

# **ESTIMATES COMMITTEE (1965-66)**

## **HUNDRED AND SEVENTH REPORT**

**(THIRD LOK SABHA)**

### **MINISTRY OF INDUSTRY**

**(ORGANISATION OF  
THE DEVELOPMENT COMMISSIONER,  
SMALL SCALE INDUSTRIES—  
RURAL INDUSTRIALISATION)**



सममेव जयते

**LOK SABHA SECRETARIAT  
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# ESTIMATES COMMITTEE

(1965-66)

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## INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Hundred and Seventh Report on the Ministry of Industry—Organisation of the Development Commissioner, Small Scale Industries—Rural Industrialisation.

2. The Committee took evidence of the representatives of the Ministry of Industry on the subject of Rural Industrialisation on the 8th November, 1965. The representatives of the Ministry of Commerce, the Department of Social Security, the Planning Commission, the Khadi and Village Industries Commission, the All-India Handloom Board, the Central Silk Board, the All-India Handicrafts Board and the Coir Board also appeared before the Committee during the course of the above sitting. The Committee wish to express their thanks to the Secretary of the Ministry of Industry, and other Officers of the above Ministries/Department, Boards and Commissions for placing before them the material and information they wanted in connection with the examination of the estimates.

3. The Report was considered and adopted by the Committee on the 18th April, 1966.

4. A statement showing the analysis of recommendations contained in the Report is also appended to the Report (Appendix VI).

NEW DELHI;

April 22, 1966.

Vaisakha 2, 1888 (Saka).

ARUN CHANDRA GUHA,

*Chairman,*

*Estimates Committee.*

## INTRODUCTORY

The provision of adequate employment opportunities is among the most difficult tasks facing Indian Planning. The number of unemployed in the country is not only vast, but it has been increasing from year to year and from Plan to Plan.

At the commencement of the Second Five Year Plan, the backlog of unemployment was reckoned at 5·3 million of which 2·8 million were in rural areas. The Plan estimated the number of "new entrants to the labour force during the next five years" at 10 million. It suggested, therefore, that 15·3 million job opportunities—6·3 million in urban areas and 9 million in rural areas—would have to be created if unemployment was to be eradicated during the Second Plan period. However, the Second Plan ended with a backlog of about 8 million unemployed.

2. The Third Plan anticipated an addition to the labour force of the order of 17 million of which two-third or about 11 million would be from the rural areas. The performance during the Third Plan period in terms of new employment opportunities provided has been estimated to be in the neighbourhood of 13 million.

The dimensions of the employment problem during the Fourth Plan period have been assessed as follows:—

"Thus, with an estimated backlog of 8 million from the Second Plan and a deficiency of 4 million employment opportunities under the Third Plan, the Fourth Plan may have to start with a backlog of unemployment nearing 12 million. With a 23 million addition to the labour force during 1966—71, the employment problem for the Fourth Plan can be considered as sizeable, that is, 35 million employment opportunities.

Taking a long-term view, it has been estimated that the increase in the labour force during the Fifth Plan period would be about 30 million. Thus, to achieve full employment in the country within the next 10 years it would be necessary to create 65 million new job opportunities.

3. The problem of unemployment is specially acute in the rural areas. In the villages both unemployment and underemployment



exist side by side. In fact, unemployment in the villages mostly appears in the form of under-employment and the distinction between them is by no means sharp. In many parts of the country, during the busy agricultural seasons, shortages of labour are frequently reported, but over the greater part of the year, a large proportion of agricultural labour and others engaged in allied activities are without continuous employment. The consequent drift of workers from villages to towns only serves to shift the focus of attention from rural areas to the urban. Thus, if at any given time the rate of unemployment in the towns appears to be higher, it is only "a reflection of the lack of adequate work opportunities in rural areas". Urban and rural unemployment, as the Third Plan points out, "constitute an individual problem".

4. While for urban unemployment there may be some estimate even though not very precise, for rural unemployment there has been hardly any attempt at assessment. There is, however, abroad consensus that about 20 to 25 per cent of the rural population in India is not required for the present levels of agricultural production and for future expansion of agriculture. At present, the surplus rural labour is also put in agriculture which, because of the high labour load, has become almost uneconomical.

It is also increasingly recognised that no solution to the problem of mass unemployment or under-employment in the villages is offered by the creation of a few pockets of capital intensive industrial activity in the large metropolitan centres of the country. The limitations of large scale industry as well as of agriculture in tackling the problem of rural unemployment have been described thus by a leading social worker in a note furnished to the Committee:

"Modern technology is all labour-saving and cannot therefore tackle the problem of the country's vast and endemic unemployment or underemployment and secondly in no country of the world has land (even if the land : man ratio is favourable) been able to support more than 50 per cent of its population. To expect that Indian agriculture with its land : man ratio so fearfully adverse, with its development a century behind other countries will ever be able to absorb this vast multitude of unemployed and under-employed now or after it has reached its full development is nothing short of day-dreaming. Thus this class has no place in the urban industrial sector nor in the rural agricultural sector. It is absolutely rootless economically speaking."

It has been suggested, therefore, that:—

“The decentralised sector is the only answer to assimilate in the national economy this 20 or 25 per cent of the rootless Indian mass.”

The Committee note with concern that inspite of a decade and a half of planning the country is still faced with the problem of vast and increasing unemployment in the villages which constitute the base of the nation's economy and its democratic framework. The Committee realize the importance of the efforts made by Government to relieve unemployment in villages through its programmes of rural works, rural industrialisation etc. Considering however, that the backlog of unemployment has increased from 5·3 million at the commencement of the Second Plan to about 12 million at the end of Third Plan and that nearly two-third of the unemployed are believed to live in the villages, it is evident that the efforts so far made have been far from adequate to make any impression on the problem of rural unemployment. With an estimated increase of 53 million in the labour force during the Fourth and Fifth Plan periods, the bulk of which will inevitably come from the villages, the problem will soon acquire a vast and unprecedented magnitude. The Committee, therefore, cannot over-stress the need for urgent measures to provide gainful employment to the fast expanding labour force in rural India.

The Committee agree with the view that neither agriculture, nor large scale industry, nor even both of them together, can absorb the growing number of the unemployed and under-employed in the villages. They feel that only a well thought out and comprehensive programme of decentralized industry in the rural areas, implemented with drive, sincerity and a sense of paramount urgency, can provide an effective answer to the vast problem of rural unemployment. The Committee, therefore, urge Government to give their serious attention to this matter and take speedy and effective measures to formulate and execute in the field a well coordinated programme of rural industrialization. They would also like to stress that the programme of rural industrialization should be clearly distinguished from the programme of industrialization in the urban areas, with a separate allocation of funds.

## II

### ORGANISATIONAL SET UP FOR VILLAGE AND SMALL INDUSTRIES

#### A. Need for Central Organisation for Development of Village and Small Industries

5. The First Five Year Plan recognised that the "development of village industries requires drive and direction from Central and State Governments." The need for an organisation in the Central Government to look after the problems of villages industries was emphasised in the Plan as follows:

"The primary responsibility for carrying out programmes for village industries rests with the State Governments, but in many aspects the framework within which they can execute programmes for individual village industries is set by the policies followed by the Central Government. In the Central Government, there is, therefore, need for an organisation which will give close attention to the problems of village industries and help to create favourable conditions for action by State Governments, constructive organisations and village cooperatives. In view of the growing importance of the problem of employment, the Central Government, must now give the same attention to village and small scale industries as it has undertaken, in view of the shortage of food and raw materials, to give to agriculture."

#### B. Existing Arrangements

6. During the First Plan period six all-India Boards viz., (i) All India Handloom Board; (ii) All India Handicrafts Board; (iii) All India Khadi and Village Industries Board; (iv) The Small Scale Industries Board; (v) The Central Silk Board; and (vi) The Coir Board were established to deal with the problems of the handloom industry, khadi and village industries, handicrafts, small scale industries, sericulture and the coir industry.

7. The All India Handloom Board and the All India Handicrafts Board were constituted in October, 1952 and November, 1952 respectively to advise Government on the problems of development of handloom and handicrafts industries. The All India Khadi and Village Industries Board was set up in February, 1953 for preparing

and organising programmes for the production and development of khadi and village industries. The Small Scale Industries Board was constituted in November, 1954 to coordinate the activities of regional Institutes for small scale industries, Small Industries Corporation etc. and also, "to frame and implement programmes generally for the development of small scale industries." The Central Silk Board which had been functioning since 1949 was reconstituted in April, 1952\* and a statutory Coir Board was set up in July, 1954 to promote the development of the coir industry, under the control of the Central Government.

According to the Village and Small Scale Industries (Second Five Year Plan) Committee, commonly known as the Karve Committee, "on the organisational side, the establishment or reconstitution of the six all-India Boards, (mentioned above) was the most important step taken for the planned development of village and small scale industries." The Committee also noted that "the activities of these six Boards taken together cover the entire field of village and small scale industries."

During the Second Plan period, a statutory Khadi and Village Industries Commission was set up. The Commission, it has been stated, was vested with more extensive executive powers than those enjoyed by the Khadi and Village Industries Board, which continued as an advisory body closely associated with the Commission. Further, in almost all the States, statutory State Khadi and Village Industries Boards were created under legislation sponsored by State Governments.

It has been stated by the Ministry that "the development of rural and cottage industries is the responsibility of the All India Boards| Commission set up for the purpose." viz. (i) The Khadi and Village Industries Commission, (ii) The All India Handloom Board, (iii) The Central Silk Board, (iv) The All India Handicrafts Board, (v) The Coir Board, and (vi) The Small Scale Industries Board.

The Ministry have further stated in this connection that the industries coming under the purview of the Khadi and Village Industries Commission, the Handloom Board, the Handicrafts Board, the Silk Board and the Coir Board are "located mostly in rural areas." They have added that small scale industries have so far developed mainly in the metropolitan areas and bigger towns but in the Fourth Plan, "emphasis will be laid on developing these in small towns and semi-urban areas, at selected growth centres."

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\*It has been stated in the course of factual verification that the Central Silk Board is reconstituted every 3 years and it was last reconstituted on the 9th April, 1964.

With regard to the machinery for the implementation of the programmes for the development of the respective industries (Khadi, Handloom etc.) in the rural areas, the Committee have been informed that:

“The Khadi and Village Industries Commission under the statute is empowered to implement the programme itself, but the other Boards depend mostly on the State Governments for implementation of the development programmes in their respective spheres. The Board/Commission draw up schemes for their respective industries and the need to develop rural areas is borne in mind in framing such programmes.”

### **C. Machinery for Coordination between various Agencies responsible for Rural Industrialisation**

9. It has been stated that an effort was made during the Second Plan period to secure coordination in the various programmes for village and small industries by setting up at the Centre a ‘Coordination Committee for Small Industries’ consisting of the representatives of the Ministries concerned and the Chairman of the All India Boards and the Khadi and Village Industries Commission. Coordination Committees were also constituted in most of the States.

However, the inadequacy of these arrangements for securing effective coordination between the various agencies responsible for the development of village and small industries was clearly recognised in the Third Five Year Plan. Thus, while emphasising that it was necessary to take a unified view of the entire problem of rural industrialisation the Third Plan made a specific reference to the need for securing close coordination among the various agencies concerned with the implementation of the programmes of village and small industries. The Third Five Year Plan stated:

“Further means will need to be devised to secure coordination among the various Boards and agencies concerned with the implementation of the programmes. However, it is more at the field level that the need for greater coordination is being felt. This applied particularly to the programmes for khadi and village industries where the activities of State Governments, State Khadi Boards, registered institutions and the block level staff have to be more closely integrated. Moreover, with developments envisaged in the field of agriculture, power, transport, etc. it is necessary to take a unified view of the entire problem of rural industrialisation. The existing Boards may not always be able to take such a view because each of them operates in

its own specified field. The rural industries programme of the Khadi and Village Industries Commission is at present limited to only 12 traditional industries. A comprehensive programme of rural industrialisation will have to take into account the various aspects of development in each area and it will be necessary to ensure that close cooperation of the various institutions and agencies working at the regional or block level is obtained for preparing local plans and implementing them."

10. It was indicated in the Third Five Year Plan that the various aspects of the question of ensuring coordination among the Boards and agencies concerned with the implementation of the village and small scale industries programmes would be examined "in consultation with State Governments and the Boards". The Planning Commission pursued the matter and after detailed consultations with the Ministries of Commerce and Industry, Community Development, the concerned all-India Boards and others specially interested in the development of small industries in rural areas, constituted in April 1962, a high-level Rural Industries Planning Committee for "reviewing the progress of industries in rural areas, advising on problems of policy and planning relating to them and recommending programmes for the intensive development of village and small industries in rural areas, including coordinated area and regional plans of development and pilot projects."

11. In July 1962, the Rural Industries Planning Committee brought out a scheme for 'Projects for the intensive development of village and small industries in rural areas'. In the first series such projects were proposed to be taken up in 40 selected areas. It was stated that the final selection for the first series of projects "will have to be made in consultation with State Governments and the Rural Industries Planning Committee."

The working of the 'Projects for the intensive development of village and small industries in rural areas' has been examined in Chapter IV of the Report.

12. With regard to the organisational machinery for the direction and implementation of the programme for rural industrialisation in general and the projects for intensive development of village and small industries in particular, the Rural Industries Planning Committee made the following suggestions:

- "(i) Questions of overall policy and direction relating to the programme for rural industrialisation will be considered by

the Planning Commission's Rural Industries Planning Committee, which may be suitably enlarged to include representatives of all the All India Boards.

- (ii) For the first series of projects for the intensive development of village and small industries, the Planning Commission should undertake the necessary coordination and assist State Governments in carrying out the programme.
- (iii) The Rural Industries Planning Committee will constitute a Standing Committee for continuous guidance of the programme for rural industries formulated by the Committee. The Standing Committee should include, amongst others, representatives of the Ministries of Commerce and Industry, Community Development and the Khadi & Village Industries Commission. The Planning Commission will set up the necessary establishment for implementing the programme which will function under the supervision of the Standing Committee.
- (iv) In each State, the Chief Minister may be requested to set up a high-level Advisory Committee for Rural Industries which may include, amongst others, the Chairman of the State Khadi & Village Industries Board. A senior State official connected with village and small industries may serve as the Secretary of the State Advisory Committee and ensure co-ordination between various agencies under the State Government as well as with non-official organisations.
- (v) For each selected area, a Project Committee for Rural Industries may be appointed by the State Government in consultation with the State Advisory Committee.
- (vi) In formulating and executing detailed programmes for each selected area, the aim would be to ensure close and continuous collaboration between the Zila Parishad, Panchayat Samitis and their administrative and technical personnel, and co-operative organisations, registered institutions associated with the Khadi & Village Industries Commission and non-official workers.
- (vii) The Khadi & Village Industries Commission's programmes for *gram ekais* would be coordinated with the programme for project areas."

13. In a letter addressed to the Chief Minister of the States the Deputy Chairman of the Planning Commission explained that the Rural Industries Projects Programme was "intended to support the present efforts and to influence the lines on which the existing programmes are being implemented by the State Governments and the All-India Boards."

It is seen that under the Rural Industries Projects Programme as originally formulated, the Rural Industries Planning Committee was responsible (a) for questions of overall policy relating to the programme for rural industrialisation, (b) for necessary coordination and assisting State Governments in carrying out the programme, and (c) for continuous guidance of the programme for rural industries formulated by the Committee. It was also envisaged that the Planning Commission "will set up the necessary establishment for implementing the programme which will function under the supervision of Standing Committee (of the Rural Industries Planning Committee). However, commenting on the slow progress of the Rural Industries Projects Programme in a recent Report (August, 1965), the Rural Industries Planning Committee have stated, *inter alia*, "the formulation and implementation of the programmes was the responsibility of State Governments.... It took more time than expected for State Governments to finalise survey reports, and put in position necessary administrative machinery for implementation of the programmes."

14. Commenting on the role and performance of the Rural Industries Planning Committee, the Fourth Plan Working Group on Khadi and Village Industries has observed in its Report (December 1964):—

"We are of the view that no impact has yet been made on rural industrialisation by the Rural Industries Planning Committee and the intention set out by the Planning Commission has not been fulfilled".

"Unfortunately, the result has been the constitution of a mere committee which has to approach the State Governments and various other organisations for the implementation of the programmes. It has become more or less another cog in the wheel of small industries."

Proceeding further, the Working Group has made the following suggestions:—

"We would suggest that the question of constituting a single body with responsibility for the entire field of rural industrialisation and with authority to execute programmes in this sphere should be re-examined by the Government.



There will be an advantage in having a coordinated programme in respect of all rural industries and placing all rural industries including village industries under a single authority.

If khadi has to be preserved in the same manner and with the same orientation as inspired the programme when it started, the merging of khadi, handlooms and powerlooms would be a proposition fraught with grave consequences. We, therefore, suggest that the implication of the coordination of this programme in all its facets should be discussed in detail by the Government with the planners, the social and constructive workers and economists. The policy framed as a result of the discussion should, in our opinion, operate for a reasonable period and not be subjected to change from time to time."

15. The question of coordinating the activities of the various Boards and other authorities which are presently operating in the field of rural industrialisation was discussed at some length with the representatives of the concerned Ministries and Boards in the course of official evidence. Maintaining that the existing arrangements in this behalf were on the whole quite adequate the representative of the Ministry of Industry has stated:—

"Taking into account the specified functioning of each Board, if you sought to combine all the functions into one Board or into a lesser number of Boards, that will lead to confusion in the first place. Secondly, the kind of useful developmental work they are doing will get affected. If you combine the Handloom with the CSIO there will be a certain amount of dilution in the handloom work. Similarly, Silk Board again has a special purpose to fulfil. Coir again has special problems. From that point of view we feel that there is clearly a place for each one of these Boards. We have devised various methods by which coordination will be achieved. There is at the highest level in the Government of India a Co-ordination Committee of Ministers concerned. Then at the lower level there is a Standing Committee composed of officers with Joint Secretary of the Ministry as Chairman. At the lower level there are consultations and meetings so as to ensure that there is no overlapping or conflict in work."

He observed further that "at the working level, it will be very difficult to maintain a unified approach" in implementing the programme of rural industries.

However, the representative of the Department of Social Security has not been quite happy with the present arrangements and has said:—

"The necessary drive and initiative at the Ministry's level or planning is not possible under the present system. My conception is to develop an idea of agro-industries and let one single Ministry take charge of it, whichever Ministry that may be".

