CHAPTER III

INDUSTRIAL POLICY OF THE GOVERNMENT OF INDIA RELATING TO SMALL SCALE INDUSTRIES
Industrial policies are concerned with promoting industrial growth and efficiency. While these objectives may in some circumstances have been accorded a privileged position within the general area of economic policy, all countries recognise explicitly or implicitly that they must be pursued in a manner compatible with other economic, social or societal goals. Thus industrial policy is regarded as contributory to or conditioned or constrained by objectives such as overall economic growth, financial stability, full employment and job security and increasingly in recent years, by considerations such as consumer and environmental protection and the quality of life.

While formulating industrial policy, the Government of India is committed to rapid and balanced industrialisation of the country with a view to benefiting the common man in the shape of increasing availability of goods at fair prices, larger employment and higher per capita income.

Since the beginning of the planning era the promotion of small enterprises in a certain range of modern manufacturers and preservation of traditional industries have been

important objectives of development policy. This was guided by the larger concern of generation of employment opportunities, broadening of the entrepreneurial base, reduction of economic inequality and spatial dispersion of manufacturing activities. The heavy industrialisation strategy of Mahalanobis also clearly demarcated manufacture of consumer goods and components and sub-assemblies in machinery manufacturing for small scale production. The primary consideration for this was efficiency of production and creation of employment opportunities. The role assigned to sub-contracting in machinery building was primarily in view of its effects on efficiency in the use of capital resources. Nasir Tyabji commented in Economic and Political Weekly (August 1984) that the two aims of the Indian Small Industries Policy were to develop the home market through the expansion in breadth and depth, of capitalism in industry, and the creation of a class of small capitalists or protocapitalist entrepreneurs. It is neither the purpose of my study nor my intention to support or contradict the statement of Nasir Tyabji, regarding the political aim of Government of India. However, it was clear from various industrial policy 

statements of Government of India that the Government have been pursuing a policy of promoting and protecting small industry for long. As Prof. H.N. Pathak has commented, small industry development is to accomplish objectives of contributing to industrial growth together with employment, dispersal of industrial units, development of enterprise and initiative - entrepreneurship, utilisation of local skills and resources, developing feeder or ancillary industries and developing specialisation in technology which raises productivity without decreasing the employment potential. I am now giving the highlights of the policy of the Government of India relating to Small Scale Industries.

**Industrial Policy Resolution 1948**

Mahatma Gandhi's emphasis on individual hand spinning as a form of regeneration of human dignity must be seen as the original source of the Indian Small Industries Policy. The Industrial Policy Resolution of 1948 stated that Small Scale Industries have a very important role in the national economy, and that these industries are particularly suited for the better utilisation of local resources and for the

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achievement of local self-sufficiency in respect of certain types of essential consumer goods. It also recognised that "the healthy expansion of cottage and small scale industries depends upon a number of factors like the provision of raw materials, cheap power, technical advice, organised marketing of their products and where necessary, safeguards against intensive competition by large scale manufacturers as well as on the education of the workers in the use of best available techniques".

In pursuance of the contents of the Industrial Policy Resolution of 1948, the State Governments undertook some programmes for the growth of the village and small industries\(^{(6)}\). In the first Five Year Plan an amount of Rs.5.20 Crores was spent on the small scale industries in the Plan period - 1951-56. It was also realised by the Government of India that, though small industries was a state subject the states were not equipped for planning and giving a fillip to their growth as was considered necessary. The Central Government, therefore, took up the responsibility for outlining and co-ordinating the basic programmes of development and set up a high-powered All India Small Scale Industries Board, in November 1954, under the Chairmanship of the Union Minister for Industries. This Board was set up as an advisory body to assist the

Central and State Governments in the formulation of policies and programmes of SSI. Simultaneously, to carry on the policies in that behalf and co-ordinate the activities and programmes undertaken by different states, a Central Organisation under the Development Commissioner for Small Scale Industries was set up.

In 1955 as per one of the recommendations of Ford Foundation team, the Government of India established the National Small Industries Corporation (NSIC) for participating in the Central Government's purchase programme and supplying to small scale industries imported and indigenous machinery under hire purchase scheme.

