(A) **Marketing Assistance**

Marketing assistance is rendered to small scale industries mainly in two forms; firstly, by undertaking actual marketing of their products, and secondly, by conducting market research and investigation surveys for a particular product manufactured in the small scale sector in general or for a specific brand of the product manufactured by a particular small scale entrepreneur. Actual marketing of the products of small scale industries is undertaken by the NSIC in the domestic markets and by the State Trading Corporation under its EASI Scheme in foreign markets. Market research and investigation surveys are undertaken by the DCSSIO. The Indian Institute of Foreign Trade undertakes commodity surveys with special reference to their export potential and their sale in foreign markets. These surveys cover the entire industry including the large and small scale sector and have therefore only a partial relevance for small industry products in the field. The assistance given and the progress made by the concerned organisation, or Institutes under them, are described in the following paragraphs;

(1) **Actual Marketing**

**Domestic Marketing**

Lack of proper marketing facilities and the absence of an established trade name for the items manufactured by them had been recognised quite early as a factor responsible for the slow and scanty growth of small scale industries in the country. It was known that the small scale units produced on an ad-hoc basis without any arrangement to know the consumer reactions to the products manufactured by them. The formation of co-operatives of small scale units for the purpose of marketing was considered to be a long process and there was fear of the absence of unity of purpose and proper guidance. Under the circumstances, it was considered necessary that certain common services in the sphere of marketing should be made available by the State to the small scale units.
NATIONAL SMALL SCALE INDUSTRIES CORPORATION.

Dr. Lincoln Clark, a Ford Foundation Marketing Expert, recommended that a Government agency might be established to telescope three functions of distribution viz. wholesaling, physical movement, and retailing in a single operation through mobile shops. This, he felt, would act as a strong stimulus in developing small scale industries. On the acceptance of his recommendation, the National Small Industries Corporation started operating three mobile vans having their base at Delhi. In pursuance of the recommendations made by the Small Scale Industries Board at its meeting in May, 1966, at Srinagar, the mobile van operations were treated more as an instrument for carrying out the marketing research and for giving publicity for products of small scale industries and the actual selling operation was made subservient to these two objectives. Afterwards, these operations were extended to all the four regions in the country, resulting in substantial sales, particularly of domestic utensils in almost all the regions the other popular items being toys and sports goods in the southern region, clothing items in the northern, eastern and western regions. Consumer reactions to the stores sold from the vans were communicated to the small scale manufacturers for taking necessary action. The visit by a van to a new town or village was preceded by a quick survey by a team of investigators to assess the demand for stores. It was also followed by a fresh assessment of the demand for the stores actually sold from the vans.

Van-operations were discontinued in April, 1969, since it was felt that efforts should be concentrated on creating direct contact between producers and wholesalers/retailers. Accordingly, an Incentive Sales Promotion Scheme was initiated in May, 1969, in respect of leather footwear, cotton, hosiery and paints and varnishes. Shortly afterwards, the Corporation decided to commence the effective marketing programme at a lesser expense and experimented with the Pilot Scheme in Delhi. The objective of this Scheme was to establish new retail outlets for
small industries products, to increase sales volume of each product, to collect and report market reactions to the products, and to bring the manufacturers and retailers into direct and closer contacts. This programme visualised the Corporation's salesmen going round the markets with free samples given by manufacturers and bookorders on their behalf. The Salesmen were to report the market reactions regarding the quality and price of products and also to recommend reliable dealers for appointment a selling agents. Certain products like electrical appliances, Electrical Toasters, Cutlery, Fountain pens etc. were selected for implementing this programme. But it was later given up and the work of collecting marketing reactions to products and of establishing a contact between the manufactures and the retailers was transferred to the office of the Development Commissioner, Small Scale Industries.

WHOLESALE DEPOTS.