The representative of the Khadi and Village Industries Commission said:—

"The Khadi Commission does feel that there is a definite need for a comprehensive and integrated approach to all the industries and not taking them piecemeal. . . . Coordination is one part of the problem. But the real coordination is at the ground level. Villagers *inter se* should also feel a sense of participation. It is, therefore, necessary that it must be a comprehensive integrated approach. Whether the Khadi Commission does it or somebody else, does not matter, but the whole thing should be an integrated one."

The Committee regret to note that although the need for greater coordination between the various Boards and agencies concerned with the implementation of the programmes of village and small industries has been felt for a long time, no effective measures in this direction have been taken so far.

They are particularly distressed to note that the Rural Industries Planning Committee has not succeeded in bringing about any coordinated implementation of the programme even though it was originally intended to be responsible for not only formulation and direction of overall policy relating to rural industrialisation and securing necessary coordination between the various relevant agencies, but also for assisting the State Governments in carrying out the programmes. The Committee are broadly in agreement with the view of the Fourth Plan Working Group on Khadi & Village Industries that no impact has yet been made on rural industrialisation by the Rural Industries Planning Committee and the intention set out by the Planning Commission has not been fulfilled.

The Committee endorse the view expressed in the Third Five Year Plan that it is necessary to take a unified view of the entire problem of rural industrialisation. They regret that this valuable policy statement has not been implemented so far.

They need hardly stress that under the existing arrangements the various Boards are not always able to take such a view because each of them is necessarily conditioned to look at the problems from the standpoint of the needs and interest of the industry falling within its specific sphere. The Committee strongly feel that an essential prerequisite for the success of a really meaningful programme of rural industrialisation is the setting up of an effective machinery for implementation in one administrative Ministry. They would like the Government to examine the problem in all its ramifications without delay and devise a suitable machinery to ensure that schemes or programmes for rural industrialisation are formulated in an integrated manner and are implemented faithfully in the field.

### III

#### DEVELOPMENT PROGRAMMES

##### A. General:

16. The Committee have been informed that for the purpose of planning and development rural and cottage industries are not treated as a separate category and "no production targets are set for rural or cottage industries as such". Explaining the position, the Ministry of Industry have stated:—

"The term rural or cottage industries is somewhat inappropriate in this context, since for purposes of planning, the industry approach is adopted since the problems of an industry whether the units are located in rural, semi-urban or urban areas will be homogenous and could be considered by a single Board. Therefore, rural and cottage industries are not treated as a separate category for purposes of planning and development; the industries which are popularly believed to come under this category actually fall within the purview of different all India Boards/Commission."

As noted in Chapter II the all-India bodies, in a broad sense, are considered responsible for the development of rural and cottage industries are: the Khadi and Village Industries Commission, the All India Handloom Board, the Central Silk Board, the All India Handicrafts Board, the Coir Board and the Small Scale Industries Board. The progress made in regard to rural industrialisation hitherto may, therefore, be generally assessed with reference to the industries falling within the purview of these all-India Boards/Commission.

##### B. Objectives and Approach under the Five Year Plans

17. The First Five Year Plan noted that "diminishing opportunities for gainful employment" accounted "to some extent for the reduction in the standard of life of some sections of the rural population" and that "development outside the rural sector has not been rapid enough to arrest the increasing pressure of population on the land." The Plan stated that "village industries have a central place in rural development programmes." Stressing the need for State action and

comprehensive measures for the development of village industries, the Plan stated:—

“The development of village industries should be as much a matter of State action as the increase of agricultural production. Indeed, one cannot be separated from other, for increase in agricultural production presupposes fuller utilisation of the available manpower and release of surplus workers for other occupations. Village industries, therefore, call for programmes which will develop a great deal of local initiative and cooperation, and an economic environment in which they have a reasonable chance of succeeding. If the measures to be undertaken are to be effective in dealing with so difficult a problem, it is essential that they should be commensurate with its size and importance.”

18. As stated by the Village and Small Scale Industries (Second Five Year Plan) Committee, commonly known as the Karve Committee, the notable directions in which the First Five Year Plan “marked a definite advance over the pre-Plan position” was in making a substantial provision for the development of village and small scale industries and in emphasising the need for setting up an organisation in the Central Government to look after the problems of village industries.

19. Another important aspect of the First Plan was the acceptance of the principle of a common production programme for large scale and small scale industries in spheres of production where there was competition between the large scale and the small or cottage industries. The possible elements of a common production programme were stated to be:—

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

The Plan also suggested specific measures for the development of village industries, such as an organised system of training for village artisans, financial assistance, arrangements for research in village industries, etc.

In accordance with the principles of the common production programme, the production of certain varieties of cloth was reserved for the handloom industries and an excise duty was levied on the production of large mills so as to build up a fund from which financial assistance was given to handloom and khadi industries. Printing of cloth by large mills was limited to their best year's output during the period 1949—54 and expansion of the capacity of large units for garment-making was restricted. An exercise duty was also levied on the large scale leather foot-wear industry. A differential excise duty was imposed on the washing soap industry and a subsidy was given for neem and non-edible oils used in making soap. In regard to a number of other industries also, including certain types of agricultural implements, furniture-making, sports goods, slates and pencils, bidi, writing inks, chalks and crayons and candles, it was decided to reserve further expansion of production for small units.

20. The Industrial Policy Resolution of 1956 while making a reference to the various measures constituting the common production programme emphasised:—

“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.”

The Second Five Year Plan generally endorsed the objectives set forth by the Karve Committee which kept three principal aims in view, namely:—

- (i) to avoid as far as possible, during the period of the Second 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.

21. The Karve Committee 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. At the same time, where new capital investment had to be made it should be, as far as possible, on improved equipment, the improvement being in some cases in the nature of additions to or adaptations of existing equipment.

While recognising the importance of the common production programme, the Second Plan also stated that the devices for giving effect to the programme such as demarcation of spheres of production, non-expansion of capacity of large scale industries, represented "only a part of the totality of action to be taken" for the development of village and small industries and "are intended ordinarily to afford time and opportunity to the sector of village and small industries to gain the necessary strength to develop on its own." The Plan urged:

"They have to be supplemented, wherever feasible, by common marketing arrangements through cooperative organisations in which the State may participate. A great deal of attention must be given to ensuring that the positive measures of organisation and assistance succeed and succeed without loss of time."

It has been stated that in pursuance of the common production programme during the Second Plan period, production of certain varieties of cloth was reserved for the handloom industry and of certain types of agricultural implements for small scale industry. It was also decided that there should be no further expansion in certain large scale industries like vegetable oils, rice milling, leather footwear, match etc. where the existing capacity was not being already fully utilized.

22. The Second Plan also laid particular stress on the development of industrial cooperatives for village and small industries. It noted that while there was scope for supply and marketing cooperatives in almost all village and small industries, producer cooperatives had greater possibilities in some fields than in others. The Plan further stated that the principal village industries to be developed

during the Second Plan period were hand-pounding of rice, vegetable oil, leather footwear and tanning, gur, khandsari and cottage match.

The main objectives that had to be kept in view in implementing programmes for village and small industries in the Third Plan were stated to be:

- (i) to improve the 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) to reduce progressively the role of subsidies, sales rebates and sheltered markets;
- (iii) to promote the growth of industries in rural areas and small towns;
- (iv) to promote the development of small scale industries as ancillaries to large industries; and
- (v) to organise artisans and craftsmen on cooperative lines.

23. The various measures proposed in the Third Plan for achieving its objectives in regard to village and small industries are briefly as under;

*(a) Improvement of skill and productivity*

- (i) Training facilities for meeting the requirements of technical and managerial personnel in the field of village and small industries to be considerably enlarged.
- (ii) Greater emphasis to be laid on the introduction of improved tools and equipment.
- (iii) Efforts to be organised on a large scale to provide technical advice to artisans and craftsmen engaged in various industries.
- (iv) Special attention to be paid to research for developing improved tools and equipment, processes of manufacture, designs etc.

*(b) Credit and Finance*

Credit facilities for village and small scale industries to be organised on a larger scale and to be made available on reasonable terms and with minimum of procedural delays.



It was stated that the progressive enlargement of programmes of positive assistance was expected to make it possible to reduce the role of subsidies, sales rebates and sheltered markets in the Third Plan period. In the field of khadi, it was hoped to bring about a gradual reduction of prices through technical improvements, pooling of production costs and economy in transport and other distribution charges. It was intended that rebates on sales of khadi, particularly of silk and woollen khadi, would be reviewed with the object of replacing them, as far as possible, by suitable management grants. As regards village industries also, it was proposed that subsidies and/or rebates on sales in respect of their products should be replaced by gradually tapering management grants. Similarly, in the handloom industry emphasis would be shifted from sales rebates to more positive forms of assistance.

24. It was stated in the Plan that the general principles underlying common production programme should be applied only after detailed study and investigation of the problems of particular industries. It was pointed out, by way of example, that in the case of some of the traditional industries, measures for ensuring preferential treatment and assurance of market for their products might have to be continued for somewhat larger period than in the case of small scale industries.

The Third Plan set a total production target of 9300 million yards of cloth for the last year of the Plan. Of this the share of the decentralised sector, namely, handloom, powerloom and khadi industries, was fixed at 3500 million yards, as compared with its output of about 2350 million yards in 1960-61. The major portion of the additional production was expected to come from the handloom industry but no precise allocation of it between the different sections of the decentralised sector was made.

On the basis of the total investment under the Third Plan, including outlay in the public sector and investment from private sources, it was estimated that the development programmes for village and small industries would provide part-time employment or fuller employment for about 8 million persons and whole-time employment for 9 lakh persons. Programmes for the production of khadi were expected to provide mostly part-time employment and those for the handloom industry, powerlooms in the handloom sector, village industries, sericulture and coir industries to provide mainly fuller employment to those engaged in them. The programmes for small scale industries including industrial estates, handicrafts and, to a limited extent, some of the other industries, were expected to create mostly whole-time employment.

25. It was noted in the Third Plan that "although several industries such as village industries, khadi, sericulture, coir and, to an appreciable extent, handlooms are already located in rural areas, the development of small scale industries has so far been, by and large, in or near the cities and the larger towns." It was stated that since one of the principal objects of programmes in this field was to provide opportunities of income and employment in a dispersed manner all over the country, emphasis in the implementation of the programmes in the Third Plan would be on encouraging the further growth of industries in rural areas and in small towns as well as in less developed areas having a marked industrial potential.

The following specific measures were suggested in the Third Plan to facilitate industrial development in rural areas and small towns:

"The first step in this direction should be to identify the areas in which various basic facilities such as electricity, larger supply of agricultural raw materials and improved means of transport will become available as a result of development envisaged in other sectors during the course of the Third Plan and to prepare programmes for assisting the growth of industries in such areas. The desirability of linking up the promotion of small industries with programmes of power development in the rural areas has also been stressed in the Chapter on Irrigation and Power. The other essential step will be to provide various kinds of assistance such as training facilities, credit, technical advice, tools and machines, etc. in an integrated manner to those who set up industries in the rural areas and small towns. This aspect should be borne in mind in implementing schemes for cluster-type training centres for groups of villages, provision of credit to rural artisans, setting up of common facility workshops and rural industrial estates. For the better utilisation of resources under the Plan, the attempt should be to provide assistance intensively at points where conditions are relatively more favourable and to build up in this manner a number of successful centres which may serve as models and as nuclei for more widespread development."

### C. Plan Outlays and Expenditure

26. Under the First Five Year Plan a provision of Rs. 37.5 crores was made for both village and small scale industries. The actual

expenditure under this head during the Plan period has been indicated in the Second Plan Report as follows:

*Expenditure on Village and Small Industries in the First Plan*

	1951—55	1955—56	1951—56
	(Rs. in crores)		
Handloom . . . . .	6.5	4.6	11.1*
Khadi . . . . .	4.9	3.5	8.4
Village Industries . . . . .	1.1	3.0	4.1
Small Scale Industries . . . . .	2.0	3.2	5.2
Handicrafts . . . . .	0.4	0.6	1.0
Silk and Sericulture . . . . .	0.8	0.5	1.3
Coir . . . . .	..	0.1	0.1
Total . . . . .	15.7	15.5	31.2

27. The Second Five Year Plan provided for an outlay of Rs. 200 crores on village and small industries. It was stated in the Plan that part of the programme for village and small industries would be implemented by the Central ministries or by the all-India Boards functioning under their aegis, while the remaining programmes would be implemented by the States on the advice of the Central ministries and the Boards. The following allocations represented the tentative cost of the schemes to be implemented Centrally and by the States:

Industry	Centre	States	Total
	(Rs. in crores)		
Handloom . . . . .	1.5	58.0	59.50
Khadi & Village Industries . . . . .	4.0	51.5	55.50
Handicrafts . . . . .	3.0	6.0	9.00
Small Scale Industries . . . . .	10.0	45.0	55.00
Sericulture . . . . .	0.2	4.8	5.00**
Coir Spinning and Weaving . . . . .	0.3	0.7	1.00
General Schemes . . . . .	6.0	9.0	15.00
	25.0	175.0	200.00

\*It has been stated in the course of factual verification that the "actual figure of expenditure as reported by the All-India Handloom Board is Rs. 9.69 crores only."

\*\*It has been stated at the factual verification stage that this provision was shared as — "Rs. 1 crores for centre schemes and Rs 4 crores for state schemes".

The Committee have been informed that the original allocation for khadi and village industries in the Second Plan was exclusive of the allocation for the Ambar Charkha Programme which was in an experimental stage at the time the Second Plan was finalised. Later, when the Ambar Programme was accepted as part of the Plan, Government allotted Rs. 67.45 crores for khadi and Rs. 16.33 crores for village industries in the Second Plan. Thus, the revised allocation for khadi and village industries for the Second Plan was Rs. 83.78 crores.

28. The Third Plan proposed a total outlay of Rs. 264 crores for programmes of village and small industries. The break-up of this outlay between different industries as against the estimated expenditure during the Second Plan period is given below:

(Rs. in crores)

Industry	Second Plan (estimated expenditure)	Third Plan States and Union Territories	Plan Outlays	
			Centre	Total
Handloom Industry .	29.7	31.0	3.0	34.0
Powerloom in the handloom Sector . . . . .	2.0	—	4.0	4.0
Khadi-traditional amber Village Industries . . .	82.4*	3.4	37.0 32.0 20.0	92.4
Sericulture .	3.1	5.5	1.5	7.0
Coir Industry .	2.0	2.4	0.8	3.2
Handicrafts . . .	4.8	6.1	2.5	8.6
Small Scale Industries .	44.4	62.6	22.0	84.6
Industrial Estates' .	11.6	30.2		30.2
Total .	180.0	141.2	122.8	264.0

\*Note:—It has been stated that the Khadi and Village Industries Commission actually disbursed Rs. 83.69 crores for Khadi and Village Industries during the Second Plan period.

In addition to the outlay indicated above, there was a provision of about Rs. 20 crores made for the development of these industries in the programmes of community development. Some provisions for the purpose were also made in the programmes for the rehabilitation of displaced persons, social welfare and welfare of backward classes. Further, about Rs. 275 crores were expected to be invested from private sources including banking institutions.

29. Details regarding the estimated expenditure on khadi and village industries, handloom, sericulture, coir and handicrafts, during the Third Plan period, are given in Appendix I which reproduces a statement placed on the Table of the Lok Sabha on the 25th March, 1966.

It is seen that with the exception of khadi and village industries the estimated expenditure falls short of the provisions made in the Third Plan. In the case of khadi and village industries the expenditure (including Departmental receipts) is expected to amount to Rs. 123.4 crores as against the Plan provision of Rs. 92.4 crores. The original Plan outlays and the estimated expenditure in the case of the other industries are indicated below:

(Rs. in crores)			
Name of Industry	Third Plan Outlay	Estimated Expenditure	Shortfall
Handloom	34.00	24.57	9.43
Sericulture	7.00	4.39	2.61
Coir	3.20	1.65	1.55
Handicrafts	8.60	5.13	3.47

30. Attention may be drawn here to the reasons assigned by the Government for the above shortfalls. These are:

*For Handloom*

- (i) halting progress of the cooperative movement in the handloom industry.
- (ii) cut imposed by various States due to national Emergency since 1962.

- (iii) the recent Indo-Pakistan conflict.
- (iv) slow adoption of improved appliances and equipment.
- (v) lack of appreciation of export potential of our handloom goods abroad.

#### *For Sericulture*

- (i) the delay in the execution of construction programmes by the State P.W.D.
- (ii) Emergency declared during the second year of the Third Plan and the consequent severe cuts imposed by the State Governments on sericultural development programmes.
- (iii) inadequacy of the implementing machinery of sericultural departments to cope with the additional work incidental to development activities.

#### *For Coir*

Largely due to inadequate resources of various State Governments.

#### *For Handicrafts*

- (i) economy necessitated by national Emergency.
- (ii) scarcity of suitable technical personnel.
- (iii) non-availability of raw materials.

It may also be mentioned here that the total expenditure on the small scale industries programme (including industrial estates) during the Third Five Year Plan is expected to be Rs. 90.15 crores against the Plan outlay of Rs. 114.80 crores. It has been stated by the Ministry of Industry that the shortfall in this sphere was "the result of deliberate policy and in accordance with the needs of the time." Explaining the position, the representative of Ministry has stated during evidence that soon after the Chinese aggression towards the end of 1962 "there was a definite decision taken that in respect of all those items (i.e. the various programmes for the development of small scale industries) there should be a slowing down of tempo and we had to tell the State Governments to reduce the allotments to some extent."

The Committee note that while the financial outlays, envisaged in the Third Five Year Plan, have been fully achieved in the case of khadi and village industries, the expenditure on the other industries

in the decentralised sector, viz., handloom, sericulture, coir, handicrafts and small scale industries, is likely to fall considerably short of the Plan targets. They also note that these shortfalls are generally attributed to the national emergency. The Committee are unable to appreciate why the cuts necessitated by the emergency should hit some industries and not others. The Committee are not quite convinced with the plea of emergency for justifying such heavy cuts (of about 30 per cent) on the programmes for the development of rural industries. The Committee are constrained to observe that there is a tendency to attribute every deficiency in the implementation of the programmes to the national emergency. This apprehension is further confirmed by the fact that while the general instruction was to impose a cut of 10 per cent in the overall expenditure of the Government, the weakest sector of the economy intended to give benefit to the weakest section of the people should be subjected to 30 per cent or even higher cuts. In this connection, the Committee can not help stressing that this sector of industries is a labour intensive and very quick yielding sector not requiring any long gestation period, and as such any cut on this sector should have been imposed with the greatest caution.

