Chapter III

INSTITUTIONAL SUPPORT IN THE DEVELOPMENT OF SMALL SCALE INDUSTRIES

"The strength of the chain is the strength of its weakest ring."

- Wise saying

In the wake of plans and policies for Small Scale Industries Development Programme and the Industrial Policy Resolution of 1956, various agencies and institutions are created. The following chart will show the functional responsibilities of the various agencies. In this chapter we shall discuss the role of the various agencies and institutions in Small Industry Development.

Small Scale Industries Board

In accordance with the recommendation of the International Perspective Planning Team, the Government of India, established the Small Scale Industries Board in November, 1954. It is an advisory body to advise the Government on matters of policy regarding the small industrial sector. It was described earlier that look after the development of the small industrial sector is primarily the responsibility of the States, but due to its all India character, the Government of India had assumed responsibility of planning and co-ordinating the basic programme of development in this field. With this end in view an All-India Board known as Small Scale Industries Board was set up. The Board is charged with the responsibility of overall planning,
The functional responsibilities of the various agencies are shown in the following chart:

**SMALL SCALE INDUSTRIES ORGANISATION, INDIA**

**Functional Responsibilities Chart**

**STATE GOVERNMENT**

<table>
<thead>
<tr>
<th>State Directorate of Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Material quota Import quota recommendation</td>
</tr>
<tr>
<td>Statistics</td>
</tr>
<tr>
<td>Industrial Estate Training</td>
</tr>
<tr>
<td>Technical Services</td>
</tr>
<tr>
<td>Industrial Cooperatives</td>
</tr>
<tr>
<td>Financial Assistance etc.</td>
</tr>
</tbody>
</table>

**CENTRAL GOVERNMENT**

<table>
<thead>
<tr>
<th>Development Commissioner Small Scale Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Technical Services</td>
</tr>
<tr>
<td>- Economic Investigations</td>
</tr>
<tr>
<td>- Business Management and Training</td>
</tr>
<tr>
<td>- Industrial Estates</td>
</tr>
<tr>
<td>- Publications</td>
</tr>
<tr>
<td>- Industrial Co-operatives and Finance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>National Small Industries Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Hire Purchase of Machinery</td>
</tr>
<tr>
<td>- Marketing aid</td>
</tr>
<tr>
<td>- Government Procurement liaison</td>
</tr>
<tr>
<td>- Development for ancillary Units</td>
</tr>
<tr>
<td>- Raw Materials supply</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Small Industries Service Institute</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Technical Services and Counseling</td>
</tr>
<tr>
<td>- Mechanical</td>
</tr>
<tr>
<td>- Chemical</td>
</tr>
<tr>
<td>- Metallurgical</td>
</tr>
<tr>
<td>- Leather etc.</td>
</tr>
<tr>
<td>- Development of Ancillary Units</td>
</tr>
<tr>
<td>- Economic Investigation</td>
</tr>
<tr>
<td>- Market Research</td>
</tr>
<tr>
<td>- Industry outlook surveys</td>
</tr>
<tr>
<td>- Area Development surveys</td>
</tr>
<tr>
<td>- Economic Information Services</td>
</tr>
<tr>
<td>- Business management and training</td>
</tr>
<tr>
<td>- Certification for Government procurement</td>
</tr>
</tbody>
</table>

| Extension Centres | Branch Institutes |

**Regional or Branch Corporations**

- New Delhi
- Calcutta
- Bombay
- Madras

**Source:** Stanford Research Institute.
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 in every six months. This helps the members to get acquainted with the local problems as well as probable avenues of growth and development. The Board discusses questions connected with credit facilities, supply of raw materials, revision of definition of the small industries for the purpose of various government programmes. Although the Board functions in an advisory capacity, its decisions are given high importance by the Government.

**Small Scale Industries Development Organisation (SSIDO)**

The Small Scale Industries Development Organisation is also an outcome of the International Teams' recommendation. It was set up in 1954. The SSIDO is the central organisation with a network of agencies spread throughout the country. The organisation included 17 Small Industries Service Institute (SISI), one each in every State; 9 Branch institutes (one each in Mysore, Manipur, Jammu & Kashmir, Gujrat, Maharashtra, Goa and Tamil Nadu, and two in Uttar Pradesh); 55 Small workshops known as Extension Centres; 3 Production Centres and 2 Special Training Centres. Primarily this department is meant for providing most up-to-date technology to the small scale new or old units. The assistance programme of SSIDO included supply
of information on prospects of industries which could be taken up in the small scale sector, technical consultancy services, common facilities and extension services, training in management and techniques of trade and production, offer guidance in modernisation of operational processes etc. It conducts courses of management and technical disciplines. The SIDO's functions may be broadly put into three categories: (1) Co-ordination, (2) Industrial development, and (3) Industrial extension services. Moreover, the organisation co-ordinates the work relating to the development of small 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 liaison between different States and also between the States and Central Ministries, Planning Commission, Reserve Bank and State Bank, (iv) Co-ordinating the programme for development of industrial estates and ancillaries all over the country, (v) Co-ordinating the programme for development of large and small scale industries. For co-ordination purposes, the SIDO undertakes the implementation of the various recommendations of the Small Scale Industries Board and other Committees. The Central Government renders assistance which may be required by the State Governments for preparing schemes within the plan allocations. The Organisation assists the Ministry in regulating the Central assistance to the States. It also watches the progress in the expenditure incurred by the State Governments.

The SIDO also takes care of the ancillary industries by
establishing liaison with Public and Private undertakings and the Directorate General of Technical Development and allied bodies to ensure proper utilisation of the existing production capacity in the Small scale sector. An important function of SIDO is to suggest a pattern of small scale industries development for the country as a whole. The SIDO is represented on different licensing Committees, Development Councils and other bodies and seeks to safeguard the interest of the small scale industrial sector. The industrial extension services are rendered through the network of the Small Industries Service Institutes and the Extension Centres of the SIDO.

National Small Industries Corporation (NSIC)

Incorporated as a Private Limited Company early in 1955, the National Small Industries Corporation has been instrumental during the past years in assisting small industrialists to obtain both imported and domestic equipment on hire purchase basis, to develop new markets for their products, to have better working facilities through the constructions of Pilot industrial estates, and to benefit from prototype production and training centres which it operates. It is a government-owned institution operated under the direction of a Board of Directors composed of representatives from both government and private enterprise. The Board is headed by a whole-time Chairman. In the beginning the Corporation has subsidiary corporations in New Delhi, Calcutta, Bombay and Madras, each concerned with a definite geographical zone of operations. Since 1961 these have operated as branches
of the Corporation. The main functions of NSIC are to -

1. Assist small units to participate in increasing measure in the stores purchase program of the government.

2. Develop small industrial units as ancillaries to large units.

3. Assist small units in their marketing operations.

4. Supply machinery to small enterprises on hire purchase terms.

5. Construct and undertake initial management of two industrial estates at New Delhi (Okhla) and Allahabad (Naini).

6. Construct and undertake initial management of two training-cum-production centres at Rajkot and Delhi for training foremen and developing prototypes of machines suitable for small scale units.

