Chapter II
GOVERNMENTAL ROLE IN THE GROWTH OF THE SMALL INDUSTRIAL SECTOR

"Balanced development of different parts of the country, extension of the benefits of economic progress to the less developed regions and widespread diffusion of industry are among the major aims of Planned development.

- Third Five Year Plan, Govt. of India, Planning Commission, 1961, p. 142

In India, till Independence in 1947 no specific move was there to distinguish the small industries and no plan or programme was there to develop small scale sector of industries. It is only after 1947, our National Government took keen interest for the development of Small Scale Industries, and a conference on Industrial Development was called in December, 1947. Following its recommendations, The Cottage Industries Board was set up as an Advisory Body.

Industrial Policy Resolution, 1948

The importance of small scale industries was underlined in the Industrial Policy Resolution of the Government of India dated the 6th April, 1948, which was based on the recommendation of the said conference (December, 1947). The Resolution paved the way for rapid growth of the Small Sector by incorporating the following general objectives :

1. establishment of a social order where justice and
equality of opportunity could be secured for all the people;

(2) promotion of a rapid rise in the standard of living of the people by exploiting the latent resources of the country;

(3) increasing production; and

(4) offering opportunities to all for employment in the service of the community.

The 1948 Industrial Policy is the first positive step which gave the basis for a mixed economy in the industrial field. The main features of the Policy were:

i) Defence and strategic industries like arms and ammunition, atomic energy and railways were to be the exclusive monopoly of the State.

ii) The State will be responsible for the establishment of new undertakings in basic industries such as manufacture of iron and steel, aircrafts, ships, telephone and telegraphs, wireless apparatus excluding radio and receiving sets and mineral oils and coal mining. The existing units in the Private Sector will be allowed to develop for a period of ten years at the end of which the question of their nationalisation will be reviewed.

iii) The other industries were open to Private Sector. However, important industries like, heavy chemicals, Sugar, Cotton and Wollen Textiles, Cement, Paper, Salt, Machine Tools etc., were to be regulated by Government especially regarding their location.
iv) Cottage and small industries should have a place in the national economy and should be developed in the co-operative sector.

**Industries (Development and Regulations) Act, 1951**

Though this Policy resolution acted as a guideline, it had to be amplified later to suit the requirements of 'Planned development'. Hence the Industries (Development and Regulation) Act was passed in 1951. This coincided with the launching of India's First Five Year Plan. The Act came into force on 8th May, 1952. It aimed at the development and regulation of certain specified industries. The Act decrees that for certain specified Scheduled Products "no person or authority other than the Central Government shall, after the commencement of this Act, establish any new industrial undertaking, except under and in accordance with a licence issued in that behalf by the Central Government." Any substantial expansion, any change of Plant location, or the production of new article must also be licensed. The system of licensing has been used as an effective means to discourage monopoly and encourage small industry. Moreover, it is to be noted that the small sector has been left as the free sector, no license being necessary for starting a small industrial unit.

**Provision of the Constitution of India**

The Constitution of India, in its Preamble, has declared that it aims at securing for all its citizens.
Justice, social, economic and political; liberty of thought, expression, belief, faith and worship;

Equality of status and of opportunity; and to promote among them all,

Fraternity assuring the dignity of the individual and the unity of the Nation.

In its Directive Principles of State Policy, it is stated that: "The state shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice - social, economic and political shall inform all the institutions of the national life."

Further that:

These states shall, in particular, direct its policy towards securing (a) that the citizens, men and women, equally have the right to an adequate means of livelihood; (b) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good; (c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment; (d) that there is equal pay for equal work for both men and women; (e) that the health and strength of workers, men and women and the tender age of children are not abused and that citizens are not forced by economic necessity to enter avocations unsuited to their age and strength; (f) that childhood and youth are protected against exploitation.
These basic and general principles were given a more precise direction in December, 1954, when the Indian Parliament adopted the 'Socialist Pattern of society' as the objectives of social and economic policy. The Industrial Policy Resolution of 1956 which is governed by the objective of attaining the socialist pattern of society contains the specific roles of different categories of industries, large as well as small. Moreover, realising the problems confronting various groups of industries in the small scale sector the Cottage Industries Board recommended separate organisation at the centre for promotion of such industries. Accordingly, five Boards were set up during 1952-53 for Handlooms, Handicrafts, Coir, Silk and Khadi and Village Industries. In 1953-54, the Ministry of Commerce and Industry invited an International Planning Team through the courtesy of the Ford Foundation to report on measures that could be adopted to develop small scale industries. The Government, accepting the recommendations of the team, set up the Central Small Industries Organisation and the Small Scale Industries Board in 1954-55 as an advisory body.

Accordingly, the Government of India launched the comprehensive scheme of Small Scale Industries Development Programme in 1954-55. In order to carry out the policies laid down in the Programme, the Small Scale Industries Development Organisation (SSIDO) was created. The Programme has been given priority in our Five Year Plans.

The Small Scale Industries Development Programme included the following broad categories of activities:
(1) Industrial extension service
(2) Industrial Estates Programme
(3) Credit facilities
(4) Supply of raw-materials
(5) Government Storrs Purchase Programme
(6) Development of ancillaries
(7) Subsidy on power consumed
(8) Supply of Machinery on hire-purchase system.

These programmes have been mainly designed with the two-fold objective of improving the production techniques of our traditional industries including hand-spinning and weaving, processing of cereals, artistic handicrafts, coir, silk etc., and also promoting modern small scale enterprises including those which produce parts and components required by large scale industrial undertakings. In the next chapter we shall discuss the activities of the various agencies set up for the implementation of the programme.

According to the provisions of the Constitution of India, the development of small scale industries is primarily the responsibility of the State Governments. But considering the importance and significance of the sector, Central Government had assumed responsibility for planning and co-ordinating the basic programme of development and to provide necessary infrastructural support to the sector for its healthy growth.
Industrial Policy Resolution, 1956

With the launching of the Second Five Year Plan, the Government of India brought forth the Industrial Policy Resolution of 1956. The new policy classified the industries into three categories -

(i) Industries, the future development of which will be the exclusive responsibility of the State.

(ii) Industries which will be progressively State-owned but in which Private enterprise also will be allowed to supplement the efforts of the State.

(iii) All the remaining industries, the future development of which will be left to the Private sector.

The resolution also mentioned about cottage and small scale industries and their role in the national economy. Their advantages in providing employment, equitable distribution of national income and effective utilisation of resources and skills were also emphasised. The resolution contains amongst others, the following directives: "12. ... Further, heavy industries in the Public Sector may obtain some of their requirements of lighter components from the Private sector, while the Private Sector in turn would rely for many of its needs on the Public sector. The same principle would apply with even greater force to the relationship between large-scale and small scale industries.

