

ESTIMATES COMMITTEE

1961-62

HUNDRED AND FIFTIETH REPORT

(SECOND LOK SABHA)

MINISTRY OF COMMERCE AND INDUSTRY

Action taken by Government on the recommendations contained in the Seventy-Seventh Report (Second Lok Sabha) of the Estimates Committee on the Ministry of Commerce and Industry—Small Scale Industries—Part I (Organisation of the Development Commissioner, Small Scale Industries)



LOK SABHA SECRETARIAT
NEW DELHI

March, 1962/Phalguna, 1883 (Saka)

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(1961-62)

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INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee, present this Hundred and Fiftieth Report of the Estimates Committee on the action taken by Government on the recommendations contained in the Seventy-Seventh Report (Second Lok Sabha) of the Estimates Committee on the Ministry of Commerce and Industry—Small Scale Industries—Part I (Organisation of the Development Commissioner, Small Scale Industries).

2. The Seventy-Seventh Report of the Estimates Committee was presented to the Lok Sabha on the 24th March, 1960. Government furnished their replies indicating the action taken on the recommendations contained in this Report on the 22nd March, 1961. These replies were examined by the Study Group 'F' of the Estimates Committee (1961-62) on the 26th October, 1961. Government were requested thereafter to furnish further information on points arising out of their replies to certain recommendations. The latter replies were examined by the Study Group 'F' on the 9th December, 1961. The draft Report was adopted by the Committee on the 6th March, 1962.

3. The Report has been divided into the following five Chapters:—

I. Report.

II. Recommendations that have been accepted by Government.

III. Replies of Government that have been accepted by the Committee.

IV. Replies of Government that have not been accepted by the Committee.

V. Recommendations in respect of which final replies of the Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in the Seventy-Seventh Report (2nd Lok Sabha) of the Estimates Committee is given in Appendix II. It would be observed therefrom that out of 45 recommendations made in the Report 75% have been accepted by Government and replies in respect of 15.6% of the recommendations have been accepted by the Committee. Of the rest, replies of Government in respect of 7.2% of the recommendations have not been accepted by the Committee while final reply to one recommendation (2.2%) is still awaited.

NEW DELHI;
The 6th March, 1962
The 15th Phalgunā, 1883 (S)

H. C. DASAPPA,
Chairman,
Estimates Committee.

CHAPTER I

REPORT

In para 12 of their Seventy-Seventh Report (Second Lok Sabha) on the Organisation of the Development Commissioner, Small Scale Industries, the Estimates Committee had observed that the functions of the Development Commissioner, Small Scale Industries and the National Small Industries Corporation Ltd. did not appear to have been clearly demarcated and there existed a certain amount of fluidity which might not be conducive to their smooth and harmonious relationship and might also cause avoidable delays. They, therefore, suggested the amalgamation of the two organisations, which would have the additional advantage of economy. Further, in paras 16 and 17 the Committee referred to the multiplicity of organisations operating at the State level for the development of small scale industries and recommended the constitution of a Committee to review the working of the various organisations set up for development of small scale industries, both at the Central and State levels and make suitable recommendations to reduce their multiplicity and to eliminate overlapping of functions between them.

2. In reply, Government have stated that there is a fairly clear demarcation between the functions of the Development Commissioner, Small Scale Industries and those of the National Small Industries Corporation and that the activities of the one are complementary to the other. They do not consider that there would be any advantage in amalgamating these two organisations. However, in pursuance of the recommendation made in para 17 *ibid*, Government have appointed a Committee to review the functions of the different organisations for development of small scale industries both at the Centre and State levels, and make suitable recommendations [cf. Government of India, Ministry of Commerce and Industry Resolution No. F. 23-SSI(C) (7)/61 dated the 8th September, 1961 reproduced at Appendix I]. *Now that the Government have appointed a Committee to review the functions of the different organisations both at the Central and the State levels, the Committee trust that the question of demarcation of functions of National Small Industries Corporation and the Development Commissioner, Small Scale Industries apart, the feasibility of amalgamating the two organisations to serve both the promotional and developmental purposes as suggested by them will be considered.* In this connection, the Committee would refer to the following recommendation made by the International Labour Organisation's Technical Meeting on Small Scale and Handicrafts Industries in their Report (1961):—

* * * *

"The Meeting was of the opinion that in the initial stages, services should be organised on a central basis, the objective being to develop regional and local organisations to take over gradually some of the activities of the central organisations. It stressed the importance of the central agency being made autonomous to the extent possible

to ensure flexibility of operations leading to quicker results. Broadly speaking, there were two kinds of activities which the central agency could normally undertake—promotional and commercial. As these two could not be divorced from each other, it would be advantageous to have under one single agency two wings to deal with these fields separately, the ultimate aim being to transfer some of these activities, as appropriate to private organisations including co-operatives. Even in such cases there would be a need for a central agency to exercise general supervision and to coordinate the services for small scale and handicrafts industries."