The NSIC also set up a net work of wholesale depots in areas where small scale industrial units were concentrated. Such depots were established at Agra for Footwear, at Khurja for pottery, at Aligarh for locks, at Ludhiana for hosiery, at Bombay for paints and at Renigunta for glass beads. The Corporation aimed at enabling the small scale industries, through such depots to overcome their main shortcomings of marketing, that is lack of standards, lack of trade name, assuring quality of the product and the absence of contact with a wider market. These depots laid down specifications for the products marketed through them and established inspection arrangements for checking quality. They utilised the organisational facilities already available and also made their own arrangements for quality checking, if no such facility existed. The trade name "Jan Sevak" was selected for marketing the products to be sold through these depots, each of which acted as an inlet for the products of one industry and an outlet for the products from other depots as well. After rendering the primary service, these depots were closed down progressively by the year 1960 excepting those at Agra and Khurja. These two were also later closed.
The NSIC has, at present a separate section to market the machine tools produced by Prototype Production-cum-Training Centres and the production centres at Attumassur and Tiruvalla. This division is also concerned with the marketing of tools, like lathes produced at the PTC at Dakhal (New Delhi), electric motors manufactured at Tiruvalla and similar other products.

The Corporation has also experimented with direct sales to consumers through retail shops like Liliiput in Madras and the Prestige Leather Footwear Shop in New Delhi. In short, it has tried various methods of rendering marketing assistance to small scale industries with varying degree of success.

STATE SMALL SCALE INDUSTRIES CORPORATIONS.

Actual Marketing is undertaken by the State Small Industries Corporations also. Marketing assistance rendered by these Corporations takes the form of opening sales emporia, procurement of orders under the State Government Purchase Programme for small scale units, and also the provision of export market intelligence and assistance in documents, etc.

EXPORT MARKETING.

The NSIC experimented in export marketing too and established an Export Section in its marketing division. This Section started operations when the Corporation received an order for Rs. 0.3 million pairs of shoes for supply to the U.S.S.R. The Corporation had to put in considerable energy in organising the production of quality shoes of standards not normally obtained in the country. It had to set up the requisite machinery to look after the production, inspection, storage and payments to the small scale units. As a result of the execution of this order, the production of quality shoes in the main producing centre was reported to be almost doubled and there was a rapid increase in both employment of labour and profits of small scale units there. The Corporation also explored the possibilities of exporting cotton and woolen hosiery, paints and varnishes, machine parts and other products of small scale industries.
EXPORTS BY STATE TRADING CORPORATION UNDER
THE EXPORT AID TO SMALL INDUSTRIES (EASI)
SCHEME.

It was in 1962-63 that export marketing of small
industry products was transferred to the State Trading Corporation.
The State Trading Corporation operates an Export Aid to Small
Industries Scheme, in order to help small industries in finding
markets abroad for their products. The Scheme provides for direct
relationship between Indian manufacturers and foreign importers,
gives them assistance in the choice of quality of products,
preparation of documents, pricing, preparation of sales literature,
credit facilities, etc. The State Trading Corporation has selected
certain product lines in which it provides assistance to the
selected small scale units for manufacturing products for export.
The operations under the Scheme have, no doubt, been limited in
extent, but the number of applications received from the small
scale units has been mounting and it is expected that the State
Trading Corporation will soon be able to extend the field of its
operations so as to provide the designated assistance to the
interested small scale units in export of their respective products.

Export marketing assistance to the small scale units
is also provided by some of the State Small Scale Industries
Corporations.

(II) MARKET RESEARCH AND INVESTIGATION SURVEYS.

The DCSSIIO provides market research assistance to
small scale industries with a view to exploring the markets and
the classes of consumers to be tapped and also for identifying
and recognising the market contacts to be utilised by them for
the sales promotion of their products. It undertakes this
programme of assistance in the form of two types of surveys,
namely, Distribution Aid Survey and the industry/product market
surveys.
DISTRIBUTION AID SURVEYS.

Distribution Aid Survey are undertaken on the specific request of a small entrepreneur. Till recently it was a free service but now a nominal fee is charged from the requesting entrepreneur. The fee has been imposed not for revenue considerations but as a device to assess the seriousness of the entrepreneur in asking for such a survey. The Organisation has so far completed nearly 240 Distribution Aid Surveys in respect of a variety of producers and consumers' goods, ranging from pencils and nibs to electric motors, lathes, etc. A large number of these survey reports have been prepared in respect of consumer goods which have been dominant for long in the product mix of small scale industries. As the small entrepreneurs undertook manufacture of producer goods and prepared detailed literature on the technical details and commercial aspects of their products, this class of goods has also been undertaken for survey by the Organisation. The detailed objectives of these surveys and the distribution of areas covered by the SISIs undertaking such surveys have been discussed in the article on economic surveys and economic intelligence service. The emphasis here would be on describing the "Modus Operandi" adopted by the Institutes in carrying out these surveys, so that an exact idea could be formed of the amount of effort put in and the usefulness of the recommendations or suggestions made to the small entrepreneurs on the basis of the findings of these surveys.

