items like clinical thermometers, bifurcated rivets, measuring tapes, mechanical toys, plaster boards, wood wool, etc. are manufactured only in small scale and hence 55 items are exclusively reserved for production in the small scale sector. In the case of metal products group, the contribution of small industry to national production is 60 per cent while in the case of non-engineering groups like leather products, fruit preservation, hosiery, ready-made garments and others, the contribution ranges from 65 to 95 per cent.

1.22 The relative economic significance of the three sectors, viz., small, medium and large would emerge from the fact that fixed investment per employee which denotes the degree of mechanization was Rs.1,757 in small scale, Rs.3,521 in medium scale and Rs.13,366 in large scale during the year 1963. In the year 1960, investment per employee in the three sectors was Rs.1,085, Rs. 2,665 and Rs.7,051 respectively. As should be expected, the degree of mechanization was, thus, found to be the lowest for small scale industry, which is essentially labour-intensive. The value added by manufacture per unit of employment, which will serve as a rough measure of productivity worked out to Rs.2,072 in small scale, Rs.3,299 in medium scale and Rs.4,655 in large scale during 1963. The net value added per rupee invested in fixed assets, which would give an idea of the unit's profitability, was the highest for the small scale sector at Rs.1.13 in 1963 as compared to the medium and large scale sectors for which the figures were Rs.0.94 and Rs.0.35, respectively.

1.3 The net value added by an industry is its contribution to the national income. The number of persons it has to employ and the fixed investment it requires for adding a stipulated amount to the net national product is, thus, a useful indicator of its place in the national economy. For affecting a contribution of a million rupees to the national income, the small-scale industries, on an average, required an investment of Rs.0.3 million in fixed assets and provided employment to 400 persons while the medium and large-scale sectors required an investment of Rs.1.1 millions and Rs.2.9 millions, respectively, and provided employment to only 300 and 210 persons, respectively. Thus, it would be seen that the small-scale sector had served the twin purposes of providing gainful employment to more persons while demanding a relatively smaller level of investment in fixed assets.

An Essential Service

1.24 The Small-Scale Industries Programme adopted by us is acknowledged as one of the most comprehensive of its type. The small industrialist is assured of assistance at all stages - from the decision to set up an industrial unit to the marketing of the finished products - and of all types - financial, technical, managerial and marketing. The programme now includes:

- (a) Industrial extension service;
- (b) Credit facilities - for fixed capital and working capital;
- (c) Built up factory accommodation in industrial estates;
- (d) Participation in Government Stores Purchase Programme;
- (e) Supply of machinery on hire-purchase system;
- (f) Development as ancillaries;
- (g) Subsidy on power consumed.

These measures are under continuous review and are being reoriented to promote wider diversification and greater sophistication of production in this sector.

1.25 Industrial Extension Service which includes technical, economic and management services, is made available to small industrialists, free of cost, through a network of 16 Small Industries Service Institutes and 5 Extension Centres all over the country. The service includes advice on selection of an industry, selection of a location, advice on technical processes, use of modern machinery and equipment, preparation of drawings for parts, equipment, dies, tools, machines, etc., demonstration of the use of modern machines, training, economic information on the prospects of the industry, industrial potentialities of an area, marketing potentialities of the particular product and management consultancy, dissemination of technical information through various periodicals and ad hoc publications, etc., etc. It has been acknowledged that Industrial Extension Service has been a major input in the rapid growth of the small scale sector. This Industrial Extension Service is manned by over 800 technical personnel all over the country. Of these nearly 250 are Mechanical Engineers, 50 Metallurgists, 70 Leather and Footwear experts, 60 Chemical Engineers, 40 Electrical Engineers and 40 Glass and Ceramic specialists. The others belong to various other trades like metal finishing, fruit preservation, etc., etc.

2. INDUSTRIAL SERVICES

Organizational and Administrative Set-up

2.1 To fulfil the various objectives of the Small Industries programme stated in the Industrial Policy Resolutions of 1948 and 1956 and successive Five Year Plans and to implement the same in an effective manner, various agencies have been set up both at the Central and the State level. It may, however, be stated at the beginning that the development of small scale industries is primarily the responsibility of the State Government; but in consideration of the fact that various questions and issues involved in the programme of development of small industries have an all-India character and can be efficiently considered and tackled only at the national level and also because of the scale on which efforts would have to be made, it was considered desirable by the Central Government to assume responsibility for planning and co-ordinating the basic programme of development. With this end in view, an all-India Board, known as the Small Scale Industries Board, was set up in November 1954, charged



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**INDUSTRIAL SERVICE FOR THE DEVELOPMENT
OF
SMALL SCALE INDUSTRIES IN INDIA^{1/}**

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with the responsibility of overall planning, co-ordination and development of small scale industries in the country. The Board comprises of Central and State Government officials, representatives of various institutions, financing bodies, Federation of Small Scale Industries Associations and a number of non-officials representing trade, industry and other interests. Meetings of the Board are held by rotation in each State, usually once every six months. This, no doubt, helps the members to acquire first-hand knowledge of developments in every State, besides drawing their attention to particular problems of local industries. The Board discusses questions connected with credit facilities, supply of raw materials, revision of the definition of the small scale industries for the purposes of the Assistance Programme, dispersal of industries, etc., reviews the programme of implementation and formulates new directives for further growth of the small industry sector. Although the Board functions in an advisory capacity, its decisions are given very great importance by the Government.

(a) Small Scale Industries Development Organization (SSIDO)

2.2 In order to carry out various programmes and policies of the Government of India relating to the development of small scale industries, an Organization at the national level with the Development Commissioner, Small Scale Industries, at its head, has been set up under the Ministry of Industrial Development and Internal Trade, Government of India. It is both a co-ordinating and executive agency. It maintains close liaison with the State Government and different organizations and institutions at the Central and the State levels, concerned with the development of small scale industries. It functions through 16 Small Industries Service Institutes (one in each State, including the Union Territory of Delhi), 7 Branch Institutes, 55 Extension Centres, 2 Training Centres and 3 Production-cum-Training Centres.

2.3 The main functions of the SSIDO include (i) co-ordination, (ii) industrial development, and (iii) industrial extension service.

2.4 The Organization co-ordinates the work relating to the development of small scale industries on an all-India basis by:

- (i) evolving an all-India policy and programme for the development of small scale industries;
- (ii) co-ordinating the policies and programmes of various State Governments;
- (iii) acting as a liaison between different States as also between the States and Central Ministries, Planning Commission and Reserve Bank and State Bank;

(iv) co-ordinating the programme for development of large and small scale industries; and

(v) co-ordinating the programme for the development of industrial estates and ancillaries all over the country.

2.5 For co-ordination purposes, the SSIDO undertakes the implementation of the various recommendations of the Small Scale Industries Board and other Committees.

2.6 The Central Organisation renders technical assistance which may be required by the State Governments for preparing schemes within the overall Plan allocations. It assists the Ministry in regulating the Central assistance to the States for the development of small scale industries. It also watches the progress in the expenditure incurred by the State Governments in the development of small scale industries.

2.7 Co-ordination at the all-India level is effected in special fields of development like Industrial Estates, Ancillaries, etc.

2.8 For the development of ancillary industries, the SSIDO establishes liaison with the public and private undertakings and the Directorate-General of Technical Development, etc. to ensure proper utilization of the existing production capacity in the small scale sector.

2.9 An important function of the SSIDO is to suggest a pattern of small scale industries development for the country as a whole. This involves responsibilities for indicating the lines of manufacture which are suitable for the small scale sector and giving it all assistance in the form of promotion, procurement of raw materials and machinery and other technical advice from time to time.

2.10 The SSIDO is represented on different Licensing Committees, Development Councils and other bodies and seeks to safeguard the interests of the small scale sector.

2.11 The main ingredients of the Industrial Extension Service and Technical Advisory Service, Management Consultancy Service, Economic Information and Economic Investigation Service, Marketing Assistance and provision of Training facilities to help the small industries sector to overcome its basic drawbacks and improve its productivity and competitive strength. At the State level, the Small Industries Service Institute functions as the apex agency rendering a co-ordinated Industrial Extension Service to the small industries. The Service Institutes work in close co-operation with the

State Directorates of Industries for the development of small industries within the respective areas of the State is the primary responsibility of these Directorates. The Extension Centres are miniature Service Institutes, in the sense that their activities are limited to one or more specific industries within a definite area which is generally a small part of a State.

(b) National Small Industries Corporation (NSIC)

2.12 Another Central Organization, the National Small Industries Corporation (NSIC), a Government of India undertaking, was set up in 1955, mainly with the objective of supplying machinery and equipment to small enterprises on a hire-purchase basis and assisting them in procuring Government orders for supplying various items of stores.

2.13 Formerly, the Corporation had four subsidiary Corporations, at Delhi, Bombay, Calcutta and Madras. However, since 1961, all the subsidiary Corporations have been amalgamated with the main Corporation and three Branch Offices have been set up at Bombay, Calcutta and Madras. The Delhi subsidiary Corporation has been merged with the main Corporation and its work is being looked after by a separate Delhi Cell set up in the main Corporation. The main functions of the NSIC are as under:-

- (i) Providing small scale industries with modern machines on hire purchase basis;
- (ii) Assisting small enterprises to participate in the Stores Purchase Programme of the Central Government;
- (iii) Developing small scale industries as ancillary units to large scale industries;
- (iv) Arranging marketing of small industries products by starting Emporia and Sales Depots and promoting their export;
- (v) Distribution of basic raw materials through their raw material depots;
- (vi) Import and distribution of components and parts to actual small scale users in specific industries;
- (vii) Construction of industrial estates and the establishment and running of prototype production-cum-training Centres.

(c) State Small-Scale Industries Boards

2.14 Among the State agencies, mention may be made in the first instance, of State Small-Scale Industries Boards, which have been set up parallel to the All-India Small-Scale Industries Board. The State Boards comprise representatives of State and Central Government Departments, State Financial Institutions and the Associations of Small Scale Industries in the concerned States. The main function of these Boards is to advise the respective State Governments on measures to be taken at the State level to foster growth of small scale industries.

(d) Directorates of Industries of the State Governments

2.15 It should be mentioned that small scale industry is a State subject under the Indian Constitution and, as such, the primary responsibility for executive actions in regard to the development of small industries and implementation of the programme of assistance is that of the State Governments. The work relating to the development of industries in general and small scale industries in particular in the States, is looked after by the Directorate of Industries in each State and the Union Territories. There are 22 such Directorates all over the country. Each organization is staffed with administrative and technical officers at the State Headquarters and a District Industries Officer with appropriate supporting staff in each District. The State Directorates run various training schemes, production schemes and common facilities schemes. They also provide facilities of developed industrial land and built-up factory sheds in Industrial Estates, allocate quotas of scarce raw materials, certify import requirements and organize industrial co-operatives. The functions are varied and have grown with the development and diversification of the small industries sector.