"13. The Government of India would, in this context, stress the role of cottage and village and small scale industries in the development of the national economy. In relation to some of the problems that need urgent solutions, they offer some
distinct advantages. They provide immediate large-scale employment; they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilised. Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country.

"14. The state has been following a Policy of supporting cottage and village and small scale industries by restricting the volume of Production in the large scale sector, by differential taxation, or by direct subsidies. While such measures will continue to be taken, whenever necessary, the aim of the state policy will be to ensure that the decentralised sector acquires sufficient vitality to be self-supporting and its development is integrated with that of large-scale industry. The state will, therefore, concentrate on measures designed to improve the competitive strength of the small-scale producer. For this it is essential that the technique of production should be constantly improved and modernised, the pace of transformation being regulated so as to avoid, as far as possible, technological unemployment. Lack of technical and financial assistance, of suitable working accommodation and inadequacy of facilities of repair and maintenance are among the serious handicaps of small scale producers. A start has been made with the establishment of industrial estates and rural community workshops to make good these deficiencies. The extension of rural electrification and the availability of
power at prices which the worker can afford will also be of considerable help. Many of the activities relating to small scale production will be greatly helped by the organisation of industrial co-operatives. Such co-operatives should be encouraged in every way and the State should give constant attention to the development of cottage and small scale industry."

It will be observed that among other things, the Policy Resolution has laid special stress on development of small scale industries as ancillaries to large scale industries and also on measures for improving the competitive strength of small scale producers. The agencies and institution created in the wake of the Small Scale Industries Development Programme and the Industrial Policy Resolution of 1956 are described in Chapter III.

**Small Industries during Five Year Plans**

**First Five Year Plan (India):**

Within the broad objectives set out in the Industrial Policy Resolution various actions were taken for implementation of Plans and policies during Five Year Plans. During First Five Year Plan (1951-56), separate development programmes were formulated for village industries and other small industries. The importance of these industries in providing additional opportunities for employment and earnings especially to the people in the rural areas and also trained and educated persons, was fully recognised and it was clearly stated that the Central Government must give the same attention to village and small scale industries as it had undertaken to give to agriculture.
The First Five Year Plan envisaged formulation of 'Common Production Programme' for the small and large sectors in suitable industries with a view to providing a degree of Preference or assurance of market, for the small units so as to facilitate both the sectors to make their respective contributions in meeting the total requirements of the community and, thus, developed in a co-ordinate and balanced manner. The possible elements of a common production programme included reservation of spheres of production, non-expansion of capacity of large scale industries, imposition of a cess on large scale industry, arrangements for the supply of raw materials, and co-ordination of facilities for research training etc. Considerable stress was also laid on development of demand for the product of small scale industries through the Governments Stores Purchase Programme and production of articles which were imported. The need for provision of adequate finance for these industries was also emphasised.

The possibilities of increasing employment in large scale manufacturing industries are limited because of its high capital-intensiveness. For absorbing all, or a large proportion of the increase in working population each year in non-agricultural occupations, reliance will have to be placed mainly on small and cottage industries involving comparatively small capital investment. The plan had rightly observed that "in fact, development is, in a sense, but another name for employment opportunities" (p. 24). In the review of the First Five Year Plan it was observed that "though the technical and administrative organisation in the states are still very weak
and much remains to be done, it will be true to say that as a result of programmes undertaken and the institutions established during the First Plan, small industries have now an assured place in Indian Planning and their key role in diversifying the rural economy and expanding employment opportunities will continue to be emphasised" (p. 212). The small scale industries are an important sector in the national economy as it can readily adopt modern technique and small machines; can function as feeder or ancillaries of large scale industries and can cater to expanding markets.

The provision for development of small scale industries during First Five Year Plan was Rs. 5.20 crores.

First Five Year Plan (Assam):

The First Five Year Plan of Assam contains that "the aim of rural development Plan is to establish and develop, by means of Panchayats, local self-government in rural areas of Assam and to make better provision of rural administration, reconstruction and development as self-sufficient autonomous units. This Plan, therefore, provides for work to be undertaken for organising village Panchayats as contemplated in Article 40 of the Constitution of India. Wide powers have been given to Rural Panchayats to raise taxes, which can be justified and utilised for the common good. Among other activities it is proposed to undertake demonstration of better farming methods, introduction of cottage industries, provision of co-operative facilities for trading and rural finance etc. Construction of roads, wells,
hospitals, dispensaries, schools etc. will be taken up with funds as they become available.¹ The Plan further contains:

"Production of quality articles from cottage industries apparently foresees skilled craftsmen for imparting proper training to the artisans. The Cottage Industries Institute would provide training facilities to produce technical hands in turn to go to the villages to teach the artisans. In the Institute it is proposed to take up the following trades:

1. Bamboo and Cane work, 2. Electroplating, 3. Ivory work,
4. Bell-metal work, Bidi and Filigree, 5. Lock making,
6. Leather tanning, 7. Cutlery, 8. Paper making, 9. Wood work and 10. Pottery. It is expected that the above trades will help to a great extent in building up economy and prosperity of the mass. The technical experts of the Institute in addition to giving training would produce models of cottage industries products which will invite entrepreneurs or study of patterns to help production of similar pattern in their enterprises.² 

It is apparent that cottage industries was the only term used and no clear-out policy was there at the time of formulation of First Plan regarding modern small scale sector. "The First Five Year Plan (Assam) envisaged, by and large, the continuance and/or elaboration of Programmes which had been carried on for many years before. They related, broadly speaking, to strengthening of the departmental organisation, training, marketing, research and assistance to

¹. Government of Assam : First Five Year Plan, 1951, p. 73
². Ibid., p. 46
specific but limited schemes of development for selected small industries. ... In Assam, when the First Five Year Plan was started there was only one State level organisation for administration of cottage and small industries, sericulture and weaving, Khadi & Village Industries Programmes, rural development and co-operation. In the field of small industries proper hardly any field staff existed. There was no clearly worked out programmes for the development of village and small industries."

**Second Five Year Plan (India):**

Under the Second Five Year Plan (1956-61), the small industries sector as a whole was assigned a more important role. The Second Five Year Plan, which commenced in 1956 had observed that "the sector of the village and small industries is not to be viewed as a static part of the economy, but rather as a progressive and efficient decentralised sector which is closely integrated, on the one hand, with agriculture and, on the other with large scale industries." The principal objectives of the Second Plan were:

1. a sizable increase in national income so as to raise the level of living in the country;
2. rapid industrialisation with particular emphasis on the development of basic and heavy industries;
3. a large expansion of employment opportunities; and

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(4) reduction of inequalities in income and wealth and a more even distribution of economic power.