OPERATIONAL STAGES OF THE SURVEYS.

A small entrepreneur approaches the nearest SISI with a request in writing for a market survey of his product and gives a market survey of his product and gives a few relevant particulars of his enterprise and the products which enable the Economic Investigation Team of that Institute either to process the request by itself or to refer it to the erstwhile regional institutes i.e. in Delhi, Madras, Bombay and Calcutta, for necessary processing and obtaining permission from the office of the Development Commissioner (SAI) to undertake a fullfledged survey. On receipt of preliminary information from the relevant Institute, the Economic Investigation Directorate of the office of the Development Commissioner (SAI) scrutinizes it in the context of the all India
position of the product and sends it to the Institute for necessary action. In cases, where the requests for surveys are approved, the Institute collects full details of the working of the enterprise in respect of installed capacity and production, product mix, investment pattern, labour employment, management personnel, the main markets, total sales, the territorywise distribution of sales and the principal marketing practices and terms offered to the dealers. The entrepreneur is also requested to give preliminary information in regard to the status of his product in the market and also the measures he has been taking for the improvement of the same. At the same time, the Institute collects preliminary data about the industry or product line including the number of units existing to manufacture the product, their total capacity and production, total sales of the product in and outside the country, and any other information having a bearing on market prospects of the product. Such a preliminary information is collected through all possible secondary sources, published or unpublished, and is utilised alongwith that received from the entrepreneur in formulating " a priori " hypothesis of the problem posed for the survey. The entrepreneur also supplies to the Institute a number of samples of his product alongwith the printed literature containing therein the main technical details and the expected performance of the product, sales, terms offered to the dealers and bulk purchasers, and any other information likely to stimulate the interest of the prospective purchasers.

The preliminary hypothesis formulated by the Institute enables it to decide the scope and the methodology of the survey to be undertaken. It is decided as to which aspects of the product are to receive close attention and which market areas are to be investigated intensively. It is also decided if the field data are to be collected through personal contact or correspondence or both and also if they are to be collected through questionnaire or an open and discussion. In a way, these hypothesis help the Institute to decide the extent and intensity of effort needed for arriving at the significant and meaningful suggestions to be made to the small entrepreneur.
after having a pre-test of the schedules designed for the manufacturers and dealers and effecting the necessary modifications in the same in order to make them workable and understandable to the interviewers, the selected members of the Economic Investigation Team of the Institute establish personal contacts with the representative dealers and distributors of the products in the selected market areas. During such contacts, they discuss with the market operators the prospects of different brands/classes of the product at the time of survey as well as in the immediate future against the background of their respective prices, quality traits, actual performance, product appeal, etc. In addition, they discuss the present and prospective market position of the product with knowledgeable persons in the market, with the object of finding out the market prospects of the product against which they can assess the market status and share of the specific brand of the product taken up for survey. As soon as the field survey is over. The field data and the secondary data with a close bearing on the verification of the hypothesis of the marketing problems posed by the small entrepreneur, are tabulated and analysed to arrive at tentative conclusions. A preliminary report is also prepared on the salient findings of the survey, which are discussed with the entrepreneur so as to find out the workability of the recommendations which can be made on the basis of factual data and personal impressions formed by the members of the Team. The tentative recommendations are assessed in regard to their practical utility against the experience/background of the entrepreneur as well as his material resources available for the implementation of the recommendations. The final picture, as it emerges out of discussion with the entrepreneur, is portrayed in the final report on the survey. The survey report is divided into two parts, the first part discusses the supply and the demand prospective of the product in general and the second part analyses the status of the specific brand in the market on the basis of its price, quality and other sales features, compared to the competitive brands, and contains the recommendations made to entrepreneurs for improvement of the quality of the product. The first part is for general circulation and benefits the existing and the prospective manufacturers of the product. It also proves useful to the extension workers of the organisation itself, who are to guide small entrepreneurs in their
business decisions. The second part is confidential and is supplied to the entrepreneur requesting for the survey. Its copy is supplied to the concerned technical sections of the Institute so that their officers may render necessary technical assistance and guidance to the entrepreneur in case he decided to implement the suggestions made therein.