(e) Basic Strategy in Organization

2.16 The basic strategies of development and organization have been so devised as to keep tune with the over-all approach to planning adopted in India. It was the constant endeavour to make the industry participate in its programmes and thereby decide their destinies in keeping with national objectives. Hence at the Central level, the Small Scale Industries Board represents interests from industry organization also.

2.17 Wherever assistance to small industry could be identified and provided for exclusive management, it has been the purpose to set up separate organizations to handle these services. In the working of these autonomous Corporations the industry organizations are closely associated. Thus at the State level there are Finance Corporations to look after credit needs, Small Industries Development Corporations to look after marketing, raw material distribution, supply of machinery on hire purchase basis, etc., Development Corporations exclusively to handle industrial estates, Investment Corporations to look after equity participation in capital and debenture-writing. Even in the case of commercial banks, local Committees consisting of various small industries' interests are often consulted in programmes and their implementation.

2.18 Various national organizations like the Small Industry Extension Training Institute, Council of Scientific and Industrial Research, State Trading Corporation, Minerals and Metals Trading Corporation, Indian Institute of Foreign Trade, Industrial Development Bank of India, Industrial Credit and Investment Corporation of India, Chief Controller of Imports and Exports, etc., have programmes to assist small industry in respect of training, technical know-how, supply of imported and indigenous raw materials and machinery, export markets and the like.

2.19 At the Central level also there is a substantial demand for setting up separate organizations exclusively to handle credit needs and marketing. This strategy of development paid rich dividends as could be seen from the vast strides this industry sector made in the last decade.

Elements of the Programme

I. Technical Services

(a) Provision of technical projects

2.20 The technical wings of the SSIDO prepared 238 model schemes, 224 impact schemes, 314 'Towards better techniques' and a number of small industry plant guides. The first two provide, in brief, technical guidance on capital investment, process of manufacture, machinery, cost of production and profits. The third one deals with a particular technical problem of the industry. The plant guides comprehensively deal with the various aspects of production, marketing, costs, etc. for manufacturing an item on small scale. These publications were distributed either free of cost or at

a nominal price to approaching entrepreneurs. The existing and prospective entrepreneurs get a general idea and insight of technical aspect of production from these ready-made projects. A prospective entrepreneur who selects a particular line of manufacture is further assisted with the preparation of a complete technical project which will be a blue-print for him to set up the proposed unit. Almost every possible area of technical know-how is covered in terms of required technical personnel. In case any need is felt for advanced know-how the Organization falls back on the chain of national science institutes. The personnel is also periodically augmented so as to cover the entire gamut of technical needs of small industry.

(b) Know-how on machinery, processes, costing and other ingredients

2.21 Working out improved and more up to date techniques of production is the basic aim of the Organisation. The technical experts provide information on improved types of machinery, better use of raw materials and processes, stricter control over outlays of expenditure so as to effect savings, advice on new marketing, etc. to the entrepreneurs both at their very doors in the factory premises as well as in the Institutes.

(c) Problem-oriented technical consultancy

2.22 In the initial stages, the energies of the SSIDO were directed in lifting up the technological base of small factories so as to make them modern and competitive. A number of typical problems required analysis and solutions for which the small industrialists did not have either the means or the required personnel. The workshops and laboratories attached to the Organisation are always available to take up these challenges and suggest effective solutions.

(d) Intensive studies in depth

2.23 Some of the problems faced by small industry are of such magnitude that it requires continuous observation, analysis and development of new techniques. These types of intensive technical assistance are done on a selective basis in view of the dearth of personnel with the Organization.

2.24 The following table will give an idea of the amount of work turned out from the inception of this service:

TECHNICAL ADVISORY SERVICE

Year	Number of technical advices rendered	Number of advices given to start new industries	Number of advices given for promotional purposes	Number of visits to enterprises
1956-57	8,108	845	5,182	15,710
1957-58	17,978	3,970	9,967	19,861
1958-59	18,710	7,978	18,649	27,657
1959-60	23,976	14,547	26,442	39,511
1960-61	34,085	23,169	32,857	43,807
1961-62	41,387	23,531	41,386	46,386
1962-63	49,579	23,919	43,625	48,777
1963-64	52,896	24,995	67,638	52,465
1964-65	52,980	24,569	66,287	50,080
1965-66	57,604	23,614	75,660	56,724
1966-67	57,361	26,221	69,007	58,987
1967-68	66,413	28,810	84,840	64,539
1968-69	71,661	27,552	92,040	66,375
Total	552,738	253,720	633,580	590,879

(c) Supply of designs and drawings

2.25 Small industrialists not only wanted designs and drawings, but, in the initial stages were to be persuaded in adopting modern designs to improve quality of production. Designs are prepared (1) for machine tools, jigs, dies and fixtures and (2) for specific products. Layouts are prepared for new workshop, process flow and machines. Every Institute is equipped with blue-printing and draughtsman facilities for these purposes. Sensing the need for advanced type of designs and drawings, the Organization augmented its capacity and expertise in this direction by setting up an Industrial

Design Cell with required facilities at the Small Industries Service Institute, Okhla, New Delhi. Improved product designs are prepared by studying consumer preferences, functional values, aesthetic appeal and manufacturing capacity of the producer. The following table will show the quantum of work turned out by the Industrial Design Cell during 1959-66 and the intensity of demand for its services:

Designs prepared	-	883 Numbers
Drawings prepared	-	1,340 Numbers
Dummies and models	-	166 Numbers
Blue prints supplied	-	10,241 Numbers

(f) Preparation of prototypes

2.26 Three major Prototype Production-cum-Training Centres at Rajkot, Howrah and New Delhi, set up with foreign collaboration produce prototype machines and offer training to apprentices.

2.27 The Centre at Rajkot specializes in the design and development of machines for woodworking, sheet metal and foundry industries. The Centre at Howrah has selected surface plates, swivel base vice and quick release vice for production. It has a production programme for die casting machines and P.V.C. extruders and specializes in the development of electrical measuring instruments. The Centre at Okhla specializes in respect of lathes, universal tool and cutter grinder, horizontal milling machines, workshop furniture, storage equipment and material handling equipment.

(g) Workshop and laboratory services

2.28 Every Small Industries Service Institute has well-equipped workshops and laboratories. Besides, there are 54 Extension Centres attached to these Institutes. These workshops and Extension Centres cover such engineering services like machine shop practice, sheet metal tool room, foundries, among others. Laboratories have facilities such as sand-testing, metal-testing, electrical-testing, ceramics and metal-finishing to mention a few. These workshops and laboratories are equipped with improved machines and equipment. These workshops undertake common facility services for small enterprises which do not have requisite machinery and charge nominal rates for the jobs undertaken. They also provide training in various technical trades and develop new machines. The following table will give a fair view of the popularity of this services:

Number of parties assisted and amounts received

<u>Year</u>	<u>Number of parties assisted</u>	<u>Amount received</u> Rs.
1962-63	17,747	10,78,546
1963-64	16,197	11,46,167
1964-65	18,934	17,31,477
1965-66	NA	8,97,461
1966-67	19,966	10,46,825
1967-68	20,000	11,00,000
1968-69	20,000	11,23,000

(h) Technical training including training in mobile workshops

(i) Technical training schemes of SSIDO

2.29 A number of training courses are conducted to meet the increasing requirements of skilled workers for small-scale industries. The basic courses in various trades are run through Industrial Training Institutes (ITI) set up by the Government under a programme organised by the Ministry of Labour of the Government of India. The SSIDO and the Prototype Training-cum-Production Centres, being run by the NSIC, provide advanced training facilities for semi-skilled and skilled workers already engaged in small-scale industrial units and diploma holders of ITI.

Types of Courses

2.30 The SSIDO, through its Extension Centres, provide training to the small factory workers in different technical trades. The pattern of training courses in different technical trades which are of a duration of three to six months, is as follows:

(a) Shop Practice Courses

2.31 These include machine-shop practice, tool room practice, foundry practice, blacksmithery and forging-shop practice, etc.

(b) Trade-oriented Courses

2.32 Some of these are for tool makers, fitters, machinists, sheet metal workers, carpenters and pattern makers.

(c) Process-oriented Courses

2.33 These include training in heat treatment, electric and gas welding, tanning and leather finishing, fruit and vegetable preservation and electroplating and anodizing.

(d) Product-oriented Courses

2.34 These refer to footwear and allied products, lens grinding, paints and varnishes and glass beads.

(e) Part-time evening courses like Blue-print Reading

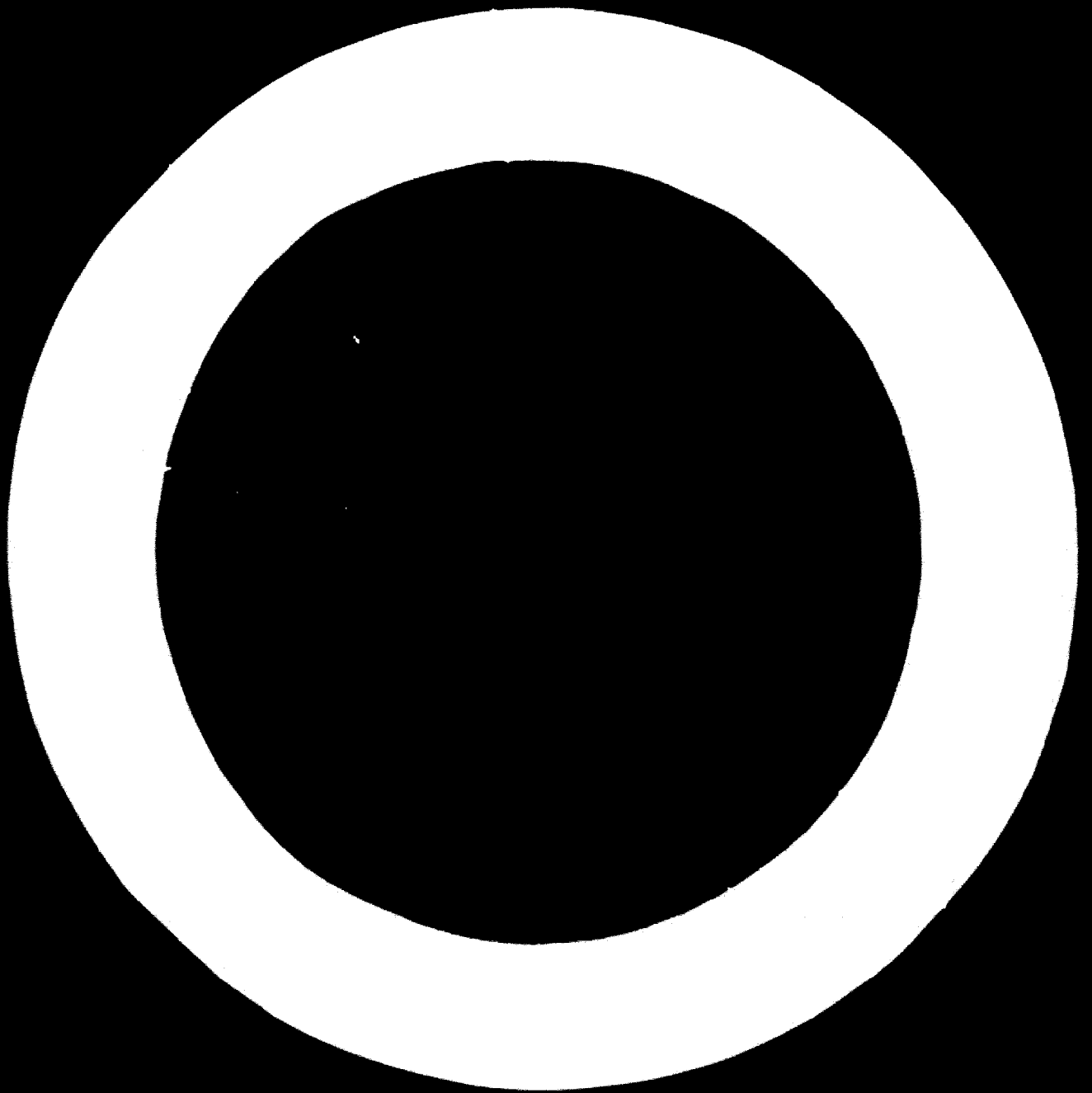
2.35 Besides, the SSIDO also conducts full-time all-India courses in the manufacture of footwear, thermometers, scientific glass apparatus, hand tools, machine tools and electric motors. Promising technicians from small-scale business concerns are also sponsored for advanced training abroad.