In the context of the higher priority accorded to the development of basic industries and expansion of economic and social overheads, the consumer demand arising from the increased expenditure in these sectors was to be met substantially by the development of small industries. The programme for the Second Plan were reviewed by a committee, commonly known as the Karve Committee. In making its proposal, the committee kept three principal aims in view, viz., (i) to avoid as far as possible, during the period of the plan, further technological unemployment such as occurs specially in the traditional village industries; (ii) to provide for as large a measure of increased employment as possible during the plan period through different village and small industries; and (iii) to provide the basis for the structure of an essentially decentralised society and also for progressive economic development at a fairly rapid rate. The committee, however, envisaged that even in the traditional village industries, to the extent immediately possible, technical improvements should be adopted and for the future, there should be a regular programme of gradual transition to better techniques. It was also pointed out that the devices for giving effect to the idea of common production programmes were intended ordinarily to afford time and opportunity to the small industries sector to gain the necessary strength to develop on its own. The need for satisfactory arrangements for meeting the requirements of finance, marketing research and use of power, was also emphasised. At the end of
the Second Plan period, Jawaharlal Nehru had remarked with pride and pleasure; "Our country is big and you will find that it had developed a lot during the last few years. I am confident that the contribution of small scale industries in their development is significant. I hope this progress will increase further in times to come." In the words of P.C. Mahalanobis the strategy of the Second Plan may be described like this: "In India a dual strategy was adopted from 1956 in the Second Plan to expand, on one side, the strategic heavy industries for steel, metals, machinery, electricals and chemicals etc. to build up the foundations of industrial progress, and at the same time also to expand the traditional cottage industries and small scale production."\(^5\) Mahalanobis strategy for rapid development of the economy and the recommendation of the Karve Committee in particular, made for the promotion of small scale industry, laid the essential philosophical basis for the industrial policy Resolution of 1956. Different strands of thought on urbanisation, local centres of development, village technological base and the utilisation of the local resources, contained in the industrial policy Resolution, 1956. On these aspects, four propositions profounded by Schumacher\(^6\) are as follows:

First, the work places have to be created in the areas where the people are living now, and not primarily in metropolitan areas into which they tend to migrate.

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Second, that these work places must be, on average cheap enough so that they can be created in large numbers without calling for an unattainable level of capital formation and imports.

Third, that the production methods employed must be relatively simple, so that the demands for high skills are minimised, not only in the production process itself but also in matters of organisation, raw material supply, financing, marketing and so forth.

Fourth, that production should be mainly from local materials and mainly for local use.

To give a speedy fillip to the development of small scale industries the Government launched an assistance programme on an extensive scale during the Second Five Year Plan. The assistance programme included (i) providing information on prospects of industries, (ii) drawing up schemes for the manufacture of various items, (iii) technical assistance, (iv) assistance in procurement of machinery on hire purchase basis, (v) training, (vi) factory space in industrial estates, (vii) credit facilities on liberalised terms, (viii) participation on Government stores purchases and (ix) modernisation and technological development.

Although primarily the development of small scale industries was the responsibility of the State Government, the Government of India through the SSI Board and the Central Small Industries Organisation (CSIO) continued to play an increasingly important role in planning and co-ordinating the various developmental
One of the most important and specific functions assigned to the CSIO was the operation of the Industrial extension service through Small Industries Service Institutes and a network of Extension Centres set up all over the country. The main functions of this service included advising small industries on improved technical processes and use of modern machinery and equipment and acquainting them with the latest tools and techniques of production, management etc., imparting training in improved technologies and carrying out researches on proper use of raw materials, improved designs of machinery etc. This technical assistance programme resulted in a definite technological improvement in the production of the Small Scale Sector not only quantitatively but also qualitatively. They took up the production of many goods requiring high degree of technical skill, which were being previously imported. Amongst the newly developing industries like Plastics and Some Chemicals, small scale units made remarkable progress. Production of items like radio amplifiers, transistor radios, various types of radio components, tape recorders, simple camera lenses etc., was taken up in the Small Scale Sector.

The provision for the development of Small Scale Industries during the Second Five Year Plan was Rs. 56.00 crores.

**Second Five Year Plan (Assam):**

In Assam, during Second Plan, the small scale and cottage industries programme mainly related to provision of training, technical advice and assistance, supply of improved tools,
creating marketing facilities, and loans and subsidies to individuals and organisations. The Second Plan outlay on village and small industries for the State was Rs. 380 lakhs. The Second Plan period may be called as the beginning of a new era towards small scale industries development programme in India because a positive, comprehensive, and realistic approach towards its growth and development were initiated during this Plan period. But in Assam, the real beginning of the developmental and promotional efforts of modern small scale sector was from the Third Five Year Plan. "The State Second Plan Schemes for village and small industries were designed so as to conform, to the extent warranted by the situation in Assam, to the objectives set out by the Karve Committee. As a first step towards achieving these objectives the erstwhile Department of Cottage and Village Industries etc., underwent a major re-organisation and separate departments were created for small scale industries, sericulture and weaving and handloom co-operatives in addition to the establishment of a State Khadi and Village Industries Board and a State Handloom Advisory Board. Field agencies had also been created in the districts and subdivisions to ensure continued emphasis on the programmes which have now been functioning." 7

Third Five Year Plan (India):

The main objectives of the programme for the Small Industries Sector under the Third Five Year Plan were to (1) improve the

7. Planning and Development Department, Government of Assam: Third Five Year Plan, Assam, Volume I (1961-66), pp. 91-92
productivity of the worker and reduce production costs by placing relatively greater emphasis on positive forms of assistance, such as, improvement of skill, supply of technical advice, better equipment and credit, etc.; (ii) reduce progressively the role of subsidies, sales rebates and sheltered markets; (iii) promote the growth of industries in rural areas and small towns; (iv) promote the development of small scale industries as ancillaries to large industries; and (v) organise artisans and craftsmen co-operative societies. The policies and measures for achieving these objectives were outlined in the Plan. It was emphasised that the programme in the Third Plan regarding small industries must aim not only at increase and diversification of production, but also at securing closer integration between small scale and large scale units over a wide range of industries and the development of small industries as ancillaries. Moreover, small industries which tend to concentrate in larger cities and towns should be started in small towns and rural centres. Another important aspect of the programme was to secure the fullest utilisation of capacities through adoption of shifts and the provision of requisite raw-materials. The Third Plan, however, ventilated the plight in this sector in the following words:

"An important lesson of the past decade is that where individual small industries, including village industries, have failed to adopt improved technique or to achieve economies of scale and organisation through co-operation, production costs have remained relatively high and problems of unsold stocks and of decline in production and employment have arisen." 8

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8. Third Five Year Plan (1961), p. 426
The provision for development of small scale industries in Third Five Year Plan was Rs. 113.06 crores.