The Corporation is divided into five divisions, viz., Stores purchase, Marketing, Hire purchase, Industrial Estates and Administration and Accounts. "Since inception up to the year ending 31st March, 1978, the Corporation has supplied machines worth Rs. 95.98 crores to 14,116 units out of which assistance has been given to 2,919 units, located in regions declared as backward, the value of the assistance being estimated at Rs. 12.67 crores. In consonance with the Government's policy of encouragement of industries in rural and backward areas, the Corporation has been endeavouring to motivate more entrepreneurs in these areas to start small projects. This is being done by (a) according higher priority, (b) grant of preferential rates for earnest money and concessional rate of interest, and
(c) holding intensive campaigns in backward areas. The Corporation would like to play a useful role in the functioning of the District Industries Centres, under whose auspices the small entrepreneurs will be able to get proper guidance and assistance for all their required inputs. Necessary arrangements are being made to decentralise the Corporation's administrative arrangements and provide closer liaison with the State Industrial Administration in general and the D.I.C.'s in particular, to take on this new challenge and opportunity.1

Small Industries Service Institutes (SISI)

The Small Industries Service Institutes (SISI) plays an important role in industrial extension service. The SISI works in close co-operation with the State Directorate of Industries as the development of small industries within the respective areas of the State is the primary responsibility of the Directorates. The service which is provided through a network of 16 Small Industries Service Institutes, 27 Branch institutes, 41 Extension centres, 2 Training centres and 5 Production centres has the following five broad aspects:

1. Technical consultancy including modernisation
2. Economic and statistical consultancy and information service
3. Training (Technical and Managerial)
4. Management Consultancy
5. Marketing Service (Internal and external).

1. The National Small Industries Corporation Ltd. : 23rd Annual Report, 1977-78, p. 10
The basic aim of these services is to upgrade the skill of workers, increase their productivity and wages, reduce cost of production, improve the quality of the products and thus strengthening the competitive position of the small units. The Industrial Extension Service may be said to be the prime mover of modernisation of the Small Industrial sector.

The various survey reports published from time to time has been rendering manifold benefits to the small undertakings relating to market, demand, raw materials, finance and like spheres. The need for economic surveys and investigations are basic in any programme of industrial development. In the district under study, an industrial development potentialities survey was conducted by Branch Small Industries Service Institute, Silchar in 1976 with a view to highlight the industrial economy of Cachar District. The Branch Institute of Silchar provides workshop service in Machine shop, Metallurgical, Welding and Heat treatment, Training facilities in Machine shop and fitting, Testing facilities in chemical and metallurgical.

The Management Consultancy Service comprises of (1) Management Training, (2) Management Consultancy, (3) Diagnostia Studies, (4) Integrated Plant Studies, (4) Open House Discussions and Seminars, and (5) Entrepreneurship training. The small industrialists generally cannot afford to employ well-trained professional managers and technical experts. Therefore, with a view to improving the technical and competitive levels of the small enterprises and to enable them to keep in touch with the up-to-date technological and managerial developments, the
country-wide management consultancy services have been organised by the Development Commissioner (SSI).

The Small Industries Service Institutes, Gauhati has 7 Branch Institutes and 2 Extension Centres. The Branch Institutes are located at Shillong, Dimapur, Pasighat, Silchar, Aizawl, Agartala and Imphal and Extension Centres at Tinsukia and Jorhat. The SISI Gauhati provides services in the following subjects, viz.,
(1) Economic Investigation, (2) Metallurgy, (3) Mechanical,
(4) Chemical, (5) Electrical and Electronics, (6) Leather Tanning, (7) Foot-wear, (8) Ceramics, (9) Wood working,
(10) Industrial Management and training, (11) Modernisation,

The Branch Small Industries Service Institute, Silchar was in-charge of an Assistant Director but recently one Director is appointed there to look after the Branch. In the N.E. Region, the other Director is at Gauhati Institute. The appointment of the new Director sometime in June, 1980 shows the increasing importance attached to the institute in providing various facilities for the existing as well as prospective entrepreneurs. The Silchar Institute now cater to the needs of Misoram and Tripura over and above Cachar District and North Cachar Hills District. It provides workshops service in (1) Machine shop,
(ii) Metallurgical, (iii) Welding and (iv) Heat treatment; testing facilities in Chemical and Metallurgical. Besides, it conducts training courses from time to time on various aspects of small industries development, management and extension for the entrepreneurs of the region. Since inception, up to 31-8-79 a
total of 321 schemes were prepared and distributed by the Institute to various prospective entrepreneurs of the area. Besides, the institute provided consultancy services to 8941 SSI units up to 31-8-79, the break-up of which is as follows:

<table>
<thead>
<tr>
<th>Nature of Services</th>
<th>Number of Units in the premises of the SISI,Silchar</th>
<th>SSI Units</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Technical advices</td>
<td>3336</td>
<td>1167</td>
<td>4503</td>
</tr>
<tr>
<td>2. Management advices</td>
<td>12</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>3. Economic advices including advices for starting new industries</td>
<td>2092</td>
<td>99</td>
<td>2191</td>
</tr>
<tr>
<td>4. Bank case enquiries</td>
<td>76</td>
<td>75</td>
<td>151</td>
</tr>
<tr>
<td>5. Other Misc. advices etc.</td>
<td>1249</td>
<td>808</td>
<td>2057</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6765</strong></td>
<td><strong>2149</strong></td>
<td><strong>8914</strong></td>
</tr>
</tbody>
</table>

Over and above, during same period 576 SSI units visited the institute for collection of economic and statistical information. It organises from time to time Open House Discussions and Seminars on various aspects of Small Scale sector to highlight their problems and to find out suitable path to solve these problems. The Small Industries Service Institute will have to provide meaningful support towards techno-economic aspects of small entrepreneurs of modern sector and their role in this regard is increasingly recognised by all sections of persons engaged in small industry development. Hence the SISI of Silchar has a vital role to play towards the development of small scale industries of the district.
State Directorate of Industries

The State Directorate of Industries is at the apex of the organisational structure owned by the State Government. Initially the State Directorates were very badly equipped with qualified manpower. Now, the States are quite aware of their responsibilities and they have started equipping the departments with qualified persons.

The organisational pattern of the State Directorate of Industries is on the whole uniform in all the States. The State Directorates are generally organised on a four-tier system, viz., (1) the Headquarters, (2) the Zone, (3) the District, (4) the Block levels. The Director of Industries is the executive head of the Directorate. In some of the States like Gujarat, Maharashtra and Uttar Pradesh the status of the head has, however, been upgraded from Director to Commissioner.

The State Directorate, in addition to co-ordinating and implementing various programmes of the central agencies, offer direct assistance to the small units in its respective State. The regulatory functions performed by the State Directorate of Industries may be roughly grouped as under:

Registration: Registration of the Small Scale Industrial units is done by the State Directorate either at the headquarters, zonal or district level. Registration of such units, is however, not compulsory.

Distribution of Machinery and Raw Materials: The State Directorates help the entrepreneurs to obtain licences for
importing machinery, components and spare parts as well as machinery under the hire purchase schemes of the National Small Industries Corporation. Only on the advice of the Directors of Industries and Essentiality Certificate issued by them, can small enterprises obtain such machinery through the National Small Industries Corporation Ltd. Owing to the scarcity of foreign exchange, the allocation of imported raw materials is controlled. Such controls have also been imposed even in regard to those indigenous raw materials which are in short supply. The distribution of some raw materials to the small enterprises has generally been routed through the State Trading Corporation (STC) and the Mineral and Metals Trading Corporation (MMTC). In such cases the need of each State is to be calculated and recommended by State Directorates.

**Financing of Industries:** Under the State Aid to Industries Act, State Director or Commissioner of Industries can grant loan up to Rupees One lakh to any individual firm on subsidised rate of interest. State level Committees have been formed to approve this loan. In some States, however, actual disbursement of loans is being done by the State Finance Corporations on the advice of the Directors/Commissioner of Industries. The State Directorate also assists the small enterprises in obtaining loans from various financial institutions.