(ii) Courses run by Prototype Production-cum-Training Centres (PTC)

2.36 Prototype Production-cum-Training Centres have been started at Delhi, Rajkot and Howrah with foreign assistance. Besides providing common facility services, these provide theoretical and in-plant training facilities for skilled workers and supervisory and technical staff of the small factories in various technical trades.

(iii) Training of officers deputed by other developing countries

2.37 Our neighbouring developing countries have been deputing their senior officers for studying the policies and programmes for developing small-scale industries in India and the progress made thereby. They have also been deputing some of their officers for undergoing training in such specific subjects as footwear, glass apparatus and thermometers, engineering trades, manufacturing of soaps, cosmetics, boot polish, inks, etc. The number of officers deputed by several countries for training in such courses is given below:



<u>Sl. No.</u>	<u>Country</u>	<u>Number of Officers</u>
1.	Uganda	8
2.	Kenya	6
3.	Nyasaland	5
4.	Ceylon	5
5.	Malaysia	4
6.	Mauritius	4
7.	Nepal	4
8.	Ethiopia	3
9.	Nigeria	3
10.	Iraq	2
11.	Afghanistan	2
12.	Syria	1
13.	United Arab Republic	1
14.	Iran	1
15.	Tanzania	1
16.	Philippines	1
17.	Gold Coast	1
18.	Japan	1
19.	Tibetan Refugees	93
		<hr/>
		146
		<hr/>

2.38 The following tables give details of persons trained in various technical trades:

(1) Number of persons trained by SSIDO

<u>Year</u>	<u>Number of persons trained</u>
1956-57	265
1957-58	762
1958-59	937
1959-60	439
1960-61	752
1961-62	1,391
1962-63	2,051
1963-64	2,600
1964-65	2,808
1965-66	2,900
1966-67	3,188
1967-68	3,697
1968-69	4,022
1969-70	3,553
<u>Total</u>	<u>29,365</u>

(2) Number of persons trained by PTC

<u>Year</u>	<u>Number of persons trained</u>
1960-61	81
1961-62	228
1962-63	260
1963-64	561
1964-65	599
1965-66	603
1966-67	636
1967-68	531
1968-69	571
1969-70	506
<u>Total</u>	<u>4,576</u>

(iv) Mobile Workshops

2.39 There are 46 mobile demonstration workshops attached to the various SISIs. They cater to trades like blacksmithery, carpentry, leather, glass, electroplating, etc. They visit rural concentrations of concerned skills and give demonstrations to artisans in improved skills. These workshops are fitted with suitable machines for providing demonstrations. They also conduct training. This programme is primarily meant to upgrade the skills in rural areas. During 1967-68 alone these workshops visited 1,033 centres, held 3,730 demonstrations and trained 3,418 artisans.

II. Economic Services

(a) Area Potential Surveys

2.40 Depending upon the area, these surveys could be classified into various types. The SSIDO so far has undertaken five types of such surveys, namely, (1) Community Development Projects, (2) State Bank Pilot Project areas, (3) Rural Industry Project areas, (4) District Economic Surveys and (5) Intensive Campaign areas.

2.41 These surveys are blue prints for the development of small industries in the area. They analyse the resources of the area both human and material, with special reference to the skills and markets of the area and suggest prospective industries. After studying the position of existing industries, they suggest expansion or requirements of assistance for the concerned industries. The surveys cover economic inputs and infrastructure required for development. So far in various States, 133 Districts have been surveyed. These surveys are undertaken at the request of the State Government and various other developmental agencies.

(b) Industry Surveys

2.42 Industry surveys of two types are being conducted namely Industry Outlook Reports and Industry Prospect Sheets. Industry Outlook Reports study the position and problems of the entire industry in relation to economic aspects and suggest suitable remedies for rehabilitation and improvement of conditions of the industry. This naturally takes some time. The Industry Prospect Sheets just cover in a quick fashion such aspects which pertain to the prospects of the industry only. These surveys are necessary for entrepreneurs and Government policy-makers to take decisions on the concerned industry. The SSIDO has so far prepared 106 Industry Outlook Reports and 298 Industry Prospect Sheets. They cover a wide range of industries.

(c) Market Surveys

2.43 This service will be elaborately dealt with in the ensuing section on marketing services. Here it will suffice to say that the SSIDO is the pioneer in this field of service also. Three types of surveys are conducted: (1) Distribution Aid Surveys, (2) Ad hoc enquiries on markets, and (3) Regional Market Surveys. The first one is exclusively conducted for a small industrialist at a nominal charge; the second one is conducted for a wider clientele consisting of entrepreneurs, industry associations and Government agencies and the third one pertains to the industry and the region and not a particular brand as is the case with the first category. The Organization has conducted so far 150 Distribution Aid Surveys for meeting the sales problems of specific brands of products.

(d) Industry Information Service

2.44 Every SISI in each State is equipped with an Information Service and an experienced industry consultant to man the service. The clientele of this service include entrepreneurs, prospective and existing, government departments, small industry agencies belonging to Government and other, industry associations and educational institutions.

2.45 Information furnished relate to prospective industries, existing industry positions, markets in the area, skills available and a host of others. In short a prospective industrialist is helped to select an appropriate line of manufacture and all information required for the purpose is made available to him. He is also supplied with technical schemes and basic information on management. An existing industrialist is assisted to know about the competitive positions of his industry and markets and is helped sometimes to diversify his line. Market intelligence made available to him is of utmost importance. This service is fed with information, statistics and data, being collected by the Organization, through its various other services, on a regular basis. This service works like an information bank to the small industrialists and others. This service also collects and furnishes information on an ad hoc basis on particular aspects of production, investment, employment and markets of a specific industry on request. On an average, this service handles about 25,000 to 30,000 enquiries annually.

2.46 By helping persons who come from different walks of life to acquaint themselves with small industry vocation and to select an appropriate line of manufacture, this service is of crucial importance in moulding entrepreneurs.

(e) Intensive Development Campaign

2.47 These campaigns are intensive and integrated attempts to industrialize a selected area. A survey is conducted first to locate the scope of new industries for the area and to identify the skills and entrepreneurial talents of the area. By way of this campaign the various facilities offered by innumerable agencies are brought to the very doors of the entrepreneur. He is assisted at one time and on the spot to select a manufacturing line, obtain the know-how required, process facilities like machines, finance, power, etc. required, and thus definitely move in to become a small industrialist. The campaign is an instrument to identify, promote and develop entrepreneurs. It is this technique which paid rich dividends in establishing small industry complexes beyond metropolis and far in the interior. Recently four campaigns were conducted in Kerala, Gujarat, Jammu and Kashmir and Haryana and as a result 3,900 entrepreneurs were promoted to take various small industry ventures.

(f) Evaluation Studies

2.48 Evaluation studies are conducted from time to time to gauge the impact of different development programmes. These studies greatly help in correcting a wrong course, in providing realistic guidelines for policy and implementation and to keep the Organization always on the keel. Two important studies conducted recently relate to the entire programme of establishment of industrial estates in the country and financial assistance to small-scale industries. Currently the capacity assessment of small units throughout the country has been undertaken which will provide guidelines for a fair and equitable distribution of raw materials on the basis of capacities of the units.

(g) Topic Research

2.49 The economic research division of the Organization selects suitable subjects of small industry interest for extensive research studies. These studies throw up new dimensions of the problems facing small industries and give guidelines for future course of action. These studies are of great value to policy-makers on small industry both at Government and other levels.

(h) Feasibility Studies

2.50 This service is a recent innovation in the extension service of the SSIDO. Feasibility studies, as the very name indicates, study the feasibility of starting the manufacture of items on small-scale or expand production of a particular item. To the prospective industrialist, this study enables him to take an investment decision. The survey analyses availability of raw materials, skills, capital markets, etc. with a view to determining the most suitable scale of operation and size of unit having regard to the market and resource position. The study also helps to work out the economics of production and the expected profitability of the venture, along with the break-even analysis.

(i) Assessment of individual manufacturers for bank credit

2.51 The banking institutions in India are more and more coming to industrial lending. Concepts of credit-worthiness and security have also undergone phenomenal changes. The small industry sector has been greatly benefited by this change. More than the person and his securities, the banks look up to the prospects of his industry, the technical capacities of the unit and the entrepreneurial qualities of the owner-manager. This involves the challenging task of taking up an entirely unconventional and new type of assignment of credit-worthiness which involves economic, management and technical expertise. The SSIDO rose to the occasion and made available the services of its experts for this purpose. These reports are prepared for various financial institutions but the State Bank of India is its major client. Until 31 March 1970, the SSIDO provided assessment reports in the case of 36,935 units to the State Bank of India which sanctioned limits on this basis to the tune of Rs.2,769.1 million to the small industry sector. A number of other commercial banks, especially the nationalized banks are in the process of equipping themselves with required expertise so as to face the requirements of small industry. In the annals of financial assistance to small industry this constitutes a major break and a healthy trend.

III. Management Services

(a) Management Training

2.52 The object of training is to upgrade the management skills of small industrialists and thereby make these units viable to improvements and thereby build up strength.