The Committee also suggest that a copy of the Report of this (Departmental) Committee as also action taken by Government thereon may, in due course, be laid on the Table of the House.

3. In para 38 of the Report, the Committee *inter alia* had suggested that a comprehensive area-wise and industry-wise survey of the existing as well as the potential small scale industries in the whole country should be undertaken to determine the fields and areas where their further development was possible or called for. In reply, Government have stated that though such a survey was doubtless desirable, it is not feasible just at present in view of several limitations. *While the Committee appreciate the difficulties in the way of conducting a country-wide survey, they feel that it is an essential pre-requisite for proper and scientific planning and should, therefore, be undertaken. Even if such a survey does not result in being fully comprehensive or correct in all respects still the Committee feel that it will serve a very useful purpose in so far as it will give a good enough picture of the possibilities in every State.*

4. In para 82 of the Report, the Committee had stressed the desirability of providing, in adjacent areas, housing facilities to the labour employed in the Industrial Estates. While accepting the recommendation in principle, Government have stated that it would be difficult to implement it because of limitation of resources. *The Committee, however, trust that Government would no doubt keep the suggestion of the Committee in mind and endeavour to implement it as far as possible.*

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Sl. No. as in Appendix V of the 77th Report	Reference Summary of Conclusions/Recommendations	Reply of the Government
1	2	3
1	6	4
3	17	

The Committee recommend that the feasibility of reorganising the Small Scale Industries Board so as to provide for adequate representation to the Small Scale Industries may be considered. The Committee suggested that where representation is to be given to small industrialists it would be better to call upon recognised associations to nominate their representatives to the Central Board.

Accepted. It is proposed to include non-official representatives of Small Scale Industries to be selected by the Federation of Small Scale Industries Associations in consultation with the State Small Industries Associations, when the Small Scale Industries Board is reconstituted at the beginning of the Third Five Year Plan.

[Min. of Commerce & Industry O.M. No. 23-SSI(C) (20)/60 dt. the 22nd March, 1961].

The Committee have considered the existing set up of the organisations relating to small scale industries both at the Central and State levels and their functioning and recommend that a committee consisting of representatives of Central and State Governments

Accepted. A committee on the lines suggested is being constituted.

[Min. of Commerce & Industry O.M. No. 23-SSI(C) (20)/60 dt. the 22nd March, 1961].

and of small industries may be constituted to review their working and make suitable recommendations with a view to reduce the multiplicity of organisations, eliminate overlapping of functions by clearly demarcating the duties as between them, avoid delays, procedural and otherwise and provide as far as possible unified service. The Committee feel that such a re-organisation will also result in administrative economy.

(Further information called for by the Committee)

The present position regarding the constitution of the Committee, its terms of reference and the probable date of submission of its Report may be stated. In case the Committee has since submitted its Report, five copies of the same along with action taken thereon by Government may please be furnished.

[*Lok Sabha Secretariat O.M. No. 21—PU/61 dated the 28th October, 1961.*]

A committee called “organisational Committee for Small Scale Industries” has been constituted in pursuance of the recommendation of the Estimates Committee *vide* Resolution dated the 8th September, 1961 (Appendix I). The Committee has met twice since its formation and is expected to submit its report earlier than the period of 6 months prescribed in the Resolution.¹ Copies of the Report of the Committee will be furnished in due course.

[*Min. of Commerce & Industry O.M. No. 23-SSI (C)(20)/60 dt. the 14th Nov., 1961.*]

The Committee suggest that the State Small Industries Corporations, if and when they

Accepted. The proposal for formation of State Corporations has already been considered by

come into being should, take over many of the functions at present carried out in a State by other agencies so as to render a unified service which would make for efficiency and expedition.

the Small Industries Board and also accepted by the Central Government, who have advised the State Governments to take necessary action to form such Corporations. The States of West Bengal, U.P., Mysore, Andhra Pradesh and Assam have already formed such Corporations, while others are expected to follow shortly. The functions of the State Corporations will generally be to manage Industrial Estates, arrange wholesale depots for raw materials, arrange marketing of small industries products, etc.