The Committee would like the Government to ascertain the actual reasons for the shortfalls in expenditure during the Third Plan period in respect of the handloom, sericulture, coir and handicrafts industries; assess the precise effects of the shortfalls on the development of each industry; and take suitable measures during the Fourth Plan period to make up the deficiencies suffered by these industries as a result of the earlier cuts in the developmental expenditure.

The Committee would also like to urge the need for effective Central guidance and coordination between the concerned agencies at the Centre and in the States to ensure that the development of the various industries which together constitute the 'village and small industries' group proceeds uniformly in all the States in accordance with the targets and programmes envisaged in the Five Year Plans.

#### D. Review of Progress

##### (I) KHADI AND VILLAGE INDUSTRIES

31. It has been stated that during the First Five Year Plan period the value of khadi increased from Rs. 1.3 crores in 1950-51 to Rs. 5.55 crores in 1955-56 when its total production stood at 29 million yards.

During the Second Plan period a programme for the manufacture and distribution of Ambar Charkhas on a large scale was undertaken by the Khadi and Village Industries Commission. At the end of the Second Plan period, in 1960-61, the production of traditional khadi (cotton, silk and woollen) stood at 30.1 million yards. It has been estimated that in 1960-61 traditional khadi provided employment, mostly part-time, to nearly 11 lakh additional spinners, besides whole-time employment to about 1.4 lakh weavers, carpenters etc. Production of Ambar khadi (produced from admixture of Ambar yarn and ordinary Charkha yarn) increased from 1.9 million yards in 1956-57 to about 26 million yards in 1960-61. Mostly part time employment was provided by this programme to about 3 lakh spinners, besides full-time employment to about 51,000 weavers and others. The village industries programme in the Second Plan provided partial relief to about 5 lakhs of artisans and under-employed women workers in villages.

32. The Third Five Year Plan noted that the expectations in regard to the Ambar Charkha, which had been introduced during the Second Plan period, were not entirely fulfilled. It was mentioned that because of certain initial difficulties—the Ambar Charkhas were not all upto the mark and arrangements for servicing could not be organised to the extent required—the Ambar Charkhas were worked on an average for about two hours in a day for about 200 days in a year and the average production was only 1.8 hanks per day. The results thus fell considerably short of the earlier assumption that the Ambar Charkha could be plied for 8 hours in a day for 300 working days in a year and produce 8 hanks per day. Even so, the earnings of spinners who took to the Ambar Charkha showed an improvement over those of traditional spinners, the average annual earnings being about Rs. 52\* for Ambar as against Rs. 35 for the traditional Charkha.

The Third Plan also mentioned that the increase production of khadi, both traditional and Ambar, had resulted in the accumulation of large stocks in the last two years of the Second Plan period. To avoid such situations it was suggested that the programme of khadi in the Third Plan would aim at gradual reduction of dependence on urban markets and correspondingly greater production for local use. Emphasis would also be placed on improving the techniques of spinning and weaving so as to raise the output and earnings and produce better quality of khadi. It was stated that while the traditional charkha would continue to play a definite role, greater efforts would

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\*This was the figure given in the Third Plan report. The average annual income from Amba Charkha is now said to be Rs. 95 (See para 34).



be made to popularise the Ambar Charkha and increase the productivity.

33. The year-wise details of production and employment opportunity created in the sphere of khadi and village industries during the first three years of the Third Five Year Plan are given below:

	Year (Rs.)	Production (In crores)	Employment (lakhs)
Khadi	1961—62	16·91	17·46
	1962—63	21·22	17·98
	1963—64	22·34	18·60
Village Industries	1961—62	37·77	5·90
	1962—63	39·99	7·36
	1963—64	43·23	7·21

In terms of quantity, the production of khadi in 1963-64 was 72.59 million metres.

It has been stated that of the 18.60 lakh persons employed in khadi in 1963-64, 16.25 lakh were part-time and 2.35 lakh full time. The total amount of wages earned by the various artisans employed in khadi was Rs. 13.85 crores in 1963-64.

The employment provided under the various village industries is, by and large, seasonal and part-time. In reply to a question the Khadi and Village Industries Commission has informed the Committee that "for the various village industries, the wages vary from one activity to another. It is not possible to indicate the total amount of wages earned by the artisans in different industries."

34. The Khadi & Village Industries Commission has admitted that the progress of the Ambar khadi production has not kept pace with the expected level owing to a number of difficulties in renovating the Ambar Charkhas distributed to individual households and in remote parts of the country. As against the target of renovating 2 lakh Ambar Charkhas by the end of the third year of the Third Five Year Plan, only about 70,000 Charkhas could be renovated. The total value of Ambar khadi produced in 1963-64 is stated to be Rs. 5.75 crores.

It has been stated that of the 3,99,374 Ambar Charkhas manufactured till the end of March 1965, about 2,10,000 were in actual

operation. About 30,000 such Charkhas were estimated to be either lost or under complete disrepair, while about 50,000 were with training institutions. As regards the utilisation of the Ambar Charkhas which are in operation, it has been stated, that "If for purpose of utilisation a norm of 4 hours of working on an average per day for about 100 days in a year is fixed, it is estimated that about 70 to 80 thousand Charkhas do not satisfy this norm."

As regards the average output and earning from the Ambar Charkha the Chairman of the Khadi and Village Industries Commission has observed in a note furnished to the Committee:

"As compared with an average daily production of 2 hanks on the traditional charkha for 8 hours of work, the production on Ambar Charkha for the same input is 4 to 6 hanks. Thus production of yarn on the ambar charkha has been stepped up by about 200 to 300 per cent as compared with the traditional charkha.

Wherever ambar charkhas have been worked by the spinners who are generally women who have other social, religious and domestic obligations to attend to, the period of work during agricultural off-season has tended to increase to about 6-8 hours a day and during the agricultural season to less than 2 hours. On an average about 800 hours are put in a year on the Charkha and the wages paid come to about Rs. 95 per charkha.

It may also be noted that about 25 to 30 per cent of the charkhas working are operated by more than one member of the family.

The income of Rs. 95 per year on the ambar charkha compares favourably with an average earning of about Rs. 35 a year on the traditional charkha."

The Committee have been informed that the total expenditure on the Ambar Charkha programme from 1956-57 to 1964-65 is Rs. 16.15 crores of which Rs. 4.16 crores is for purposes of investment on charkhas and other accessories, godowns, worksheds etc. and the balance is on training, working capital and other schemes.

35. The Khadi & Village Industries Commission has recently evolved a new charkha known as the new model charkha which is said to be a marked improvement over the present charkha. The Commission has also undertaken a programme for renovation of charkhas which consists of (a) conversion of four spindle charkhas

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into six spindle charkhas and (b) remodelling of old model charkhas by incorporating in them the latest innovations and improvements, e.g. introduction of gear wheels, calender belnis, ball bearings etc. Upto April, 1965, 21,896 charkhas were converted into six spindle models and 58,910 charkhas were remodelled bringing the total number of charkhas renovated to 80,806.

A unit set of the new model charkha consists of one carding machine, two drawing frames, two flyer belnis and ten charkhas. It is claimed that a spinner operating this charkha can produce 20 hanks in a day of 8 hours work as against 4-6 hanks on the existing ambar charkha. Results of latest trials have indicated that the productivity has gone even upto 25 hanks per charkha per day. Although the charkha can also be worked by using power, it is proposed to ply the charkha by using only manual power. It has been stated during evidence that the average annual income of a person engaged in the new model charkha would be about Rs. 225.

The new model charkha is still in the field trial stage. It has been stated that the Khadi & Village Industries Commission propose to distribute 2,20,000 new model charkhas during the Fourth Five Year Plan period.

The Committee have been informed that the Khadi & Village Industries Commission "has no objection to the use of power in the various processes and equipment used in the industries coming within its purview provided that the application of electric power does not displace labour and lead to their exploitation."

**The Committee feel that considering the high expenditure on the Khadi and Village Industries programme, the benefits accruing through this programme in terms of production and employment have not been very impressive. They consider it essential that the programme should not be too heavily dependent on Government grants and subsidies. In this connection the Committee would also like to invite attention to the observations made by the Public Accounts Committee in Chapter I of their 49th report on Khadi and Village Industries Commission. They would like to urge the Government to modify and revitalize the programme in the light of the detailed findings and suggestions made by the Evaluation Committee on the Intensive Area Scheme (1964) and the Fourth Plan Working Group on Khadi and Village Industries.**

**As regards the working of the Ambar Charkha programme, the Committee would like to refer to the observations made by the Public Accounts Committee in para 5.100 of their 49th report. In the**

light of the unhappy experience of the Ambar Charkha programme, the Committee suggest that the Khadi & Village Industries Commission should proceed cautiously in introducing its new model charkha. They feel that it would not be proper to launch a massive drive for introduction of the new charkha in the villages without making sure of its efficiency and making adequate arrangements for imparting training in the new device as well as for its servicing.

The Committee would also like the Commission to arrange field trials for the new spinning machine and improved looms that have been recently developed by the Rehabilitation Industries Corporation, Calcutta. If the machine is found useful, arrangements may be made for its manufacture and distribution in rural areas.

## (II) HANDLOOM INDUSTRY

36. The Committee have been informed that figures of actual production in the handloom industry are not available. The table below gives the estimates of production:

Year	Production in million yards
1948 .	1063
1956 .	1541
1961 .	2591 (inclusive of production in the powerloom sector)
1965 .	3350 (inclusive of production in the powerloom sector and based on the figures for the first six months of 1965)

It has been stated by the Ministry that since 1960, only combined estimates of production by the handloom and powerloom industries are available. However, the Powerloom Enquiry Committee estimated that in 1963, out of a total production of 3150 million yards by the powerloom and handloom industry, the latter accounted for between 2000 and 2150 million yards.

As regards employment and earnings in the handloom industry, the difficulties of providing precise data have been explained by the Ministry as follows:

“By the very nature of the handloom industry, where production is carried on, on a decentralised basis in households,

it is difficult to obtain precise statistics on the various characteristics. The position is even more complicated in regard to data on the employment and earnings because of the fact that, being a household industry, there is no rigour of discipline in regard to hours of work and output. Also the weaver is assisted in the production processes by the members of the household who contribute their labour according to the circumstances in each family. Also, there is no rigid specialisation of work and many workers enjoy multiple activity-status. For these reasons, it is difficult to measure precisely the employment and earnings position in the handloom industry. Another characteristic of the handloom industry which needs to be kept in mind is the fact that the problem in the handloom industry is not one so much of unemployment as of under-employment. The workers in the industry are reported to be not receiving employment for the same number of days every month and also the same number of hours every day. In this context, only certain broad estimates regarding the employment and earnings position are possible and these have been constructed with the help of data collected in the course of different surveys of the handloom industry."

37. However, expressing the labour of the weaver in terms of full employment, the following estimates have been given of the number of whole-time and part-time workers in the handloom industry:

(Figures in lakhs)

Year	Whole-time Workers	Part-time workers	Total
1956 .	10	15	25
1961 .	13	17	30
1965 .	15	20	35

38. The Working Group for Handloom Industry (1959) had observed that, "there has been a uniform rise in the earnings of the weavers". It has been claimed that "the trend in regard to earnings is being continued in the Third Plan". The average earnings of a weaver at present is stated to be between Rs. 50 to Rs. 60 per month.

It has been stated during official evidence that "improved looms and appliances and new designs which cater to the export market as well as to the internal market have been introduced. The Handloom Board, through the good offices of the Textile Commissioner, has been supplying to the handlooms yarn, dyes, chemicals, artsilk and other raw materials required for the handloom industry." The Committee have also been informed that Handloom Board has set up Weaver's Service Centres at Bombay, Madras, Delhi, Calcutta, Indore and Varanasi and a sub-centre at Kancheepuram. In addition the Board has set up two institutes of Handloom Technology at Varanasi and Salem. The functions of the Weaver's Service Centres and Institutes primarily are:

- (i) to conduct experiments and research in the production of new and quality fabrics,
- (ii) to help intensive development of handloom industry in the States,
- (iii) to impart training to weavers both on short term basis and also for a diploma in Handloom Technology,
- (iv) to evolve new designs on paper and on looms and to produce samples of new textures, finishes etc. both for export and for internal marketing, and
- (v) to help weavers to weave the new designs evolved on commercial basis.

39. The Second Working Group on Handloom (1959) has commended the work done by the Weavers' Service Centres and has recommended that in every State there should be set up one main unit of the Weavers' Service Centre in the Fourth Plan period. The Working Group has also recommended establishing of sub-units of the main centres in places where there is concentration of handlooms.

Dealing with the measures taken to improve the economic position of the handloom weavers and to increase production in the

industry, the representative of the Ministry has stated during evidence that "powerlooms are being introduced in the handloom sector itself...in the cooperative sector of the handlooms ... to increase the earning capacity of the handloom weaver and also to increase production."

He has further added that to prevent the exploitation of the handloom weaver by the capitalists, "The Handloom Board has been charged with the duty of developing the handloom industry on co-operative lines to the extent possible. There has been a good deal of progress of the cooperative sector. It accounts for nearly 14 lakh looms out of the total commercially registered looms numbering 25 lakhs. We hope that this number will increase."

The Committee are happy to note the steady progress that has been made by the handloom industry both in regard to production and provision of expanding opportunities of employment in the rural areas. They attach great importance to the development of this industry which is the biggest employer in the country after agriculture.

The Committee feel that there is considerable scope for improving both quality and productivity in the handloom industry through the use of better techniques, improved looms and appliances and new designs. They would like the Government to intensify their efforts in this direction. In particular, they would suggest the setting up of Weavers' Service Centres in each State which does not have such a centre at present. Sub-units of the main centres should also be established in places where there is a concentration of handlooms.

The Committee regret to note that quite often a poor handloom weaver is a victim of exploitation by a rich and clever middleman who supplies yarn, arranges sizing, calendering, dyeing and even sales for the weaver who in such a case becomes more or less a wage earner. The Committee feel that the Government should draw a phased programme to enable the weaver to enjoy the fruits of his own labour and to function as a really self-employed man. For this the Committee suggest the Government to take effective interest in arranging all these facilities extensively.

Efforts should also be made to step up the exports of handlooms through extensive publicity as also by offering suitable incentives to the exporting agencies.

## (III) SERICULTURE

40. It has been stated that the Central Silk Board set up under an Act of the Parliament in 1949, is solely responsible for the development of silk industry on an all-India basis, coordinating the activities of the sericultural States and advising the Central Government on all matters relating to imports and exports of silk products. As defined in Section 8 of the Central Silk Board Act, it undertakes, assists and encourages scientific, technological and economic research, devises means for improved methods of mulberry cultivation, silkworm rearing and production of examined silkworm seed and undertakes such measures as are considered necessary for improving the quality and production of raw silk. Under the Act, it is also authorised to improve the marketing of raw silk.

The progress in the production of raw silk (mulberry and non-mulberry) is indicated in the following table:

	(Figures in Kg.)		
	1956	1961	1964
Mulberry Raw Silk	10,36,487	12,64,480	14,66,313
Non-Mulberry Raw Silk	3,36,539	3,91,917	4,77,127
TOTAL	13,73,026	16,56,397	19,43,440

41. Silk weaving is practised mainly on handlooms. It has been stated that there are at present over 1.2 lakhs of handlooms engaged in pure silk weaving. The value of annual silk production is estimated at over Rs. 16 crores; the annual foreign exchange earnings from exports of silk goods and silk wastes are said to be of the order of Rs. 2.6 crores.

The number of persons employed in the various sectors or stages of the silk industry and their average per capita income are shown in Appendix II. It is seen that the total employment in the industry has increased from 27,97,164 in 1956 and 29,22,400 in 1961 to 31,93,200 in 1964. The per capita income has also increased. Thus, the per capita income in 'mulberry cultivation and silkworm rearing', which constitutes the largest sector employing 23,50,800 persons in 1964, has risen from Rs. 28.95 in 1956 and Rs. 41.72 in 1961 to Rs. 55.35 in 1964. Similarly, the per capita income in 'silk reeling and spinning',



providing employment to 3,17,100 persons in 1964, has increased from Rs. 33.22 in 1956 and 47.87 in 1961 to Rs. 65.65 in 1964.

It may be mentioned that sericulture mainly provides part-time employment. Being subsidiary to agriculture, sericulture invites participation of the entire household of agriculturists. At the time of the drafting of the Third Five Year Plan it was estimated, on the basis of the data available, that the silk industry provided part-time employment to about 2.7 lakh persons and full-time employment to about 35,000 persons.

The Third Plan pointed out that "the high cost of production continued to be the main problem of the industry largely due to the low yield of mulberry per acre, low yield of cocoons, etc."

42. The efforts made so far in the direction of improving the techniques of silk production have been described at some length in a note submitted by the Ministry. The more notable of these efforts are indicated below:

(i) *Mulberry cultivation*

Mulberry which is cultivated as a bush regularly on the lands in the major States of Mysore and West Bengal has been progressively receiving attention in the matter of its cultivation with a view to improve its quality and productivity. The Research Institutes have recently undertaken studies on the different methods of cultivation in vogue in various States. Traditional methods of cultivation have been substituted by advanced techniques and existing uneconomic varieties of mulberry are being replaced. These activities are, however, time consuming and the effect so far has tended to be marginal only. These efforts would be amplified during the Fourth Plan.

(ii) *Silkworm Rearing*

In the methods of silkworm rearing the system of collective rearing of young silkworms is progressively on the increase. This system confers on the rearers the benefits of improvements in quality and increase in the quantity of cocoons. Further, it has the distinct advantage of saving considerable labour for the rearers. As a result of the plan efforts, the number of chowki units in the States had increased from 25 at the end of the Second Plan period i.e. in 1960 to 250 in 1964.

### (iii) *Introduction of Cottage Basins*

In mulberry silk reeling, the bulk of the production of raw silk in India has been on the out-moded charkas only although there have been different systems of reeling. As a result of planned efforts, there has been increased use of improved appliances like the cottage basin during the Second and Third Plan periods. Its silk is almost comparable in quality to filature silk. The total production of this quality of silk in 1958 was 0.62 lakhs of kgs. or 5.4 per cent of the total production of 11.40 lakhs of kgs. The figures rose to 1.42 lakhs or 12.3 per cent in 1960 and in 1964 the production was 3.92 lakhs or 26.8 per cent of the total output. The increase during the first four years of the Third Five Year Plan was as high as 2.75 per cent. The number of basins rose from 2,587 to 5,587 or by 3000 basins.