In the First Five Year Plan the principle of common programmes for related large scale and small scale industries was accepted. The elements of a common production programme were stated to be

(a) reservation of spheres of production,
(b) non-expansion of capacity in the large scale industry;
(c) imposition of cess or excise on products of large scale industries; and
(d) arrangements for the supply of raw materials, equipment and technical and financial assistance to the small units.

In accordance with the principles of common production programme, the production of certain varieties of cloth was
reserved for the handloom industries and an excise duty was levied on the production of large mills so as to build up a fund from which financial assistance was given to handloom and Khadi industries. Printing of cloth by large mills was limited to their best year’s output during the period 1949-54 and expansion of the capacity of large units for garment making was restricted. An excise duty was also levied on the large scale foot-wear industry. (7) A differential excise duty was imposed on the washing soap industry and a subsidy was given for neem and non-edible oils used in making soap. In regard to a number of other industries also, including certain types of agricultural implements, furniture making, sports goods, slates and pencils, bidi, writing inks, chalks, crayons and candles it was decided to reserve further expansion of production for small units. Other two important steps taken during the first plan period were the setting apart by the Central Government of substantial finance for development of village and small industries and the building up of a network of all India Boards to deal with the problems of handloom industry, Khadi and Village Industry, handicrafts, small-scale industries, sericulture and the coir industry. Besides four regional Small Industries Service Institutes were established for providing technical services, advice and assistance.

Another important step of the Government of India was its acceptance in principle of the Store Purchase Committee’s recommendations that certain classes of stores should be reserved exclusively for purchase from village and small industries, and that price differentials should be allowed to them over the products of large-scale industries. The value of purchases made from Cottage & Small Scale Industries by the Directorate General of Supplies and Disposals increased from Rs.66 lakhs in 1952-53 to Rs.105 lakhs in 1954-55, and to nearly 5 Crores in 1960-61.\(^{(8)}\)

**Industrial Policy Resolution 1956**

The Industrial Policy Resolution of 1956 also assigned a key role to Cottage, Village and Small Scale Industries in the development of the national economy. The resolution mentioned the following points in favour of SSI. 

"They provide immediate large scale employment, they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilised. Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country".

\(^{(8)}\) Government of India, Planning Commission - "Third Five Year Plan" Page 448.
Development of small-scale industry was thus seen as a way of serving the following objectives.(9)

1. Employment generation
2. An equitable distribution of national income
3. Mobilisation of capital
4. Mobilisation of entrepreneurial skill
5. Regional industrial dispersal

The Policy Resolution emphasised the role of the state policy as "to ensure that the decentralised sector acquires sufficient vitality to be self supporting and its development is integrated with that of large scale industries". The State was therefore expected to concentrate on measures designed to improve the competitive strength of the small scale producers.

In pursuance of this policy the Government took various steps to improve the competitive strength of the small scale sector. However, despite Government's efforts the competitive strength of the small scale sector did not improve much so as to compete successfully with the large sector. One of the main reasons for the failure of Government's efforts is overcrowding in this sector, (as small scale is an easy entry sector i.e. it is out of purview of IDR Act) which has nullified the impact of assistance or some times has made the assistance counter-productive.(10) The Administrative

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Reforms Commission expressed that due to lack of necessary laws/lawislation the objective of industrial policy of improving competitive strength of SSI has not been achieved. (11)

Consistent with the objectives of the Industrial Policy Resolution 1956, a comprehensive programme for the development of small scale industries for implementation was drawn up, of which the salient features were (12) -

i) Common production programmes in selected industries such as sewing machines, bicycles, storage batteries etc.

ii) Restrictions on large scale sector in respect of manufacture of certain varieties of agricultural implements, tanning and leather industry, radio receivers and small hand tools.

iii) Preparation of a comprehensive list containing such of the small scale products as could be exploited to that sector with the greatest advantage.