**Industrial Estates:** To develop small industries, the governmental policy at the first instance were to meet the credit requirement of the entrepreneurs towards fixed and working capital. Therefore, Government liberalised the terms and
conditions of the State aid to Industries Acts and Rules under which loans were advanced to small industrialists. But it was soon realised that providing loans by itself was not sufficient. This was particularly so in the case of small industries who required good factory accommodation. Absence of suitable factory accommodation has been one of the major handicaps of small industries in India. Even if they had capital, the formalities of acquiring suitable land, getting the building plans approved by the local authorities, securing water, power and gas connections and other requirements like drainage and sewage disposal facilities presented formidable difficulties for small industrialists. Many get discouraged to go through the formalities and depend on the mercy of numerous organisations. Industrial estates with fully developed site and factory buildings offered for rent are an effective means for overcoming these difficulties. Moreover, concentration of industries in bigger towns and cities is a natural tendency where facilities like raw materials, power, water, transport, communications, trained labour and markets for finished products were readily available. This have resulted in the exodus of rural population to the cities. The attendant evils of this shift of rural population include overcrowding in the metropolitan areas, creation of social problems and disintegration of village life.

The Industrial Estates Programme was launched towards the close of First Five Year Plan period in 1955 to overcome these difficulties for the existing and new industrialists and develop small industries in different parts of the country.

Dr. P.C. Alexandar defines industrial estates as "a group of
factories constructed on an economic scale in suitable sites with facilities of water, transport, electricity, steam, bank, post office, canteen, watch and ward and first aid and provided with special arrangements for technical guidance and common service facilities. The estate combine in itself some of the important schemes of assistance to small industries and provided a total tool for integrated development."² The United Nations Industrial Development Organisation defined an industrial estate as "a planned clustering of industrial enterprises offering standard factory buildings erected in advance of demand and a variety of services and facilities to the occupants."³

The State Directors of Industries are responsible for the construction of industrial estates with necessary facilities and allotment of sheds to small scale enterprises. The implementation of the Industrial Estates Programmes rests with the State Governments and the Central Government provides financial support. In short, the two major objectives of the programme of industrial estates is to promote development of small scale industries through the provision of factory sheds (built according to acceptable specifications) and to facilitate the industrialisation of economically backward and rural areas by strengthening the infra-structure.

The following table will throw light on the development of industrial estates in India.


Table 3.1
Development of Industrial Estates (1956-69)

<table>
<thead>
<tr>
<th></th>
<th>I Plan March '56</th>
<th>II Plan March '61</th>
<th>IIIrd Plan March '66</th>
<th>March '68</th>
<th>March '69</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Estates sanctioned</td>
<td>13</td>
<td>120</td>
<td>458</td>
<td>495</td>
<td>504</td>
</tr>
<tr>
<td>No. of Estates functioning</td>
<td>-</td>
<td>53</td>
<td>198</td>
<td>248</td>
<td>295</td>
</tr>
<tr>
<td>No. of Estates completed but not started</td>
<td>-</td>
<td>14</td>
<td>85</td>
<td>63</td>
<td>61</td>
</tr>
<tr>
<td>No. of Estates completed without facilities - electricity and water</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>50</td>
<td>43</td>
</tr>
<tr>
<td>No. of Estates under construction/preliminary stage</td>
<td>13</td>
<td>53</td>
<td>175</td>
<td>132</td>
<td>115</td>
</tr>
<tr>
<td>No. of Sheds completed</td>
<td>N.A.</td>
<td>2,007</td>
<td>6,326</td>
<td>8,124</td>
<td>8,673</td>
</tr>
<tr>
<td>No. of Sheds allotted</td>
<td>-</td>
<td>1,872</td>
<td>4,947</td>
<td>6,482</td>
<td>6,958</td>
</tr>
<tr>
<td>No. of Sheds occupied</td>
<td>-</td>
<td>1,569</td>
<td>4,562</td>
<td>6,026</td>
<td>6,620</td>
</tr>
<tr>
<td>No. of Sheds functioning</td>
<td>-</td>
<td>1,049</td>
<td>3,709</td>
<td>4,753</td>
<td>5,113</td>
</tr>
<tr>
<td>No. of Units functioning</td>
<td>-</td>
<td>N.A.</td>
<td>3,199</td>
<td>4,190</td>
<td>4,553</td>
</tr>
<tr>
<td>No. of Units which reported production</td>
<td>-</td>
<td>N.A.</td>
<td>2,393</td>
<td>3,299</td>
<td>3,856</td>
</tr>
<tr>
<td>Direct Employment reported</td>
<td>-</td>
<td>N.A.</td>
<td>34,651</td>
<td>68,537</td>
<td>82,748</td>
</tr>
</tbody>
</table>

"By the end of March, 1974, 520 Industrial Estates were completed and 92 were under construction. Of the completed estates, 455 were functioning with 13,351 industrial sheds constructed and 11,010 allotted. About 10,140 small scale units were working in these estates. During 1973-74, these units produced goods worth Rs. 350 crores and provided direct employment to 1,75,700."  

"In 1964 the Government of India undertook a survey to examine the progress of the industrial estates programme, to pinpoint any weaknesses and to study the impact of industrial estates on the growth of small scale industries. The findings of the survey corroborate many of points in the Somasekhara study, among them the folly of attempting to set up estates without adequate preliminary studies or in areas in which their location is not economically justified ... ."6

"On the basis of the evidence available from the country studies and other reports submitted to the Expert Group Meeting, the contribution of Industrial estates to overall industrial development and to employment in the countries discussed (Argentina, Ecuador, India, Iran, Kenya, Malaysia, Nepal, Nigeria, Pakistan, Senegal, Sri Lanka and Turkey) was seen to be relatively small in statistical terms. Allowances have to be made, however, for the fact that the concept of industrial estates in many of the countries visited is quite recent and that investments in the estates is minor. One exception is Malaysia, where industrial estates have played a key role in the country's industrialisation efforts. A further exception is the large-scale and medium scale industry estate programme in Pakistan, notably the Karachi estate, which provided the prime source of industrialisation in the early years of the country's independence and which continues to offer employment to an appreciable number of those currently available in the

6. United Nations, UNIDO : The Effectiveness of Industrial Estates in Developing Countries, 1978, p. 11
large scale industry sector. Another country in which industrial estates are beginning to contribute significantly to industrialisation and output is Turkey. The Indian industrial estates programme, though the largest in the world in terms of estates developed and persons employed, represents only a comparatively small fraction of that country’s output and employment in small and medium scale industry.\(^7\) The above observation regarding Industrial Estates in India by the United Nations Industrial Development Organisation shows an unsatisfactory state of affairs of the Industrial Estates Programme of our country in comparison with other developing countries of the world.

The Industrial Estates in India have been classified as follows:

(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.

— Quality Marking and Marketing: “Quality is never an accident. It is always the result of high intention, sincere effort, intelligent direction and skilful execution.” The Directors of Industries assist the small scale manufacturers in marketing.

their products. They enthuse the manufacturers to be quality-conscious by introducing schemes for standardisation, testing and quality marketing.

Under the State Director of Industries, Assam, in Cachar District there is an Assistant Director of Industries at Silchar, the District Headquarters. In Karimganj and Hailakandi, there are one Superintendent of Industries each at the Sub-divisional level. Over and above one Assistant Director is working at Badarpur for Ancillary Development. However, with the introduction of District Industries Centre concept, a District Industries Centre is set up at Silchar. Most of the functions which were performed by the Assistant Director of Industries and the then Rural Industries Project earlier, is now performed by the District Industries Centre. The District Industries Centre is created to provide all assistance to small entrepreneurs under one roof.