### (iv) *Tasar and Muga reeling*

In the non-mulberry States of Bihar, Madhya Pradesh and Orissa reeling of tasar cocoons has largely been on the traditional 'natwa'. As the quality of silk is not satisfactory and the output per natwa is also not quite attractive, the Board undertook a series of trials in 1962 to assess the merits of the various reeling contraptions available in the country and to designate the best among them for adoption on an all-India basis. As a result of these trials, a 4 spindle reeling and twisting machine fabricated by M/s. Trivedi Industries, Patna has been recommended to the State Governments for general adoption. At present there are about 776 of these machines as against 250 in 1962.

**The Committee note that little progress has been made so far in improving the quality and productivity of mulberry. They urge that this aspect should receive greater attention and efforts should be made to extend the area of cultivation under mulberry.**

**The Committee feel that efforts to improve the techniques of production in the silk industry need to be considerably augmented and intensified so that it may be possible to bring down the costs of production through increased productivity. The Committee need hardly stress that if the silk industry is to successfully meet the growing competition of synthetic fibres, no efforts should be spared to organise it on scientific lines.**

The Committee also feel that sufficient attention has not been paid so far to the designing of improved appliances and machines that could have brought about an improvement in the productivity of the artisans engaged in the silk industry as well as in the quality of their products. The Committee urge that this deficiency should be removed and suitable arrangements made for the manufacture of improved appliances and machines for silk production and for the demonstration of such machines and appliances in rural areas. Arrangements should also be made for the supply of these machines and appliances to rural artisans on reasonable and easy terms.

#### (IV) HANDICRAFTS

43. The Committee are informed that the All India Handicrafts Board is concerned with the development of about 40 different crafts. It has been stated that specific measures of development have been adopted for a number of these crafts including carpets, art metalware, hand-printing, ivory, zari, wood work, papier machie lacquerware, cane and bamboo and allied crafts dolls and toys, pottery and jewellery. For these crafts the Board is assisted by special craft committees composed of representatives of craftsmen, manufacturers, dealers, exporters and State Governments.

During the Second Five Year Plan period, the Handicrafts Board set up four Regional Design Centres at Bangalore, Bombay, Calcutta and Delhi. These centres have concentrated on design development in selected crafts as under:

Name of the Centre	Main craft	Subsidiary crafts
Bangalore	Wood	1. Tanjore metal works 2. Ivory 3. Stone carving 4. Bell metal 5. Tanjore wood work.
Bombay	Copper	1. Lacquer work 2. Terracotta 3. Textile hand-printing 4. Papier machie.
Calcutta	Pottery	1. Tribal metalwares 2. Textile hand-printing 3. Horn, Ivory & conchshell 4. Cane work and baskets,
Delhi	Metalwares	1. Wood work 2. Stone work 3. Ivory inlay.

It has been stated that a Central Handicrafts Development Centre has been established with the object of studying the tools and techniques employed in different handicrafts and evolving suitable improvements. Common facility centres are also stated to have been set up at some places for certain crafts.

The Committee have been informed that there was an increase in internal sales as well as exports of handicrafts during the Second Plan period. It has been stated that annual sales from the Handicrafts emporia and sales depots increased from about Rs. 1 crore at the end of the First Plan to about Rs. 2.5 crores in 1959-60. Further, handicrafts including carpets worth over Rs. 6 crores\* per annum were exported during the last three years of the Second Plan period.

It was stated in the Third Five Year Plan that, "for undertaking surveys and providing for training and experimentation, it is proposed to develop craft institutes for carpets, hand-printing, bamboo and cane work, metalware, embroidery and various crafts." The Plan noted the increase in the number of handicraft cooperatives, from about 1,000 in 1957-58 to nearly 1,600 in 1960-61. It suggested that the development of handicrafts cooperatives should be encouraged and that the Handicrafts emporia could do much to facilitate the development of such cooperatives by providing orders, technical advice and raw materials and credit and other facilities.

The Committee have not been furnished any precise information regarding the existing level of employment and production in the handicrafts sector. In reply to a question the Ministry have stated that comprehensive statistics regarding the number of persons employed, etc. are not maintained by the concerned All India Boards/Commission "in view of their limited resources of money and men."

The Committee have also been informed that the proposal to set up craft institutes, to which a reference was made in the Third Plan, has not been implemented so far "in view of the present need of economy".

**The Committee feel that the absence of basic data regarding employment, production, etc. in the handicrafts sector is a major lacuna the removal of which is a necessary pre-condition for any meaningful planning for the development of handicrafts.**

**The Committee consider that there is considerable scope for the expansion of exports in handicrafts, specially by ensuring quality control, provision of raw materials (particularly imported ones),**

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\*This is the figure given in the Third Plan Report. However, it has been stated as the factual verification stage that this figure "should be amended to read Rs. 10 crores."

credit and other services to exporters of handicrafts, securing orders from abroad and greater publicity with a view to the development of new markets. They urge that efforts in these directions should be intensified.

The Committee would suggest that thorough review of the working of the Handicrafts Board may be undertaken by Government with a view to effect organisational improvements.

#### (V) COIR

44. The estimated production of coir and coir goods at the end of the First Five Year Plan, viz. 1955-56 was as follows:

	Quantity (tonnes)	Value (Rs. in lakhs).
Coir fibre	1,32,000	10,95·60
Coir yarn . . . . .	1,22,000	12,61·48
Coir products excluding rope	21,000	3,32·22
Coir rope . . . . .	14,000	1,33·56
<b>TOTAL</b> . . . . .	<b>2,39,000</b>	<b>28,22·86</b>

The production of coir and coir goods at the end of the Second Five Year Plan was estimated as follows :

	Quantity (tonnes)	Value (Rs. in lakhs)
Coir fibre . . . . .	1,52,000	14,35·60
Coir yarn . . . . .	1,42,000	14,33·35
Coir products excluding rope	22,000	3,71·14
Coir rope . . . . .	14,500	1,43·84
<b>TOTAL</b> . . . . .	<b>3,30,500</b>	<b>33,83·93</b>

The production of coir and coir goods during 1965-66, the last year of the Third Five Year Plan, has been estimated as follows :

	Quantity (in tonnes)	Value (Rs.) lakhs)
Coir fibre .	1,62,000	19,13.22
Coir yarn .	1,43,000	18,47.56
Coir products excluding rope	24,500	5,15.48
Coir rope .	15,000	1,92.90
<b>TOTAL</b>	<b>3,44,500</b>	<b>44,69.16</b>

45. A statement showing the State-wise break-up of production for 1965 is reproduced in Appendix III. It is seen that of the total production of 3,44,500 tonnes of coir and coir products, valued at Rs. 44.69 crores, the share of Kerala alone amounts to 321,306 tonnes valued at Rs. 42.26 crores. The remaining production is shared by Maharashtra, Orissa, West Bengal, Mysore, Madras and Laccadive and Amindivi Islands.

Asked in the course of evidence as to why the coir industry is mostly concentrated in Kerala and why it has not been extended to other States where it can be established, the representative of the Coir Board has stated:

“Recently some central schemes were operated by the Coir Board, like matters connected with export promotion or setting up of research institutes or market studies abroad. But so far as development in each State is concerned, that is primarily the responsibility of the State Government.”

However, in reply to another question the representative of the Board has conceded that under the statute the Coir Board is not debarred from taking suitable measures for developing the coir industry in the other States. Explaining the position further, he has stated:

“In coir industry there are two directions in which we can usefully develop the industry. One is by adopting the process of retting the fibre and then using the retted fibre

for production of yarn. This is the line in which Kerala has specialised. In other States there is no provision for retting. There is no enthusiasm for retting and the people will not take it up because it is a dirty job. In Kerala about 8 annas or 10 annas is all that a labourer gets for working throughout the day. In other States they have told us that nobody is willing to work on that wage.... This particular job does not attract people at all. People have tried and there is no response. But it is possible to develop the decorticated or mechanised extraction of fibre which is being done in Ceylon. We are trying to see whether in States other than Kerala like Madras, Mysore, Orissa, etc. this mechanised extraction could be encouraged. There is a good deal of response now.

We are trying now to introduce these machines through which fibre can be extracted. Recently, the Coir Board sent a delegation to Ceylon to study the conditions at first hand. They have submitted a report. More and more of these machines will now be fabricated and will be made available to the States. That is the programme of the Coir Board."

The Committee have been informed that the total employment in the coir industry for both the spinning sector and manufacturing sector together, including household labour and hired workers, at the end of each Five Year Plan period, might be estimated as under:

End of First Five Year Plan	4.5 lakhs
End of Second Five Year Plan	5.2 lakhs
End of Third Five Year Plan	5.6 lakhs

The Ministry have stated in this connection that the raw materials for production of coir yarn, viz. coconut husks, are available in plenty and also "there is so much excess capacity of plant and equipment that it is possible to double the output without additional plant and machinery." Thus "the potential for employment in both the sectors (spinning and manufacturing) of the industry is very large, provided the demand for coir and coir products is sustained."

As regards earnings in the coir industry, the Ministry have stated that both in the manufacturing and spinning sectors of the industry a sizeable number of persons are engaged as self-employed workers and many of these self-employed workers do not work for a stipulated number of hours every day. However, assuming full employ-

ment, the earnings, during 1965, for important categories of labour in the coir industry have been estimated as under:

(a) *Manufacturing sector*

	Average daily earnings		Average monthly earnings
	Rs.	Ps.	Rs. Ps.
1. Mats weaving	2	94	74.00
2. Matting weaving	2	88	75.00
3. Carpet weaving	3	50	91.00

(b) *Spinning Sector*

1. Extraction of fibre		1.00
2. Spinning of yarn		1.00
3. Rotating the wheel (mostly done by children)		0.50

The Committee regret to note that no serious effort has been made to develop the coir industry in States like Madras, Maharashtra, Mysore, Orissa and West Bengal where rural unemployment is rather heavy and the availability of the requisite raw material in ample measure would appear to indicate good potentiality for the growth of this industry. They hope Government would soon make up this import lacuna in their coir development programme.

The Committee note that the present method of coir extraction is rather crude and tends to repel people to take to that profession. The Committee therefore suggest that vigorous efforts should be made to manufacture within the country and popularise simple and cheap machines for the mechanised extraction of coir fibre so that workers engaged in the coir industry may be able to earn more and a larger number of people in the various States may be attracted towards the industry.

The Committee would also like the Government to intensify measures for stepping up the export of coir and coir products.



## (vi) SMALL SCALE INDUSTRIES

46. The development of small scale industries is, broadly speaking, the concern of the Central Small Industries Organisation which looks after the implementation of the policies formulated by the Small Scale Industries Board.

The Industrial Policy Resolution of 30th April, 1956, laid particular emphasis on the development of small scale industries in the under-developed areas and districts. The Karve Committee considered the decentralised pattern of economy as the main premise of their whole approach to the question of development of small and cottage industries during the Second Five Year Plan. They envisaged a pattern of industrial activity with "a group of villages having its natural industrial and urban centre. These small urban centres will be similarly related to bigger ones. Thus a pyramid of industry broad-based on a progressive rural economy will be built up". The Committee visualised the growth of small industrial units, along with the necessary services, among the big villages or small towns located all over the country.

47. The Estimates Committee (Second Lok Sabha) had, in their 77th Report, made the following observations and suggestions on the question of the dispersal of small scale industries to rural areas:

"The Committee feel that beyond enunciating the principle of decentralised pattern of economy little else has been done to translate it into practice. Though it is one of the three basic objectives of the Plan programme there has been no conscious effort to fulfil the objective. The Committee appreciate that there are difficulties in the way of achieving that objective but they think that special efforts are required to be taken because of their existence. They, therefore, recommend that the programme for the development of small scale industries should be made largely rural-oriented so as to concentrate efforts towards developing industries in the rural areas as distinct from urban localities where the efforts have been primarily directed so far.

The pattern of small industries development in the rural areas may be different from that of urban areas since the conditions there are not the same. In this connection, the Committee would commend to the Government's consideration the scheme prepared by Dr. M. Visvesvaraya for rural industrialisation which has been adopted by Mysore Government."

Admitting that not much progress has been made so far in the development of small scale industries in rural areas, the representative of the Ministry of Industry has stated during evidence:

"Khadi Commission, Coir Board, Silk Board, etc. are all functioning mainly in the rural areas. More than 90 per cent of the beneficiaries of these Boards are in the rural areas. By the very nature they are in the rural areas. So far as CSIO is concerned, you cannot say the same thing. As a matter of fact, the initial movement or thrust in the CSIO was in the urban areas for consideration of facilities such as markets, technical assistance, etc. Now this movement is spreading from the metropolitan areas to the tilling areas in the district. I would not say that it has gone to the rural areas. The Planning Commission has got rural industries programme.\* They have started off with 40 projects. We are still studying the results of this experiment. On the basis of that the further programme of taking industry to the rural areas will probably be adopted. At the moment all that we can say is that the small industrial movement is spreading from predominantly metropolitan areas to the district level. Beyond that it will take time, because essentially you must have an infrastructure for that."

48. The Ministry have further stated in reply to a question that the C.S.I.O. has "no specific, direct responsibility for implementation of the industries programme either in under-developed States or in under-developed parts of the States." They have, in fact, maintained that the implementation of the programme of small scale industries, including rural industrialisation, is the responsibility of the State Governments. Thus, explaining the reasons for the halting progress in the development of small scale industries the Ministry have stated:

"The programme of Small Scale Industries including rural industrialisation is the direct responsibility of the State Governments. While the need for making rural industrialisation a success was recognised by them, representatives of the State Governments felt that it is a difficult field and that there is no easy or quick solution for it. In view of the difficulties involved like absence of infrastructure facilities, lack of skilled workers and entrepreneurial talent etc. it will take quite a long time to achieve

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\*See Chapter IV post for details regarding the Rural Industries Projects of the Planning Commission.

results in this field. Moreover the local situation in the shape of the available raw material has also to be taken into account. Therefore no rigid targets could be set up for rural industrialisation and subject to general policy directives the States should be free to work out their programmes to suit their situation."

However, one of the specific functions of the C.S.I.O. is "to render all assistance—technical, managerial, economic, etc." in the Rural Industries Projects Programme launched by the Planning Commission. It has been stated that the C.S.I.O. is assisting the Planning Commission in implementing this programme. The C.S.I.O. is functioning as technical advisers to the Rural Industries Planning Committee of the Planning Commission as also to the Project Officers.

The Committee have commented on the working of the Planning Commissions Rural Industries Projects Programme and made some specific suggestions on the scope and content of rural industrialisation in Chapter IV. They would like to record here that although the need for development of small scale industries in rural areas has been recognised for a long time, there has hardly been any visible progress in this direction. The Committee are constrained to observe that beyond enunciating the principle of decentralisation, Government have done little else to translate the principle into practice.

## **IV**

### **SPECIFIC SCHEMES FOR RURAL INDUSTRIALISATION**

49. Apart from the programmes for the development of the various village and small industries there are some specific schemes for accelerating the pace of rural industrialisation in selected areas through intensive efforts so that the experience of these areas might provide guidelines for the promotion of rural industrialisation in the rest of the countryside. The more important of these schemes are:

- (1) Programme for intensive development of village and small industries in community development blocks.
- (2) Intensive areas scheme of Khadi and Village Industries Commission.
- (3) Rural Industries Projects Programme of the Planning Commission.
- (4) Rural Industrial Estates.

#### **A. Programme in Community Development Blocks**

50. An important point made in the First Five Year Plan was that village industries should become the concern of the village community functioning as an organised group. In the schematic budget for the community development blocks, ever since the inception of the programme in the early stages of the First Plan, a provision was made for the promotion of rural industries (including village and small scale industries). The programme also provided for an Extension Officer for industries in each community development block.

During the Second Plan period the Ministry of Community Development launched pilot projects for intensive development of village and small scale industries in 26 community project areas each of which generally consisted of three development blocks.

The Mussoorie Conference on Community Development held in 1958 recommended a minimum programme of rural industries in every block. The minimum programme was reviewed by subsequent conferences and it was felt that it could not be implemented for want of adequate finance, technical personnel and difficulties in marketing.

The Third Plan stressed that "a comprehensive programme of rural industrialisation will have to take into account the various

aspects of development in each area and it will be necessary to ensure that close cooperation of the various institutions and agencies working at the regional or block level is obtained for preparing local plans and implementing them."

The Srinagar Conference on Community Development considered the entire programme of rural industrialisation based on the recommendations of the Study Team on Community Development Industrial Pilot Projects and recommended an integrated programme to be undertaken for the rural areas. The integrated programme was to be implemented by pooling together the resources available from the Industries Departments, State Khadi & Village Industries Boards, schematic budget of community development blocks and other agencies responsible for the development of village and small scale industries particularly in the rural sector.

51. The integrated programme under the Community Development Blocks is as follows:

*Programme for a Block*

- (a) Supply of credit for working capital and share capital loans; earmarking a sum of Rs. 30,000 per block to be shared equally from the budget of the block and the State Aid to Industries Act fund for five years;
- (b) Supply of improved tools and equipment to artisans and industrial cooperatives;
- (c) Development of industrial cooperatives for handloom, village industries, cottage and small scale industries, etc.;
- (d) Training of artisans to improve skill;
- (e) Providing common facility services and workshops;
- (f) Assisting artisans in marketing their surplus products through emporia and sales depots and also through Government purchases, besides promoting local sales;
- (g) Organising seminars for artisans and entrepreneurs with a view to demonstrating improved tools, better techniques of production, for promoting sales of local industries products, etc.;
- (h) Establishment of Gram Ekais;
- (i) Promoting a minimum of two village industries units.

### **Programme for a group of Blocks**

- (a) Common facility-cum-service centre for a group of ten blocks;
- (b) One rural industrial estate to be set up for a district or a group of 15 blocks;
- (c) One cluster-type training centre to be started for artisans for every 15 blocks, with a minimum of one per district, to be located in a block.

It has been stated that the minimum programme to be undertaken in every block is drawn up mainly with the village artisans as the main focus of development of rural industrialisation. The objective is to make him a better artisan and to increase his productivity.

The Committee have been informed that in pursuance of the integrated programme the States of Andhra Pradesh, Madhya Pradesh, Maharashtra, Orissa, Punjab, U.P., Bihar, West Bengal, Tripura, Himachal Pradesh, Delhi and Andaman & Nicobar Islands have earmarked the necessary funds for advancing loans to rural artisans. However, certain States like Kerala and Rajasthan have complained of paucity of funds which does not permit them to implement this programme while some other States have stated that there is adequate provision in the block budget itself and that this additional amount is not considered necessary.