It was also proposed in the Second Plan to increase the number of Small Industries Service Institutes from four to twenty, so that each state would have at least one Institution. (13)

At the end of Second Plan 16 Small


Industries Service Institutes, 5 Branch Small Industries Service Institutes and 60 Extension Centres were established. A notable development during the second Plan was the establishment of a statutory Khadi & Village Industries Board, which continued as an advisory body closely associated with the Commission. Besides, at the end of Second Plan Extension Officers for Industries were provided in more than 1650 development blocks out of 3110 blocks.

It was the Second Plan that really initiated the development process in the field of small industries. The industrial estate programme, which today is the largest of its type in the world was begun with the establishment of the first estate at Okhala, near Delhi. The programme for industrial estates was very popular in the second plan and about 60 such estates were set up.

Besides building up the necessary organisation for the development of small industries, progress was made in the Second Plan in establishing facilities for the provision of credit, supply of machines and development of marketing and stores purchase.

(14) Central Small Industries Organisation, "Choose your Small Industry" (Govt. of India Udyog Bhavan, New Delhi) 1965.

As a result of launching various programmes during the Second Plan, the small scale sector registered a significant progress in several directions. In fact, the growth of small scale industries constituted one of the most significant features of development during the Second Plan. (16) Inspite of shortages of certain basic raw materials, many small industries, notably machine tools, sewing machines, electric fans and bicycles, etc. expanded considerably to the extent of increase in production by 25 to 50 per cent per annum. The number of registered companies with authorised capital of Rs. 5 lakhs each increased by about 1160, during the period 1957-61. The programme for small scale industries as a whole provided employment to about 3 lakh persons in the Second Plan.

The development programmes and the progress registered in the first two plans were further consolidated during the Third Five Year Plan, which resulted in the diversification of production, closer integration of all (i.e. small scale, medium scale and large scale) industries and also development of ancillaries. One significant measure adopted during the Third Plan was to render positive assistance to the small scale sector with a view to preparing it for the manufacture of complex and sophisticated industrial items by fixing up phased production programmes comprising of both engineering


..38.
and non engineering industries. Besides in 1962-63 the Government decided to reserve certain non-engineering items for development in the small scale sector exclusively.

**Third Plan Progress**

Up to the end of 1967-68, about 1,20,000 small scale units were registered with the State Industries Directorates, as compared to about 37,000 units at the beginning of 1962. Machines worth Rs.3.8 Crores were supplied on hire purchase terms to these industries in 1967-68, as compared to Rs.1.8 Crores in 1960-61. The value of purchases by the Central Government departments from small industries increased from Rs.6.5 Crores in 1960-61 to about Rs.26.2 Crores in 1967-68. About 360 industrial estates were completed by 1967-68 as compared to 60 estates in 1960-61. The 3SI units set up in these industrial estates provided employment to about 70,000 persons and their annual production amounted to Rs.93 Crores. Apart from quantitative growth, there was significant improvement in the quality of the products of many small scale industries.

In the following table, plan outlays on small scale industries have been given.
TABLE "III-A"

Five Year Plan outlay on Small Scale Sector

<table>
<thead>
<tr>
<th>Plan Period</th>
<th>Small Scale Industries</th>
<th>Industrial Estates</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Targets</td>
<td>Actual Expenditure</td>
<td>Targets</td>
</tr>
<tr>
<td>First Plan</td>
<td>1951-56</td>
<td>5.50</td>
<td>5.20</td>
</tr>
<tr>
<td>Second Plan</td>
<td>1956-61</td>
<td>51.00</td>
<td>44.40</td>
</tr>
<tr>
<td>Third Plan</td>
<td>1961-66</td>
<td>84.60</td>
<td>86.12</td>
</tr>
<tr>
<td>Annual Plan</td>
<td>1966-69</td>
<td>-</td>
<td>52.46</td>
</tr>
<tr>
<td>Fourth Plan</td>
<td>1969-74</td>
<td>104.25</td>
<td>70.33</td>
</tr>
<tr>
<td>Fifth Plan</td>
<td>1974-79</td>
<td>216.31</td>
<td>121.89</td>
</tr>
<tr>
<td>Annual Plan</td>
<td>1979-80</td>
<td>Break-up not available</td>
<td>Break-up not available</td>
</tr>
<tr>
<td>Sixth Plan</td>
<td>1980-85</td>
<td>Break-up not available</td>
<td>Break-up not available</td>
</tr>
<tr>
<td>Seventh Plan</td>
<td>1985-90</td>
<td>Break-up not available</td>
<td>Break-up not available</td>
</tr>
</tbody>
</table>

(*) The industrial estates programme started only after the end of the first plan.