The market research assistance to the small entrepreneur does not end with the supply of the report to him. In fact it starts with it in the sense that all possible assistance and guidance are rendered to him for the improvement of the quality of the product and also for securing as much market acceptability of his product as possible. Apart from serving as an effective channel for obtaining, from other concerned departments or agencies such production requisites as raw materials, machinery, power, finance, etc., the Institute equips the entrepreneur with all necessary information enabling him to establish business contacts with the market dealers and distributors interested in his product.

**INDUSTRY/PRODUCT MARKET SURVEYS.**

The Industry/product market surveys are undertaken not on behalf of any particular entrepreneur, but on the basis of the preliminary data available with the Economic Investigation Division of the office of the Development Commissioner (SMI) in consultation with its counterparts in the SISIs. As compared to the Distribution Aid Surveys, these are more intensive as well as extensive in scope than the general part of the former. These surveys have been prepared on a large number of products, special mention can be made of flavouring essences, black insulating tape, miniature bulbs, spectacle lens, grinding, automobile spare parts, etc. The reports of these surveys are widely circulated amongst the Small Industry Associations and the major small entrepreneurs in different parts of the country in order to help them in their business decisions. They also prove useful to the wholesale dealers and distributors, who are informed through them of the trade terms and concessions offered by the different manufacturers of the product in different regions of the country. In view of the fact that the report of these surveys benefit a much larger number of small entrepreneurs than the Distribution Aid Surveys, they have
been accorded a higher priority than the latter in the programme of work of this Organisation.

As mentioned above, The Indian Institute of Foreign Trade undertakes commodity surveys of particular products manufactured in both the large and small scale sectors of the industry with a view to studying their export potential and prospects. It has completed a number of such studies and mention can be made of such products as costumes, jewellery, curry powder and paste, safety razor blades, animal feeds, grey iron castings, preserved fruits and vegetables, hosiery goods, electric fans, animal casings and electric lamps and fluorescent tubes. Recently, the Institute has undertaken commodity surveys of sport goods, bicycles and bicycle parts, sewing machines, woolen and cotton hosiery, scientific instruments, certain machine tools, cutlery, pressure stoves, razor blades, builders' hardware, domestic electrical appliances, steel furniture, sprayers and dusters, storage battery, imitation jewellery, canned food, stuffs, spectacle frames, leather footwear, etc. These surveys provide information relating to the overseas markets tapped by the manufactures of the given products, marketing channels adopted and the competition faced by them in those markets from the local and the competing foreign suppliers in matter of prices, quality, trade terms, etc. The information on these points has been collected not only from the secondary published sources of the Government and the non-government agencies but also from personal contacts established with the representatives of the Trade Commissions of foreign countries in India, the principal exporters, the Export Promotion councils and other knowledgeable persons.

The DCSSIO has also prepared a brochure on market research surveys which the small entrepreneurs or groups formed by them can utilise for undertaking market surveys for their respective products on their own. This brochure discusses the important indicators or factors which a manufacturer needs to study for arriving at workable conclusions in regard to different aspects of the market prospects and competitiveness of his product in a market area. In short, the DCSSIO's effort has been to provide to the small entrepreneur as through market intelligence as the large scale entrepreneurs get by engaging professional specialists in market research.
MARKETING ASSISTANCE BY THE MADHYA PRADESH
LAGHU UDYOG NIGAM.

The Madhya Pradesh Laghu Udyog Nigam is also rendering marketing assistance to the small-scale and cottage industries. It has set-up emporia in the State and outside. Within the State its emporia are located at Indore, Bhopal, Gwalior, Raipur, Rewa, Jabalpur, Bhopal, Ujjain, Bhiwadi, Mandu and Khajuraho. Besides the Nigam has an emporium each at New Delhi, Bombay and Nagpur. The Laghu Udyog Nigam also takes the assistance of the emporia of other States in Marketing the Goods of the small industries of the State. During the last two years the Laghu Udyog Nigam has marketed goods valued at over Rs. 1 crore.