Though Registration of small industrial units is not compulsory, for obtaining any assistance offered by the Government or other approved agencies registration is a pre-requisite. At present District authorities issues the registration certificate. However, in Cachar District, the DIC performs this function.

The major schemes operated by the Directorate of Industries of this State are described here briefly. Apart from these schemes, the Directorate also acts as the buffer agency between the small scale units on one hand and the various promotional, development and financial agencies on the other.
Project Report Subsidy Scheme: For setting up an industry the first effective step an entrepreneur is required to take, is to make a feasibility study and prepare a Project Report to know the position relating to profitability, market, raw materials, technical know-how and allied aspects of the proposed unit either by himself or to obtain it from other agencies. Such Project Reports are prepared by Industries Department, Small Industries Service Institute, Assam Small Industries Development Corporation. If the Project Report is required to be prepared by other Private agencies, i.e., Industrial Consultants Firm etc. on payment, a part of their cost will be borne by the Industries Department.

Training Schemes: There are 34 Departmental Training Centres run by the Industries Department of Assam. The training is provided in various facets of industry to enable them to set up industries of their own and also for suitable training to their workers. The trainees are paid a monthly stipend. In the District of Cachar the following training-cum-production centres are run by the Industries Department, viz., (1) State Home (after-care) Production Centre, Silchar (for absorption of ex-convictees); (2) Carpentry Production Centre, Silchar; (3) Soap Training-cum-production Centre, Hailakandi; (4) Cutting, Tailoring Training-cum-production Centre, Hailakandi; (5) Training-cum-production Centre, Ramkrishnanagar (Carpentry, Blacksmithy, Umbrella, Weaving, Cane and Bamboo works); (6) Cane and Bamboo Production Centre, Karimganj; (7) Śıtāl-Pāṭl mat; Weaving Industries Scheme, Silchar. The first two centres were originally centrally sponsored schemes, but now
these two centres are also running along with other five centres as State Government's centres.

Besides, arrangements are made for inplant training in and outside the State with stipend. Besides, there are programmes of study tour sponsored by the Directorate. Entrepreneurs desiring to visit industrial units, with the objective of enhancing their technical skill, both inside and outside the State are provided with financial assistance at fixed rates.

**Industrial Estate**: At present there are 8 Industrial Estates in the State, one each at Gauhati, Tinsukia, Dhekiajuli, Nalbari, Badarpur, Nowgong, Jorhat and Sibsagar. Altogether there are 210 factory sheds in these Estates accommodating 69 units. The total workers employed in these units were more than 1100 in 1976. The ninth Industrial Estate at Bongaigaon is designed specially for ancillary industries development based on downstream products of the Bongaigaon Refinery and Petro-Chemical Complex and also to meet the requirements of the Ashok Paper Mill and Caustic Soda-Chlorine Plant at Jogighopa. Details regarding Badarpur Industrial Estate in the district of Cachar is discussed in Chapter IV. All these Industrial Estates are managed by the State Directorate of Industries. Over and above these estates, the Assam Small Industries Development Corporation has also started two Mini Industrial Estates one at North Lakhimpur and other at Sibsagar.

**Growth Centre Scheme**: Under this programme land at places having growth potential is developed with all infrastructure
facilities and factory sheds are built up according to the need of a prospective entrepreneur. It is observed that there is a long time lag between the date of construction and the date of occupation of a factory shed by an entrepreneur. Under the Growth Centre Scheme construction of factory shed if so schedule by time the construction is completed the entrepreneur has been able to sort out his financial problems like obtaining finance, purchase of machineries etc. One such Growth Centre had already been completed at Kalapahar (Gauhati) wherein a glass factory and an icecream factory have been in operation. The other places where Growth Centre Scheme has been taken up are Barpeta Town, Mangaldoi, Golaghat, Bongaigaon, Kokrajhar, Numrups and Silchar.

**Industrial Loan Scheme:** The State Aid to Industries (Small and Cottage Industries) Act, 1955 laid down the rules and procedures for the issue of industrial loans. Since then the Government has been issuing loans to Small and Cottage industrial units in a regular and systematic way under the advice and supervision of the "Small and Cottage Industries Advisory Board" constituted by the Government as per provision of the Act. This Act and rules have been revised from time to time to accommodate the requirements of various categories of entrepreneurs and artisans. The industrial loans are issued up to Rs. 5000 in case of general entrepreneurs and up to Rs. 7500 in case of technically qualified entrepreneurs. Upto three year ending 31st March 1976, Rs. 2,51,000 has been distributed to 174 units as loan under the scheme in the district of Cachar.
Over and above, Banks, Assam Financial Corporation and other financing agencies also grant loans and for which the Directorate renders necessary assistance and co-ordinate in receiving such loans.

Ancillary Development Scheme: In order to encourage all probable ancillary industries to supply their goods and services to large scale units, a State Level Ancillary Development Committee has been formed. The Committee is entrusted to ascertain and co-ordinate the scope of development of ancillary industries in close co-operation with large units of the State. The State Government is also constituting Unit Level Co-ordination Committee in respect of all large scale units of the State.

Power Subsidy Scheme: Under this scheme a small scale industrial unit using electric power with the connected load not exceeding 20 HP is entitled to subsidy not exceeding 9 paise per unit. This subsidy is not admissible for the electric energy used for lighting in office and residence. Subsidy under this scheme is also not admissible to flour mill, rice and oil mills, photography, ice factory, ice cream, ice candy and ice fruits (except cold storage), laundry, re-packing of medical and toilet goods, oil expellers, tailoring, spice mills, etc. In Cachar District, during 1970 one unit is given Power subsidy of Rs. 800 only.

Distribution of Scarce Raw Materials: Most of the small scale units find it difficult to arrange necessary finance required for purchasing scarce and imported raw materials, which are to
be procured in bulk. With the limited finance available with them, they can afford to buy only in small instalments. As such, the department has to come forward to make it possible for them so that they can purchase raw materials in small lots as and when necessary. These raw materials are made available to small scale units by the Directorate of Industries through Assam Small Industries Development Corporation. The following raw materials are generally distributed by the Directorate of Industries, viz., Iron and steel materials, Mutton Tallow, Paraffin Wax, E.C. Grade Aluminium, Commercial Grade Aluminium, Cement, Coke and Zinc. For obtaining imported raw materials the Director of Industries issues the Essentiality Certificate except in some cases where the application for import is submitted through other authorities.

Supply of Machinery on Hire Purchase Basis: Machineries can be obtained on hire purchase basis by small entrepreneurs through National Small Industries Corporation or Assam Small Industries Development Corporation. Applications for such hire purchase of machinery are to be submitted to the District Industries Officer/Assistant Director of Cottage Industries who in turn will forward the application to the appropriate authority for sanction.

Marketing Schemes: The Government of Assam, while formulating the Industrial Policy in 1969, considered the problem of marketing of products by industrial units of the State with great concern and to give incentives to local industries, Central Stores Purchase Committee Rules were framed. With the change of time and circumstances and also in the light of socio-economic policy
of the Government of Assam, the Stores Purchase Policy has been radically changed by framing a new rule known as 'The Assam Preferential Store Purchase Rules, 1972'. The aim of this rule is to encourage the growth of industries and to patronise the products of these industries on a preferential basis and also to rationalise the procedure for purchase of stores by the Government. Assam Preferential Stores Purchase Rules, 1972 extend to all the purchase of stores made by Departments, Institutions, Agencies, Undertakings, Corporations, Company etc. of the State Government, by the Assam State Electricity Board and by institutions which receive substantial grants from the State Government like Schools, Colleges, Municipal Boards, Town Committees, Panchayat Raj institutions etc.