The International Perspective Planning Team, reporting in July, 1963 recorded that "with equal access to raw materials, there are many lines of industry in which the scale, flexibility low capital costs, locational advantages, and other competitive factors favouring small units assure them of a continuing and healthy role in Indian economic development. This growth can and should be achieved without special financial subsidies or concessional benefits."

During the Annual Plans (1966-69) the provision for development of small scale industries was to the tune of Rs. 53.48 crores.

The following table, however, will reveal the growth of small scale industries in registered sector during the year 1960-67.

Table 2.1
Growth of Small Scale Industries in Registered Sector (1960-67)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of factories</th>
<th>Fixed Capital (M. in lakh)</th>
<th>Number employed</th>
<th>Gross output (M. in lakh)</th>
<th>Value added by manufacture (M. in lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>25,155</td>
<td>16,603</td>
<td>10,03,739</td>
<td>87,576</td>
<td>20,855</td>
</tr>
<tr>
<td>1961</td>
<td>26,887</td>
<td>-</td>
<td>9,95,073</td>
<td>95,054</td>
<td>23,150</td>
</tr>
<tr>
<td>1962</td>
<td>27,183</td>
<td>19,470</td>
<td>10,60,757</td>
<td>1,03,938</td>
<td>27,651</td>
</tr>
<tr>
<td>1963</td>
<td>28,317</td>
<td>19,564</td>
<td>10,91,302</td>
<td>1,14,694</td>
<td>24,315</td>
</tr>
<tr>
<td>1964</td>
<td>29,106</td>
<td>21,181</td>
<td>11,33,220</td>
<td>1,30,415</td>
<td>25,866</td>
</tr>
<tr>
<td>1965</td>
<td>30,493</td>
<td>24,701</td>
<td>11,77,057</td>
<td>1,45,278</td>
<td>29,301</td>
</tr>
<tr>
<td>1966</td>
<td>32,050</td>
<td>33,453</td>
<td>13,51,968</td>
<td>1,96,861</td>
<td>38,810</td>
</tr>
<tr>
<td>1967</td>
<td>33,177</td>
<td>37,605</td>
<td>13,42,829</td>
<td>2,00,778</td>
<td>37,248</td>
</tr>
</tbody>
</table>

M.B.: Registered factories in Industries coming under the purview of Small Scale Industries Development Organisation.

Moreover, about 346 industrial Estates had been completed by the end of March, 1969, employing 82,748 persons, as compared to 66 estates in 1960-61. The annual production of 6620 sheds occupied by small units out of 8673 sheds completed in all estates, amounted to Rs. 97.96 crores.

"Apart from quantitative growth there has been significant improvement in the quality of the products of many small scale industries. This is reflected in the increased variety of items produced to the standards and specifications prescribed by the Defence Services, Railways and several large scale industries. A number of small scale units supply parts and components to large industries engaged in the manufacture of machine tools, sewing machines, bicycles, tractors, automobiles, coach building and other railway and equipment, and electronic and electrical appliances and machinery. Products of some of these industries are exported. Production of a number of new items, parts and components requiring high technology and precision has been successfully undertaken in the small scale sector, some of them were being imported till recently."

Third Five Year Plan (Assam):

The Third Five Year Plan of Assam aimed at consolidating gains attained so far and to give a further fillip to the development

of small scale and cottage industries of the State. A total sum of Rs. 440 lakhs had been allocated for small and village industries under the Third Plan of Assam. The above sum was distributed as follows:

<table>
<thead>
<tr>
<th>Industry Type</th>
<th>Allocation (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handloom Industries</td>
<td>65.00 lakhs</td>
</tr>
<tr>
<td>Khadi and Village Industries</td>
<td>30.00 &quot;</td>
</tr>
<tr>
<td>Sericulture and Weaving</td>
<td>75.00 &quot;</td>
</tr>
<tr>
<td>Handicraft</td>
<td>10.00 &quot;</td>
</tr>
<tr>
<td>Small Scale Industries</td>
<td>195.00 &quot;</td>
</tr>
<tr>
<td>Industrial Estates</td>
<td>65.00 &quot;</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Rs. 440.00 lakhs</strong></td>
</tr>
</tbody>
</table>

It is very clear from the above that the special importance of small scale sector as distinct from handicraft and cottage industries was appreciated by the Planning authorities of Assam. Moreover, it was also realised that "village and small industries in their different aspects are integral and continuing elements both in the economic structure and in the scheme of national planning. As small industries take root, they go deeper in the life of the people, extend work opportunities, raise income and standard of living of the people and bring about a balanced and integrated rural economy. As the rural economy develops technical changes take place in their different fields and correspondingly the pattern of rural industrialisation also changes from simple crafts, meeting elementary needs to small industries based on improved techniques to meet the needs of more advanced character. Thus, as small industries develop,
conditions are created for employment opportunities, large production and equitable distribution."  

Industrial development of Assam during the first fifteen years of planning cannot be described as satisfactory. According to a Government assessment, "while it is true that significant advances have been made in certain directions, the State, even after three successive five-year Plans, continues to show all the symptoms of an economically backward region, viz., a high pressure of population on land, excessive dependence on agriculture leading to high incidence of rural under-employment, absence of large-scale urbanisation, low productivity in unorganised agriculture and cottage industries sector, inadequacy of economic overheads like transport, technology, etc., and the consequent tardy growth of the tertiary sector."  

The same assessment had further observed: "As is well known Assam received on account of historical factors strong economic stimuli for the development of coal, petroleum, mining, oil refining and a sizable tea industry at a fairly early stage. And since then petroleum refining has made further advances. Yet, paradoxically the industrial economy of the State has remained dual and unintegrated. Side by side with the highly specialised enterprises employing latest flow-processes and technology one finds the deep depressions of tradition bound cottage industries employing antiquated methods and techniques.


of production. Commensurate development of diversified medium industries has not taken place to fill the gap." The same proposition is applicable in case of small scale industries also with some added stress. The then Finance Minister in his Budget speech observed: "In the field of small scale industries, the progress in Assam during the last three Five Year Plans has been varied. There were many handicaps which hindered smooth and progressive development and in many cases these are similar to those faced by large and medium industries. These are lack of technical personnel, lack of funds and lack of private initiative. Shortage of basic and other raw materials, marketing difficulties and complicated procedure for financial and other assistance were to an extent also responsible for uneven progress in the past. The future programme of development of small scale industries in Assam must take note of these difficulties."