The Nigam is also operating an Export Assistance Programme and has established an Export Cell at its head quarters at Bhopal. The Nigam also participated in the international fairs at Kuala-Lumpur, Dar-es-Salaam Damascus, Singapore, West Berlin, Zagreb, Stockholm and Dallas. The Nigam also collects information about the industrial units interested in exporting their products. The emporia of the Nigam at Delhi and Bombay also undertake a direct export of the products of the small scale industries of the State.

During 1972-73 the Nigam participated in 2 Exhibitions and 14 Fairs in the State. The Nigam also put up a stall at the "Asia-1972" Fair in Delhi. The total sales effected by the Nigam at the fair were approximately Rs. 1.75 lakhs.

(B) EXPORT PROMOTION.

The small scale sector of industries accounts for about one third of the industrial production in the country. It should, therefore, be the endeavour of this sector to make a corresponding contribution to our exports. While the quality of products manufactured by the small scale industries has started attaining adequate standards, a greater export-consciousness is needed to be created among the small scale entrepreneurs. Resources are needed to be mobilised by the small scale manufacturers to make their units export-oriented and divert their sales to overseas markets.
Governmental help in this direction is also forthcoming and the DCSSIO has launched efforts to provide the necessary know-how and other facilities for assisting the small scale industries in their export efforts.

It has been felt at all levels that increased exports from the small scale industries are required not only to raise the total exports of the country but also for a greater diversification of our exports. The present level of development of small industries in India, with all the facilities provided to this sector, has brought about a phenomenal improvement in the range and quality of products manufactured by the small scale units. The examples of the contribution made by the small industries of Japan and the U.K. to the total exports of those countries clearly bring out the potential for exports from small scale industries at a specific level of development. That level in India has almost been attained with the important place given to this sector in the development plans, the crucial role played by the Industrial Estates all over the country and the variety of assistance programmes and facilities provided for exports to small scale industries. Time is, therefore, now ripe to exploit the existing potential of small industries for exports and to develop the production capacity for exports in the small scale industries.

**REVIEW OF EXPORTS FROM SMALL SCALE INDUSTRIES.**

Hitherto export efforts made under the EASI Scheme, operated by the State Trading Corporation constituted the main export promotion activity in the small scale sector. Under this scheme 27 products (listed in Appendix "A") were selected for intensive efforts. There were the items having demand in the overseas markets and were being manufactured in the small scale sector. The SISIs selected and recommended the names of 182 small units manufacturing these 27 products, to the STC. Out of these units, 165 units have so far been inspected by the STC. Only 40 units could, however, be finally selected by the STC. The reasons for non-selection, in general, have been raw material difficulties, lack of export urge in the management, non-availability of surplus for exports, inadequate quality standards, poor packaging and presentation etc. Apart from these 27 items the DCSSIO has also been recommending to small scale units other items for which export
enquiries are received by the STC from time to time. Another list of 335 items was therefore, also compiled to indicate the products having demand in overseas markets.

SERVICES RENDERED BY THE DCSSIO FOR EXPORT PROMOTION.

To increase exports from small scale industries, the DCSSIO is rendering various services to the small manufacturers to enable them to enter and compete in the foreign markets. The network of SISIs, Branch Institutes and Extension centres of this organisation in the country, with their complement of technical and specially trained officers, provide the wherewithal for increased production for exports and other services for export promotion. In each SISI, a trained officer has been posted to look after the export promotion work in the respective region. The following services are rendered by these officers.

(i) EXPORT CONSULTANCY SERVICE: The small industrialists are acquainted with the various producers and know-how for export of their products and their day-to-day problems in export field are solved.

(ii) TRAINING IN EXPORT MARKETING: On the lines of the management and technical training programmes conducted by the SISIs, courses in export marketing have been developed to cater to the specific requirements of small units in this field. These courses are gaining momentum.

(iii) SELECTION OF UNITS AND PRODUCTS: In keeping with the requirements of quality etc., in the overseas markets the officers of the DCSSIO select products manufactured in the small scale sector, which are export-worthy and also select units that are capable of entering the export markets. These products and units are then taken up for intensive help in export marketing under the SISI Scheme operated by the STC.