29 items of stores are reserved for purchase by all requiring authorities only from the industrial units registered under the Assam Preferential Stores Purchase Rules, 1972 at reasonable price fixed by the Technical Committees constituted under these rules or on rate contract basis or by tender of quotation limit to all or any of the registered industrial units. In respect of the industrial products other than the reserved items, price preference is also being given to the industrial units registered under the Assam Preferential Stores Purchase Rules, 1972 at the rate up to 15% for cottage industries, 10% for small scale industries and 5% for other industries.

To effect registration under this rule fees as prescribed below is required to be paid.
The registration is renewable on 30th June of each year by paying renewal fees as follows:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cottage Industries</td>
<td>Rs. 10.00</td>
</tr>
<tr>
<td>Small Scale Industries</td>
<td>Rs. 100.00</td>
</tr>
<tr>
<td>Other Industries</td>
<td>Rs. 1000.00</td>
</tr>
</tbody>
</table>

**Quality Control Scheme:** The State Directorate has a comprehensive programme of quality control for the benefit of the small scale industrial sector. The aims and objectives of this programme are:

1. To suggest and draw suitable standards for the products manufactured by cottage, small scale and other industries in the State.

2. To provide testing facilities to cottage and small industrial units and to assist them in attaining a uniform standard of their products.

3. To promote quality consciousness amongst the industrial units.

4. To provide the small scale units necessary guidance in tackling problems relating to quality of their products.

If indenting departments desire the Directorate of Industries ensure the supply of products to correct specification, arrangement can be made for inspection through the Central Quality Control Organisation. To provide testing facilities, there are two Quality Control Centres, one each at Gauhati and
Transport Subsidy Scheme: The Partition of the country in 1947 had put the North Eastern Region and Jammu and Kashmir into precarious position so far transport is concerned. The cost of transport rose like anything, as a result of which industrial products of these regions failed to compete with similar goods produced elsewhere. To relieve the situation, the Government of India introduced the Transport Subsidy Scheme from 1971. The scheme is applicable to all industrial units (barring plantation, refineries and power generating units), both in the Public and Private sectors irrespective of their size in the States of Jammu and Kashmir, Assam, Meghalaya and Nagaland and the Union Territories of Manipur, Tripura and Arunachal Pradesh. All Industrial units located in these areas are eligible for transport subsidy equivalent to 50 per cent of the transport cost of both raw materials as well as finished goods. The subsidy is admissible only when raw materials are brought from, and finished products sent to, outside these areas. Transport subsidy is not admissible for internal movement of raw materials or finished products within the areas.

In case of North Eastern Region, transport subsidy is given on the transport cost between Siliguri and location of the industrial unit in this region. While calculating the transport cost of raw materials, the cost of movement by rail from Siliguri to the railway station nearest to the location of the industrial unit and thereafter the cost of movement by road to the location of the unit is taken into account. Similarly, while calculating
the transport cost of finished goods, the cost of movement by road from the unit to the nearest railway station is also included. In case of raw materials moved entirely by road or other mode of transport, the transport costs for the purpose of this scheme are limited to the amount which the industrial unit might have paid, had the raw materials been moved from Siliguri by rail up to the nearest railway station of the unit and therefrom by road to the location of the unit. The same formula is applicable to finished goods moved entirely by road or other mode of transport. Freight charges for movement to and from the nearest railway station is determined on the basis of transport rates fixed by the State Government from time to time or the actual freight paid whichever is lower.

Transport subsidy also covers 50 per cent of the transport charges for movement of steel from the Guwahati Stockyard of W/S Hindusthan Steels Ltd. to the site of the industrial unit in the North Eastern Region. The whole Central scheme of transport subsidy is administered through the State Directorate of Industries. In Assam up to December 1975, transport subsidy had been granted to eight units for a total amount of Rs. 1,53,000. During the year 1979, in the district of Cachar transport subsidy has been given to two units amounting to Rs. 37,600.

Central Outright Grant/Subsidy Scheme: From 1971 the Government of India is providing 10%/15% outright grant or subsidy on fixed capital investment to new industrial units in selected backward areas as also for the expansion, diversification and modernisation programmes of existing industrial units. The State Government
has set up a State Level Committee for operating the scheme in the State. The scheme covers six districts of Assam which have been declared as backward, viz., Goalpara, Mikir Hills, Kamrup, Nowgong, Cachar and New Lakhimpur.

The scheme is applicable to industrial units in the backward districts, other than those whose total fixed capital investment does not exceed Rs. 1 crore. Cases entailing a total fixed capital investment exceeding Rs. 1 crore will be considered on selective basis by the State Level Committee. For the purpose of the scheme, 'the industrial unit' means any industrial undertaking and suitable servicing unit other than that run departmentally by the Government.

In respect of cases where the capital investment has been made with financial assistance from a financial institution, the subsidy sanctioned on such investment is disbursed by the financial institution concerned. In respect of capital investment made from sources other than financial institutions, the subsidy sanctioned may be disbursed either by the State Directorate of Industries or by an agency appointed by the State Government. The quantum of subsidy admissible is to the extent of 10 per cent of the investments made for land, buildings, Plant and machinery. With a view to make the scheme more attractive, the Government of India has lately provided that in respect of industrial units coming up on and after 1st March, 1973, the subsidy will be 15 per cent of the total fixed capital investment or additional total fixed capital investment as the case may be subject to a maximum of Rs. 15 lakhs.
In the district of Cachar during 1979, 11 cases has been recommended of which 7 cases has been sanctioned for capital subsidy involving an amount of Rs. 42,900.

Over and above the above schemes, the State Directorate of Industries has been engaged in various programmes of entrepreneurship development, exhibitions and research, development and design either in sponsoring or co-ordinating capacity. In relation to the activities of all other Governmental agencies, the State Directorate is involved one way or other as the liaison body between these agencies on the one hand and the small industrial units on the other. However, with the formation of DIC, all the above schemes are operated by the DIC in Cachar except the department/training-cum-production centres which are under the control of Assistant Director of Cottage Industries, Silchar.

**State Small Industries Development Corporation**

Most of States have set up Small Industries Corporation to discharge a number of commercial activities with a view to promote the interests of the small enterprises of the State. Most important of the activities are procurement and distribution of scarce raw materials, supply of machinery on hire purchase, construction and management of industrial estates, procuring of orders from Government Departments, assistance in exporting the small scale sector products and offering of finance and technical assistance. Accordingly the Assam Small Industries Development Corporation Ltd. (ASIDC) was established in March, 1962 with a view to erect a strong and consolidated small scale
industrial base in the State. The Object Clause of its Memorandum of Association contains as many as 29 highly imaginative items concerned with the all-round development of the small scale industrial sector. These items include promotion, establishment, counselling, financial and other assistance, management, participation in equity, guarantee loans, acquire existing business concerns, maintain stock of raw materials, acting as Commission agent, giving publicity and other spheres of activities pertaining to small scale enterprises. According to an official assessment made in 1975 "the Corporation is still in its infancy completing only 15 years of existence. But its laudable efforts in trying to make a break-through during this infant stage is considered to be highly remarkable."^8

The main areas of activities of the ASIDC are described below:

**Managerial function:** ASIDC was entrusted to run and manage the following industrial units which were previously run and managed by the Industries Department. The Units are: (1) Bamboo and Cane Mills; (2) Raw Material Depots, Gauhati, Badarpur, Tinsukia; (3) Mihachal Soap Factory and Oil Crushing Unit; (4) Nail Making Unit; (5) Cachar Textile Industries; (6) Chrome and Vegetable Tannery.