Fourth Five Year Plan (India):

Under the Fourth Five Year Plan (1969-74), the objectives of the development programme for the small industries sector were:

(i) to improve progressively the production techniques of these industries so as to enable them to produce quality goods and to bring them to a viable level; (ii) to promote decentralisation and dispersal of industries; and (iii) to promote agro-based industries.


In order to achieve these aims, it was necessary to improve skills and provide a combination of incentives and disincentives for securing decentralisation and dispersal of small industries. Moreover, fiscal and other measures were required to enable these industries to stand competition with large industries. The operation of the industrial licensing system had not been effective in preventing competition from the large industries and in providing the required degree of initial protection. Nor has it been possible to prevent concentration of industries in large cities and towns. Since a large number of industries was proposed to be delicensed during the Fourth Plan period, greater emphasis was placed on a variety of positive measures of assistance including liberal credit facilities, adequate supply of scarce raw materials, provision of technical assistance and improved appliances, tax concessions and differential excise duties. In order to protect small scale industries from undue competition, the existing reservation was continued and modified in accordance with the requirements. This preceded by careful identification of industries, parts, components and processes in which the large size of operation or a high degree of mechanisation, has no pronounced impact on economics. The identification would have to be followed by fiscal and credit policies and measures to accelerate their development in the small sector, evolving of appropriate technology for small units in different industries, introduction of quality control and formulation of well co-ordinated programmes of assistance. Outside the designated fields of small industries, the small and large industrial sectors would be developed, wherever possible, as supplementary to each other so as to facilitate
growth of ancillary industries.

Fourth Five Year Plan (Assam):

The Fourth Five Year Plan of Assam was formulated on the basis of past experience gained in the process of development of small industrial sector of the State and observed: "The field of small industries in Assam is very wide and up to the end of the Third Plan 572 small industrial units were registered by the State Directorate of Industries. The progress made under the State's Third Plan, however, has been varied. In the Fourth Plan, special emphasis will be given to supply of raw materials, provision of workshop service facilities, increasing share capital contribution, organising production, marketing and increased loan and other assistance. As usual, facilities to give incentive to small capital and to promote traditional arts and crafts will continue. The scheme for technical training and introducing improved techniques will be expanded, which will help improving productivity of small industries. The Plan also takes note of the availability of raw materials both in the hills and plains and of the need to utilise them."  

The planners were, however, quite aware of the unsatisfactory progress of small industries in the State for which it was observed in the Fourth Plan that "Although a number of small industrial units were set up during the Third Plan, the prospects for setting up consumer goods industries in Assam is still

considerable. At present the supply of most of these articles come from outside, but most of them can be manufactured locally by small industrial establishments using local raw materials and local labour."\textsuperscript{16} It also observed that "Assam, which has been persistently lagging behind other States in important sectors such as industries, power, communications, technical education, urban development etc. has further lagged behind other States during the Third Plan period. --- In 1964 Assam accounted for only 2.2 per cent of the employment in factories in India. The income from factory industry in the State was still lower, only 2.0 per cent of the All-India figure in 1964-65. Similarly the income from small enterprises in Assam was barely 2.8 per cent of that of All-India in 1964-65. The installed capacity in Assam of electrical power in 1965-66 was only 143 MW or 2.1 per cent of the total installed capacity of 10,170 MW in India. The length of surfaced road per 100 square kilometer in the State was only 3.1 kilometer against 7.5 kilometer for the country as a whole."\textsuperscript{17}

\textbf{Fifth Five Year Plan (India)}:

While preparing the Draft Fifth Five Year Plan (1974-79) the Planning Commission seems not to be quite happy over the achievements in the small industrial sector during the past few years. The draft contains that lack of adequate and up-to-date

\textsuperscript{16} Department of Planning and Development, Government of Assam: Fourth Five Year Plan of Assam (1969-74), pp. 5-6

\textsuperscript{17} Ibid., pp. 1-2
statistical data about small industries stands as a handicap in reviewing the progress during the Fourth Plan period. The broad strategy of the Fifth Plan was to: (i) develop and promote entrepreneurship and provide a "package of consultancy services" so as to generate maximum opportunities for employment, particularly, self-employment; (ii) facilitate fuller utilisation of the skills and equipment of the persons already engaged in different small industries; (iii) progressively improve the production techniques of these industries so as to bring them to viable level; and (iv) promote these industries in selected 'growing centres' in semi-urban and rural areas including backward areas.

Some of more important measures proposed to be initiated during the Fifth Plan period are:

(i) Package of consultancy service: It is considered essential that suitable agencies may be organised at the State, regional and, wherever considered necessary, at the district levels, to provide a "Package of consultancy service" to small entrepreneurs, so that they do not have to approach all the individual agencies concerned.

(ii) Fuller utilisation of skills and production capacity: Prompt and adequate availability of credit and scarce raw materials are two of the essential pre-requisites for fuller utilisation of the skills and equipments of artisans and entrepreneurs.

(iii) Technical improvements and research: Provisions have been made in the State plans and also at the centre for strengthening
the various agencies to offer assistance and guidance to the small scale industries. In addition, for the first time, the technological needs of traditional as well as modern small industries have been studied and specified schemes for research and development have been included in central and State plans.

(iv) Dispersal: Although, several traditional and rural industries are already located largely in semi-urban, rural, and to some extent, backward areas, one of the main aims of the Fifth Plan is to progressively extend the promotional activities to selected rural and backward areas including tribal and hilly areas.

(v) Industrial co-operatives: In order to undertake a programme for restructuring different small industries organised on a co-operative basis into viable societies, some States have already taken up schemes for conducting a quick survey with a view to identifying viable and potentially viable societies. The central programme also included certain schemes of providing consultancy services, training, marketing and other assistance to industrial co-operatives.

(vi) Co-ordination and Monitoring: In order to avoid overlapping and duplication of activities, suitable steps will be taken for co-ordinating different programmes like those for village industries and rural industries projects and also other schemes such as those for collection of statistics, training, marketing and process development.
Statistics: Basic statistical data for small industries are essential for both reviewing the impact of the programmes and for formulating the new programmes. Therefore, provision has been made in the plan of the continuation of the on-going schemes for the collection of statistics and new schemes for keeping the data up-to-date.