The Committee regret to note that even the modest scheme for providing credit facilities to rural artisans to the extent of Rs. 30,000 per community development block has not been implemented in many of the States. Considering that the Centre contributes 2/3rd of the amount earmarked for purposes of advances under the State Aid to Industries Acts, and is also responsible for the coordination of the State Aid to Industries scheme, the Committee feel that the Central Government should have ensured that the credit needs of rural artisans did not remain unattended to for want of interest or efforts on the part of State Governments. The Committee need hardly emphasise that the non-availability of institutional credit in the rural areas is one of the greatest difficulties impeding the progress of rural industrialisation, as in the absence of institutional credit, the rural artisans find it impossible to free themselves from the clutches of the usurious village money-lenders and middlemen. They would like the Government to devise a comprehensive scheme for making institutional credit facilities available to rural artisans and take positive measures to enlist the cooperation of the State Governments in this behalf. The Committee note that under

a scheme of the Reserve Bank loans are made available at comparatively lower rates to agriculturists. They recommend that the feasibility of extending the scheme to cover grant of loans at lower rates to rural artisans so as to encourage rural industry may be examined. In this connection, the Committee would also like to invite the attention of the Government to the recommendations contained in para 89 of their 99th Report (Third Lok Sabha) on the Ministry of Food, Agriculture, Community Development and Cooperation.

The Committee have noted in para 81 of their 99th Report (Third Lok Sabha) on the Ministry of Food, Agriculture, Community Development and Co-operation that a uniform policy has not been followed in various States in regard to setting up of common facility centres/rural workshops. Thus, while Mysore has as many as 312 such centres/workshops and Andhra has 281, Bihar has only 2 and Assam and Maharashtra only one each. The Committee would like to reiterate that the committee of officers which is currently evaluating the working of the common facility centres will take note of these disparities and suggest suitable remedial measures.

52. It has been stated that as against the proposal for setting up at least one cluster type training centre for rural artisans in each district, 200 such centres have been established so far. The State-wise break-up of these centres is as follows:—

Name of State		No. of cluster type training centres.
1	2	3
1. Andhra Pradesh		7
2. Assam		2
3. Bihar		17
4. Gujarat		3
5. Himachal Pradesh		6
6. Jammu & Kashmir		—
7. Kerala		—
8. Madras		—

1	2	3
	9. Maharashtra	29
	10. Madhya Pradesh	—
	11. Mysore	22
	12. Manipur	—
	13. Nagaland	—
	14. NEFA	—
	15. Goa, Daman & Diu	—
	16. Nagar Haveli	2
	17. Orissa	—
	18. Punjab	10
	19. Pondicherry	—
	20. Rajasthan	5
	21. Tripura	3
	22. Uttar Pradesh	94
	23. West Bengal	—
		<hr/> 200

A recent review of the working of these centres has revealed that "by and large these centres were functioning in isolation and needed strengthening and that they did not serve the purpose for which they were set up. Quality of the trainees was poor and not standardised. There was need to improve supervision."

The Committee note that as against the original proposal of having at least one cluster type training centre in such district, only 200 such centres have been set up so far. Further, 94 of these 200 centres are located in Uttar Pradesh, while many States do not have even one such centre. The Committee fail to appreciate this great disparity in setting up of cluster type training centres. They are also unhappy to observe that the centres have not served the objective of providing proper and useful training to rural artisans. In this connection, the Committee would also like to invite the attention of the Government to the findings and recommendations contained in para 114 of their 98th Report (Third Lok Sabha) on the Ministry of Food, Agriculture, Community Development and Cooperation. The Committee feel that Government should under-



take a thorough review of the working of the scheme with a view to identify its basic weaknesses and take necessary remedial measures.

The Committee would also like to record that although the community development scheme of rural industrialisation has been in operation in one form or another, for more than a decade, it has failed to achieve any tangible results. In fact, the scheme has all along been in a fluid state due to frequent modifications of its content and scope. The experience of this scheme also underlines the need of close coordination between the Central and State Governments and the various all-India Boards and their respective field organisations:

### **B. Intensive Area Scheme of Khadi and Village Industries Commission**

53. The Intensive Area Scheme of the Khadi and Village Industries Commission was put into operation in 1954. The scheme, as envisaged by the Commission, is "not intended to give ready-made programmes to the village community but is meant to guide it to formulate its own programmes in a comprehensive manner unfettered by any preconceived notions or limitations." The objectives of the scheme are stated to be:

#### **I. Economic objectives**

1. Creation of employment at a relatively low capital cost and raising levels of real income;
2. provision of a more balanced and diversified occupational distribution;
3. introduction of better techniques appropriate to the purpose of the scheme and to the local conditions; and
4. securing a measure of local and regional self-sufficiency in the supply of essential consumption goods.

#### **II. Social objectives**

1. Provision of facilities for education, health and recreation and minimum of social security;
2. encouragement of a greater measure of people's participation in development activities and promotion of a greater degree of self-reliance, social cohesion and cooperation in the village (Gram Parivar);

- 3. evolution of a suitable institutional framework for village development and self-government and creation of an effective local leadership; and
- 4. reduction of socio-economic inequalities in the villages and specially to raise the income and the status of the underprivileged classes (Antyodaya).

### III. Other objectives

- 1. Special emphasis is laid on development of village industries as part of a comprehensive programme for the balanced development of the rural economy; and
- 2. the village industries concerned should develop their own strength rather than depend too much on outside protection.

It has been stated that since the inception of the scheme 120 intensive and pre-intensive areas have been established. Of these 56 have been abandoned and only 64 are functioning as full-fledged intensive areas. In these intensive areas besides intensive development of khadi and village industries units, "it is intended to assist the people to survey, plan and work for an all-round development." Each intensive area is supervised by an organiser and/or an assistant organiser and has a complement of workers in the field to look after the affairs of each of the Kshetra Samities which are registered bodies undertaking schemes for development of khadi and village industries.

54. Reviewing the progress of the intensive area scheme, the Evaluation Committee, headed by Dr. V. K. R. V. Rao, has pointed out in its Report (September, 1964):

"(1) Actually, the work connected with village industries was the only major activity which is externally visible in most of the areas. Next in importance are activities relating to health, education, upliftment of harijans, and other social and cultural activities. In spite of the fact that agriculture and animal husbandry provide livelihood to more than 80 per cent of the population they have not received adequate attention. Due to lack of development in the agricultural sector the intensive area villages show little dynamism. It would be difficult to sustain the village industry programmes for long unless they are supported by a revitalised agriculture.

- (2) Though the Khadi Commission's Scheme is supposed to be an area development scheme generally activities are confined to one or two villages in each area. In the rest of the villages there is not much of developmental activities. The scheme has boiled down to one of developing isolated villages. Since the intensive area scheme has nearly completed nine years of its existence, the time has come for the Khadi Commission to think in terms of extending its activities to as many villages, as possible in the case of each area."

55. The Evaluation Committee has also emphasised that "Raising the productivity of village industries is an essential precondition for stabilising village industries. Particular attention should be paid to problems facing household industries." It has urged that "unless the Khadi Commission adopts a pragmatic approach towards technological changes it would not be possible to raise productivity in village industries."

56. Dealing with the need of establishing a composite agro-industrial economy to provide an effective answer to the problem of rural unemployment, the Evaluation Committee has observed:

"The main case for an agro-industrial economy ought to be based on the development of an industrial sector as an adjunct to the agricultural sector so that certain complementary forces which hasten the rate of growth of the economy are generated. While the industrial sector will support the agricultural sector by buying the raw materials produced in the agricultural sector, the agricultural sector will support the industrial sector by buying commodities produced in the industrial sector. Increased activities in both the sectors might lead to increase in employment opportunities. Unfortunately neither the agricultural sector nor the industrial sector is functioning in complementary directions. If the Intensive Area Scheme wants to establish an agro-industrial economy, it is essential to achieve a large degree of self-sufficiency in respect of raw material supply and marketing of finished products. At present none of the intensive areas are anywhere near the stage of establishing agro-industrial economy."

57. As regards the question of expansion of the Intensive Area Scheme, the Evaluation Committee has suggested the following policy :

- (i) Activities should be extended into tribal areas where self-sufficiency is in practice at the operational level. Since these areas do not have regular means of communications with the outside world, the products of village industries can enjoy natural protection against competition from organised factory industries.
- (ii) In non-tribal areas where a considerable part of the production is meant for the market, care should be taken to see that the intensive areas are located only in those places which are served by regular means of communications and transport.
- (iii) In the case of the existing areas activities should be extended to those villages which are not already covered.

The Evaluation Committee have, however, made it clear that they are "not suggesting by any means that activities should necessarily be expanded into new areas"; they have only indicated "the lines of guidance to be observed whenever new areas are to be established."

The Committee are concerned to note that out of 120 intensive and pre-intensive areas which have been established under the Khadi & Village Industries Commission's Intensive Area Scheme since the inception of the scheme in 1954, only 64 are functioning as full-fledged intensive areas, and that, in general, the developmental activities under the scheme are confined to one or two villages in each area. Considering the unimpressive results obtained from the intensive area scheme, the Committee would like Government to identify the shortcomings of the scheme and take remedial measures. In particular, the Committee would like the Government to consider how best the Intensive Area Scheme of the Khadi & Village Industries Commission could be integrated into an overall and well-coordinated plan of rural industrialisation.\* Government should also decide the most appropriate agency for its execution in the field keeping in view the fact that the effective implementation of a scheme of this type involves close coordination between various governmental and semi-governmental institutions.

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\*Please see also paras 68 and 77 under section 'C' of this Chapter.

### C. Planning Commission's Rural Industries Projects Programme

58. As noted in Chapter II, in July 1962, the Rural Industries Planning Committee of the Planning Commission brought out a scheme for 'Projects for the intensive development of village and small industries in rural areas'.

#### (I) OBJECTIVES OF THE PROGRAMME

59. Emphasising that the most difficult problem in the rural areas was "to create, maintain and expand non-agricultural employment", the Rural Industries Planning Committee observed that even the success of efforts in other directions, "will depend on progress achieved in building up industries suited to rural areas". The committee maintained that rural industrialisation was of "particular importance, for raising the levels of living and productivity and for providing larger employment opportunities to the landless and weaker sections of village communities." Having thus brought out the importance of rural industrialisation, the committee explained the objectives of its new scheme of rural projects as follows:

"The primary objective is to bring about a cooperative agro-industrial economy. This involves all round development of agriculture, irrigation, communications, industries, social services, etc. For this purpose, the initiative and effort of local communities will have to be stimulated and mobilised to the fullest extent. Among the most important measures to be taken towards the diversification of the rural economy is the building up of industries based on agriculture and other resources and the vigorous development of non-agricultural along with agricultural occupations.

There is need for intensive effort in selected areas, so that its lessons may be more generally applicable. The projects are, therefore, intended to provide the necessary experience and to contribute towards the solution of the rural employment problem in keeping with conditions in different States.

The projects are directed to industries which can be developed in rural areas and activities ancillary to them, but obviously in any area these must form part of a wider and well-coordinated plan of local development. Both for drawing up programmes for rural industries and for securing adequate results for those undertaken, such overall area or

regional development plans are essential. Steps will be taken in the selected areas to prepare such plans and to link up the various development programmes with one another."

The Rural Industries Planning Committee added that the projects were intended to assist in the intensification of the programmes for the development of village and small industries, coordinated functioning of various agencies; the fullest possible participation of financial and cooperative institutions, as well as increasing integration between the development of rural and the industrial economy in terms of area or regional plans.

## (II) FINANCE

60. It was proposed that each project should be able to draw funds from three sources:

- (a) funds from the State Plan and the all-India Boards according to their respective programmes and allotments for the area;
- (b) loans and credits from financial and cooperative institutions and under the State Aid to Industries Acts; and
- (c) additional funds to be given to the project as its own nucleus.

Funds under (c) were intended to cover the cost of additional staff, provision of training facilities, provision of common facility centres and extension facilities and provided for under other programmes or schemes. It was further proposed that "as a nucleus, to start with, an assured minimum provision for each project of Rs. 20 lakhs will be provided to cover the four-year period, 1962—66, over and above the present allocations under the Third Plan. In addition to Rs. 8 crores for 40 projects, there will also be provision for a contingent fund of Rs. 7 crores. For 1962-63, it would be sufficient to provide Rs. 1 crore". It was suggested that funds under (a) and (c) above should be placed at the disposal of the Project Committee which should be permitted to reallocate them between different types of schemes according to their progress and the needs of the area.

## (III) ROLE OF C.S.I.O. IN REGARD TO RURAL INDUSTRIES PROJECTS PROGRAMME

61. It has been stated that so far as the development of small scale industries in the Rural Industries Projects is concerned, the Central

Small Industries Organisation has been functioning as technical advisers to the Rural Industries Planning Committee as also to the Project officers. The Committee are informed that three Deputy Directors at the headquarters and one Assistant Director in each of the Small Industries Service Institutes have been specially appointed for this job. Besides, it has been emphasised that the Rural Industries Projects work may be given higher priority and taken as the responsibility of entire staff of the Institutes and not merely of the special staff appointed for this purpose. Directors of the Small Industries Service Institutes are members of the Project Level Committees appointed by the State Government for this programme.

Initially all the Small Industries Service Institutes are stated to have assisted the Project Officers in planning and conducting surveys and in the preparation of the survey reports. They also provided necessary guidance and assistance to the Project Officers in the formulation of suitable schemes and programmes for implementation in Rural Industries Projects areas.

It has further been stated that besides carrying out necessary modifications in the printed copies of model/impact schemes already supplied to Project Officers, 224 new schemes were prepared by the C.S.I.O. at the specific request of Project Officers and private enterprises. From time to time technical scrutiny of the schemes prepared by the Project Officers and private enterprises was also done by the Small Industries Service Institutes. In certain cases blueprints for setting up special types of workshops and training centres were prepared and supplied to the project authorities. The technical officers of the C.S.I.O. have also been visiting the Rural Industries Projects areas and rendering on-the-spot advice to the Project Officers and private enterprises after making an intensive examination of their problems.

The Committee are informed that intensive campaigns have been launched in Rural Industries Projects areas in U.P., Goa, Andhra Pradesh, Rajasthan, Assam, Mysore and Kerala by the respective Small Industries Service Institutes. The idea behind these campaigns is laid to be to publicise the possibilities of starting new industries in the Rural Industries Projects areas and to educate the local people about the facilities available from different Government and semi-government agencies in this regard. Further, some Small Industries Service Institutes are stated to have conducted training courses in various trades for the benefit of local artisans.

Lastly, the Central Small Industries Organisation is stated to be assisting the Rural Industries Planning Committee to undertake

studies to evolve appropriate technologies on certain industries suitable for development in the Rural Industries Projects areas. Such studies, the Committee have been informed, involve comprehensive field work and analysis of the existing technologies so as to identify the most appropriate one for adoption in a particular area. So far studies have been completed in respect of wool combing and wool spinning, cold storage plant, solvent extraction plant for rice bran oil and guar gum.

#### (IV) REVIEW OF PROGRESS

##### (a) *Delay in Implementation*

62. The Rural Industries Projects Programme is at present in operation in 45 selected rural areas. In addition, four more projects near large scale public sector plants have been started recently.

It has been stated that actual implementation of the programme started from 1964-65, though preliminary work had been completed by the end of the year 1963-64. Referring to the delay in initiating the programme, the Rural Industries Planning Committee have observed :

“The formulation and implementation of the programmes was the responsibility of State Governments.

It was suggested to the State Governments that before drawing up plans of development, preliminary surveys of the areas should be undertaken with a view to assessing the availability of resources—physical, material as well as human—possibilities and potentials of development etc. It took more time than expected for State Governments to finalise survey reports, and put in position necessary administrative machinery for implementation of the programmes.”

##### (b) *Progress of expenditure*

63. The actual expenditure incurred on the programme, the provisions in the Central budget and the actual release of funds through



payments sanctions for the three years since the inception of the programme are indicated below:

(Rs. in lakhs)			
	1962-63	1963-64	1964-65
Budget	11.00	150.00	250.00
Release of funds through payment sanction	10.25	84.00	200.60
Actual Expenditure	2.50	77.50	171.4

The above table shows that actual expenditure during the three years falls short of both the budget provisions and the release of funds. This it has been explained is due to:

- “(i) the fact that preliminary work could not be completed in time; and
- (ii) the cumbersome administrative and financial procedures which delayed execution of the programmes.”

A statement showing State-wise distribution of expenditure during 1962—65 and the anticipated expenditure during 1965-66 is given in Appendix IV.

The item-wise distribution of the expenditure during the years 1962—65, is indicated below:

	1962-63	1963-64	1964-65	Total	Percent- age	
1	2	3	4	5	6	7
1. Establishment		2.5	21.0	24.1	47.6	20
2. Training			7.6	28.4	29.0	11
3. Departmental Commercial Schemes			3.0	11.4	14.4	6
4. Common Service facilities			7.4	15.0	22.4	9

\*The figures given in Appendix IV were supplied by the Planning Commission at the factual verification stage.

1	2	3	4	5	6	7
5. Other development expenditure . . . . .			11.9	31.8	43.7	18
6. Loans to Industrial units			26.6	62.5	89.1	36
Total . . . . .		2.5	77.5	166.2*	246.2	100

It is seen that expenditure on establishment for the three year period is of the order of Rs. 47.6 lakhs, which works to 20 per cent of the total expenditure. Training programmes account for Rs. 28.00 lakhs, viz., 11 per cent. The programme of setting up common service facility centres has taken another Rs. 22.4 lakhs, which is about 9 per cent. Departmental commercial schemes have cost Rs. 14.4 lakhs, viz., about 6 per cent. Other developmental expenditure, including provision of subsidy for distribution of improved equipment, experimental pilot schemes, managerial grants to co-operatives, exhibitions, publicity, etc., is estimated at Rs. 43.7 lakhs, which is about 10 per cent of the total expenditure. The bulk of the expenditure, viz., Rs. 89.10 lakhs, viz., 36 per cent of the total was, however, incurred on advance of loans to industrial units, both co-operative societies and individual entrepreneurs.

(c) *Size and content of the Programme*

64. It has been stated that the content and size of programmes vary from Project to Project. Some areas have launched on a more ambitious plan than others. In some projects programmes are oriented towards one aspect of development while in some other areas a different aspect has been stressed. There are, however, certain common features in the plans for different project areas. For instance, programmes of provision of training, facilities, setting up of common service facilities, and advance of loans are to be found in the plans for every project. The dissimilarities in the programmes, it has been stated, are mainly due to circumstances and conditions obtaining in different project areas.