**Promotional function:** Over and above running these units the Corporation promoted the following units:

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^8. Directorate of Industries, Government of Assam: A Resume of the Working of Industries Department of Assam, 1976, p. 70
Besides these, the ASIDC has been providing manifold assistance to the small entrepreneurs under the following schemes:

**Hire Purchase Scheme:** This scheme was taken up by the ASIDC in 1973-74. Under this scheme the Corporation provides machinery on easy hire-purchase terms up to a value of Rs. 1 lakh in each case.

**Seed Money Scheme:** The initial investment is the most difficult task for most of the entrepreneurs. They are to approach Bank for financial assistance, and the latter in turn insist that the entrepreneur supplies a given amount of the investment by way of Margin Money. At this stage, the ASIDC comes forward to arrange for payment of the half of the whole margin money. This is known as Seed Money which is given as a long term loan at an interest of 2½ per cent per annum. A large number of entrepreneurs of the District are benefitted by the scheme to overcome their initial financial problem.

**Equity Participation Scheme:** The ASIDC participates in the ventures by taking equity shares to the extent of 15 per cent of fixed capital investment in units set up Technical Entrepreneurs. The extent of participation may go up in case of projects based on the process developed by National Laboratories of India. However, this assistance is available only to the industries
Training Scheme: There is provision for stipendiary training in different trades in various factories both within and outside the State to entrepreneurs and their employees. Moreover, in-Plant training is also provided to the entrepreneurs for a period of six months to one-year.

Consultancy Schemes: The consultancy services are offered in a Package manner to the entrepreneurs. The consultancy service comprises of counselling in the following spheres:

(a) Choosing a particular small scale unit,
(b) Conducting market surveys,
(c) Conducting feasibility studies,
(d) Arrangement to bring together the entrepreneur with the Nationalised Bank for finance, and suppliers of raw materials and machinery, etc.

Marketing Schemes: The Corporation offers manifold assistance to the entrepreneurs in marketing their products to various Government Departments and other organisations.

Project Report Subsidy: The 50 per cent of the expenditure incurred in connection with the preparation of project/feasibility report for submission to Banks and other financial institutions for financial assistance by small entrepreneurs, is offered by the ASIDC as soft term loan to the entrepreneurs.
Raw materials: For the procurement and distribution of raw materials the Corporation has opened raw materials depots at various places of the State. As per requirements of the small scale units, the Corporation provides raw materials like iron and steel, cement, mutton tallow, leather, chemicals and cotton, on easy instalments and at a nominal rate of interest by small enterprises from different producers.

Industrial Workshed Scheme: The ASIDC has provision for distribution of developed plots of land to the entrepreneurs on hire purchase terms or on outright sale for construction of shed. The Corporation may also offer ready-made sheds on similar terms. The scheme is already in operation at Guwahati and also work is in progress in some other places of the State.

Rent Subsidy: At the initial stage the entrepreneurs may find it difficult to pay the entire rent of Industrial Estate Sheds provided to them. The ASIDC has a scheme of assistance by paying 50% of the rent as a subsidy under this scheme.

Special Employment Scheme: The Corporation has started of its own units of production, particularly in the rural areas, for providing employment to local people. 42 such units of different trades were working in 1976.

Ancillary Development Scheme: In close co-ordination with the State Level and the Unit Level Ancillary Committees, the ASIDC endeavours to establish small ancillary units. Accordingly, as per decision of the ONGC Ancillary Committee to set up 6 ancillary units, the Corporation has set up 2 such units which
have started functioning.

**State Small Scale Industries Board**

The State Small Scale Industries Board is one of agencies at the State level. Such Boards are set up as parallel to the All-India Small Scale Industries Board. The State Board consists of representatives of State and Central Government departments, State financial institutions and the Association of Small Scale Industries in the States. The main functions 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.

**The Assam Hills Small Industries Development Corporation Ltd. (AHSIDC):** The AHSIDC came into existence in the year 1968 and with the reorganisation of the North Eastern Region of the country the Corporation was virtually reborn. The present jurisdiction of the Corporation is the two Hill Districts of the State, viz., Karbi Anglong District and North Cachar Hills District. The Corporation is entrusted with the responsibility of developing small industries in these two hill districts of the State. The Corporation has already engaged itself in promoting some small industries in these districts of which Khandsari Sugar Mill at Manja and Hawaipur and a Fruit Preservation Unit at Boro-Naflong deserves mention. Some more industries are in different stages of progress at the moment.

**State Financial Corporations**

Soon after the establishment of the Industrial Finance Corporation
which was meant to meet the financial requirement of the large-scale industries, the need for separate institutional arrangement to offer financial help to the small scale industries was felt. Consequently, the State Financial Corporation Act was passed in 1951 empowering the State Governments to set up their Financial Corporations to finance medium and small scale industrial units. It was also accepted that the Government financial assistance also should be channelled more and more through these corporations. The State Financial Corporations are authorised to:

(i) grant loans/subscribe to debenture of industrial concerns, repayable within a period of not exceeding twenty years;

(ii) guarantee loans for similar periods raised by industrial concern;

(iii) undertake issue of shares, stock, debentures etc. issued by industrial concern;

(iv) act as agent of the State or Central Government or Industrial Finance Corporation in transacting business with an industrial concern.

The State Financial Corporations constitute the most important single source of long term credit to small scale enterprises. The year-wise progress of the assistance rendered by the State Finance Corporations to the Small Scale Industries is indicated below:
Table 5.29
Assistance by State Financial Corporations
(In Rs. Million)

<table>
<thead>
<tr>
<th>As on</th>
<th>No. of loans</th>
<th>Amount sanctioned</th>
<th>Amount disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.3.1962</td>
<td>1505</td>
<td>117.8</td>
<td>64.4</td>
</tr>
<tr>
<td>31.3.1963</td>
<td>1273</td>
<td>144.1</td>
<td>70.5</td>
</tr>
<tr>
<td>31.3.1964</td>
<td>2236</td>
<td>176.3</td>
<td>101.0</td>
</tr>
<tr>
<td>31.3.1965</td>
<td>2667</td>
<td>201.8</td>
<td>151.0</td>
</tr>
<tr>
<td>31.3.1966</td>
<td>3149</td>
<td>250.7</td>
<td>170.6</td>
</tr>
<tr>
<td>31.3.1967</td>
<td>3784</td>
<td>286.1</td>
<td>216.5</td>
</tr>
<tr>
<td>31.3.1968</td>
<td>4606</td>
<td>372.4</td>
<td>276.3</td>
</tr>
<tr>
<td>31.3.1969</td>
<td>5609</td>
<td>473.0</td>
<td>333.4</td>
</tr>
<tr>
<td>31.3.1970</td>
<td>7976</td>
<td>731.0</td>
<td>461.4</td>
</tr>
</tbody>
</table>

In the line of State Financial Corporation Act 1951 the Assam Financial Corporation (AFC) was established in 1954. The jurisdiction of the Corporation was subsequently extended to include the then Union Territories of Tripura and Manipur which has since attained statehood. After the enactment of the North Eastern Areas (Reorganisation) Act, 1971, the State of Meghalaya and the Union Territory of Mizoram are also within the jurisdiction of the AFC. As on 31st March, 1976, the Corporation's total paid up capital was Rs. 1 crore, divided into 1,00,000 shares of Rs. 100 each.