The following table will show the expenditure on Small Industries Programme (Small Industries Development Organisation Industries) in Five Year Plans.

Table 2.2

Expenditure on Small Industries (SIDO Units) Programme in Five Year Plans (Rs. in crores)

<table>
<thead>
<tr>
<th>Plan period</th>
<th>Small Industry Schemes</th>
<th>Industrial Estate</th>
<th>Rural Industries projects</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Plan (1951-56)</td>
<td>5.20</td>
<td>N.A.</td>
<td>-</td>
<td>5.20</td>
</tr>
<tr>
<td>Second &quot; (1956-61)</td>
<td>44.40</td>
<td>11.60</td>
<td>-</td>
<td>56.00</td>
</tr>
<tr>
<td>Third &quot; (1961-66)</td>
<td>86.12</td>
<td>22.15</td>
<td>4.70</td>
<td>113.06</td>
</tr>
<tr>
<td>Annual &quot; (1966-69)</td>
<td>39.35</td>
<td>7.58</td>
<td>6.55</td>
<td>53.48</td>
</tr>
<tr>
<td>Fourth &quot; (1969-74)</td>
<td>70.33</td>
<td>15.73</td>
<td>10.15</td>
<td>96.19</td>
</tr>
<tr>
<td>(Re-appraised outlay)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fifth Plan (1974-79) (Revised outlay)</td>
<td>178.60</td>
<td>21.06</td>
<td>21.15</td>
<td>220.70</td>
</tr>
</tbody>
</table>

The trend as shown by the above table in regard to expenditure on development programme on small scale industries indicates the increasing importance of Small Scale Industries.

The principle of reservation of certain product lines for small industry sector has been followed by Government from the First Plan period. Through reservation, industries which are technically and economically feasible and have definite advantages in being organised on a small scale basis are encouraged to develop without fear of unfair competition from large scale units. The policy of the Government in this respect is that "whatever can be produced by small and cottage industries must only by so produced." At present there are 807 items of products reserved for small scale sector. Moreover, recently 27 more items are included in the list.

Fifth Five Year Plan (Assam):

The Fifth Plan of Assam declares that "the small industrial units have been so selected as to utilise locally available raw materials and skill. These units will be dispersed mainly to the less developed and backward areas. The aim is to create more employment opportunities with comparatively low capital investment. The output of these industries will meet the growing demand of the local market. With increased availability of power in the State in the remote areas and with the expansion of banking facilities, the programme is likely to achieve more success than has been the case in the past. This sector will also act as an ancillary sector to the large industries development being programmed for."

"The programme drawn up for the Fifth Plan envisages capital investment of Rs. 10.72 orores. The estimated value of output is Rs. 32.93 orores. The programme will provide employment to
about 12000 persons. The schemes mainly relate to manufacture of goods like paper straw, dehydration of vegetables, plus sockets, plug pins, cycle tyres and tubes, surgical bandages, garments tower bolts, hinges, servicing of motor cars, production of cement pipes and joints, precipitated chalk, paper cones and tubes, combs, plastic goods, etc. Besides schemes have been taken up to produce cattle and poultry feed, paper card board, polythene and P.V.C. pipes of different diameters, dyed and printed buttons, umbrellas, wooden pencils, etc. Moreover, the Plan rightly observed that "Assam is very favourably placed in regard to power resources based on water, natural gas, coal and oil. But till now there has been no adequate exploitation of this wealth on an economic basis with the result that, on the one hand the per capita consumption of power in the State stands at 25 Kwh, compared with 93 Kwh for all-India, and on the other, the cost of power generation is among the highest range in the country. While rural electrification is vital for the transformation of the State's predominantly rural economy, only about 1300 of the State's 21,000 villages would have been electrified by the end of the Fourth Plan. At present power consumed for irrigation purposes is less than one per cent of the total consumption of the State. All this is despite the fact that 40 per cent of the country's hydel potential is in the North Eastern Region comprising Assam and periphery States and Territories. Assam could not only produce the power needed by her, but also surplus power for export to neighbouring States like West Bengal etc."
If we analyse the provisions contained in the various Five Year Plans of Assam, it is clear that the planners have all along been aware of the importance of small industrial sector in the State's economic development. They also realised that the progress of the State in this important sector is not up to the expectation due to many hindrances despite plentiful resources both material and human. It can be said that the overall industrial environment in the region is lacking and for which industrial investment and industrial managerial skill is shy in the State.

Sixth Five Year Plan:

According to the Draft Five Year Plan (1978-83) the rapid and widespread development of small scale industries, including cottage, household industries, is one of the major objectives of the plan as a part of the primary goals of reducing unemployment and under-employment in the country. The major components of the development strategy are:

(i) to generate opportunities for fuller and full time employment by (a) revitalising and developing the existing traditional and other small scale industries and (b) promoting intensive development of new viable small industries.

(ii) to raise the level of earnings of rural artisans, handloom weavers, craftsman and others employed in these industries.

(iii) to promote the growth of these industries in rural areas and small towns; and
(iv) to reduce progressively the role of subsidies by providing them selectively for credit, development of skills, designs and marketing.

Total outlay of Rs. 1410 crores in the Public Sector has been provided in the plan for village and small industries the break-up of which is shown below:

Table 2.3
Outlay on Village and Small Industries
(Rs. crores)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Fifth Plan</th>
<th>Plan outlay</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1974-79</td>
<td>1974-78</td>
</tr>
<tr>
<td>Industry</td>
<td>outlay</td>
<td>Estimated expenditure</td>
</tr>
<tr>
<td>1. Handloom Industry</td>
<td>99.92</td>
<td>80.63</td>
</tr>
<tr>
<td>2. Powerlooms</td>
<td>3.05</td>
<td>1.53</td>
</tr>
<tr>
<td>3. Khadi &amp; Rural Industries</td>
<td>142.98</td>
<td>126.38</td>
</tr>
<tr>
<td>4. Small Scale Industries</td>
<td>200.64</td>
<td>121.89</td>
</tr>
<tr>
<td>5. Industrial Estates</td>
<td>21.06</td>
<td>17.64</td>
</tr>
<tr>
<td>6. Handicrafts</td>
<td>29.90</td>
<td>14.94</td>
</tr>
<tr>
<td>7. Sericulture</td>
<td>29.68</td>
<td>19.23</td>
</tr>
<tr>
<td>8. Coir Industry</td>
<td>7.66</td>
<td>5.55</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>535.09</strong></td>
<td><strong>387.79</strong></td>
</tr>
</tbody>
</table>

At the instance of the Planning Commission, the Development Commissioner, Small Scale Industries, set up a Working Group on

development of village and small industries in the Sixth Five Year Plan (1979-84) in June, 1977 under the Chairmanship of Sri I.C. Puri, Additional Secretary to the Government of India and Development Commissioner (SSI), with a view to:

(a) examine the performance of village and small industries during the Fifth Plan period, for drawing guidelines for their future development.