(d) *Training.*

65. By the end of 1964-65, 261 new training centres/demonstration parties are stated to have been organised in the 43 project areas. These provided training in 27 trades such as carpentry, blacksmithy, sheet metal, foundry, turning, welding and electroplating.

\*According to further information supplied by the Planning Commission at the factual verification stage, the actual expenditure during 1964-65 was Rs. 171.14 lakhs (See Appendix IV). However, item-wise distribution of this figure was not supplied.

ing, agricultural implements and hardware, general engineering, fitter, mechanic and technical training, leather works and training, etc. The 261 centres have an enrolment capacity of nearly 4,000 trainees. Over 3,200 trainees were on roll in the centres by the end of 1964-65.

(e) *Common facility service centres*

66. The Committee are informed that the plans of most of the projects, include schemes for setting up common facility service centres and servicing and repair workshops. 124 such centres, covering 21 industries, are being set up in 48 Project areas. Of these 94 are run departmentally while the other 30 are managed by co-operative societies. The volume of investment made in these centres till March, 1965 is estimated at Rs. 14.53 lakhs. Thirty centres have already started working while the other 93 are in different stages of construction. The initial employment provided by the 30 centres, which have started working, is estimated at 285 persons. The value of services provided by the 30 centres to 1,487 industrial units/artisans upto March, 1965 is estimated at Rs. 78,000.

(f) *Industrial Activity*

67. It has been stated that in the 38 Project areas, for which information is available, 1,458 new industrial units have been set up by the end of 1964-65. These include 1,259 new units under private enterprise and 199 under new cooperative societies. It has been estimated that the new units have generated employment opportunities for 32,000 persons.

About 91 types of industries have been covered by the existing as well as new units in the Project areas. These have been broadly classified into eight groups as under:—

		Number of Units					
		Private		Cooperatives		Total	
		Existing	New	Existing	New	Existing	New
1	2	3	4	5	6	7	8
1.	Forest based industries	176	251	41	29	217	280
2.	Agricultural produce, processing and preservation and allied industries	57	185	81	33	138	218

1	2	3	4	5	6	7	8
3. Textiles .		173	154	100	20	273	174
4. Industries based on animal husbandry . .		250	170	113	48	363	218
5. Chemical industries		31	64	21	2	52	66
6. Engineering & allied . .		128	235	45	32	173	267
7. Building material, ceramics and allied .		131	164	16	28	147	192
8. Miscellaneous .		46	36	166	7	212	43
Grand Total		992	1259	583	199	1575	1458

It has been pointed out that about 1,773 units or 58 per cent of the total 3,033 (both new and existing) units belong to the first, second, fourth and seventh groups, which are mainly dependent on locally available raw materials. If another about 100 units belonging to the fifth group, viz., Chemical Industries, including such items, as Ayurvedic medicines, paints and varnishes, soap, chalk-crayon, glass, distilled water, etc., which require local raw materials partly or wholly, are added the percentage would further go up. Industries based on local skill, such as handloom, weaving, tailoring, hosiery, zari work, musical instruments, dry-cleaning, brush making, paper, tyre retreading, candles, etc., which are based on local skill account for another about 20 per cent. Industries depending on local needs, for which raw materials have to be brought from outside the Project area, including scarce and imported raw materials, account for 14 per cent of the total units.

68. Reviewing the working of the Rural Industries Project Programme in August, 1965, the Rural Industries Planning Committee of the Planning Commission has observed:—

- (i) The main criterion for judging the success or otherwise of the programme is the extent to which the promotional

measures have created the necessary industrial climate in the area. The reports from individual areas suggest that substantial progress has been achieved in this field. This further confirmed by the volume of loans (Rs. 89.00 lakhs) disbursed to various industrial units for investment.

- (ii) Establishment of 1,458 new industrial units by the close of the year is no mean achievement, if the various halting and limiting factors are taken into consideration.
- (iii) Delays in implementation of programmes are mainly due to difficult and cumbersome administrative and financial procedures and, also centralisation of administration powers.
- (iv) The achievements would have been much more impressive if the Project Organisations had adequate and timely technical guidance.
- (v) The very fact that information about settlement of nearly 2,500 persons who were trained in various training centres is not available, calls for a vigorous programme of follow up action and also proper planning of training programmes in relations to the requirements of the areas.

The Committee note the progress made in the Rural Industries Projects in regard to the setting up of new industrial units and the generation of new employment opportunities. They would like to urge, however, that considering the magnitude of rural un-employment which at the end of the Third Plan is estimated to be of the order of about 8 million (See Chapter I) and the fact that the labour force in the rural areas is growing at the rate of three million a year, the generation of 32,000 of employment opportunities during the Third Plan period is hardly a matter for gratification.

The Committee regret to note that although the Rural Industries Projects Programme was launched in the middle of 1962, the actual implementation of the programme started as late as 1964-65 because of delays on the part of the State Governments in finalising the surveys of the areas and setting up the necessary administrative machinery. The Committee would like to recall that under the Rural Industries Project Programme, as originally formulated, the Rural Industries Planning Committee was not only responsible for 'formulation of policy' and 'necessary co-ordination' but was also expected to set up that 'necessary establishment for implementing the programme'. They are distressed to observe that, in practice, the Rural

**Industries Planning Committee has been rather helplessly dependent on the State Governments for the implementation of the programmes.**

**The Committee feel doubtful whether the Planning Commission is really the proper body for the execution of a programme of this nature as the Commission lacks administrative authority and in the absence of such authority it can scarcely be expected to secure effective co-ordination between the various governmental and semi-governmental authorities, at the Central and State level, whose activities have a direct or indirect bearing on the question of rural industrialisation. The Committee hope that Government will look into the matter and decide what should be the proper agency at the Centre to take charge of a comprehensive programme of rural industrialisation. The Committee suggest that care should be taken to vest the central agency with sufficient power to secure co-ordination among the concerned agencies of the Centre and States at policy framing as well as at the field level. The Committee cannot too strongly urge that the familiar phenomenon of well-intentioned schemes getting bogged down in cross purposes or failing to make progress for want of co-ordination should not be repeated.**

#### **D. Rural Industrial Estates**

69. It has been stated that the objective behind the setting up of rural industrial estates is "to stop further industrial congestion in the already congested towns and to check the drift of rural population to the cities". The first move in this direction was made by the Government in 1956 when twenty rural industrial estates were sanctioned. With regard to the location and character of the rural industrial estates, the following observations have been made in the Third Five Year Plan:

"It is intended to start a number of industrial estates in selected rural areas where power, water supply and other essential facilities are available or can be readily provided. A rural industrial estate will consist mainly of workshops for use by artisans along with certain common service facilities and will have only a limited number of regular factory sites and premises. Care will have to be taken to locate such estates in areas where there is a sufficient concentration of artisans and craftsmen who will be in a position to make use of improved techniques, better tools and relatively modern facilities."

The Committee are informed that of the 154 industrial estates functioning\* on 31st March, 1965, 26 are rural industrial estates. The State-wise distribution of these 26 rural industrial estates and their achievements in terms of employment and production are indicated below:—

S.No.	Name of the State	No. of Estates	Progress Employment	Annual Production (in lakhs of rupees).
1	2	3	4	5
1.	Andhra Pradesh	1	43	60.0
2.	Assam	1	35	7.3
3.	Bihar	Nil	..	..
4.	Delhi	1	76	9.3
5.	Gujarat	Nil	..	..
6.	Himachal Pradesh	1	32	2.1
7.	Jammu & Kashmir	6	NA	NA
8.	Kerala	1	38	0.3
9.	Maharashtra	Nil	..	..
10.	Madhya Pradesh	Nil	..	..
11.	Madras	3	Newly Started	..
12.	Mysore	Nil	..	..
13.	Orissa	Nil	..	..
14.	Pondicherry	Nil	..	..
15.	Punjab	3	Newly Started	..
16.	Rajasthan	2	..	..
17.	Tripura	1	40	0.8
18.	Uttar Pradesh	4	418	25.5
19.	West Bengal	2	24	21.7
		26	806	73.00

\*An industrial estate is deemed to start functioning (go into production) when the production starts in at least one of the factory sheds of the estate.

70. In addition to the above, a number of rural estates, which have been completed and are ready for functioning, are as below:

Name of the State	No. of estates
1. Andhra Pradesh	1
2. Jammu & Kashmir	2
3. Punjab	19
4. Uttar Pradesh	9
5. Orissa	1
6. Rajasthan	1
7. Tripura	1
Total	34

71. An analysis of the comparative progress of the three main categories of industrial estates—Urban, Semi-urban and Rural, as at the end of 1963 has revealed:—

- (i) Functioning estates as a percentage of completed estates is highest in urban estates and lowest in rural estates.
- (ii) Sheds allotted as a percentage to sheds completed is lowest in rural estates. In fact, during this period, the position in rural estates was getting worse. Of the 171 completed sheds in all rural estates on 31st December, 1962, 139 were allotted; the corresponding figures for 31st December, 1963 were 268 and 175, respectively.
- (iii) Estates completed in urban areas are starting to function quickly. The rate is much slower in semi-urban and rural estates. For instance, during 1963 as against 10 newly constructed estates in urban areas 11 actually started functioning; in semi-urban areas 6 started functioning as against 15 completed while only 3 new estates started functioning in rural areas as against 11 completed during the year.
- (iv) Considering again the figures for the year 1963, 220 additional sheds were completed in urban estates while actually 348 started functioning. The corresponding figures in semi-urban estates were 154 newly constructed as against 44 starting functioning. In the case of rural



estates in the same year, only 28 new sheds began functioning while as many as 97 were newly constructed. Again, as against 171 completed sheds in rural estates on 31st December, 1962 the sheds actually functioning one year later were only 115.

In the 26 rural industrial estates functioning as on 30th March, 1965, there were 340 sheds of which 277 were occupied. In the 34 non-functioning estates, there were 307 sheds of which 86 were occupied by 31st March, 1965.

It has been stated by the representative of the Ministry of Industry that the main criterion for the allotment of sheds is that it is straightaway given to local entrepreneurs who come forward. But the present position is that the number of sheds is more than the number of willing local entrepreneurs. Hence, if any entrepreneur comes from outside the area, he is allowed to work in the shed.

72: In a written note furnished to the Committee, it has been stated that the following inducements are offered to entrepreneurs for taking sheds in the rural industrial estates:

- (i) A specific sum as foreign exchange for issue of import licences for raw materials and components of machinery was earmarked during the period April, 1964 to March, 1965. A little over three hundred units have benefited by this scheme.
- (ii) Provision of technical services which include the following:
  - (a) giving direct technical advice for setting up new Small Scale Enterprises, choice of machinery, design, fabrication; layout, installation and operation of plant machinery;
  - (b) preparation of designs and drawings for production equipments and accessories;
  - (c) workshop and laboratory services by giving demonstrations in the use of modern technical processes on selected machines and equipments and providing common service and tool room facilities; and
  - (d) managerial consultancy service in industrial management;
- iii) Scarce indigenous raw materials have also been reserved for units in these estates.

Among the more important reasons given for a large number of sheds remaining vacant in the estates are:

- (i) Some of the industrial estates were not located in areas having adequate industrial potential and availability of other facilities.
- (ii) In the initial stages there was lack of integrated planning and scientific scrutiny of schemes prepared by most of the industrialists.
- (iii) Most of the entrepreneurs did not have sufficient credit-worthiness to avail of the financial assistance offered by Government.
- (iv) There was an overall shortage of scarce raw materials and foreign exchanges, etc.

It has been stated that in the matter of construction of industrial estates in the rural areas it was felt that no rigid pattern could be prescribed and that the size of work sheds, etc., should be allowed to be altered to suit the circumstances with caution that the estates should exercise care to see that the facilities offered were utilised and were not beyond the reach of the entrepreneurs of any particular area.

The Committee are concerned to note that there has been heavy shortfall in the utilisation of work sheds in rural industrial estates in the Third Plan period inasmuch as out of 647 completed sheds at the end of March 1965, 284 sheds or about 44 per cent remained unoccupied. Moreover, they cannot but feel distressed over the fact that although the rural industrial estates scheme was initiated in 1956, at the end of nearly a decade the rural estates have provided employment to only 806 persons and the total annual production of the 26 estates is no more than Rs. 73 lakhs.

The Committee are constrained to observe that these estates appear to have been constructed indiscriminately without prior assessment of the industrial potential and availability of other requisite facilities in these areas. The whole scheme has been processed in a most unrealistic manner. The Committee suggest that attempts should be made to utilise the vacant sheds either by removing the handicaps and providing proper facilities or by finding alternative use for the sheds.

The Committee would urge that concerted steps should be taken to remove the bottlenecks which have been experienced in the setting up of rural industrial estates.

The Committee need hardly stress that in future rural industrial estates should be set up only after conducting a thorough survey of the prospective areas to ascertain their potentiality. They feel that rural industrial estates have the best chance of success in the Rural Industries Project Areas where certain basic facilities necessary for industrial activity exist or are likely to be created sooner than in other areas. They would, therefore suggest that the programme of rural estates should be fully integrated with the above mentioned programme of Rural Industries Project Areas.

### E. Approach to Rural Industrialisation

73. The Village and Small Scale Industries (Second Five Year Plan) Committee, commonly known as the Karve Committee, had as far back as 1955 stressed the principle of decentralization of industrial development. The Committee felt that the progressive expansion and modernization of rural industry could be most economically brought about by the spread of small industrial units along with the necessary services among the big villages or small towns located all over the country. It recommended:

"The pattern of industrial activity that should gradually emerge is that of a group of villages having its natural industrial and urban centre. These small urban centres will be similarly related to bigger ones. Thus a pyramid of industry broad-based on a progressive rural economy will be built up. In such an organization small centres can experience a co-operative interest in the bigger ones, and these latter would develop a genuinely supporting instead of an exploitational relationship towards the smaller towns and the countryside."

74. The need for dispersal of industries as a means of attaining a balanced development of the economy was also underlined in the Second Industrial Policy Resolution of 1956, paragraph 15 of which reads as follows:—

"In order that industrialisation may benefit the economy of the country as a whole, it is important that disparities in levels of development between different regions should be progressively reduced. The lack of industries in different parts of the country is very often determined by factors such as the availability of the necessary raw materials or other natural resources. A concentration of industries in certain areas has also been due to the ready availability of power, water supply and transport facilities

which have been developed there. It is one of the aims of national planning to ensure that these facilities are steadily made available to areas which are at present lagging behind industrially or where there is greater need for providing opportunities for employment, provided the location is otherwise suitable. Only by securing a balanced and co-ordinated development of the industrial and the agricultural economy in each region, can the entire country attain higher standards of living."

75. The Committee on Dispersal of Industries, appointed by the Small Scale Industries Board, in its Report (1962), expressed the view that dispersal of small scale industries "in isolation, without regard to what might be happening, to other industries, is unrealistic". The Committee recommended that certain overall measures might be considered by Government for stimulating location of large scale industries in the backward areas particularly for the purpose of promoting development of ancillary industries.

The committee noted that industrial concentration in certain particular places or areas is due mainly to the existence of basic facilities such as presence or easy availability of raw materials, availability of power and water, developed means of transport and communication, proximity to distributing or consuming centres, existence of banks, post offices housing, medical and educational facilities etc. The tendency of all entrepreneurs is to run to areas having these facilities.

The Committee felt that in order to make the dispersal scheme a success, "it would be necessary to provide these basic, economic and social overheads in the undeveloped and underdeveloped areas where new industries are sought to be established under a planned economy." In addition to this, the committee was of the opinion that certain direct incentives should be provided to encourage entrepreneurs to divert their attention to backward areas. The incentives recommended by the committee fall into three categories, viz.

(1) Provision of social overheads which will include:

- (a) Arrangement of factory accommodation.
- (b) Facilities for housing.
- (c) Common Service Facilities etc.

(2) Ensuring supply of raw materials.

(3) Fiscal incentives which will include:

- (a) Tax concession.
- (b) Subsidised electricity, tariff, and water rates.
- (c) Credit facilities.
- (d) Machinery on hire purchase terms.
- (e) Subsidy on Freight.

It was suggested to the committee that it would be advisable to extend the benefit of the incentives mentioned above to large scale industries also, those which would by their very nature attract a number of small scale industries in the shape of their ancillaries. The committee agreed that there was a great deal of force in this.

The Study Team (Misra Team), on Industrial Pilot Projects gave a more definite shape to the idea propounded by the Karve Committee. The Team proposed development of a selected centre in a block which may serve the requirement of adjoining villages. These selected centres may be those which have over the years become natural centres where commercial and industrial activity tended to develop and take roots. These centres which the Team called "The Rural Industries Centres" would act "as frontier checkposts of migration and provide opportunities for local industrial groups." The objective was to tone down as far as possible further expansion of metropolitan cities and, big towns and to provide employment opportunities for population in a group of villages as close to their present abode as possible. The Team suggested that rural industrial estates may be established at the selected centres.

The Third Five Year Plan while taking note of the role of village and small industries as a means to provide opportunities of income and employment in a dispersed manner all over the country indicated that in implementing the programme emphasis would have to be placed on encouraging the further growth of industry in rural areas and in small towns as well as in less-developed areas having a marked industrial potential. The first step in this direction would be to identify the areas in which various basic facilities such as electricity, larger supply of agricultural raw materials, improved means of transport etc. would become available.

76. The International Perspective Planning Team 1963 endorsed the idea that large villages or small towns should be taken as the focal points for spatial decentralisation. The Team emphasised that "most types of industrial production and services would suffer extremely from the absence in the villages of what economists call as:

external economies—cost reducing advantages which result from the clustering of the economic activities where there are well-developed markets for finished products, supplies etc.” On the other hand, the Team also realized that “the balanced development of different parts of the country, extension of the benefits of economic progress to the less-developed regions and wide-spread diffusion of industry are the major aims of planned development.” In order to avoid the clustering of industry in the already over-crowded super-cities whose economic, social, political problems are already complex, the Team felt that there must be some mid-way which could keep costs of industrial facilities like power and transport reasonably low, provide the important external economies associated with urban locations and still bring much of industry and associated service occupations closer to most of the people who now live in villages. This, the Team opined, could be done by deliberately encouraging the development of industry in urban communities of intermediate size and by promoting productive linkages between villages and towns.

The Team was emphatic that small industry should not be considered the main instrument of industrial dispersal policy; “it could be a useful instrument but it would be wastefully ineffective unless used in combination with other means of influencing spatial pattern of industrial development.” The Team specifically mentioned that “more weight may be given for achieving industrial dispersal by influencing the location of new large scale units.”