The AFC grants medium and long-term loans for expansion and

9. Development Commissioner (SSI) : Small Scale Industries in India, 1972, p. 156
development of existing industrial units in the small scale and medium scale sectors by acquisition of fixed assets, renovation, expansion or modernisation. In very special cases, accommodation may be given for working capital to a limited extent only. Assistance is also given for establishment of new industrial units provided the scheme for such industry is found to be technically sound and economically feasible and a reasonable amount of capital has been collected by the Promoters themselves. The AFC does not grant any form of assistance to any industrial concern in respect of which the aggregate of paid up share capital and free reserves exceeds Rs. 1 crore. The minimum amount of loan obtainable from the Corporation is fixed at Rs. 20,000 which may, however, be relaxed to Rs. 10,000 in case of small industries and backward areas. The maximum assistance that can be granted to a single concern is Rs. 15 lakhs in case of non-corporate bodies like Partnership or Proprietary concerns and Rs. 30 lakhs in case of Companies (Public, Private and Co-operatives).

Some other forms of assistance granted by the AFC are:

(a) The Corporation may assist a concern by guaranting the issue of bonds floated in the Public market, such loans being repayable within a period of 20 years.

(b) The Corporation may guarantee deferred payments in connection with purchase of machinery within India.

(c) The Corporation may underwrite, in suitable cases, the issue of stocks, shares, bonds or debentures by industrial concerns.

(d) The Corporation may also in deserving cases guarantee
loans, raised by industrial concerns from Scheduled Banks or Co-operative Banks.

The Corporation has recently introduced a scheme for financial assistance to projects promoted by Technician-entrepreneurs. Persons having degree or diploma or certificate from technical college or school are recognised as technicians. The maximum limit of assistance under this scheme is Rs. 2 lakhs. No financial assistance for working capital is granted under this scheme.

The AFC has also evolved recently another scheme to grant loan to Non-Star Category Hotels in the mufassil towns. Prior approval of the Director of Tourism is required for loan under this scheme.

Assam Agro-Industries Development Corporation Ltd. (AADC)

The AADC was incorporated in January 1967 under the Companies Act, 1956 with a view to help the agriculturists of Assam to modernise their cultivation as well as to increase the output by resorting to multiple cropping. The AADC also aims at developing industries based on agricultural raw materials.

Small Industry Extension Training Institute, Hyderabad

The Small Industry Extension Training Institute (SIFT) was established as a Government of India Society in Hyderabad in July, 1962 to assist in the promotion and modernisation of small industries by undertaking training, research and
consultancy activities in the three related fields of small industry development, management and extension. The SIET Institute functioned in the initial years primarily as a training centre for personnel of the Small Industry Development Organisation (SIDO) and State Directorates of Industries. Soon SIET undertook research studies of its own so as to equip itself with better inputs for the many training programmes it presented. Its autonomous functioning enables the institute to diversify its programmes to meet the requirements of the changes in policies and programmes for small industry development. Moreover, an information centre to cater to the need for information on all aspects of small industry was established at SIET under the style of SIHDOC (The Small Enterprises National Documentation Centre).

At present the SIET Institute's objectives have diversified and grown to:

(a) plan, provide and supervise training for persons engaged in small industry development, extension management, consultancy and information.

(b) undertake, sponsor or plan research and development of small industry.

(c) collect, store and disseminate information useful for technological and managerial development of small industry.

(d) extend consultancy services to central and State Governments organisations - national and international - in the field of management and financing.
Its clientele also grown to include, governments, semi-
government organisations, banks and other financial institutions,
Development Corporations, academic and research institutions,
small industry owner/managers, young entrepreneurs and many
others, Indian and foreign. In 1979, the first and only Branch
of the Institute has been started at Guwahati to cater to the
need of its clients of North Eastern Region.

Scheduled Commercial Banks

The Small Scale Industries are treated as one of the priority
sectors for the supply of credit facilities by various
Commercial Banks. Credit assistance to various small scale
industries during the post-Independence period have been
increasing, nevertheless, the small scale industrialists all
over the country still feel the inadequacy of credit inflow to
meet their increasing requirements. The State Bank of India
undertook a pilot scheme in March, 1956 to help small-scale
units in getting credit at lower rates of interest than from
money lenders. Various agencies were associated with the pilot
scheme to meet the different credit needs of small scale
producers. For example, the State Bank of India, the Industries
Department of State Governments, the State Financial Corporations
and the Small Industries Service Institutes of Government of
India were associated with the pilot scheme. The year-wise
progress of advances by the State Bank of India and its
subsidiaries may be seen from the following table.
Table 3.3
Advances to Small Scale Industries
(In Rs. million)

<table>
<thead>
<tr>
<th>As on</th>
<th>No. of Units</th>
<th>Amounts sanctioned</th>
<th>Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.3.1962</td>
<td>3,425</td>
<td>140.8</td>
<td>65.2</td>
</tr>
<tr>
<td>31.3.1963</td>
<td>4,020</td>
<td>189.9</td>
<td>95.0</td>
</tr>
<tr>
<td>31.3.1964</td>
<td>5,279</td>
<td>271.3</td>
<td>128.3</td>
</tr>
<tr>
<td>31.3.1965</td>
<td>8,085</td>
<td>453.7</td>
<td>220.2</td>
</tr>
<tr>
<td>31.3.1966</td>
<td>10,160</td>
<td>566.0</td>
<td>310.4</td>
</tr>
<tr>
<td>31.3.1967</td>
<td>15,578</td>
<td>928.3</td>
<td>430.5</td>
</tr>
<tr>
<td>31.3.1968</td>
<td>18,801</td>
<td>1,190.5</td>
<td>656.5</td>
</tr>
<tr>
<td>31.3.1969</td>
<td>23,614</td>
<td>1,786.6</td>
<td>921.3</td>
</tr>
<tr>
<td>31.3.1970</td>
<td>36,935</td>
<td>2,769.1</td>
<td>1,522.3</td>
</tr>
</tbody>
</table>

The Commercial Banks constitute the most important single source of short-term credit to small industries. In the past the Commercial Banks were not very much enthusiastic in playing this role. In 1965, for instance, the contribution of the small industrial sector to the total industrial output of the nation was 35% and even then the bank assistance received by this sector from the commercial banks was below 10% of the total industrial assistance rendered by these banks. However, with a view to ensure adequate flow of bank credit to the small scale industries, the Government of India had introduced a scheme of

10. Development Commissioner (SSI) : Small Scale Industries in India, 1972, p. 157
social control under which the banks were required to set aside a predetermined proportion of the net accretion to their deposits for granting loans to the small sector. With the nationalisation of 14 major commercial banks in 1969 the flow had gathered further momentum. On 31st March, 1970, the total outstanding commercial bank credit to the small industries and agriculture was Rs. 3738 millions. Moreover, on April 15, 1980, another six commercial banks were nationalised in the light of the emphasis that is being placed for raising of the share of advances to priority sector from 33\% to 40% over the period of next five years.

In 1960, a credit Guarantee Scheme was introduced by the Government of India. Under this scheme the Reserve Bank of India stands as the Guarantee Organisation, i.e., it acts as the surety on behalf of the borrowing small scale enterprises up to a given limit of the amount involved. This scheme has removed a serious impediment before the small enterprises in getting financial assistance. The terms of the scheme has been made more and more liberal in favour of the borrowing firms from time to time.