(b) Evolving an approach and strategy for the development of this sector during the Sixth Plan period;

(c) Suggesting policy measures required for the implementation of the proposed development plans;

(d) Formulation of specific programmes for the development of village and small industries;

(e) Suggesting organisational arrangements required for the implementation of the development programmes including institutional innovations that might be required; and

(f) Estimating the financial requirements of the programmes suggested for the Sixth Plan period.

Accordingly, the Group submitted its Interim report in November, 1977 outlining some important strategies for small industry development during the Sixth Plan. Considering the acute problem of unemployment and the problem of existence of great disparities of income and wealth as among the different social segments of the community, the major objectives of planned development, including small industries during the Sixth Plan
period, as emphasised by the Prime Minister would be as follows:

(a) "The removal of unemployment and substantial under-employment within approximately ten years;

(b) Provision of basic services - drinking water, Primary Education and health care, to the 40 per cent of the population in the lowest income groups over the same period;

(c) A significant reduction in the present disparities of income and wealth."

The working group in its interim report highlighted some important suggestion for small industry development, viz., classification of small industries into small and Tiny sector so that Tiny sector may be provided with special facilities for their development, impact of rural electrification, Legislation for small industries. According to the estimates made by the Group, during Sixth Plan period 500000 additional small scale units will be started creating 24.11 lakhs employment.

However, with the assumption of power by the Congress (I) Government at the Centre in January 1980, the whole Sixth Five Year is being reviewed now. The planners have envisaged the growth rate at between 5% and 5.5% a year over the next five year period. It is expected that the outlay on the Plan will be much higher than envisaged in the Sixth Five Year Plan prepared by the Janata Government which was more than Rs. 80000 crores. Upto the writing of this thesis no precise figure seems to have been worked out as yet for the Sixth Five Year Plan that is now being formulated. "The approach paper prepared by the
Planning Commission generally indicates the directions in which the country should go over the next five years. The thrust of the draft is on removal of poverty and on provision of employment, population control, Public health care and building up of infrastructural facilities like power and irrigation.

"It incorporates the 20-Point Programme and lays emphasis on the alleviation of conditions of backward classes, Harijans, Scheduled Tribes and small farmers."²²

On the basis of the announcement made by the Minister of State for Industries regarding expansion of scope of small scale industries by extending its present definition, as mentioned later in this chapter, and also the stress given in the Approach Paper prepared by the Planning Commission for provision of employment and building up of infrastructural facilities, etc., it may safely be anticipated that the place of small scale industries and its Plan Allocation will receive high priority in the new Sixth Five Year Plan which is at present, under consideration of the National Development Council.

Reviewed Industrial Policy, 1970

Government of India reviewed its industrial licensing policy, in the light of certain recommendations of the Administrative Reforms Commission, the Industrial Licensing Policy Enquiry Committee and the Planning Commission. The policy decision

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²² The Statesman, August 20, 1980
announced in February, 1970 contained the following major decisions concerning small scale industries.

1) There will be a list of core industries which will be given all assistance for development.

2) The concept of joint sector has been accepted and the government will apply this concept in the case of industries to be taken up by the Private groups in the 'core' and heavy investment sectors.

3) The existing policy of reservation for the small scale sector will be continued and the area of such reservation will be extended.

4) In respect of agro-industries co-operative sector will be encouraged.

New Industrial Policy Announcement, 1977

The then Minister of Industries, Sri George Fernandes, laid before Parliament on 23rd December, 1977, a statement on Industrial Policy, directed towards removing the 'distortions of the past so that the genuine aspirations of the people can be met within a time-bound programme of economic development'. According to the statement, the emphasis of industrial policy so far has been mainly on large industries neglecting cottage industries completely and relegating small industries to a minor role. "It is the firm policy of the Government to change this approach." According to the 1977 Industrial Policy:
The main thrust of the new Industrial Policy will be on effective promotion of Cottage and Small Industries widely, dispersed in rural areas and small towns. It is the policy of the Government that whatever can be produced by small and cottage industries must only be so produced. For this purpose, an exhaustive analysis of industrial products has been made to identify those items which are capable of being established or expanded in the small scale sector ... However it must also be ensured that production in this sector is economic and of acceptable quality.

While the existing definition of small scale industries will remain within the small scale sector special attention will be given to units in the tiny sector, namely, those with investment in machinery and equipment up to Rupees One lakh and situated in towns with a population of less than 50000 according to 1971 Census figures, and villages. Schemes will be drawn up for making available margin money assistance specially to tiny units in the small scale sector.

The focal point of development for small scale and cottage industries will be taken away from the big cities and State capitals to the District headquarters. In each district, there will be one agency to deal with all the requirements of small and village industries ... called District Industries Centre.

In order to provide effective financial support for promotion of small, village and cottage industries, the Industrial Development Bank of India has taken steps to set up a separate wing to deal exclusively with the credit requirement of this
sector. It will co-ordinate, guide and monitor the entire range of credit facilities offered by other institutions for the small and cottage sector, for whom separate wings will be set up in these institutions, particularly nationalised banks."^23

The rapid growth of modern small industries during the last quarter century and their having become an integral and continuing element in the Indian industrial structure, primarily because of their inherent economic strength, are two of the significant features of Planned economic development in our country. In terms of increase in the number of units and volume of output, contribution to total industrial output, employment generated, entrepreneurial skills activated, industrial dispersal developed, increase attained in productivity and the variety of new industrial products manufactured calling for highly developed skills, the progress made by the small industry sector has been indeed impressive and is indicative of its vast future potentialities.