Source from which Table compiled:
1) Draft Five Year Plan 1978-82, Page 179
2) Seventh Five Year Plan - 1985-90
3) The Economic Times dated 30.1.1985
However, some of the important objectives set for the Village and Small Industries Sector are yet to be fully achieved. The dispersal of small scale units far away from the metropolitan areas and large cities has not taken place to an appreciable extent. Available data indicate that the industrially developed states along with Delhi accounted for nearly 67 per cent of the registered SSI Units which had come up to 1976 and about 75 per cent of the employment generated by them. And within the developed States, there has been concentration of units in a few areas which are either metropolitan or large cities or industrial complexes.

As regards assistance given by the commercial banks to the small scale sector the data are given in Table III-B and Table III-C. The details of institutional finance sanctioned to the small scale sector are given in Table III-D.

**TABLE "III-B"**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount outstanding (Rs. in Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 1982</td>
<td>3901.00</td>
</tr>
<tr>
<td>March 1983</td>
<td>4486.00</td>
</tr>
<tr>
<td>March 1984</td>
<td>5447.00</td>
</tr>
<tr>
<td>March 1985</td>
<td>6608.00</td>
</tr>
</tbody>
</table>


(18) Ibid Page 188.
TABLE "ILL-C"

Bank Finance to Small Scale Industries
March 1971 to 1983

(Re.in Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Units</th>
<th>No. of Accounts</th>
<th>Limits Sanctioned</th>
<th>Balance Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 1971</td>
<td></td>
<td>100000</td>
<td></td>
<td>493.10</td>
</tr>
<tr>
<td>March 1976</td>
<td>277833</td>
<td>354674</td>
<td>1739.80</td>
<td>1153.20</td>
</tr>
<tr>
<td>March 1977</td>
<td>425703</td>
<td>507817</td>
<td>2039.50</td>
<td>1403.40</td>
</tr>
<tr>
<td>March 1978</td>
<td>500196</td>
<td>594056</td>
<td>2303.60</td>
<td>1703.60</td>
</tr>
<tr>
<td>March 1979</td>
<td>587293</td>
<td>690013</td>
<td>2905.50</td>
<td>2231.90</td>
</tr>
<tr>
<td>March 1980</td>
<td>709138</td>
<td>873646</td>
<td>3395.50</td>
<td>2695.40</td>
</tr>
<tr>
<td>March 1981</td>
<td>829699</td>
<td>921221</td>
<td>4113.80</td>
<td>3300.60</td>
</tr>
<tr>
<td>Dec. 1981</td>
<td>N.A.</td>
<td>936000</td>
<td>N.A.</td>
<td>3745.00</td>
</tr>
<tr>
<td>Dec. 1982</td>
<td>N.A.</td>
<td>1025000</td>
<td>N.A.</td>
<td>4209.00</td>
</tr>
<tr>
<td>Dec. 1983</td>
<td>N.A.</td>
<td>1195000</td>
<td>N.A.</td>
<td>5001.00</td>
</tr>
</tbody>
</table>