The different classes of people who are trained are as under:

1. Small industrialists and their supervisory personnel;
2. Artisans, both skilled and unskilled, drawn from small industrial units;
3. Administration and extension personnel from State and Central Governments.
4. Specialist personnel like bank executives, planners, etc.;
5. Senior executives of developing countries concerned with small industry programme.

2.53 The types of courses conducted are:

(a) Industrial Management Appreciation Course which covers subjects like Production, Marketing, Personnel and Financial Management. These are short-term courses and brief in coverage and are suited to those who are already working in an industrial establishment.

(b) Specialist courses which give more intensive coverage than the previous one. The three types of courses conducted are:

- (1) Financial management and cost accounting - covering subjects like Financial Planning and Management, Financial and Cost Accountancy, Cash-flow Statements, Cost Analysis, Budgetary Control, etc.;
- (2) Production Management - covering subjects like planning, organizing, co-ordinating, evaluating, simplification, standardization, break-even analysis, inspection and quality control, time and motion study, inventory control, work study, maintenance and safety;
- (3) Marketing Management - covering such subjects like Distribution, Management, Sales Planning, Salesmanship, Marketing Analysis, Sales Promotion, Publicity and Export Marketing.

(c) Ad hoc courses which are special short-term courses on specific tools and techniques of management like inspection, quality control, work simplification, product development, etc.

2.54 The participants of these courses are given not only theoretical training in classrooms but practical training in the small factories. Factory visits form regular part of the courses.

2.55 SSIDO has specialist personnel to man these courses in various faculties mentioned above. Often, personnel are obtained from specialised institutions like the National Productivity Council (NPC), Indian Standards Institution (ISI) local Directorate of Industries, Indian Institute of Foreign Trade (IIFT), etc. to make these courses more practical and up-to-date. These courses are conducted not only at the Institutes but also at places of industrial concentrations in the States. The number of persons trained in management faculties by SSIDO is given below:

<u>Year</u>	<u>Number of persons trained</u>
1956-57	25
1957-58	328
1958-59	687
1959-60	1,048
1960-61	1,687
1961-62	1,438
1962-63	1,265
1963-64	1,569
1964-65	1,930
1965-66	2,321
1966-67	2,869
1967-68	3,665
1968-69	3,860
1969-70	3,572
<u>Total</u>	<u>26,264</u>

Training for Trainers

2.56 The trainers and small industry personnel keep themselves abreast of the latest trends and techniques by constantly visiting units and analysing problems. They are also trained in major undertakings and specialized institutions both in India and abroad. The Small Industry Extension Training Institute (SIETI) at Hyderabad is meant to train the trainers. The courses conducted by the SIETI cover both industrial management and area development.

(b) Management Consultancy

2.57 Management specialists conduct problem-oriented consultancy on techno-managerial problems relating to production marketing and finance. These consultancies are given both by visiting the factories (on the spot) and at the Institutes.

(c) Diagnostic Studies

2.58 This is also a type of problem-oriented consultancy. The specialist in this case locates a particular management problem relating to either production, costing, marketing, etc. The problem is diagnosed with the help of latest tools and techniques and remedies are offered.

(d) Integrated Plant Studies

2.59 This is the most popular among the problem-oriented consultancies. This goes one step further than the previous two and studies a complete unit in all its technical, management and marketing aspects. Specialists in all the lines study the problems of the entire unit and suggest guidelines and specific solutions. The study is intended to work out economies in operations, strengthen the small industrial unit thereby and ensure maximum returns. From 1962 onward, 171 In-plant Studies were conducted. They cover units belonging to trades as under:

Mechanical	75
Chemical	16
Metallurgical	17
Electrical	7
Ceramics	13
Leather	14
Food Products	7
Woodworking, Paints, Rubber, hosiery items	22
	<hr/>
	171
	<hr/>

(c) Open House Discussions and Seminars

2.60 Open House Discussions and Seminars are conducted for particular industry groups as well as a cross current of industry groups. It is conducted not only on specific problems in different trades like mechanical, chemical, etc., but also on various small industry aspects like ancillary, export promotion, marketing, starting of new industries, raw material distribution, etc. These Open House Discussions are conducted in each State and often the personnel from the various developmental agencies also take part. The Seminars are conducted on all-India levels. These Open House Discussions and Seminars provide cross fertilization of ideas and experiences and have helped considerably small industry programmes.

(f) Training in entrepreneurship

2.61 Training of entrepreneurs is no more left to chance, circumstances and experiments. No doubt they play a vital part in moulding entrepreneurs. The entrepreneurs come from different walks of life. Some of the State Governments have taken up programmes to identify and train entrepreneurs in different small industry lines. Manufacturers and development personnel from various agencies are associated with this programme. The need for entrepreneurship has been increasingly felt for giving necessary dimensions to the industrial programmes of the country.

2.62 The unemployment problem among the educated and technically qualified recently experienced by India brought to focus the potentialities of small industries to provide vocations to them. The problem is to mould these personnel to entrepreneurs after identifying their attitudes and motivations. The experts of SSIDO took up this challenge in right earnest. Currently, batches of 50 technical graduates each, are being trained at 12 centres in entrepreneurship and they will be helped to set up successful small industrial units after training. This is a novel experiment, the success of which will have immense impact on developing countries who require entrepreneurs to carry out their programmes of industrialization.

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IV. Marketing Services

(a) Market Research

2.63 Distribution Aid Surveys - These surveys are conducted by SSIDO for the benefit of individual manufacturers to meet his sales problems and help him to expand his sales. They are conducted at a nominal charge. So far 150 such market studies were conducted.

2.64 The Regional Market Surveys provide information on structure of the markets of the area, demand and supply positions, sales incentives, competitive elements of the markets etc. and are made available to the entire industry or groups of industries.

2.65 Market Counselling is available at the Information Services attached to various SIS and provide market intelligence information as available from the various studies, reports and experiences of the personnel of the organization. Information is also collected, ad hoc on an all India basis for market information and furnished to the client.

(b) Marketing Programmes

2.66 The various State Small Industries Corporations assist small industrialists by procuring bulk orders and farming out to them on a commission basis. Many of the Corporations do sales promotion and some of them have even opened up sales shops in Paris and other foreign centres for marketing the products of small industry.

(c) Government Stores Purchase Programme

2.67 The NSIC enlists small industries after ascertaining their technical competencies with the help of SIS, for participation in tenders offered by the purchase divisions of various Government Departments and Corporations. About 20,000 small units are so far enlisted for the purpose. The small industrialists having been distributed throughout the country and lacking marketing means and skills find it impossible to quote for Government tenders especially when the tender involves earnest money deposits. The NSIC obtains tenders in bulk and supplies them to concerned small industrialists free of cost.

2.68 Government has taken up this service as a measure to help small industrialists. It has listed out items into two groups. In the case of one group both small and large industrialists could offer tenders, but a price preference of 15 per cent on the lowest quotation is given to the small industrialist on merits of the case. The second group of items are 146 in number and purchases by the Government are exclusively reserved from the small scale sector alone. From a mere 108 tenders for Rs.0.5 million worth in 1957, the number of tenders rose to 3196 for orders worth Rs.19.16 million in 1968.

(d) Export Marketing

2.69 The SSIDO has the following services for export promotion namely (1) Export Consultancy Service, (2) Training in Export Marketing, (3) Selection of Units and products (4) Co-ordination and Liaison and (5) Export Information Service.

2.70 After the items are located and the unit identified, the entrepreneur is assisted with processing of his papers, packaging, pre-shipment, inspection, etc. by the SSIDO. The State Trading Corporation (STC) and the NSIC have specific programmes for small industrialists for providing export finance and marketing assistance.

2.71 The potential of this sector is immense. From Japan alone, during 1969-70 by one operational push the SSIDO was able to bring firm export enquiries worth Rs.580 millions.

(e) Trade Centres and Exhibitions

2.72 Every Institute has a permanent exhibition where the products from small industry are exhibited. This provides liaison and marketing outlets to small industries. The purpose of the SSIDO is to make these exhibitions function as Trade Centres on the Japanese model. The Institutes take part in exhibitions conducted in various parts of the country also and exhibits small industry products.

2.73 Of late, the SSIDO has taken a lead in enabling the small industrialists to participate in international exhibitions. The facilities offered under export marketing by the Ministry of Foreign Trade and other export promotion organizations are co-ordinated by SSIDO. Recently the small industrialists participated in the Expo-70 of Japan and attracted attention of Japanese buyers.

V. Loan Services

(a) Long and Medium Term

(i) Loans under State Aid to Industries Acts/Rules by State Governments
(Block Loans)

2.74 The practice of advancing loans to industrial units by the State Governments has been in vogue since 1913 and almost all the States had their own State Aid to Industries Acts/Rules.

2.75 The terms and conditions governing the grant of loans and the procedures that had to be followed were considerably simplified since 1955. Now, in almost all the States, loans up to Rs.1000 are advanced on personal bonds, up to Rs.5000 against one or more personal sureties and above Rs.5000 against security or mortgage at 75 per cent of the value of the security offered, including the assets created out of the loans. These loans are repayable in instalments over ten years and are advanced at a concessional rate of interest. It is 2½ per cent for loans up to Rs.0.2 million to industrial co-operatives and 3 per cent for loans up to Rs.0.05 million to private entrepreneurs. Normally, a loan to an individual party is not to exceed Rs.0.1 million and to an industrial co-operative Rs.0.2 million without the prior concurrence of the Central Government. During the Second Plan period, a sum of Rs.129.1 millions was disbursed to the small scale industries under this Act. During the Third Plan period, an amount of Rs.176 million was disbursed as loans to small scale industries.

2.76 Accepting the recommendation of the Small Scale Industries Board, nine State Governments have entered into agreement with the respective State Financial Corporations (SFC) for disbursement of loans to small industries as agents of State Governments. Broadly, loans above Rs.10,000 are routed through these Corporations. Up to the end of September 1967, the SFCs disbursed total amount of Rs69.2 million to the small scale industries under their agency agreements. This clearly indicates growing institutionalization of credit for the small scale sector.

(ii) State Financial Corporations

2.77 At the time of the enactment of the Industrial Finance Corporation Bill in 1948, it was felt that it would be necessary to set up State Financial Corporations for financing small scale industries to supplement the work of the Industrial Finance

Corporation of India. Accordingly, the State Financial Corporations Act was passed by Parliament on September 28 1951, as an enabling measure, under which State Financial Corporations could be established. The State Financial Corporations are empowered to transact the following business:

1. Granting loans or advances or subscribing to debentures of industrial concerns repayable within a period not exceeding 20 years;
2. Guaranteeing loans on terms and conditions as may be agreed upon, raised by industrial concerns, which are repayable within 20 years and are floated in the capital market;
3. Underwriting of the issue of stocks, shares, bonds or debentures by industrial concerns provided they are disposed of as early as practicable but in any case within a period of seven years from the date of such acquisition.