With regard to rural industrialisation and dispersal of industries, the advice of the Team was to “choose for priority attention in industrial development, among all the many areas that are industrially lagging, those that show greatest industrial growth potential. And within the growth potential areas select certain cities and towns that show greatest promise and readiness to be developed to industrially growing points.”

77. The Fourth Plan Working Group on small scale industries has also favoured the idea that future efforts at spatial decentralisation should aim at creating clusters of efficient modern small industries at certain selected ‘growth centres’. As regards the size and selection of growth centres the Working Group has expressed the view that while the selected centre should not be a big urban area it should also not be too small a village. The centre should be such that the impact of the programme would be visible quickly. It should act as a “frontier checkpost” for migration from rural to urban areas and, thus, provide all modern, urban amenities of life immediately.

In view of these considerations the Working Group has suggested that all towns with a population between 15,000 and 50,000 might be selected as growth centres and developed as such during the Fourth Plan period, provided the requisite infrastructural facilities are available at those places. The Group has stated that there are about 700 such places where industrial estates are not yet planned. Thus the number of growth centres would be about two for each district in the country. Assuming the development of about 700 growth centres during the Fourth Five Year Plan, the Group has visualised that about 120 growth centres will have to be developed in each year of the Fourth Plan.

The Committee suggest that the programme for establishing growth centres, recommended by the Fourth Plan Working Group on Small Scale Industries, should be fully integrated with the scheme of Rural Industries Projects and implemented as an integral part of an overall national programme of rural industrialisation.

The Committee generally agree with the idea that large villages or small towns should be taken as the focal points for rural industrialisation.

The Committee feel that the success of any programme of rural industrialisation depends largely on the right selection of industries. They are of the view that manufacturing activity in rural areas must be either predominantly from local materials or predominantly but not exclusively for local use.

The Committee suggest that the programme of rural industrialisation should lay special emphasis on the development of agro-industries which would cover not only industries concerned with the processing of agricultural products including animal husbandry, horticulture, poultry, etc. but also the manufacture of inputs required for agricultural development, such as, agricultural implements, improved tools, persian wheels, composite fertilisers etc.

## V CONCLUSION

78. One of the biggest problems facing the country is of finding productive employment for the unemployed, particularly for those living in rural areas. The magnitude of the problem is clear from the fact that the Fourth Plan is starting with a backlog of 12 million unemployed and the labour force is expected to increase by another 53 million within a decade. It is believed that nearly two-third of the unemployed and of the new entrants to the labour force belong to the rural areas. In fact, even urban unemployment is largely the result of the drift of workers from villages to the large towns and cities due to lack of adequate work opportunities in rural areas.

It is understood that top 20 per cent of the agriculturists own 75.2 per cent of the total agricultural lands in the country leaving only 25 per cent to be shared among the remaining 80 per cent. Further the 50 per cent of land owners at the bottom own no more than 2.7 per cent of the total agricultural land. This underlines the urgency of providing productive labour particularly for agriculturists with meagre or no land holding so as to afford agricultural economy some relief from being over-loaded with excessive labour. It is, therefore, imperative to open up on an extensive scale non-agricultural avenues of employment for the teeming under-employed and unemployed labour force in rural areas.

It is acknowledged on all hands that no solution to the problem of mass unemployment and underemployment in the villages is offered by the creation of a few centres of capital intensive industrial activity in the large metropolitan areas of the country. This aspect apart, the migration of large masses of the unemployed to the cities creates serious socio-economic problems—excessive strain on civic amenities and growth of slums with their unhygienic and unhealthy living conditions. Moreover due to lack of adequate employment opportunities, the more energetic and the intelligent among rural youngmen feel tempted to migrate to urban areas—thus leaving the rural areas poorer in efficient manpower. The large metropolitan centres provide no stimulus to the transformation of the rural economy. On the contrary, they tend to drain them of talent, enterprise and the opportunities of starting up new activities.

The Committee feel that the most practical solution to the problem of rural unemployment and the growth of a new healthy rural



society, is to generate avenues for employment on a decentralised scale in the villages. The Committee realize that the task is extremely a complicated one, as it involves a number of factors and agencies; but they feel that it is imperative for the Government to make concerted and co-ordinated efforts in this direction.

The Committee suggest that small towns and large villages should be taken as the focal points for rural industrialisation, and developed as growth centres. These growth centres, apart from providing employment to the expanding rural labour force, would also function as frontier check posts of migration from rural areas.

The Committee need hardly stress that an extensive programme of developing agricultural processing, forest and animal based industries can be sustained only by stepping up agricultural production as well as the production of horticultural, dairy, forest, fish and other similar items. They suggest that rural industrialisation should be viewed as part of a larger programme of establishing a composite agro-industrial economy. They visualise that in such an economy the industrial sector would function as an adjunct to the agricultural sector so that complementary forces which hasten the rate of growth of the rural economy as a whole are generated. While the industrial sector will support the agricultural sector by buying, the raw materials produced in the agricultural sector, the agricultural sector will support the industrial sector by buying commodities produced in the industrial sector. Increased activities in both the sectors would thus lead to increase in employment opportunities.

The Committee feel that raising the productivity and quality of village industries is an essential pre-condition for stabilising village industries. As now, village industrial products should not be identified with crude products. The Committee commend the adoption of a pragmatic approach to the question of technological changes in rural industries. The Committee need hardly emphasise that un-economic and outmoded methods of production cannot be sustained artificially with subsidies for an indefinite period. If village industries are to survive their techniques of production must be improved and modernized so that productivity and quality may be improved.

The Committee have dealt with the existing organisational arrangements for the development of rural industries in Chapter II. They are of the view that it is necessary to take a unified view of the entire problem of rural industrialisation. They feel that under the present arrangements, the various all-India bodies—the Khadi and Village Industries Commission, the All India Handloom Board, the

Central Silk Board, the Coir Board, the Handicrafts Board and the Small Scale Industries Board—are not always able to take such a view because each of them is necessarily conditioned to look at the problems from the standpoint of the needs and interests of the industries falling within its specific sphere. Moreover, the Khadi and Village Industries Commission has certain ideological reservations and inhibitions. As such, it may not be the suitable organisation for implementing the programme of rural industrialisation—covering all rural industries and the entire rural areas. The Committee strongly feel that an essential pre-requisite for formulating and implementing a really meaningful integrated programme of rural industrialisation is the setting up of an effective administrative or at least co-ordinating machinery for its formulation and proper implementation. They would like the Government to examine the problem without delay and devise a suitable machinery to ensure that schemes or programmes for rural industrialisation are formulated in an integrated manner and are implemented faithfully in the field. The Committee would also like to stress the necessity of treating the development of this sector as a separate programme with a separate allocation of funds.

NEW DELHI;

April 22, 1966.

Vaisakha 2, 1888 (Saka).

ARUN CHANDRA GUHA,

Chairman,

Estimates Committee.

# APPENDIX I

(Vide Para 29)

## Estimated Expenditure on the Development of Cottage Industries and Khadi and Village Industries during the Third Plan Period

Sl. No.	Industry	Funds Provided	Actual	Estimated Expenditure	Shortfalls and Reasons therefor
I	2	3	4	5	
1.	Khadi and Village Industries.	89.00 Crores (excluding 3.4 Crores for States and Union Territories)	123.4 Crores (Upto 31-12-65) (This includes Departmental receipts also).	18.18 Crores (Up to 1964-65)	Does not arise.
2.	Handloom	26.92 Crores	6.39 Crores (1965-66 estimated).		<p>(i) Halting progress of the co-operative movement in the Handloom industry;</p> <p>(ii) cut imposed by various States due to National Emergency since 1962;</p> <p>(iii) the recent Indo-Pakistan conflict;</p> <p>(iv) slow adoption of improved appliances and equipment; and</p> <p>(v) lack of appreciation of export potential of our handloom goods abroad.</p>

## 3. Sericulture

7.03 Crores

3.07 Crores  
(Upto 1964-65)  
1.32 Crores  
(1965-66 estimated)

(i) The delay in the execution of construction programmes by the State P.W.D.;

(ii) Emergency declared during the Second year of the Third Plan and the consequent severe cuts imposed by the State Governments on Sericultural development programmes; and

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(iii) inadequacy of the implementing machinery of sericultural departments to cope with the additional work incidental to development activities.

1.65 Crores  
(includes estimated expenditure for 1965-66).

4. Coir . . . 3.13 Crores

5. Handicrafts . . . 6.00 Crores

3.61 Crores  
(Up to 1964-65)

1.52 Crores  
(1965-66 estimated)

(i) Economy necessitated by National Emergency;

(ii) scarcity of suitable technical personnel; and

(iii) non-availability of raw materials.

## APPENDIX II

(Vide Para 41)

*Statement showing sector-wise employment and per capita income in Sericulture during 1956, 1961 and 1964*

*Note : Sericulture being subsidiary to agriculture, invites participation of the entire household of agriculturists. The per capita income of the persons engaged in Silk Weaving is excluded.*

(Unit—Employment : Number :  
per capita  
Income : Rupees.).

Sector	1956			1961			1964		
	Employment	Per capita income		Employment	Per capita income		Employment	Per capita income	
(1)	(2)	(3)	(4)	(5)	(6)	(7)			
1. Mulberry Cultivation and Silkworm Rearing.	20,59,205	28.95	21,51,400	41.72	23,50,800	55.35			
2. Silkworm seed Production	93,992	16.99	98,200	24.34	1,05,700	32.83			
3. Cocoon Marketing	8,921	89.12	9,320	128.44	10,600	163.68			
4. Silk Reeling and Spinning	2,87,144	33.22	3,00,000	47.87	3,17,100	65.65			
5. Silk Marketing	8,921	89.12	9,320	128.44	10,600	163.68			
6. Silk Throwing	17,841	89.13	18,640	128.44	21,200	163.68			

7. Miscellaneous workers in silk waste and spun silk industry.	8,921	445.47	9,320	642.07	10,600	818.30
8. Other ancillary industry.	17,841	89.13	18,640	128.44	21,200	162.68
9. Silk Dyeing and Printing	8,921	Workers on daily wages Rs. 1-1.25	9,320	Workers on daily wages Rs. 1.25-2.00	10,600	Workers on daily wages Rs. 1.50-2.75
10. Handloom and Powerloom Silk Weaving	1,78,412 17,841		1,86,400 18,640	..	2,11,400 21,200	
11. Jari Industry	89,206	..	93,200	..	1,02,200	..
TOTAL	27,97,164	..	29,22,400	..	31,93,200	..

# APPENDIX III

(Vide Para 45)

## Production of Coir and Coir Products in different States

States	Coir Fibre			Coir Yarn		Coir products		Coir Rope	
	Qty. (Tonnes)	Value (Rs.'000s)	Qty. (tonnes)	Value (Rs.'000s)	Qty. (tonnes)	Value (Rs.'000s)	Qty. (tonnes)	Value (Rs.'000s)	
I	2	3	4	5	6	7	8	9	
Kerala (A)	1,47,580	1,78,722	1,36,112	1,75,435	24,470	51,489	13,144	17,043	
Maharashtra	102	122	51	69	25	52			
Orissa	2,032	2,438	..	..	..		1,829	2,195	
West Bengal (B)	2,866	583	60	19	5	7	27	52	
Mysore	4,470	3,517	2,064	2,842	..	..	..	..	
Madras (C)	4,200	5,040	4,000	5,424	NA	NA	NA	NA	

Andhra Pradesh	.	.	NA	NA	NA	NA	NA	NA	NA
Laccadive & Amindivi Islands	.	750	900	713	967	..	..	..	..
TOTAL	.	1,62,000	1,91,322	1,43,000	1,84,756	24,500	51,548	15,000	19,290

N.A. : Not Applicable.

B. : The figures of production of rope given exclude the production of coir rope in the roperies at Calcutta produce out of the coir fibre and coir yarn moved from Kerala.

C. : The figures of production given above relate to the production of coir in Kanyakakuri district only. Sizable quantities of coir rope are produced in the Salem district the coir fibre and yarn moved from Kerala, but figures of rope in Salem are not available.

A. : The figures are only estimated.



## APPENDIX IV

(Vide Para 63)

*Statement showing Statewise Expenditure on Rural Industries Projects  
for the period 1962—65 and anticipated expenditure for 1965-66.*

(Rs. in lakhs)

States/Union Territories	1962- 63 (Actuals)	1963- 64 (Actuals)	1964- 65 (Actuals)	Total (1962- 65)	1965-66 (Anticipa- ted)
I	2	3	4	5	6
<b>A. States</b>					
1. Andhra Pradesh .	0·16	7·18	13·65	20·99	24·00
2. Assam	0·09	5·04	4·75	9·88	6·53
3. Bihar .	0·55	9·36	15·37	25·28	28·29
4. Gujarat	0·04	3·08	9·15	12·27	13·90
5. Jammu and Kashmir .		..	0·23	0·23	2·19
6. Kerala.	0·11	4·95	15·81	20·87	24·85
7. Madhya Pradesh	0·19	6·83	13·06	20·08	23·00
8. Madras .	0·09	2·51	11·17	13·77	25·16
9. Maharashtra .	0·20	4·16	9·38	13·74	13·04
10. Mysore	0·05	5·48	10·00	15·53	13·00
11. Orissa	0·27	7·99	12·87	21·13	22·88
12. Punjab	0·14	5·91	7·14	13·19	22·13
13. Rajasthan .	0·14	4·37	9·89	14·40	11·49
14. Uttar Pradesh	0·29	2·21	18·76	21·26	32·60
15. West Bengal .	0·18	4·35	7·39	11·92	15·80
Total (A) . .	2·50	73·42	158·62	234·54	278·86

1	2	3	4	5	6
<i>B. Union Territories</i>					
16. Himachal Pradesh	0.06	1.64	3.87	5.57	5.05
17. Manipur		0.97	3.06	4.03	2.05
18. Tripura	..	0.08	1.64	1.72	2.71
19. Goa	..	1.39	3.95	5.34	7.85
Total (B)	0.06	4.08	12.52	16.66	17.66
Grand Total (A) & (B)	2.56	77.50	171.14	251.20	296.52

## APPENDIX V

### *Summary of Conclusions/Recommendations*

Serial Reference to No. Para No. of the Report		Summary of Conclusions/Recommendations
1	2	3
I	4	<p>The Committee note with concern that in spite of a decade and a half of planning the country is still faced with the problem of vast and increasing unemployment in the villages which constitute the base of the nation's economy and its democratic framework. The Committee realize the importance of the efforts made by Government to relieve unemployment in villages through its programmes of rural works, rural industrialisation etc. Considering however, that the backlog of unemployment has increased from 5.3 million at the commencement of the Second Plan to about 12 million at the end of the Third Plan and that nearly two-third of the unemployed are believed to live in the villages, it is evident that the efforts so far made have been far from adequate to make any impression on the problem of rural unemployment. With an estimated increase of 53 million in the labour force during the Fourth and Fifth Plan periods, the bulk of which will inevitably come from the villages, the problem will soon acquire a vast and unprecedented magnitude. The Committee, therefore, cannot overstress the need for urgent measures to provide gainful employment to the fast expanding labour force in rural India.</p> <p>The Committee agree with the view that neither agriculture, nor large scale industry, nor even both of them together, can absorb the growing number of the unemployed and under-employed in the villages. They feel that only a well thought out and comprehensive programme of decentralized industry in the rural areas, implemented with drive, sincerity and a sense of paramount urgency, can provide an effective</p>

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answer to the vast problem of rural unemployment. The Committee, therefore, urge Government to give their serious attention to this matter and take speedy and effective measures to formulate and execute in the field a well co-ordinated programme of rural industrialization. They would also like to stress that the programme of rural industrialization should be clearly distinguished from the programme of industrialization in the urban areas with a separate allocation of funds.

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The Committee regret to note that although the need for greater coordination between the various Boards and agencies concerned with the implementation of the programmes of village and small industries has been felt for a long time, no effective measures in this direction have been taken so far.

They are particularly distressed to note that the Rural Industries Planning Committee has not succeeded in bringing about any coordinated implementation of the programme even though it was originally intended to be responsible for not only formulation and direction of overall policy relating to rural industrialisation and securing necessary coordination between the various relevant agencies, but also for assisting the State Governments in carrying out the programmes. The Committee are broadly in agreement with the view of the Fourth Plan Working Group on Khadi & Village Industries that no impact has yet been made on rural industrialisation by the Rural Industries Planning Committee and the intention set out by the Planning Commission has not been fulfilled.

The Committee endorse the view expressed in the Third Five Year Plan that it is necessary to take a unified view of the entire problem of rural industrialisation. They regret that this valuable policy statement has not been implemented so far. They need hardly stress that under the existing arrangements the various Boards are not always able to take such a view because each of them is necessarily conditioned to look at the problems from the standpoint of the needs and interests of the industry falling within its specific sphere. The Committee strongly feel that an

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essential prerequisite for the success of a really meaningful programme of rural industrialisation is the setting up of an effective machinery for implementation in one administrative Ministry. They would like the Government to examine the problem in all its ramifications without delay and devise a suitable machinery to ensure that schemes or programmes for rural industrialisation are formulated in an integrated manner and are implemented faithfully in the field.

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The Committee note that while the financial outlays, envisaged in the Third Five Year Plan, have been fully achieved in the case of khadi and village industries, the expenditure on the other industries in the decentralised sector, viz., handloom, sericulture, coir, handicrafts and small scale industries, is likely to fall considerably short of the Plan targets. They also note that these shortfalls are generally attributed to the national emergency. The Committee are unable to appreciate why the cuts necessitated by the emergency should hit some industries and not others. The Committee are not quite convinced with the plea of emergency for justifying such heavy cuts (of about 30 per cent) on the programmes for the development of rural industries. The Committee are constrained to observe that there is a tendency to attribute every deficiency in the implementation of the programmes to the national emergency. This apprehension is further confirmed by the fact that while the general instruction was to impose a cut of 10 per cent in the overall expenditure of the Government, the weakest sector of the economy intended to give benefit to the weakest section of the people should be subjected to 30 per cent or even higher cuts. In this connection, the Committee cannot help stressing that this sector of industries is a labour intensive and very quick yielding sector not requiring any long gestation period, and as such any cut on this sector should have been imposed with the greatest caution.