Source: The Economic Times dated 30.1.85
- reproduced from Currency and Finance Reports of RBI.
<table>
<thead>
<tr>
<th>Year</th>
<th>Assistance to Small Scale Sector (**)</th>
<th>Annual Refinance</th>
<th>Bills</th>
<th>Total</th>
<th>Annual Growth rate %</th>
<th>Aggregate Assistance sanctioned (**)</th>
<th>% of Assistance sanctioned (**) to units assisted (6)</th>
<th>No. of small units assisted (8)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Refinance of Industrial Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1964-70</td>
<td>9.4</td>
<td>-</td>
<td>9.4</td>
<td>-</td>
<td>296.50</td>
<td>3.1</td>
<td>1012</td>
<td></td>
</tr>
<tr>
<td>1970-76</td>
<td>219.2</td>
<td>219.2</td>
<td>-</td>
<td>219.2</td>
<td>1149.00</td>
<td>19.1</td>
<td>19019</td>
<td></td>
</tr>
<tr>
<td>1976-77</td>
<td>121.6</td>
<td>125.2</td>
<td>-</td>
<td>125.2</td>
<td>587.00</td>
<td>21.3</td>
<td>10505</td>
<td></td>
</tr>
<tr>
<td>1977-78</td>
<td>111.5</td>
<td>115.2</td>
<td>-</td>
<td>115.2</td>
<td>580.00</td>
<td>19.8</td>
<td>11306</td>
<td></td>
</tr>
<tr>
<td>1978-79</td>
<td>259.6</td>
<td>276.0</td>
<td>-</td>
<td>276.0</td>
<td>881.60</td>
<td>31.3</td>
<td>27773</td>
<td></td>
</tr>
<tr>
<td>1979-80</td>
<td>352.9</td>
<td>379.4</td>
<td>-</td>
<td>379.4</td>
<td>1097.10</td>
<td>34.6</td>
<td>52299</td>
<td></td>
</tr>
<tr>
<td>1980-81</td>
<td>382.9</td>
<td>426.8</td>
<td>-</td>
<td>426.8</td>
<td>1400.50</td>
<td>30.5</td>
<td>59105</td>
<td></td>
</tr>
<tr>
<td>1981-82</td>
<td>455.9</td>
<td>523.0</td>
<td>-</td>
<td>523.0</td>
<td>1543.20</td>
<td>33.9</td>
<td>62569</td>
<td></td>
</tr>
<tr>
<td>1982-83</td>
<td>615.4</td>
<td>706.9</td>
<td>-</td>
<td>706.9</td>
<td>1888.20</td>
<td>37.4</td>
<td>74609</td>
<td></td>
</tr>
<tr>
<td>1983-84</td>
<td>527.1</td>
<td>645.6</td>
<td>-</td>
<td>645.6</td>
<td>2484.20</td>
<td>26.0</td>
<td>45173</td>
<td></td>
</tr>
<tr>
<td>1984-85</td>
<td>892.5</td>
<td>984.3</td>
<td>-</td>
<td>984.3</td>
<td>3489.70</td>
<td>28.2</td>
<td>78244</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong>: 3948.0</td>
<td>463.0</td>
<td>4411.0</td>
<td>15399.8</td>
<td>28.6</td>
<td>441614</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(*) Comprising of total bill assistance, direct assistance and refinance of industrial loans.

(**) SSI includes Small Road Transport operators.

(Source - Annual Report 1984-85 - IDBI - Page 49)
As regards assistance extended by SFCs (State Financial Corporations) and NSIC, the details are given in Table Nos. 6 to 7 in the Annexure. The data regarding consultancy services provided by Small Industries Service Institutes are given in Table No. 8.

Industrial Policy - Government Decisions - 1973

In February 1970, the Government announced a new licensing policy based on the recommendations of the Industrial Licensing Policy Inquiry Committee Report. The Government lifted the need for licensing in the area between Rs. 25 lakhs to Rs. 1 Crore except where foreign exchange was necessary either for capital machines or raw material. As regards the small scale sector, the policy of reservation of certain items for the small scale sector was continued and the area of such reservation was extended. It was announced that the list of reservation would be expanded progressively depending upon the ability of the sector to produce goods economically.

In February 1973, the Government issued Industrial Policy Statement 1973. In this policy resolution, it was mentioned that co-operatives and small and medium entrepreneurs were to be encouraged to participate in the production of mass consumption goods with the public sector also taking an increasing role. The Government also decided to enlarge
and intensify a variety of positive measures designed to promote the growth of small and medium entrepreneurs. The existing policy of reservation for the small scale sector was continued. The area of such reservation was to be extended consistent with potentialities and performance of the small scale sector. (19) Accordingly a list of such reserved items was given vide Notification dated 16th Feb. 1973, reserving 807 items for the small scale sector.