2.78 Year-wise progress of the loans sanctioned and disbursed by the SFCs to the small scale industries is given below:

(Rupees in Millions)

As on	No. of loans sanctioned	Amount sanctioned	Amount disbursed
31.3.1961	846	72.5	41.2
31.3.1962	1288	109.2	60.8
31.3.1963	1541	130.8	83.1
31.3.1964	1905	158.9	110.4
31.3.1965	2208	178.1	135.4
31.3.1966	2606	203.3	159.9
31.3.1967	3126	253.0	193.0
30.9.1967	3239	258.3	196.1

2.79 Up to March 1970, loans amounting to Rs.731 millions were sanctioned by the State Financial Corporations to 70875 small scale enterprises out of their own funds. This, however, does not include loans disbursed on behalf of the State Governments under the agency arrangements. It may be seen from the statement given above that the amount sanctioned and disbursed has been increasing from year to year but the rate of increase is not very encouraging.

(iii) Equity Participation

2.80 The principle of State participation in equity capital was stressed in the Industrial Policy Resolution of 1956.

- (iv) Acting as agent of the Central Government, the State Government or the Industrial Finance Corporation of India in the transaction of any business with industrial concerns in respect of loans or advances granted or debentures subscribed by any of them.

2.81 State Financial Corporations in transacting the above-mentioned business are subject to certain limits mentioned in the Act.

2.82 Eighteen State Financial Corporations have been established so far and are now functioning in almost all the States. In practice, the SFCs advance loans to meet the long, medium and short-term requirements of small scale and medium scale industries though the short-term loans bear a fixed proportion to long-term loans. The SFCs ordinarily charge interest at $8\frac{1}{2}$ per cent to $9\frac{1}{2}$ per cent with a rebate of $\frac{1}{2}$ per cent for prompt payment. Generally speaking, the advances are issued up to 50 to 70 per cent of value of the assets offered as security including those created out of the loans. Though the Small Scale Industries Board and the Reserve Bank of India suggested that in the case of small scale industries, 25 per cent margin might be considered adequate if the loans are covered under their Credit Guarantee Scheme, many SFCs have not yet reduced these margins. Besides interest, all incidental charges like stamp duties, mortgage deed, etc. are charged on the loanee units, in most of the States. The SFCs Act permits them to grant loans up to 20 years but in practice SFCs advance loans for 10 to 12 years, the first instalment of repayment falling due one to two years after disbursement.

2.83 The State Government of Orissa made an attempt in this regard and, on its own, formulated a scheme to encourage qualified technical persons, with limited means, to take up small enterprises, in 1957-58. The scheme envisaged that the State Government would take up 90 per cent of the share capital in a private limited company which would run the small scale unit. The entrepreneur, who has to contribute the balance viz. 10 per cent, will be the Managing Director of the Company and conduct its day-to-day business and the State Government will have its representative on the Board of Directors. In all 42 companies were floated up to 1961; of these 31 were in production up to 1962 after which no new company was floated. The total capital investment of the State Government in these companies was Rs.5.5 millions. It was said that of the 31 companies in production only 16 were making a profit in 1962-63. The State Government, therefore, reviewed the working of the scheme and found that the entrepreneurs were not taking adequate interest in running the enterprises profitably in view of the little stake that they had. The scheme was accordingly revised so as to convert a major part of the State's contribution into long-term loans and make the entrepreneur owner of a majority of the shares.

2.84 Recently, the Maharashtra State Government also formulated a scheme for participation in equity capital of the small scale units through the Maharashtra Small Scale Industries Development Corporation, on an experimental basis. Under the scheme the technicians and technologists have to float small scale private limited companies in which the Government will subscribe capital to the extent of 50 per cent or, under exceptional circumstances even more, the entrepreneurs subscribing the balance. Excepting Government control on accounts, in all other organizational and technical matters the unit will be free to function as a normal company. However, there will be a member or two on the Board of Directors from the Government side to look after the interest of the Government. Until the end of March 1968, the Corporation has participated in the capital of three units to the extent of about Rs.0.33 million.

2.85 The State Bank of India has also recently come out with a scheme for assisting craftsmen and technician-entrepreneurs in starting new units by providing their capital requirements. The scheme is reviewed elsewhere.

2.86 The efforts made during the last ten years for State participation in equity capital of small scale units has thus achieved limited success.

(iv) Supply of Machinery on Hire Purchase Basis

2.87 The National Small Industries Corporation (NSIC) has been operating a scheme to supply machinery on hire purchase basis to small scale industries since March 1956. It was intended to supply modern machines and tools to small scale entrepreneurs on hire purchase basis so that they could quickly modernize their units without straining their capital resources. These machines were also meant to be supplied to new enterprises. The scheme has become very popular and since its inception, machines worth Rs.311.1 million have been delivered up to 31st March 1968.

2.88 Applications for hire purchase of machines are received in the State Directorates of Industries and after their recommendation, scrutinized at the headquarters of the Corporation by a Standing Committee. Acceptance or rejection is intimated to the party, ordinarily within 21 days. On an acceptance, the applicant has to pay an earnest money of 20 per cent of the value of the machine (30 per cent for furnaces). This earnest* money deposit can be reduced to 5 per cent in the case of State Guarantee or Bank Guarantee, the balance of 15 per cent being payable either at the time of the delivery of the machinery or along with the other instalments. The balance of the principal will be payable in half yearly instalments over a period of seven years, the first instalment being due on the completion of one year from the date of the execution of the agreement.

2.89 The Corporation charges an interest of 7 per cent per annum on the balance due to it. Besides, clearing charges at $3\frac{1}{2}$ per cent of the c.i.f. price of the imported machine is charged to cover clearing and handling charges. The applicants have also to pay 5 per cent of the value of the machines as administrative charges on the basis of the c.i.f. price in the case of imported machines and f.o.b. price, excluding sales tax and insurance in the case of indigenous machines.

* The scheme has since been liberalized with earnest money payable reduced to 5 per cent for imported machinery and 10 per cent for indigenous machinery. Administrative charges and clearing charges have also been reduced to 2 per cent and $1\frac{1}{2}$ per cent respectively.

2.90 The year-wise details of machines delivered by the NSIC since the inception of the scheme is shown below:

Year-wise details of machines supplied on
hire-purchase basis by NSIC

(Rs. in millions)

Year	Imported	Indigenous	Total
1957-58	4.99	3.00	7.99
1958-59	8.85	5.44	14.29
1959-60	10.14	6.65	16.79
1960-61	12.06	5.81	17.87
1961-62	14.08	7.64	21.72
1962-63	18.18	15.93	34.11
1963-64	40.11	24.99	65.10
1964-65	18.30	20.12	38.42
1965-66	12.22	15.17	27.39
1966-67	16.19	13.30	29.49
1967-68	26.85	11.44	38.29

During 1968-69 and 1969-70, the Corporation supplied both indigenous and imported machinery worth Rs.44.9 and Rs.45.6 millions respectively.

(v) Liberalized Credit Scheme of the State Bank of India.

2.91 The State Bank of India (SBI) took the initiative in advancing loans to small scale units by introducing a Pilot Scheme for co-ordinated credit supply to small enterprises in March 1956. The scheme was first confined to 9 centres only and was gradually extended to all other centres so as to cover the whole country by January 1959. The State Bank's assistance scheme has two main facets, viz. (i) provision of co-ordinated finance; and

2.92 (ii) liberalization of terms and conditions for advancing loans to small scale units.

2.93 The scheme is implemented with the assistance of a working group at each intensive centre consisting of representatives of State Directors of Industries, concerned Small Industries Service Institutes, State Financial Corporations and the State Bank of India. In each circle of the State Bank, a local Co-ordination Committee co-ordinates its entire work which at the central level is under the supervision of a Central Co-ordination Committee.

2.94 The main features of the liberalized procedures adopted by the State Bank of India for granting loans to small scale industries are:

1. Small scale units engaged in manufacturing activities that have good prospects, are now accommodated for financial assistance by the State Bank of India and its subsidiaries even if they do not maintain a satisfactory debt/equity ratio or are unable to provide adequate margins or are unable to go in for the lock and key form of advances - the factory type of advances being made available to them in such cases.
2. Accommodation is now allowed against the hypothecation of stock-in process on the retention of slightly higher margins, if this is genuinely needed by units. (This relaxation is applicable to units borrowing only from the State Bank of India).
3. Margin is now reduced in the case of controlled commodities in short supply and where wide price fluctuations are not apprehended, provided units genuinely require this concession.
4. Letters of credit, inland as well as foreign, are allowed to be established at concessional rates of margin, or even without margin where necessary and warranted.
5. Advances against the pledge of machines (factory type advances) for meeting the working capital requirements of approved units, are now allowed where the units are genuinely unable to get adequate working capital limits against raw materials and finished products alone.

The liberalized scheme of the State Bank of India is being operated by its subsidiary banks also.

2.95 From a small beginning in 1956, the State Bank of India credit to small scale industries has made substantial progress. The working capital limits sanctioned and in force increased from Rs.1.07 millions in 1956 to Rs.125.5 millions by 31 March, 1961 and to Rs.519.3 million by 31 March 1966. As on 31 March 1968, the working capital limits sanctioned and in force were of the order of Rs.1082.7 millions.

2.96 The amounts advanced by the State Bank of India (including its subsidiaries) towards working capital requirements of small-scale industries are as follows:

As on	Number of units assisted	Limits sanctioned and in force	Outstanding
(Rupees in millions)			
31.3.1962	3,425	140.8	65.2
31.3.1963	4,020	189.9	93.0
31.3.1964	5,227	267.6	128.3
31.3.1965	7,756	433.9	220.2
31.3.1966	9,315	519.3	278.6
31.3.1967	14,275	856.2	446.5
31.3.1968	16,988	1082.7	569.6

2.97 These advances have considerably increased since 1964-65. As on 31 March 1970, State Bank and its subsidiaries sanctioned limits to 36,935 small units for Rs.2,769.1 millions. The nationalized sector of banks have sanctioned loans to 37,072 as on 31 March 1970 for limits amounting to Rs.3,933.6 millions.

Medium-term Loans and Instalment Credit System

2.98 The State Bank of India has been implementing since 1963, a scheme to grant medium-term loans and another to supply machinery under the Instalment Credit System, to small-scale industrial units.

2.99 Medium-term loans are intended to provide finance for purposes of expansion, modernization, renovation, etc., for a period up to ten years. The rate of interest charged by State Bank of India for medium-term loans is about 8½ per cent per annum.

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2.100 By the end of March 1968, medium-term loans sanctioned amounted to Rs.53 millions by the State Bank of India and its subsidiaries.