The Economic survey for 1978-79 of the Government of India, highlighted that "the major policy development during the year was concerned with implementation of the new industrial policy, the thrust of the policy being the promotion of small and cottage industries, the dispersal of industries away from large metropolitan areas, simplification of licensing procedures, removal of critical bottle necks of capacity and shortages,

liberalisation of the imports of capital goods and the removal of sickness in industry."^{24}

"An analysis of the pattern of growth of small scale industries during 1960-70 showed that these industries thrived mostly in those States and regions where the large scale sector had grown, indicating that their growth was, by and large induced by the general tempo of industrialisation thus distracting from the avowed objective of balanced regional growth of small industries. Recognising this aspect, the Draft Five Year Plan document (1978-83) stated:

There was a rapid growth of small scale industries, most of which are also tiny units having investment in plant and machinery up to Rs. One lakh. However, these units have come up largely in cities and large towns.^{25}

Annual growth rate in the small scale sector in the last two years has been 10-11 per cent as against 2-4 per cent in the entire organised sector. The contribution of the small scale sector to the total industrial production was 35 per cent in 1972, 38 per cent in 1974 and 40 per cent in 1975. According to the ASI (Annual Survey of Industries), 1978 data, some of the relevant magnitude for the small and large industries are given below:

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24. Forum of Free Enterprise: The Economic Implications of the Union Budget 1979-80, p. 8

### Magnitude of Small and Large Industry

(In Rupees)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Small</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross output per unit of fixed capital</td>
<td>5.28</td>
<td>1.10</td>
</tr>
<tr>
<td>Gross output per unit of productive capital</td>
<td>2.95</td>
<td>0.07</td>
</tr>
<tr>
<td>Net value added per unit of fixed capital</td>
<td>0.82</td>
<td>0.27</td>
</tr>
<tr>
<td>Net value added per unit of productive capital</td>
<td>0.46</td>
<td>0.21</td>
</tr>
<tr>
<td>Fixed capital per employee</td>
<td>3.168</td>
<td>21.944</td>
</tr>
<tr>
<td>Productive capital per employee</td>
<td>5.669</td>
<td>27.883</td>
</tr>
<tr>
<td>Gross output per employee</td>
<td>16.720</td>
<td>24.186</td>
</tr>
<tr>
<td>Value added per employee</td>
<td>2.603</td>
<td>5.991</td>
</tr>
</tbody>
</table>

It is apparent that small factories produce on an average more output per unit of investment compared to the large. Even the value added per unit of investment was relatively large in small factories. Also they offered larger employment opportunities for the same amount of capital. But in respect of productivity small factories did not appear to fare well compared to the larger ones; output per person was lower in small factories. As for value added, large factories gave more than twice the value added per employed person in small factories.

However, no precise comparisons based on time series data can be made in as much as no comprehensive data with regard to small scale industries is available. Only for registered factories which do not comprise more than 20 per cent of the operating units, data on production structure of the industry are compiled.
by CSO through ASI. Official statistics maintained by Small Scale Industries Development Organisation pertain only to units voluntarily registered with State Directorate of Industries.  

Legislation for Small Scale Industries

In India, a major hindrance in the development plan and programme of small scale industries is that they are not backed by any statute. The various plans and programmes in relation to small industrial sector have been pursued by virtue of official policies and expediency. To make the programmes effective legislation in the field of small scale industries is very essential. However, in other countries where the small industries is playing a dominant role, appropriate statute is framed. In the United States of America, for example, the development of small industries and their regulation is governed by the Small Business Act, 1958. Further, to facilitate the financing of equity capital and granting of long term loans required by the small business, there is another piece of legislation in the U.S.A., i.e., Small Business Investment Act, 1958. In Japan also several legislation covering various aspects of the small industries like labour, modernisation, finance and organisation has been enacted there from time to time for the desired growth of her small industries. Experience has shown that these legislations have greatly accelerated the pace of development of small industries in these two countries. In India, on the other hand, in spite of the panoramic

programmes and earnest dedication of the concerned authorities, the expected results have yet not been achieved. This is primarily due to the absence of statutory backing behind the programme. For instance, due to the absence of statutory mandates the central as well as the States stores purchase programmes have not been pursued to their logical ends, some of the State Directorate of Industries have yet to be enthused and activated in desirable manner, the small entrepreneurs in backward areas have yet not been linked to the banks and other financial institutions with friendly and co-operative terms, and all-India homogeneity is not yet created in the field of industrialisation and removal of regional imbalances. There should be statutory compulsion that all the small enterprises be registered with concerned authorities. In the absence of this compulsion, correct all-India statistics cannot be collected and subsequently formulation of policies and programmes becomes difficult. The Estimates Committee of Parliament had also advocated legislative measures in 1959-60. The Committee observed : "The Committee feel that if a comprehensive legislative measures were to be introduced to regulate the development of small scale industries in India it would also incidentally help in laying down the broad policies conducive to their accelerated growth." The working group of the Administrative Reforms Commission had also commented that "absence of legal provisions in India to guide and regulate the development of small scale industries has not proved to be a source of strength." A high-powered Committee set up by the Government of India on the powers and functions of the Central Small Industries Organisation under the Chairmanship of
K.D. Malaviya recommended in 1968 that the development of the small industry may be put on a statutory basis. The Small Scale Industries Board in its 27th meeting held at Guwahati in January 1970 also resolved that the Government should set up a committee to draft suitable legislation for the future development of small scale industries in general and small ancillaries in particular. This view of the Board was confirmed in its meeting held at Srinagar in August, 1971. Accordingly, the Government of India constituted a committee for drafting legislation for small scale industries on 25th January, 1972 with Shri A.R. Math as the Chairman. The Math Committee Report was submitted on 31st August, 1972. The report contained the following draft legislation:

1. Small Industry Development Act
2. Restricted Partnership Act
3. Small Industries Reservation Act
4. Small Ancillary Industries Act; and

The Math Committee in its report, had appreciated the fast growth of the Small Scale Industries up-to-date and the efficacy of the various plans and programmes and incentives offered by the Government had, however, felt that "the Small Scale Sector still suffers from a number of handicaps which have to some extent already hindered its growth and are likely to do so increasingly in future."

The report of the Math Committee drafted the Small Industries Development Act incorporating in it the definition of the small
industry and a consolidated programme for the development of
the small industry and the scheme of an organisational pattern
to implement the programme. The Government of India has not,
however, implemented the report so far.


On July 23, 1980, Dr. Charanjit Chanana, Minister of State for
Industry, announced in the Lok Sabha Congress (I) Government's
new industrial policy. Accordingly, "additional capacity will
be allowed to consumer and other industries of national economic
importance, provision for automatic growth will be made for
all core sector units, large production capacity will be
permitted to export oriented units and companies with research
and development organisations would be allowed to import 'modern
technology' ... Small Scale Units would be redefined for the
purpose of extending financial support by the Government. Units
with investment up to Rs. 2 Lakhs will now be considered 'tiny'
and those up to Rs. 20 lakhs investment will be regarded as
'small', recognised ancillary units can now have investment up
to Rs. 25 lakhs.27

27. The Assam Tribune, Gauhati, July 24, 1980