**Industrial Policy Statement 1977**

The main thrust of the Industrial Policy 1977 was on effective promotion of cottage & small industries widely dispersed in rural areas and small towns. (20) The policy statement 1977 stated "The emphasis of industrial policy so far has been on large industries, neglecting cottage industries completely and relegating small industries to a minor role. It is the firm policy of the Government to change this approach".

To bring about this change the new industrial policy statement 1977 suggested following six specific measures:

(1) "It is the policy of the government that whatever can be produced by small and cottage industries must only be so produced". The number of products reserved for

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the small sector was increased from 180 to 500.
(In fact this decision of increasing reserved products for SSI upto 500 is not clear, as according to Govt. Notification dated 16.2.73, the number of items reserved were already 807).

(2) Within the small scale sector special attention will be given to units in the "tiny sector" namely those with investment in machinery and equipment upto one lakh rupees and situated in towns, with a population of less than 50,000 and in villages.

(3) Special legislation will be introduced to give due recognition and adequate protection to the self-employed in cottage and household industries.

(4) "The focal point of development for small-scale and cottage industries will be taken away from big cities and state capitals to the district head-quarters. In each district there will be one agency to deal with all requirements of small and village industries. This will be called the District Industries Centre".

(5) Special arrangements for the marketing of the products of the small sector will be made by providing services such as product standardisation, quality control, marketing surveys etc.

(6) Technical change will be encouraged in the traditional sector, as for instance, the production of "nai khadi".
It will be observed that although more stress was given in the Industrial Policy Statement 1977 on the small scale sector, nothing new has been stressed excepting (a) the new administrative measure of setting up the District Industries Centre, and (b) a threefold division of the small sector, viz. the village & cottage industries, the tiny industries and the small industries. Besides, the much talked about legislation protecting the small scale industries has so far not been introduced.

As rightly pointed out by C.T. Kurien (21) it is not necessary that the newness of new policy must consist of new pronouncements but a policy statement is primarily a guide to action and hence one should evaluate it also essentially in terms of procedures suggested for implementation. At the very outset the industrial policy statement 1977 indicated that the emphasis should be on better implementation. But again, the Industrial Policy Statement of July 1980 has observed that the District Industries Centres have "not produced benefits commensurate with the expenditure involved", and that "more effective alternatives are being explored". In fact the idea of co-ordinating activities of various agencies is not new and it was main task of the Small Industries Service Institute.

The precise impact of the various policy measures and development programmes cannot be assessed for want of adequate data. According to Sixth Five Year Plan 1980-85, by March 1980, 382 District Industries Centres were sanctioned covering 392 districts with the objective of providing all the services and support facilities under a single roof.

According to the Industrial Policy Statement 1977, in order to provide effective financial support for promotion of small, village and cottage industries, the IDBI took up steps to set up a separate wing to deal exclusively with the credit requirements of this sector. IDBI opened a separate window to facilitate automatic re-finance of term loans to the primary lenders upto Rs.5 lakhs. According to Annual Report 1983-84 of IDBI, under Automatic Refinance Scheme it has sanctioned refinances of Rs.281 Crores in 1983-84. (22)

The Government undertook to ensure that maximum support for the marketing of goods from this sector would be provided on priority basis and that measures such as purchase preference and reservation for exclusive purchase for Government departments and Public Sector Undertakings are fully utilised to support the marketing of these products. (23) With a view

(22) Industrial Development Bank of India "Annual Report 1983-84" Pages 88 & 89.
to reducing the role of middlemen and intermediaries, the Government decided to provide margin money assistance particularly to the unemployed educated young entrepreneurs for setting up retail shops for the products of traditional and modern small scale industries.

**Statement of Policy of Sick Industries, 1976**

Some of the important statements of Government of India under policy statement 1978, are given hereunder.

i) Sick units in the small scale sector will be given special attention. State Financial Corporations and commercial banks will be asked to devise a scheme for rehabilitation of sick industries in the small scale sector and assistance given by them for the revival of such units will be eligible for refinancing by the Industrial Reconstruction Corporation of India (now I.R.B.I.) or Industrial Development Bank of India, at a concessional rate of interest.

ii) Government and other purchasers of the products of SSI will be directed to settle dues of SSI units on priority basis and commercial banks will be asked to ensure that credit given to large scale units for working capital is applied first towards meeting dues of small scale suppliers.
iii) In order to protect the investment of technical entrepreneurs in cases where small scale units promoted by them are forced to close down for reasons beyond the control of entrepreneur, the possibility of evolving a suitable scheme of risk insurance for safeguarding the interest of the entrepreneurs will be examined.