2.101 The Instalment Credit System assists small industrialists in obtaining equipment, new or second-hand. Under this scheme, the borrower has to make a down payment of 20 to 25 per cent of the cost of the equipment and the balance in instalments over a period of five years. The rate of interest on instalment credit loans amounts to approximately 9 per cent on outstandings. Under this scheme, up to 31 March 1968, loans amounting to Rs.54.8 millions were sanctioned by the State Bank of India and its subsidiaries.

State Bank of India and the NSIC Guarantee Scheme

2.102 The State Bank of India is also operating, in collaboration with the NSIC, a Guarantee Scheme whereby a small-scale unit, obtaining an order to supply stores to Government is given the required financial assistance to buy raw material, process it into finished goods and deliver them to the Government.

Scheme for financing Technician-Entrepreneurs

2.103 Craftsmen and qualified technicians having necessary skill and initiative to set up and operate small enterprises are sometimes handicapped for lack of sufficient resources to provide the initial capital or, as it is technically termed, the 'owner's equity'.

2.104 The scheme envisages provision of finance to such entrepreneurs who have worthwhile projects for setting-up new industries and, apart from having good character and integrity, possess the requisite know-how and ability to operate the projects successfully, but have only limited resources. Advances under the scheme will be given to industrial units which are engaged in the manufacture, processing and preservation of goods. Preference will be given to the projects covered by the following industries:

1. Defence-oriented industries;
2. Industries which are substantial net-savers of foreign exchange and, in particular, are export-oriented;
3. Industries providing essential consumer goods which have an assured base in domestic raw materials;
4. Industries which provide a basis for:
 - (a) Agricultural development; and
 - (b) Further industrialization.

2.105 The progress made by the Bank under this Scheme during the period ending 30 June 1968, reveals that the scheme has gathered momentum. The particulars are as under:

As on	No. of applications received	No. of applications sanctioned	Amount sanctioned	Amount disbursed
(Rs. in thousands)				
31.3.1968	90	18	1,365	..
30.6.1968	123	38	3,998	6.03

(b) Short-term loans

2.106 Commercial banks also advance short-term loans to the small-scale units, though these banks do not have such comprehensive schemes as are being run by the State Bank of India. Recently some of the commercial banks also introduced their own schemes of providing medium-term finance to the small-scale industries.

2.107 According to the Reserve Bank of India "the total outstanding advances of commercial banks to small-scale industries during the Third Plan period increased more than three-fold", i.e. from Rs.271.4 millions to Rs.907.6 millions.

(c) Credit Guarantee Scheme of the Government of India

2.108 With the object of encouraging and enlarging the supply of institutional credit to small-scale units by ensuring a degree of protection to the lending institutions against possible losses in respect of their advances, the Government of India introduced in July 1960 a Credit Guarantee Scheme being operated by the Reserve Bank of India on its behalf. Beginning with 22 districts, the scheme now covers the entire country and is drawn up in such a way that the financial institutions advancing short-term or long-term loans (up to ten years) to small-scale units will be able to recoup a substantial part of their loss, if any, under the scheme. The maximum amount recoverable against the guarantee issued in respect of any one advance is Rs.0.2 million. To give further fillip to the scheme recently guarantee fee has been reduced from

one-fourth of 1 per cent to one-tenth of 1 per cent. It is not necessary under the scheme for the financial institutions to enforce the security or resort to legal remedies before invoking a guarantee. It is sufficient if the default in the borrowed account occurred during the period of the guarantee and the default was intimated to the Reserve Bank within 15 days of the date of expiry of the guarantee.

2.109 Up to the end of March 1968, 63,037 Guarantee Certificates amounting to Rs.2,604.5 millions were issued under the scheme and in respect of guarantees invoked, 89 claims amounting to Rs.1.1 millions were paid.

2.110 Despite the existence of the variety of credit agencies mentioned above, the flow of finance is impeded due to, among other reasons, the lack of co-ordination in the activities of these credit agencies. The institutional system of credit supply is constantly under review to streamline the procedures and bring an increasing number of small-scale units within the banking field.

VI. Raw Material Services

(a) State Directorate of Industries

2.111 One of the major functions of the State Directorate of Industries is to assess the capacities of small industrial units and sponsor their requirements for imported raw materials. These imported raw materials are supplied on the basis of a licence issued by the Central Government. As small industry is a State subject in India, the cases are sponsored by the Directorate of Industries.

2.112 Previously, the raw material requirements were assessed on the basis of machinery value which did not ensure full justice to the small industry sector. Hence, efforts are afoot to assess the capacities of each small industrial unit and ensure supply of imported raw materials on the basis of their capacities.

(b) State Small Industries Corporations

2.113 It is not possible for small industrialists to buy certain types of indigenous raw materials. Some of them are scarce even, because the quantum of minimum order will be beyond the reach of one industrialist. These Corporations obtain them in bulk and supply to individual entrepreneurs. In order to ensure quick and efficient delivery they have opened raw material depots in suitable centres.

(c) Central Programmes

2.114 In order to ensure that the sector does not suffer for want of raw materials, various measures were taken at the central level. The DC(SBI) co-ordinates the requirements of various States and makes assessments in respect of various industry sectors. This Organization is represented in various committees concerned with raw materials supply. In the case of export entitlements, the small industrialists are directly assisted by the Centre. In the case of certain vital national sectors of industry, coming under the priority group of industries, the Centre takes measures to ensure supply of raw materials to concerned industrial units. An industrial raw materials assistance centre is being opened to assist the small industrialist to obtain required raw materials.

VII. Industrial Estate Services

2.115 The Industrial Estates Programme in India is the biggest of its kind launched by any developing country in the world. The magnitude of the programme can be assessed from the working of the programme given as under:

Objectives of the Programme

- 2.116
- (i) To encourage the growth of small-scale industries;
 - (ii) To shift small-scale industries from congested areas to estate premises with a view to increasing their productivity;
 - (iii) To achieve decentralized industrial development in small towns and large villages; and
 - (iv) To encourage the growth of ancillary industries in the townships, surrounding major industrial undertakings, both in public and private sectors.

2.117 The aforesaid objectives were proposed to be achieved through the instrument of industrial estates on account of their promotional features. These are:

- (i) To provide well-planned accommodation to small-scale industries at suitable sites, with facilities of water, electricity, transport, banks, canteens, watch and ward, good approach roads, etc.;
- (ii) To bring a number of units together and thereby facilitate the establishment of Common Facility Centres, introduction of modern techniques, collective purchase of raw materials and sale of finished goods, joint publicity, etc. - in brief to enable the small enterprises to avail of external economies, thereby counteracting to some extent the disadvantages flowing from their 'smallness'.

Types of Estates

2.118 The industrial estates in India have been classified under three categories:

- (a) Urban Estates: Those located in cities, large towns or vicinity thereof;
- (b) Semi-urban Estates: Those located in small towns having a population of 5,000 to 50,000;
- (c) Rural Industrial Estates: Those located in villages with a population of less than 5,000

(a) Government Industrial Estates

2.119 Out of the 493 industrial estates sponsored, 112 are located in rural areas, 184 in semi-urban areas and the remaining in urban areas. Out of 248 industrial estates now functioning, 109 are located in urban areas, 86 in semi-urban areas and 53 in rural areas. The urban estates such as Okhla (Delhi), Guindy (Madras), and Sanatnagar (Hyderabad) have proved to be a very great success. Most of the semi-urban estates, which are properly located are also working well.

2.120 The rural industrial estates have been set up as a deliberate policy of the Government for disposal of industries in rural and backward areas. Rural areas generally do not produce entrepreneurs to start industries and many of them initially have to come from towns and cities. Rural industrial estates were to be located in selected large villages where power, water supply, transport and other essential facilities were either available or could be provided and where sufficient number of artisans and craftsmen were available to make use of modern techniques, better tools and relatively modern facilities.

(b) Facilities and Incentives

2.121 The primary facility which an industrial estate affords to small-scale units is suitably planned factory accommodation in healthy environments with water, electricity and roads, and conforming to the rules and regulations prescribed under the Factory Act. Besides common service facilities such as tool rooms, forging shops, foundries, electroplating units, heat treatment plants, etc. are also provided in many estates. Wherever necessary, the Government will establish their own common facility service workshops. Facilities like railway sidings, bank, post and telegraph office,

telephones, show rooms for finished products, etc. are provided in most of the estates. Credit facilities from Government and credit institutions and supply of machinery on hire-purchase basis are available to all small-scale industries and the units in estates often get special attention for utilizing such assistance. As a special measure of assistance to small industrialists occupying factory sheds in industrial estates on rental basis, provision has been made for giving concessions on rents up to five years, particularly in the case of estates located in rural and backward areas. Concessions are also granted to industrial units in the estate by way of exemption of taxes.

(c) Types of Entrepreneurs

2.122 A study of the Industrial Estates reveals very interesting conclusions about selection of manufacturing lines by entrepreneurs. The merchant entrepreneurs selected such of the manufacturing items in which they had experience and knowledge of handling. In some of the industrial estates, the units have selected lines of production which are ancillary to large industries located nearby. According to the study, 62 per cent of the total enterprises were engaged in mechanical and general engineering industries. Next in order of importance were the chemical and electrical engineering industries which accounted for 13 per cent and 8 per cent of the total enterprises, respectively. The number of units engaged in woodworking, ceramics and leather goods was rather small being only 5 per cent of the total number of enterprises. The rest of the 12 per cent were engaged in other miscellaneous groups. In short, a class of entrepreneurs from middle class people has been created.

(d) Emphasis

2.123 Initially, the main emphasis of the programme was on the provision of suitable factory accommodation and other working conditions conducive to efficiency. As the implementation of the schemes progresses and it was possible to evaluate the impact and effectiveness of the programme as a tool of the development of small-scale industries, the emphasis shifted from small industry development in general to small industry development in relatively under-developed areas, particularly semi-urban and rural areas. It will not be out of place to mention that under the above programme Rs. 382.8 millions have already been spent by the Government during the last twelve years on the construction

of industrial estates in various parts of the country. It has promoted an annual production worth Rs.900 millions, employing directly about 70,000 persons. According to reports available up to the period ending 31 March 1963, 493 industrial estates have been completed with requisite facilities and 272 have started functioning. One hundred and eighty-two industrial estates are under various stages of construction. In all 7,649 sheds have been constructed in 311 completed estates. Out of this, 6,482 sheds have already been allotted and in 4,753 sheds, industries are functioning.

(e) Functional Estates

2.124 Apart from the general purposes estates, functional industrial estates are being set up for automobile ancillaries, light machine tools, radio components and parts, clocks, time pieces and watches. A functional estate for electronic components has been started at Pimpri in Poona. A functional estate for agricultural implements has been set up at Nagpur. Industrial estates for leather and ceramic goods are working at Madras. A sports goods functional estate has been set up in Delhi and an estate for rubber goods has been started in Kerala.