[*Min. of Commerce & Industry O.M. No. 23-SSI(C)*
(20)/60 dated the 22nd March, 1961].

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Whatever be the future set up of the organisation dealing with the development of small scale industries, the Committee suggest that the Central Government should continue to take direct part in the development of small industries in the backward areas.

Accepted.

[*Min. of Commerce & Industry O.M. No. 23-SSI(C)*
(20)/60 dated the 22nd March, 1961].

8 29

Executive action even in the Second Plan is limited to certain specific activities such as construction of industrial estates, provision of technical advice, training, supply of plant and machinery on hire purchase basis etc. There is no coordinated industrywise programme for development of Small Industries in the plan.

Noted. In the schemes included in the Third Plan it is proposed to take up certain industries for coordinated assistance and steps have been taken to survey the prospects and potentialities of these industries. It may be mentioned in this connection that the proposal for the establishment of functional Industrial Estates for specific industries, is one such scheme.

[*Min. of Commerce & Industry O.M. No. 23-SSI(C)*
(20)/60 dated the 22nd March, 1961].

country. The Committee are, however, glad to note that the tempo of activity in the small industries sector has been rising but whether it is in accordance with the objectives of the Plan they are unable to assess.

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In the opinion of the Committee the essential pre-requisites for planned development of the small industries are as follows:—

(i) ***(Please see chapter IV)

(ii) Basic data needed for carrying out the objectives envisaged for the small industries should be collected, as for instance the nature and extent of technological unemployment, the number of persons who seek employment through small industries, the fields in which small industries can operate etc.

(iii) Development schemes should be prepared on the basis of the data thus collected. They should be directly related to and aimed at the achievement of the specific objectives laid down in the plan.

(iv) Targets should be prescribed schemewise as well as industrywise and there should be an arrangement to watch the progress of

(ii) It is agreed that comprehensive information about the basic data referred to is essential; attempts are being made to collect them subject to limitations of staff.

(iii) The suggestion is accepted.

(iv) The recommendation is accepted and it may be mentioned that targets have been prescribed for some industries.

the schemes with reference to the targets. Where industrywise targets are not feasible the targets may be fixed for classified groups of industries.

39	The Committee are conscious of the fact that the implementation of the above suggestions would entail considerable labour but it is necessary for proper planning. They recommend that adequate steps may be taken towards this end.	Noted.	[Min. of Commerce & Industry O.M. No. 23-SSI(C) (20)/60 dt. the 22nd March, 1961].
15	The Committee feel that it is essential to have a system of registration of all functioning units which fall within the definition of small scale industries so that it would be possible to assess accurately the problem of these industries and to plan accordingly.	Steps have already been taken in this direction.	[Min. of Commerce & Industry O.M. No. 23-SSI(C) (20)/60 dt. the 22nd March, 1961].
16	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.	Sl. Nos. 16 & 17. Accepted.	
17	The Committee think that special efforts are required to achieve the objective of decentralised pattern of economy. They 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	The following steps have already been taken in this direction: (a) The Small Scale Industries Board has constituted a Committee to consider this question and to suggest the steps to be taken for achieving the objective mentioned by the Committee. (b) The S.S.I. Board has recently recommended to State Governments that they should	

distinct from urban localities where the efforts have been primarily directed so far.

retain their rural industrial schemes unaffected, irrespective of the cuts that might be imposed on their proposed outlay on Village and Small Industries Programme and that in 1961-62 at least 50% of their outlay should be earmarked for expenditure in rural areas.

(c) The S.S.I. Board has also recommended that the States which did not provide sufficient allocation for rural industrialisation in their draft plans should do so while drawing up their final plans.

(d) An intensive development campaign has recently been initiated by the Small Industries Organisation with the object of accelerating the pace of development of Small Scale Industries in under-developed areas. It envisages a new approach to the people in that instead of merely giving assistance to people who come to the Small Industries Service Institutes and Extension Centres, the staff of the Institutes and the Extension Centres should go the very door of the entrepreneur in the under-developed areas and inform him of the benefits likely to accrue from starting small scale units and to

make known to him the facilities that would be provided by the various agencies, governmental as well as quasi-governmental. So far one district in each State has been covered and it is proposed to extend the scope of this campaign to other districts also.