Other statements are relating to large industries covered under the I.D.R. Act 1951.

In accordance with the above policy statement IDBI formulated a scheme of refinancing for sick small scale industrial units for State Financial Corporations and the scheme is in existence. However, as regards payment of dues of SSI by large scale units inspite of repeated instructions from the Reserve Bank of India to commercial banks, the SSI units continue to face the problem of delayed payments. I have discussed this problem in detail in Chapter VIII.

Industrial Policy Statement 1980

The Statement of Industrial Policy made on 20th July, 1980 clearly spelt out the need for intensifying the promotion of small industries. It aims at intensifying the efforts for rapid and balanced industrialisation of the country with a view to benefitting the common man through increased availability of goods at fair prices, larger
employment and higher per capita income. Some of the significant aspects of the policy announcement in relation to small scale industries are (24) -

i) revision of investment limit in plant and machinery in the definition of the small scale industries from Rs.10.00 lakhs to Rs.20 lakhs and upto Rs.25 lakhs in the case of ancillary units, and the limit of investment in the case of tiny units was increased from Rs.1 lakh to Rs.2.00 lakhs;

ii) greater emphasis on promotion of village industries;

iii) correction of regional imbalances;

iv) promotion of export oriented and import substitution industry;

v) creation of new focal points of industrial growth through the establishment of nucleus plants and ancillary industries;

vi) creation of buffer stock of critical raw materials;

vii) import and transfer of technology; and

viii) improved capacity utilisation through modernisation of industries.

In the interest of growth of small scale industries, the policy for reservation of industries for exclusive development in that sector was continued and a committee of Secretaries headed by Secretary (ID) was appointed to review the policy on continuing basis.

The protective policy of reservation for Government purchases was further strengthened by adding a few more items in the list of reserved items. The small scale units were also given price preference upto a maximum of 15 per cent in the case of items purchased both from small scale and large units. The concept of nucleus plant for creation of new focal points of growth was given concrete shape by setting up Task Forces in 20 States covering 60 districts.

In order to ensure regular supply of raw materials to Small Scale units, the Government further liberalised the import policy and streamlined the distribution system of various critical raw materials. Certain items of metal scraps including brass and copper were put on O.G.L. for export houses and small industries corporations. The commercial banks were asked to ensure that 12.5 per cent of total credit to small scale industries, is provided to the weaker sections among the small scale sector comprising rural artisans, village craftsman etc.

The technical expertise and the net work of SIDO was also continuously strengthened for meeting growing technical and technological needs of small scale units.
In order to make the District Industries Centres (DICs) more effective a review of the programme was taken and the DICs were restructured. By the end of March 1982, 392 DICs were sanctioned by the Govt. of India covering 405 districts, out of the 411 districts available in the country. Besides, with a view to train the DIC people, SIEET Institute, Hyderabad trained 136 General Managers and 472 Managers of DICs. (25)

The State Governments were advised to take initiative in developing linkages between the DICs and the States and Central Institutions. It was reported that due to lack of closer links between DICs & SIDCs DICs have not been able to play an effective role in supply of raw materials. Therefore at a meeting of the State Commissioner of Industries held on 25.4.80, many representatives wanted SIDCs to set up raw material depots at the industry centres. (26) Under the aegis of DICs, about 4.38 lakh new units (comprising of 3.50 lakh artisan based and 0.88 lakh small scale units) were established during the period 1983-84, as compared to 3.64 lakh new units (2.91 lakh artisan units and 0.74 lakh small scale units) during the period 1982-83. The new units were expected to generate additional employment opportunities of 13.80 lakh persons in 1983-84 as compared to 11.82 lakh persons during 1982-83.

(26) Ibid