(iv) CO-ORDINATION AND LIAISON: This Organisation also keeps in touch with the programmes of assistance for exports from small scale industries undertaken by other agencies and helps in developing co-ordinated efforts. The cases of small exporters are also taken up with other authorities for elimination of handicaps and disincentives experienced by them.
(V) **EXPORT INFORMATION SERVICE** : In order to keep the small industrialists abreast of developments in the field of exports, the officers of the SISIs provide them with information regarding overseas trade regulations, prices, tenders, enquiries, market potential etc.

**OUTLOOK OF EXPORT FROM SMALL SCALE INDUSTRIES.**

Recognising the export potential of small industries, increasing efforts are being made to promote exports from this sector. The Small Scale Industries Board has constituted a Standing Committee on Export Promotion from Small Scale Industries to study the problems of export from this sector and recommend ways and means to increase the quantum of exports. The members of the Committee include representative of the DCSSIIO, IIFT, SIC, NSIC, State Bank of India, Directors of Industries of some of the State Governments and a few industrialists. The first meeting of the committee has made important recommendations regarding organisational pattern, production facilities, finances, trade delegations and exhibitions for promotion of exports from small scale industries.

With the increased awareness of the need and benefits of exports among the small scale industries, the outlook for higher exports from this sector is very bright.

**EXPORT PROMOTION FOR SMALL SCALE INDUSTRIES IN MADHYA PRADESH**

A six-week special training course in Export Promotion was organised in the State. Besides, assistance in the techniques of Export Promotion was also given to 150 parties who came to the Small Industries Service Institute, Indore, for the purpose.

The Institute took an active part in Export Promotion Conference held at Bhopal. Direct Exports worth Rs. 2.61 lakhs have been made during the last three years ending 31st March, 1967, which cover diverse products such as Lenses, Grinding Machines, Gun Metal Valves, Basic Chemicals, Pharmaceuticals, Umbrellas, Biscuits, Confectionary, etc.
(C) GOVERNMENT STORES PURCHASE PROGRAMME.

The programme to assist small scale units in obtaining a fair share of Government contracts was initiated by the Government of India through National Small Industries Corporation in the year 1956. At that time it was visualised that the Director General, Supplies and Disposals of the Government of India will place prime contracts with the NSIC for products manufactured by the small scale units and that the Corporation in turn, would sub-contract to small scale units for supply of stores required, thus enabling the prime contractor to retain a margin to meet operational expenses. But due to opposition from small scale units to accept orders from the corporation on a price lower than what was obtained by it from the DGS & D. and, since the purchasing organisation treated the corporation as one of the contractors participating in Government tenders, the scheme was revised. So, instead of it being a "training programme", it had to be made a promotional measure. The scheme as it is being operated in the present form was finalised in September, 1957 after the recommendations of Mr. Kennard Weddell were accepted by the Government of India. This follows closely the pattern adopted in U.S.A. for purchase from the small scale sector.

An executive order issued by the Government of India, Ministry of Works and Housing and Supply, in 1956 fully recognised the importance of participation of the small industrial enterprises in Government Stores Purchase Programme. As one of the means to bring this about, it was decided that preference will be given, consistent with the requirement of quality and timely supplies, to tenders from small scale units in order to ensure that the potential capacity of the existing as well as newly formed small enterprises are utilised and supported to the fullest extent.

According to the programme, all indents for purchase received by the DGS & D are categorised into four groups:
(i) Items which are of no interest to small scale units and can be procured only in the large scale sector.

(ii) Items which by their very nature require large scale firms as prime contractors but permit substantial scope to the large scale contractors to purchase components and parts from small scale units.

(iii) Residuary items which both small and large scale firms can supply.

(iv) Items which could be reserved for procurement from small scale units only.

**POLICY AND PROCEDURES:**

The NSIC maintains a chief liaison office at the head-quarters of the DGSD at Delhi and three liaison offices have been set up at Bombay, Calcutta and Madras. An office for this purpose has also been established at Kanpur. The function of the Central Office is to screen all indents and indentify those which could be of interest to small scale units and pass on the concerned tenders to the various Regional Liaison Offices for onward distribution to small scale units, free of cost. The Central Liaison office has also to follow up the decision taken on various tenders by the DGSD and inform the Head Office of the progress of contracts placed.