The Committee would like the Government to ascertain the actual reasons for the shortfalls in expenditure during the Third Plan period in respect of the handloom, sericulture, coir and handicrafts industries; assess the precise effects of the shortfalls on the development of each industry; and take suitable measures during the

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		Fourth Plan period to make up the deficiencies suffered by these industries as a result of the earlier cuts in the developmental expenditure.
4	30	The Committee would also like to urge the need for effective Central guidance and coordination between the concerned agencies at the Centre and in the States to ensure that the development of the various industries which together constitute the 'village and small industries' group proceeds uniformly in all the States in accordance with the targets and programmes envisaged in the Five Year Plans.
5	35	The Committee feel that considering the high expenditure on the khadi and village industries programme, the benefits accruing through this programme in terms of production and employment have not been very impressive. They consider it essential that the programme should not be too heavily dependent on Government grants and subsidies. In this connection the Committee would also like to invite attention to the observations made by the Public Accounts Committee in Chapter I of their 49th report on Khadi and Village Industries Commission. They would like to urge the Government to modify and revitalize the programme in the light of the detailed findings and suggestions made by the Evaluation Committee on the Intensive Area Scheme (1964) and the Fourth Plan Working Group on Khadi and Village Industries.
6	35	As regards the working of the Ambar Charkha programme, the Committee would like to refer to the observations made by the Public Accounts Committee in para 5.100 of their 49th report. In the light of the unhappy experience of the Ambar Charkha programme, the Committee suggest that the Khadi & Village Industries Commission should proceed cautiously in introducing its new model charkha. They feel that it would not be proper to launch a massive drive for introduction of the new charkha in the villages without making sure of its efficiency and making adequate arrangements for imparting training in the new device as well as for its servicing.
7	35	The Committee would also like the Commission to arrange field trials for the new spinning machine and improved looms that have been

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recently developed by the Rehabilitation Industries Corporation, Calcutta. If the machine is found useful, arrangements may be made for its manufacture and distribution in rural areas.

8      39      The Committee are happy to note the steady progress that has been made by the handloom industry both in regard to production and provision of expanding opportunities of employment in the rural areas. They attach great importance to the development of this industry which is the biggest employer in the country after agriculture.

The Committee feel that there is considerable scope for improving both quality and productivity in the handloom industry through the use of better techniques, improved looms and appliances and new designs. They would like the Government to intensify their efforts in this direction. In particular, they would suggest the setting up of Weavers' Service Centres in each State which does not have such a centre at present. Sub-units of the main centres should also be established in places where there is a concentration of handlooms.

9      39      The Committee regret to note that quite often a poor handloom weaver is a victim of exploitation by a rich and clever middleman who supplies yarn, arranges sizing, calendering, dyeing and even sales for the weaver who in such a case becomes more or less a wage earner. The Committee feel that the Government should draw a phased programme to enable the weaver to enjoy the fruits of his own labour and to function as a really self-employed man. For this the Committee suggest the Government to take effective interest in arranging all these facilities extensively.

10      39      Efforts should be made to step up the exports of handlooms through extensive publicity as also by offering suitable incentives to the exporting agencies.

11      42      The Committee note that little progress has been made so far in improving the quality and productivity of mulberry. They urge that this aspect should receive greater attention and efforts should be made to extend the area of cultivation under mulberry.

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12	42	<p>The Committee feel that efforts to improve the techniques of production in the silk industry need to be considerably augmented and intensified so that it may be possible to bring down the costs of production through increased productivity. The Committee need hardly stress that if the silk industry is to successfully meet the growing competition of synthetic fibres, no efforts should be spared to organise it on scientific lines.</p>
13	42	<p>The Committee feel that sufficient attention has not been paid so far to the designing of improved appliances and machines that could have brought about an improvement in the productivity of the artisans engaged in the silk industry as well as in the quality of their products. The Committee urge that this deficiency should be removed and suitable arrangements made for the manufacture of improved appliances and machines for silk production and for the demonstration of such machines and appliances in rural areas. Arrangements should also be made for the supply of these machines and appliances to rural artisans on reasonable and easy terms.</p>
14	43	<p>The Committee feel that the absence of basic data regarding employment, production, etc. in the handicrafts sector is a major lacuna the removal of which is a necessary pre-condition for any meaningful planning for the development of handicrafts.</p>
15	43	<p>The Committee consider that there is considerable scope for the expansion of exports in handicrafts, specially by ensuring quality control, provision of raw materials (particularly imported ones), credit and other services to exporters of handicrafts, securing orders from abroad and greater publicity with a view to the development of new markets. They urge that efforts in these directions should be intensified.</p>
16	43	<p>The Committee would suggest that thorough review of the working of the Handicrafts Board may be undertaken by Government with a view to effect organisational improvements.</p>



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17	45	<p>The Committee regret to note that no serious effort has been made to develop the coir industry in States like Madras, Maharashtra, Mysore, Orissa and West Bengal where rural unemployment is rather heavy and where the availability of the requisite raw material in ample measure would appear to indicate good potentiality for the growth of this industry. They hope Government would soon make up this important lacuna in their coir development programme.</p>
18	45	<p>The Committee note that the present method of coir extraction is rather crude and tends to repel people to take to that profession. The Committee, therefore, also suggest that vigorous efforts should be made to manufacture within the country and popularise simple and cheap machines for the mechanised extraction of coir fibre so that workers engaged in the coir industry may be able to earn more and a larger number of people in the various States may be attracted towards the industry.</p>
19	45	<p>The Committee would like the Government to intensify measures for stepping up the export of coir and coir products.</p>
20	48	<p>The Committee have commented on the working of the Planning Commission's Rural Industries Projects Programme and made some specific suggestions on the scope and content of rural industrialisation in Chapter IV. They would like to record here that although the need for development of small scale industries in rural areas has been recognised for a long time, there has hardly been any visible progress in this direction. The Committee are constrained to observe that beyond enunciating the principle of decentralisation, Government have done little else to translate the principle into practice.</p>
21	51	<p>The Committee regret to note that even the modest scheme for providing credit facilities to rural artisans to the extent of Rs. 30,000 per community development block has not been implemented in many of the States. Considering that the Centre contributes 2/3rd of the amount earmarked for purposes of advances under the State Aid to Industries Acts, and is also responsible for the coordination of the State Aid to Industries scheme, the Committee feel that the Central Government should have ensured that the credit</p>

needs of rural artisans did not remain unattended to for want of interest or efforts on the part of State Governments. The Committee need hardly emphasise that the non-availability of institutional credit in the rural areas is one of the greatest difficulties impeding the progress of rural industrialisation, as in the absence of institutional credit, the rural artisans find it impossible to free themselves from the clutches of the usurious village money-lenders and middlemen. They would like the Government to devise a comprehensive scheme for making institutional credit facilities available to rural artisans and take positive measures to enlist the cooperation of the State Governments in this behalf. The Committee note that under a scheme of the Reserve Bank loans are made available at comparatively lower rates to agriculturists. They recommend that the feasibility of extending the scheme to cover grant of loans at lower rates to rural artisans so as to encourage rural industry may be examined. In this connection, the Committee would also like to invite the attention of the Government to the recommendations contained in para 80 of their 99th Report (Third Lok Sabha) on the Ministry of Food, Agriculture, Community Development and Cooperation.

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The Committee have noted in para 81 of their 99th Report (Third Lok Sabha) on the Ministry of Food, Agriculture, Community Development and Cooperation that a uniform policy has not been followed in various States in regard to setting up of common facility centres/rural workshops. Thus, while Mysore has as many as 312 such centres/workshops and Andhra has 281, Bihar has only 2 and Assam and Maharashtra only one each. The Committee would like to reiterate that the committee of officers which is currently evaluating the working of the common facility centres will take note of these disparities and suggest suitable remedial measures.

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The Committee note that as against the original proposal of having at least one cluster type training centre in each district, only 200 such centres have been set up so far. Further, 94 of these 200 centres are located in Uttar Pradesh, while many States do not have even one such centre. The Committee fail to appreciate this

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great disparity in setting up of cluster type training centres. They are also unhappy to observe that the centres have not served the objective of providing proper and useful training to rural artisans. In this connection, the Committee would also like to invite the attention of the Government to the findings and recommendations contained in para 114 of their 98th Report (Third Lok Sabha) on the Ministry of Food, Agriculture, Community Development and Co-operation. The Committee feel that Government should undertake a thorough review of the working of the scheme with a view to identify its basic weaknesses and take necessary remedial measures.

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The Committee would also like to record that although the community development scheme of rural industrialisation has been in operation, in one form or another, for more than a decade, it has failed to achieve any tangible results. In fact, the scheme has all along been in a fluid state due to frequent modifications of its content and scope. The experience of this scheme also underlines the need of close coordination between the Central and State Governments and the various all-India Boards and their respective field organisations.

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The Committee are concerned to note that out of the 120 intensive and pre-intensive areas which have been established under the Khadi & Village Industries Commission's Intensive Area Scheme since the inception of the scheme in 1954, only 64 are functioning as full-fledged intensive areas, and that, in general, the developmental activities under the scheme are confined to one or two villages in each area. Considering the unimpressive results obtained from the intensive area scheme, the Committee would like Government to identify the shortcomings of the scheme and take remedial measures. In particular, the Committee would like the Government to consider how best the Intensive Area Scheme of the Khadi & Village Industries Commission could be integrated into an overall and well-coordinated plan of rural industrialisation. Government should also decide the most appropriate agency for its execution in the field keeping in view the fact

that the effective implementation of a scheme of this type involves close coordination between various governmental and semi-governmental institutions.

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The Committee note the progress made in the Rural Industries Projects in regard to the setting up of new industrial units and the generation of new employment opportunities. They would like to urge, however, that considering the magnitude of rural unemployment which at the end of the Third Plan is estimated to be of the order of about 8 million (See Chapter I) and the fact that the labour force in the rural areas is growing at the rate of three million a year, the generation of 32,000 of employment opportunities during the Third Plan period is hardly a matter for gratification.

The Committee regret to note that although the Rural Industries Projects Programme was launched in the middle of 1962, the actual implementation of the programme started as late as 1964-65 because of delays on the part of the State Governments in finalising the surveys of the areas and setting up the necessary administrative machinery. The Committee would like to recall that under the Rural Industries Project Programme, as originally formulated, the Rural Industries Planning Committee was not only responsible for 'formulation of policy' and 'necessary coordination' but was also expected to set up the 'necessary establishment for implementing the programme'. They are distressed to observe that, in practice, the Rural Industries Planning Committee has been rather helplessly dependent on the State Governments for the implementation of the programmes.

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The Committee feel doubtful whether the Planning Commission is really the proper body for the execution of a programme of this nature as the Commission lacks administrative authority and in the absence of such authority it can scarcely be expected to secure effective co-ordination between the various governmental and semi-governmental authorities at the Central and State level whose activities have a direct or indirect bearing on the question of rural industrialisation. The Committee hope that Government will look into the matter and decide what should be the

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proper agency at the Centre to take charge of a comprehensive programme of rural industrialisation. The Committee suggest that care should be taken to vest the central agency with sufficient power to secure coordination among the concerned agencies of the Centre and States at policy framing as well as at the field level. The Committee cannot too strongly urge that the familiar phenomenon of well-intentioned schemes getting bogged down in cross purposes or failing to make progress for want of coordination should not be repeated.

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The Committee are concerned to note that there has been heavy shortfall in the utilisation of work sheds in rural industrial estates in the Third Plan period inasmuch as out of the 647 completed sheds at the end of March 1965, 284 sheds or about 44 per cent remained unoccupied. Moreover, they cannot but feel distressed over the fact that although the rural industrial estates scheme was initiated in 1956, at the end of nearly a decade the rural estates have provided employment to only 806 persons and the total annual production of the 26 estates is no more than Rs. 73 lakhs.

The Committee are constrained to observe that these estates appear to have been constructed indiscriminately without prior assessment of the industrial potential and availability of other requisite facilities in these areas. The whole scheme has been processed in a most unrealistic manner. The Committee suggest that attempts should be made to utilise the vacant sheds either by removing the handicaps and providing proper facilities or by finding alternative use for the sheds.

The Committee would urge that concerted steps should be taken to remove the bottlenecks which have been experienced in the setting up of rural industrial estates.

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The Committee need hardly stress that in future rural industrial estates should be set up only after conducting a thorough survey of the prospective areas to ascertain their potentiality. They feel that rural industrial estates have the best chance of success in the Rural Industries

Project Areas where certain basic facilities necessary for industrial activity exist or are likely to be created sooner than in other areas. They would, therefore suggest that the programme of rural estates should be fully integrated with the above mentioned programme of Rural Industries Project Areas.

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The Committee suggest that the programme for establishing growth centres, recommended by the Fourth Plan Working Group on Small Scale Industries, should be fully integrated with the scheme of Rural Industries Projects and implemented as an integral part of an overall national programme of rural industrialisation.

The Committee generally agree with the idea that large villages or small towns should be taken as the focal points for rural industrialisation.

The Committee feel that the success of any programme of rural industrialisation depends largely on the right selection of industries. They are of the view that manufacturing activity in rural areas must be either predominantly from local materials or predominantly, but not exclusively, for local use.

The Committee suggest that the programme of rural industrialisation should lay special emphasis on the development of agro-industries which would cover not only industries concerned with the processing of agricultural and forest products including animal husbandry, horticulture, poultry, etc., but also the manufacture of inputs required for agricultural development, such as, agricultural implements, improved tools, persian wheels, composite fertilisers, etc.

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One of the biggest problems facing the country is of finding productive employment for the unemployed, particularly for those living in rural areas. The magnitude of the problem is clear from the fact that the Fourth Plan is starting with a backlog of 12 million unemployed and the labour force is expected to increase by another 53 million within a decade. It is believed that nearly two-third of the unemployed and of the new entrants to the labour force belong to the rural areas. In fact, even urban unemployment is

largely the result of the drift of workers from villages to the large towns and cities due to lack of adequate work opportunities in rural areas.

It is understood that top 20 per cent of the agriculturists own 75.2 per cent of the total agricultural lands in the country leaving only 25 per cent to be shared among the remaining 80 per cent. Further, the 50 per cent of land owners at the bottom own not more than 2.7 per cent of the total agricultural land. This underlines the urgency of providing productive labour particularly for agriculturists with meagre or no land holding so as to afford agricultural economy some relief from being over-loaded with excessive labour. It is, therefore, imperative to open up on an extensive scale non-agricultural avenues of employment for the teeming under-employed and unemployed labour force in rural areas.

The Committee feel that the most practical solution to the problem of rural unemployment and the growth of a new healthy rural society, is to generate avenues for employment on a decentralised scale in the villages. The Committee realize that the task is extremely a complicated one, as it involves a number of factors and agencies; but they feel that it is imperative for the Government to make concerted and co-ordinated efforts in this direction.

The Committee suggest that small towns and large villages should be taken as the focal points for rural industrialisation, and developed as growth centres. These growth centres, apart from providing employment to the expanding rural labour force, would also function as frontier check posts of migration from rural areas.

The Committee need hardly stress that an extensive programme of developing agricultural processing, forest and animal based industries can be sustained only by stepping up agricultural production as well as the production of horticultural, dairy, forest, fish and other similar items. They suggest that rural industrialisation should be viewed as part of a larger programme of

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establishing a composite agro-industrial economy. They visualise that in such an economy the industrial sector would function as an adjunct to the agricultural sector so that complementary forces which hasten the rate of growth of the rural economy as a whole are generated. While the industrial sector will support the agricultural sector by buying, the raw materials produced in the agricultural sector, the agricultural sector will support the industrial sector by buying commodities produced in the industrial sector. Increased activities in both the sectors would thus lead to increase in employment opportunities.

The Committee feel that raising the productivity and quality of village industries is an essential pre-condition for stabilising village industries. As now, village industrial products should not be identified with crude products. The Committee commend the adoption of a pragmatic approach to the question of technological changes in rural industries. The Committee need hardly emphasise that uneconomic and outmoded methods of production cannot be sustained artificially with subsidies for an indefinite period. If village industries are to survive their techniques of production must be improved and modernized so that productivity and quality may be improved.

The Committee have dealt with the existing organisational arrangements for the development of rural industries in Chapter II. They are of the view that it is necessary to take a unified view of the entire problem of rural industrialisation. They feel that under the present arrangements, the various all-India bodies—the Khadi & Village Industries Commission, the All India Handloom Board, the Central Silk Board, the Coir Board, the Handicrafts Board and the Small scale Industries Board—are not always able to take such a view because each of them is necessarily conditioned to look at the problems from the standpoint of the needs and interests of the industries falling within its specific sphere. Moreover, the Khadi and Village Industries Commission has certain ideological reservations and

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inhibitions. As such, it may not be the suitable organisation for implementing the programme of rural industrialisation—covering all rural industries and the entire rural areas. The Committee strongly feel that an essential pre-requisite for formulating and implementing a really meaningful integrated programme of rural industrialisation is the setting up of an effective administrative or at least co-ordinating machinery for its formulation and proper implementation. They would like the Government to examine the problem without delay and devise a suitable machinery to ensure that schemes or programmes for rural industrialisation are formulated in an integrated manner and are implemented faithfully in the field. The Committee would also like to stress the necessity of treating the development of this sector as a separate programme with a separate allocation of funds.

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## APPENDIX VI

### *Analysis of Recommendations/Conclusions contained in the Report*

#### I. CLASSIFICATION OF RECOMMENDATIONS

##### A. Recommendations for improving the Organisation and working:

S. Nos. 2, 16, 22, 23 to 25, 27, 29, 30.

##### B. Recommendations for effecting economy:

S. Nos. 5, 6, 28.

##### C. Miscellaneous recommendations:

S. Nos. 1, 3, 4, 7 to 15, 17, 21, 26, 31.

#### II. ANALYSIS OF MORE IMPORTANT RECOMMENDATIONS DIRECTED TOWARDS ECONOMY

Sl. No.	Sl. No. as per Summary of recommendations (Appendix V)	Particulars
1	2	3
1.	5	Considering the high expenditure on the Khadi and village industries programme, the benefits accruing through this programme have not been very impressive. It is essential that the programme should not be too heavily dependent on Government grants and subsidies.
2.	6	In the light of the unhappy experience of the Ambar Charkha programme, the Khadi and Village Industries Commission should proceed cautiously in introducing its new model charkha. It would not be proper to launch a massive drive for introduction of the new charkha in the villages without making sure of its efficiency and making adequate arrangements for imparting training in the new device as well as for its servicing.

1	2	3
3.	28	There has been heavy shortfall in the utilisation of work sheds in rural, industrial estates. Attempts should be made to utilise the vacant sheds. In future, rural industrial estates should be set up only after conducting a thoroughly survey of the prospective areas to ascertain their potentiality.