(f) Ancillary Estates

2.125 The Government is also promoting ancillary industrial estates under the umbrella of large industries. The large industry gives technical guidance and assistance and also raw materials, wherever necessary. The first ancillary industrial estate set up was by the Hindustan Machine Tools, Bangalore. Other Government undertakings like Heavy Electricals Limited, Bhopal, Heavy Engineering Corporation, Ranchi, Bharat Electronics Limited, Bangalore, Hindustan Steel Plant, Bhilai and Rourkela Steel Plant are also developing ancillary estates by providing them with worksheds and various other facilities.

(g) Flatted Estate

2.126 One flatted industrial estate has been set up by the Bombay Corporation in the heart of Bombay City. A multi-storey building costing about Rs.2.8 millions was constructed by the Corporation. About 125 industrial units from the congested areas of the city were transferred and housed in this Estate. In Maharashtra State, municipalities and other local bodies are taking interest in establishing industrial estates.



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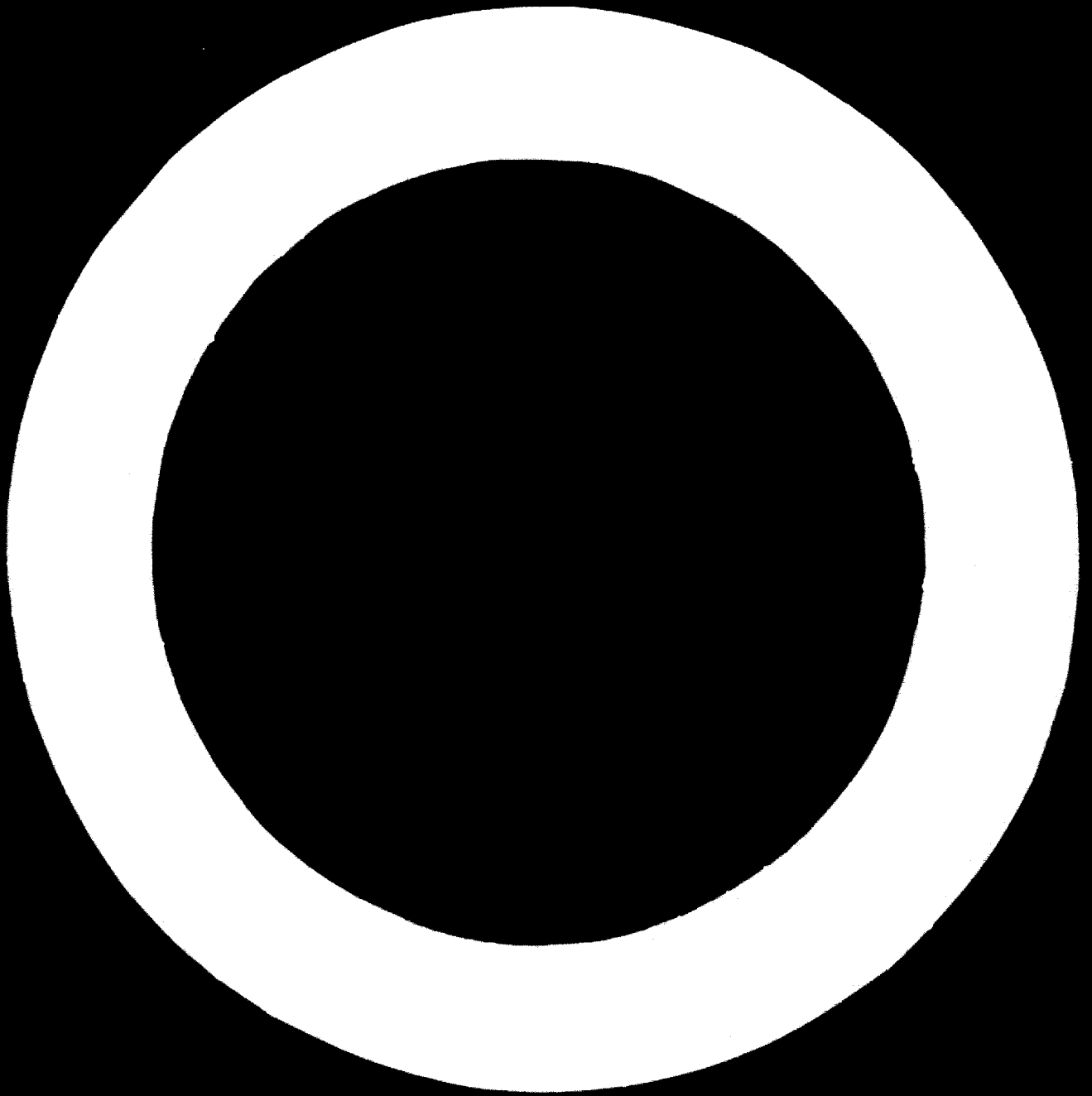
WORKSHEET FOR THOUGHT

While I was sorting out and detailing ideas relating to the small industry programmes in India for this paper, many checkpoints of thought served me as moulds in presenting them. I believe, anyone who attempts at programme evaluation and shaping and evolving small industry programmes - national and international - in the context of this paper, could do it effectively with the help of these checkpoints. For the sake of brevity, I have cast them in the form of following questions:

1. How to identify a small industry unit? - From village, cottage and craft-based industries on the one side and medium and large-scale types on the other side.
2. What are the growth facets of a small industry programme? - In numbers, sophistications, product range, new markets like ancillary and export markets etc.
3. What are the basic common problems faced by small industry sector? - Technical, managerial, economic, marketing and a host of others.
4. What are the objectives - social, economic and national - which any rational programme of small industry development should adopt?
5. How is the programme of small industry development designed and structured to meet the needs and urges of the industry and the country?
6. What should be the organizational set-up - the extent of governmental patronage required - the extent of participation of various interests?
7. Where should the executive authority of implementation of assistance programmes be vested - State, Central, autonomous corporations, industry associations, local bodies and other levels?
8. What are the programmes having significance in international context and which could be enriched by international co-operation?

This paper does not answer directly these questions. It only unfolds the various facets of small industry development in India and the types of industry services offered by India's small industry programmes which are grouped under headings like technical, management, economic, marketing, raw material, loan, industrial estate, etc. Industry positions, problems and programmes, surely differ from country to country and planning their development will depend upon their respective national requirements. I have no doubt in my mind that a critical analysis of India's experience as detailed in this paper will definitely provide suitable models of programmes and immensely benefit the developing countries of the region.

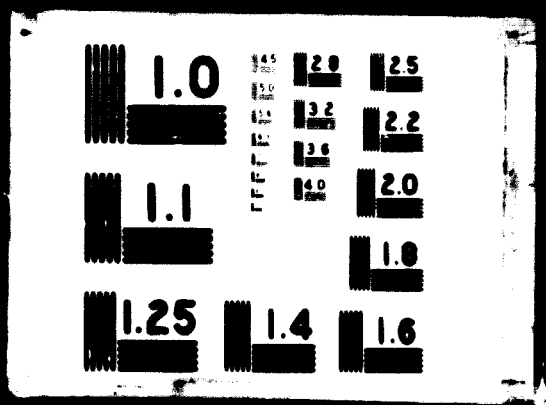
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(h) Co-operative Industrial Estates

2.127 There are about 70 estates run by co-operative societies in States like Maharashtra, Gujarat, Madras and Uttar Pradesh. These estates particularly are working with remarkable success in Maharashtra and Gujarat States. In a co-operative estate, a member pays 20 per cent of the cost of factory shed as his share capital and generally a shed is constructed by the society after a member pays his share money. The procedure has ensured the occupation and utilization of shed immediately after it is constructed.

VIII. Ancillary Programme and Subcontracting Exchanges

2.126 As was stated earlier, the development of ancillary production in the small-scale sector for components and spares required by the large-scale establishments shows the measure of maturity reached by the sector in course of time in manufacturing sophisticated and highly precisioned items. This programme has grown phenomenally in recent times. The Fourth Plan has taken this programme as a major plank for small industry development. There are about 0.1 million small units at present supplying components and spares worth Rs.250 millions, situated in various parts of the country. The units could be grouped into two classes, namely, (1) those which are situated in industrial estates and (2) those which are outside. The large-scale units comprise not only giant public sector undertakings but those belonging to the private sector also. As could be seen from earlier discussions, there are exclusive industrial estates housing these types of units alone. The ancillary relation varies from large unit to large unit.

2.127 The DC(SSSI) helps the large unit to locate items having ancillary scope and identify capacities in the small-scale sector. The units which are thus identified are registered for ancillary production. The ancillary industrial estate at Bangalore for Hindustan Machine Tools and at Madras for Royal Enfields are pioneering examples of great success in this direction.

2.128 The DC(SSSI) has a special ancillary cell which looks after the work relating to ancillary promotion. Only a fringe of the ancillary capacities in the country has been exploited so far and there is great scope for expansion of work in this regard.

2.129 Having been enthused with the response in ancillary production, the DC(SSSI) has entered the more sophisticated phase of subcontracting exchanges. Two such exchanges are currently functioning at Bombay and Madras. These exchanges keep liaison with the

bulk buyers, mostly large establishments and identify the small industry supplier on a regular basis. In effect, it has the function of exchange bank where information required is collected and pooled and a meeting ground is prepared for both the small industry supplier and the large-scale buyer.

2.130 The idea is still in its initial stages of implementation, and the working could be expanded to include various other facilities relating to fixation of terms of contract, inspection of quality, storing facilities, etc.

IX. Small Industry Technical Documentation and Communication Centre

2.131 Of late, there is an increasing awareness among the extension agencies to help small industries by informing them the latest developments in the world of technology and for this purpose assimilate the results of latest research work being done in different parts of the world. To achieve this, it is necessary to devise an organizational machinery for the collection, compilation and dissemination of the results of technological and management research. It has also been recognized that to facilitate the optimum utilization of scarce capital equipment and plentiful supply of labour which are characteristics of the Indian economy, the small-scale units should be assisted in identifying and adopting appropriate or low capital cost technologies which are at the same time consistent with the economy, efficiency and quality. These aspects of the programme for small industries development are particularly important in the context of the need for (a) achieving sophistication and specialization in production and adopting modern designs and processes so as to compete effectively in international markets, (b) taking up the manufacture of industrial goods which are still being imported, (c) for exploiting the opportunities opened up by the development of newer industries such as plastics, electronics and dye stuff formulation and (d) undertaking the utilization of hitherto unused indigenous raw materials, etc.