The Administrative Reforms Commission had recommended the setting up of an apex financial institution, with a paid up capital of Rs. 25 crores, for the small industrial sector. The Commission suggested that this institution should meet short and medium term credit needs besides providing credit guarantee facilities to other financial institutions and operate under agency agreement with the existing institutions such as the State Financial Corporations, the State Bank of India and its
subsidiaries, Co-operative Banks etc. The Government is considering the proposal for an institution to cater exclusively for the small scale industries.

As a result of nationalisation of 14 major scheduled commercial banks in 1969 as also the flow of institutional finance through State Bank of India and its subsidiaries the advances to small industries has increased to a great extent in recent years. The following table will, however, show the impact of nationalisation of commercial banks in small industrial sector.

### Table 3.11

<table>
<thead>
<tr>
<th>State Bank Group</th>
<th>Nationalised Bank</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of A/Cs</td>
<td>Amount Outstanding</td>
<td>No. of A/Cs</td>
</tr>
<tr>
<td>June, 1969</td>
<td>37700</td>
<td>103.0</td>
</tr>
<tr>
<td>June, 1970</td>
<td>65500</td>
<td>163.4</td>
</tr>
<tr>
<td>June, 1971</td>
<td>70600</td>
<td>197.1</td>
</tr>
<tr>
<td>Dec., 1971</td>
<td>74500</td>
<td>219.8</td>
</tr>
<tr>
<td>March, 1972</td>
<td>76200</td>
<td>233.8</td>
</tr>
</tbody>
</table>

Under the Lead Bank Scheme of the Reserve Bank of India, the district of Cachar is one of the five districts in Assam for which United Bank of India (UBI) has been designated as Lead

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Bank. The economic survey of the district of Cachar was undertaken by the UBI under the Lead Bank Scheme in 1970. Moreover, the Credit Plan for Cachar District is also prepared by the said Bank in 1978 indicating the extent of the credit gap in the different sectors as also the nature of and the direction in which efforts are required to be made by the different financial and development agencies concerned to meet the credit gap. As in March, 1977, the total deposits of all Scheduled Commercial Banks in Cachar District stood at Rs.10.83 crores while the total advances was of the order of Rs. 4.01 crores. At present there are 48 Branches of Commercial Banks including Co-operative Bank of which the share of Lead Bank (UBI) is 19. As in March, 1977 the total advances outstanding to priority sector was Rs. 253.63 lakhs of which the outstanding amount of advances to small industry was Rs. 42.73 lakhs which constitutes 16.7% of the advances Outstanding to priority sectors.

Rural Industries Projects (RIP)

The programme of Rural Industries Project was launched to give special attention to the development of small industries in rural areas. The programme was in operation in 111 districts including 57 districts covered in the Fifth Plan. More than 16,000 units were assisted during 1975-76, these units have an investment of more than Rs. 120 crores and provide employment to about 50,000 persons. The gross value of production of these units during 1975-76 was estimated at Rs. 140 crores. To promote rapid growth of industrial units it was decided to reserve 15%
of the scarce, indigenous and imported raw materials earmarked for small scale industries for units in RIP areas.

**District Industries Centre (DIC)**

The new Industrial Policy announced on December 23, 1977 aims at effective promotion of cottage and small scale industries widely dispersed in rural areas and small towns. In this context, an analysis of industrial products was undertaken and according to the National Industrial Classification (NIC), 807 specific products were reserved for exclusive development in the small scale sector. In the light of the new policy in less than one year's time, 346 District Industries Centres (DICs) have been set up all over the country to ensure that all the services and support required by small and village enterprises are provided through a single agency. At present the agencies like Khadi & Village Industries offices, RIP and other offices of Directorate of Industries, which are working scatteredly, is proposed to bring under the DIC.

The DIC is headed by a General Manager of the rank of a Joint Director of Industries and under the General Manager there is seven Functional Managers. They are:

1. Manager (Economic Investigation)
2. Manager (Machinery and Equipment)
3. Manager (Research, Extension and Training)
4. Manager (Raw materials)
5. Manager (Credit)
6. Manager (Marketing)
Over and above the institutions described above, some other institutions/organisations are also contributing substantially in the development, management and extension of small industry in India. These are, Khadi & Village Industries Commission, Rural Electrification Corporation, Minerals and Metal Trading Corporation, State Trading Corporation, Consultancy organisation like, North Eastern Industrial & Technical Consultancy Organisation, Council of Scientific and Industrial Research (CSIR), National Council of Applied Economic Research (NCAER), Indian Institute of Foreign Trade, Industrial Development Bank of India, Industrial Credit and Investment Corporation of India, Chief Controller of Imports and Exports, National and Regional Research Laboratories, Indian Standards Institution, Federation of Association of Small Industries of India, etc. etc.

Institutions for Promoting Export of Small Scale Sectors’ Products

Although no separate statistics of exports from small industries are being compiled by the Director General of Commercial Intelligence and Statistics, an attempt has been made to collect information regarding export performance of small industries to the extent available from the various Export Promotions Councils (EPCs). On the basis of information collected from Council it is revealed that export from small industries showed a phenomenal increase from Rs. 154.00 crores in 1971-72 to Rs. 878.25 crores in 1976-77. The products which accounted for the bulk of the
exports from small scale industries included engineering goods, leather, and leather products, tanned hides and skins, ready-made garments, woollen hosiery, marine products and processed foods. During 1976-77 small scale industries contributed as much as 58% of the exports of marine products, 90% of woollen hosiery, 74% of agarbatties, 80% of finished leather and manufactures, 52% of Plastic products, 92% of Cashew kernels and Cashew nut shell liquid, 80% of rayon and synthetic products and 20% of engineering goods registered with the Councils. Besides, significant exports are made in the forms of parts and components of items assembled and exported by large scale exporters. To sum up, small industries are now exporting diversified goods ranging from simple mass consumption items like garments and footwear to most sophisticated and technology-intensive items like scientific instruments, electrical appliances, tape recorders, desk calculator, and host of electronics, parts and components. The following table will show the share of small industries in India's exports from 1972-73 to 1976-77.

Table 3.512
Share of Small Industries in India's Exports
(Value in Rs. crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total exports from India (compiled from Ministry of Com.)</th>
<th>Exports of Small Industries (compiled from EPCs)</th>
<th>Percentage share of Small Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972-73</td>
<td>1,970.83</td>
<td>305.79</td>
<td>15.5</td>
</tr>
<tr>
<td>1973-74</td>
<td>2,523.40</td>
<td>393.16</td>
<td>15.6</td>
</tr>
<tr>
<td>1974-75</td>
<td>3,304.44</td>
<td>540.71</td>
<td>16.4</td>
</tr>
<tr>
<td>1975-76</td>
<td>3,941.62</td>
<td>629.48</td>
<td>16.0</td>
</tr>
<tr>
<td>1976-77</td>
<td>5,142.00</td>
<td>878.23</td>
<td>17.1</td>
</tr>
</tbody>
</table>

In order to promote and maximise export earnings, a network of institutions covering major export commodities and different regions of the countries have been created. These include:

1. Export Promotion Councils and other Commodity Organisation.

2. Service Organisation like Indian Institute of Foreign Trade, Trade Development Authority (TDA), Federation of Indian Exporters Organisation (FIEO), Small Industries Development Organisation (SIDO), Export Credit and Guarantee Corporation (ECGC), Export Inspection Council, Freight Investigation Bureau, Directorate of Drawback, etc.


4. Export houses in Private Sector and Associations like Federation of Associations of Small Industries of India (FASII), and All India Manufacturers Organisation (AIMO).