The small scale units eligible for participation in the Stores Purchase Programme are enlisted by the NSIC for the supply of different stores on the advice of the SISIs. The Institutes have to investigate the technical and financial capacity of the small scale units for production of different stores required by the DGSD and recommend them for enlistment with the regional liaison offices. No security deposit is called for from the units whose tenders are accepted and whose competency to supply the stores in question is certified by the NSIC on the recommendation of the SISIs.
PRICE PREFERENCE.

The small scale units are mainly interested in items falling under groups 3 and 4 mentioned earlier. In respect of items falling under group (iii), small scale units have to compete with the large scale units for securing contracts. Considering that the small scale units are not yet in a position to quote competitively along with large scale units, a price preference of 15 percent over the lowest acceptable tenders received from the large scale units is considered by the D.G.S. & D., on merits of individuals cases.

RESERVATION OF ITEMS FOR EXCLUSIVE PURCHASE FROM THE SMALL SCALE SECTOR.

As mentioned earlier, group (iv) consists of items which could be reserved for procurement from small scale units only. Initially, a list of 16 items was drawn up. This list has been enlarged from time to time and at present 110 items are exclusively reserved for purchase from small scale (See appendix 'F'). The ESIC and the D.G.S & D keep on examining the items so that more and more items could be reserved for purchase from small scale units.

However, it is felt that the list is not in consonance with the growth of small scale industries during the last decade. The reserved items are of simple nature whereas small scale units have already started producing sophisticated items and have demonstrated their ability to produce complicated items especially in metal working, machinery and chemical industries. In view of this, there is every need to add more and more items to the group (iv) category.

DEFENCE PURCHASES.

Consequent on the declaration of national emergency a Directorate General of Civil Armaments was set up for procuring armaments stores from the civil sector. Orders were to be placed on specially selected units, eliminating where necessary, even essential formalities. In pursuance of this, capable units which could be relied upon were selected and invited to see drawings and samples. Orders were placed with these units for components such as carbon guns 9 m.m., handgrenades, land mines etc. Besides
DGS & D through the NSIC placed orders on capable small scale units for such items like sliding, bar, buckle and parts of a special kind of heating stoves for operation at high altitudes.

**RAILWAYS.**

Though the Government Stores Purchase programme primarily concerns with the purchases of the DGS & D, it has also been the intention to bring in other Central Government purchasing Departments like the Railways, Chief Controller of Printing and Stationery, Director General, Posts and Telegraphs, etc. The Railway Board agreed to introduce the scheme from April, 1961. The railways also organised exhibition of items which could be manufactured in India. From time to time pamphlets listing such items are also issued. This is done with a two fold objective of import substitution and promotion of small scale industries.

**PUBLIC SECTOR UNDERTAKINGS.**

Besides Government Departments, public sector undertakings have also been persuaded to purchase their requirements from the small scale sector. Many public sector undertakings have already agreed to it and are implementing schemes for the participation of the small scale sector in their purchase programmes. However, much more still remains to be done as far as these undertakings are concerned. The NSIC, the local associations of small scale industries, the State Directors of Industries and the SIRIs, will have to give greater attention to this work and persuade the authorities of the public sector undertakings to avail of the facilities available with the local small scale industries for the supply of stores/components etc., required by them. The following public sector undertakings have already agreed to implement this programme:

1. Hindustan Steel Limited, Shiblai.
2. Shipping Corporation, Bombay.
4. Shipping Corporation, Bombay.
5. All India Institute of Medical Science, New Delhi.
(8) Indian Oil Co. Ltd., Bombay.
(9) Hindustan Machine Tools Ltd., Bangalore.
(10) Heavy Electrical (India) Ltd. Bhopal.
(11) Delhi Transport Undertakings.
(12) High Explosive Factory, Kirki-Poona.
(13) Harness and Saddlery Factory, Kanpur.
(14) Ordnance Clothing Factory, Shahjahampur.
(15) National Projects Construction Corporation Ltd., New Delhi.
(16) Post and Telegraph Department.
(19) Neyveli Lignite Corporation Ltd., Neyveli.

CREDIT FACILITIES.

One of the main difficulties experienced by small scale unit in executing Government Contracts is the lack of finance. To solve this problem, the NSIC entered into an agreement with the State Bank of India in 1958 whereby a small unit enlisted with the NSIC could get a loan for purchase of raw materials against contract placed by the DGS & D or any other Government Organisation. The loans are advanced against the pledge of raw material, under a guarantee by the NSIC subject to the following general stipulations:

(i) The guarantee liability of the NSIC would not exceed Rs. 25,000 in case of any one supply order.