2.132 For the attainment of these objectives, there is an urgent need to pool together the vast amount of technical knowledge and information that has already been accumulated in the SSIDO and at the same time arrange for the collection and compilation of results of technological research in different parts of the world. In the present competitive world of science and technology, industry needs such factual information for studying the possibilities of new techniques, new processes and their application in improving quality and design of industrial and consumer products, reducing the cost and increasing

the attractiveness to existing and potential consumers. In addition to what is already available in the SSIDO, a vast amount of scientific and technical information of value to industry is available in the national network of research laboratories in the country. Besides, the results of scientific work being done in other parts of the world are being disseminated both through specialized agencies and through technical journals which have international circulation. These various sources of information have to be pooled together analysed and transmitted to the ultimate users, viz., small manufacturing enterprises. It has, therefore, been provided that a Small Industry Technical Documentation and Communication Centre may be set up for the above purpose. Emphasis in the work of such a centre would be on the prompt compilation of results of latest research and transmission of technologically useful information to industrial extension personnel and small-scale industries. Some of the important functions of such a Centre would be as follows:

- (a) Continuous and comprehensive collection of technical literature;
- (b) Selection, assessment, classification and indexing of data so that it may be adopted to solve current problems and future needs of small-scale industry development;
- (c) Dissemination of selected technical material and data on extension personnel and small industries;
- (d) Running a photocopy service for supplying copies of technical articles, patents, designs, etc.
- (e) Preparation of active list of all specialists in various industrial fields who can be appointed as consultants for the benefit of small industries;
- (f) To act as liaison with national laboratories, large-scale industries, etc. for collection and dissemination of results of research; and
- (g) To assist small-scale industries in obtaining technical literature from abroad.

2.133 As part of the work of the documentation centre, studies could be taken up for identifying appropriate technologies for the benefit of small industries. There is a tendency among Indian industries both large and small to use highly capital-intensive technologies; especially those available in foreign countries, regardless of their economic necessity. In the context of the peculiar pattern of resources endowment in India, there is need for using high labour and low capital technologies so as to make the optimum use of scarce capital equipment. This is necessary particularly in a country like India where the availability of resources both human and natural is of

such a diverse nature as to offer scope of development for different industries not necessarily of uniform size and technology. For them, therefore, the identification of the appropriate level of technology to be adopted is necessary and in this task, the proposed documentation centre will be rendering a very useful service.

2.134 The proposed Technical Documentation and Communication Centre will be set up as a research wing of SIETI, Hyderabad for which a provision of Rs.1 million has been made in the Fourth Five-Year Plan.

2.135 As could be seen from the discussions so far, the small industry sector has attained a high degree of growth comparative to general economic development and are seeking services of a more refined nature. Scientific collection, documentation and delivery of information have been felt directly by the small industry sector. To meet these requirements, two information centres are proposed to be set up in Bombay and Madras with the aid of United Nations.

X. Programme Analysis with international focus

2.136 This paper will fail in its duties if programmes of international importance are not sorted out for the benefit of the participating countries. It is also intended to highlight the need for assistance from such international organizations like United Nations Industrial Development Organization in providing required expertise and act as liaison in organizing some of these programmes in developing countries.

2.137 The detailed discussions on the various industry services provided in India should, it is intended, give an insight to the organization and administration of such services. Many of the participating countries must be experiencing these various facets of development and might be moulding required skills and facilities to meet the challenges. It is also possible for countries to draw upon the experiences of those who have developed skills in certain categories. In respect of technical, management, economic and industrial estates services, India has chiselled them out to great maturity by trials and experiences of a decade. In the case of loan services, raw material services, export marketing, ancillary development, documentation services, etc., she had made vast strides of progress and are currently engaged in shaping them for greater service to small industry. In evolving and developing these services, India has vastly drawn on the assistance abundantly rendered by such international organizations like the Ford Foundation, Stranford University, UNESCO, UNIDO, Asian Productivity Organization, ECAFE and ILO to mention a few. In the initial stages, experts had to be obtained from advanced countries in large numbers.

2.138 UNIDO could specifically assist developing countries of the region in respect of three services mentioned as under:

- (i) Export marketing
- (ii) International Subcontracting Exchanges
- (iii) Technical Documentation and Information Centre at the international level.

(i) Export Marketing

2.139 Export Marketing is a fairly complicated job. It calls for special skills in assessing markets, organizing skills, preparation of designs and drawings, packaging service etc. to mention a few. UNIDO could pool this information and expertise at a central place and lend them from this centre to needy countries. It is also possible to furnish expertise in organizing export services by developed countries to those who are not very much developed in this sphere of activity either on a bilateral basis or by a pool organized by UNIDO.

(ii) International Subcontracting Exchanges

2.140 Locating buyers and identifying suppliers, when it comes to export selling, could be effectively done on an international scale. UNIDO could open up one such exchange for the benefit of the participating countries. In fact under-developed countries provide certain distinct advantages in obtaining products, components and even sub-assemblies in view of cheap labour and simple technologies involved. The proposed centre could provide a meeting ground and furnish information which will be beneficial to industrialists of both the countries. The subcontracting exchanges already working in these countries could provide the much-needed link and feed back to the International Exchange. Even to set up the exchanges at national level the developing countries need expertise from advanced countries. UNIDO will be in a position to give substantial assistance in this regard.

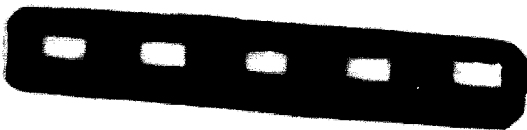
(iii) Technical Documentation and Information Services at the international level

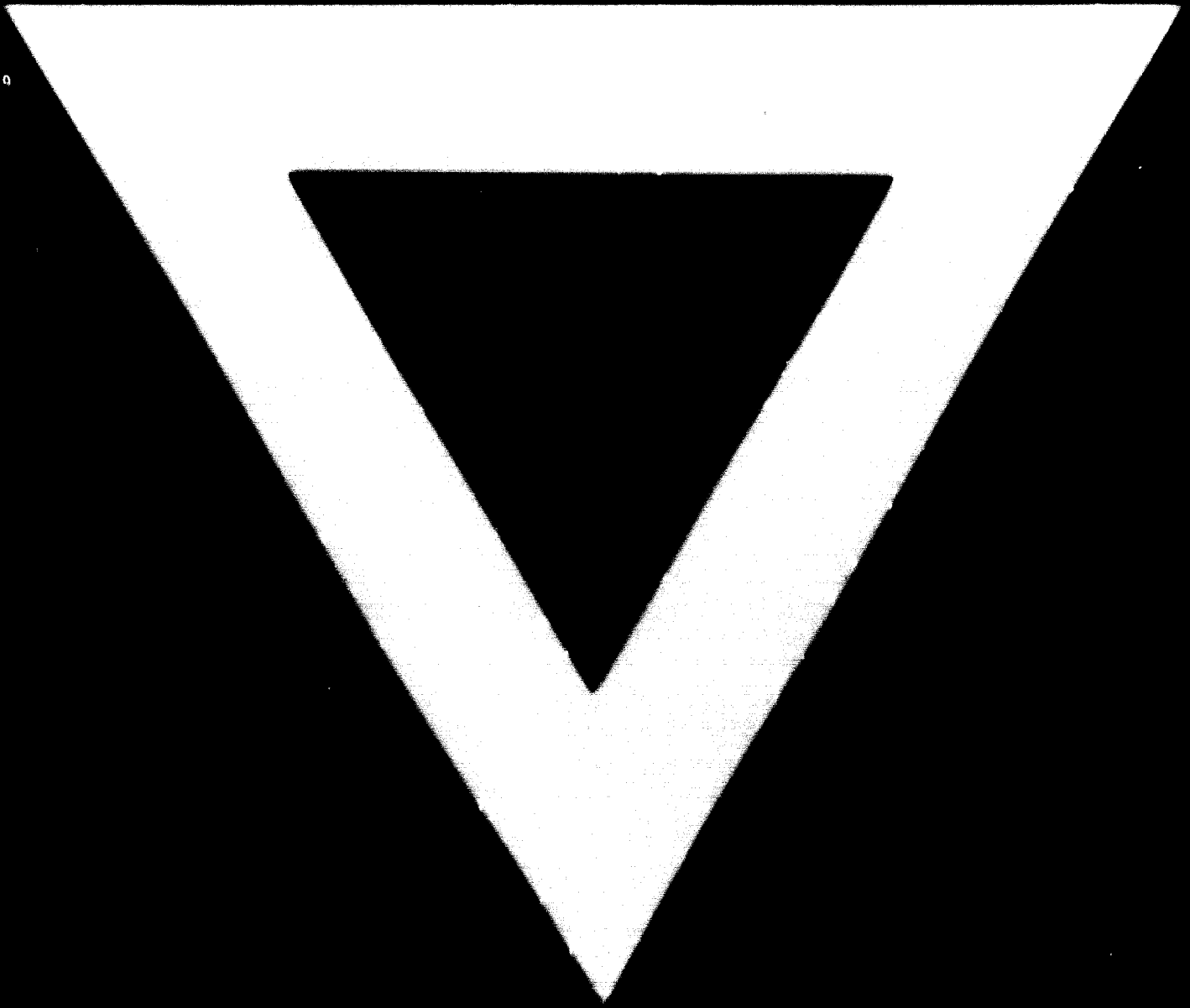
2.141 The Industrial Information Service of SSIDO is at present handling 25,000 to 30,000 enquiries per annum. The nature of enquiries also has changed in as much as the entrepreneurs seek more specific information on technical, managerial and marketing problems and also on the latest techniques of production, new items of manufacture hitherto not ventured in the small-scale sector, etc. This has naturally widened the

scope of the Industrial Information Service and the need for collecting, codifying and classifying information/data has been fully realized and every effort is made to keep them up-to-date.

2.142 The problems of small industry development are more or less similar in under-developed countries and these have to be tackled in a comprehensive way through a well co-ordinated programme of industrial extension services and effective schemes of assistance. Among the various extension services, the Industrial Information Service should be given top priority. Perhaps, the experience gained and the expertise developed in India in Industrial Information Service may be of use to under-developed countries.

2.143 Teams of Indian Economists and Technologists in Small Industry Development have already visited countries like Egypt, Iran, Afganistan, Nigeria, Togo and Dahomey to study the problems of developing small-scale industries in these countries and have submitted suitable programmes for their development. These reports submitted by Indian experts have earned great appreciation from the host Governments. Some of the governments have even evolved regular programmes of developing small industries in their respective countries based on the recommendations made in these reports. It would be appropriate if some sort of joint agency could be set up to organize a regional Afro-Asian Information Service for industries. This agency with a unit office in each member country could pool the experience of all member countries and disseminate the information thus collected to the respective governmental and non-governmental extension agencies which have been charged with the responsibility of implementing the industrial development programmes. In fact, a beginning has already been made in India in this regard. In pursuance of the recommendations of the first Afro-Asian Conference on Small-Scale Industries held in Cairo, the Government of India has set up an Information and Consultancy Services Bureau for Afro-Asian Centre in the Office of the Development Commissioner, Small-Scale Industries, New Delhi. The bureau is designed to furnish any information required by African and Asian countries in accordance with the scheme which was evolved as a result of the recommendations made in the Afro-Asian Conference held at Cairo. It is hoped that the other member countries of the region will also set up similar bureaux in the near future.





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