(ii) The total liability of the NSIC for all such loans would not exceed Rs. 3.0 million.

The assistance rendered through this Scheme was restricted in its scope because it covered only one stage of supply viz. the purchase of raw materials. Therefore, the enlargement of this Scheme was suggested after a few years of its working.

A revised Scheme is in force whereby by credit required at all stages from purchase of raw materials to the discounting of the supply bills would be available under the scheme. The total liability of the NSIC, however, would not exceed Rs. 3.0 million as in the first scheme nor the quantum of liability for an individual supplier be allowed to exceed Rs. 25,000 per order. In addition to
the guarantee scheme of the NSI, these loans would also be covered under the guarantee scheme of the Reserve Bank and the allocation of defaults or recoveries between the Reserve Bank, NSIC and the State Bank of India would be in the ratio of 50:30:20, respectively.

STEPS TOWARDS EFFECTIVE WORKING OF THE PROGRAMME.

A study committee was appointed by the SSI Board in 1961 consisting of the representatives of the Ministry of Works, Housing and Supply, State Directors of Industries and the DCSSIO to review the working of the Government Purchase Programme and suggest ways and means to improve it. The most important recommendation of the committee was regarding the enlistment of the unit. Although the NSIC has about 17,000 units enlisted with it on the recommendation of the SISIS, some of the units are found in practice incapable of delivering the goods. On the other hand, there are a number of items required by DGS & D and other Government Institutions, which can be supplied by the small scale sector for which there are no enlisted units. The revision of enlistment and the reexamination of the small units according to their present capacity and in accordance with the stores required by the DGS & D has been taken up by the SISIS and the NSIC. This has enabled better selection of suppliers to Government. Various other measures are also underway to make this programme more effective.

As a result of the various assistance programmes and the supply of modern machinery and equipment, there has been a significant increase in technical skills at various levels and this has in turn improved their capacity to compete with large scale industries. The range of purchases of sizeable quantities from small industries by the DGS & D extends over to 350 items, including textiles, footwear, paper and paper products, leather, rubber and chemical products, electric machines, transport equipment, etc. The sales outlet secured for some small industries under this programme is thus sizeable, even more far reaching is the effect that it had on standardisation and quality control.
GOVERNMENT STORES PURCHASE PROGRAMME IN MADHYA PRADESH.

Four hundred and Forty five small scale units had been enlisted by the end of March, 1967 under Government Stores Purchase Programme. Value of contracts secured by units enlisted through Small Industries Service Institute, Indore under this programme since 1958-59 are given below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (₹ in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1958-59</td>
<td>0.11</td>
</tr>
<tr>
<td>1959-60</td>
<td>2.26</td>
</tr>
<tr>
<td>1960-61</td>
<td>0.09</td>
</tr>
<tr>
<td>1961-62</td>
<td>0.07</td>
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<tr>
<td>1962-63</td>
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<td>11.77</td>
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<tr>
<td>1964-65</td>
<td>7.68</td>
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<tr>
<td>1965-66</td>
<td>42.87</td>
</tr>
<tr>
<td>1966-67</td>
<td>7.63</td>
</tr>
</tbody>
</table>

ROLE OF M. P. LAGHU UDYOG NIGAM.

Like the National Small Industries Corporation the Madhya Pradesh Laghu Udyog Nigam also participates in the Stores Purchase Programme of the State Government. However, instead of the direct supplies from the industries to the Government, the Laghu Udyog Nigam itself has undertaken to purchase goods from the small industries and supply them to the various Government Departments. The major items supplied by the Nigam to the Government Departments are furniture, scientific instruments for educational institutions and tat-patties for schools. In the two years 1971-72 and 1972-73 tat-patties alone worth ₹ 36 lakhs and ₹ 25 lakhs respectively were supplied by the Nigam to the Education Department of the State Government.

1. Source: Small Scale Industries Service Institute, Indore.
GOVERNMENT STORES PURCHASE PROGRAMME IN MADHYA PRADESH.

CONTRACTS SECURED BY ENLISTED UNITS THROUGH SISI, INDORE.