[*Min. of Commerce & Industry O.M. No. 23-SSI(C)*
(20)/60 dt. the 22nd March, 1961].

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46 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.

Noted.

[*Min. of Commerce & Industry O.M. No. 23-SSI(C)*
(20)/60 dt. the 22nd March, 1961].

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54—55 No significant progress has been achieved so far in giving effect to the principle of common production programmes especially emphasised in both the Plans. The Committee consider that while it may be desirable to have a system of common production programme by reserving certain spheres of production to small industries the matter should be viewed from the standpoint of industrial economics and the benefits of such a programme should be not only in terms of employment provided or

Any common production programme, which envisages the reservation of certain spheres of production by small industries is viewed from all aspects including those mentioned by the Estimates Committee. It is a continuous process and the possibility of bringing any item under this programme is under constant review by Government.

[*Min. of Commerce & Industry O.M. No. 23-SSI(C)*
(20)/60 dt. the 22nd March, 1961].

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decentralisation achieved but also from the point of view of the best and most profitable utilisation of available resources.

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The Committee feel that the programme of common production should be examined thoroughly before decisions are taken to reserve certain spheres of production to small industries. They, therefore, recommend that a Committee of technical experts be set up to go into the whole matter and to suggest the fields where a programme of common production would be practicable and economically feasible before further steps to reserve industries to the small scale sector are taken. The Committee further suggest that in those fields where the system of common production is introduced special steps should be taken to ensure that production does not lag behind and that the quality of production is maintained.

Accepted.

[*Min. of Commerce & Industry O.M. No. 23-SSI(C)*
(20) 60 dt. the 22nd March, 1961].

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The functions of the Industrial Extension Centres, Production Centres, Prototype Production-*cum*-Training Centres and Common Facility workshops etc. overlap to a certain extent. The Committee doubt if it is necessary to have such Centres with more or less identical functions under different administrations. The Committee recommend that the functions and

The technical assistance programme undertaken by the Central Small Scale Industries Organisation includes extension of service, demonstration on modern techniques of production, training of artisans, development of prototypes of improved machines and tools and providing of common service facilities. The different technical Institutes and Centres established by the Government

scope of work of these institutions should be demarcated in such a way as to avoid overlapping.

are intended to provide all these services and there is no overlapping of functions. Some Centres specialise in one or two of these services and hence the difference in names.

[*Min. of Commerce & Industry O.M. No. 23-SSI(C) (20)/60 dt. the 22nd March, 1961*].

[*Further information called for by the Committee*]

It may please be stated whether the matter raised in this recommendation has also been referred to the Committee constituted as stated in reply to recommendation No. 3. If not, the same may please be done now.

(*Lok Sabha Secretariat O.M. No. 21-Pu/61 dt. the 28th October, 1961*).

The terms of reference of the Organisational Committee are comprehensive and in general terms. The Industrial Extension Centres, Production Centres, Prototype Production-cum-Training Centres and Common Facility Centres form an integral part of the Small Scale Industries organisation as the basic units performing field duties and are within the framework of the Central Organisation. While dealing with the question of demarcation of duties of each organisation, the above mentioned Committee will automatically examine the functions of the composite units as the basis for review.

[*Min. of Commerce & Industry O.M. No. 23-SSI(C) (20)/60 dt. the 14th Nov., 1961*].

22 61 The Committee feel that creation of agencies without proper building, staff or equipment would only result in wasteful expenditure. They, therefore, recommend that urgent atten-

Noted. All the 16 Small Industries Service Institutes in the States are now functioning in rented accommodation. Construction of permanent buildings for five of them is in progress while it is

tion may be given to organise and equip the existing service institutes and extension centres for effective service and due consideration may be given to these aspects before creating new agencies in future.

proposed to construct buildings for the others also in due course. 58 Extension Centres are functioning, 3 of them in their own buildings and the rest in rented accommodation. Steps have been taken to construct permanent buildings for almost all of them.

Orders for machinery to the extent of Rs. 108.88 lakhs have been placed so far. Machinery value Rs. 82.37 lakhs have been received and out of these machinery worth Rs. 61.14 lakhs have been installed and the rest are under installation.

There is a constant review of the progress of these Institutes and Extension Centres to ensure that they are adequately equipped with machinery and staff and function effectively.

[*Min. of Commerce & Industry O.M. No. 23-SSI(C)*
(20)/60 dt. the 22nd March, 1961].

Noted.

[*Min. of Commerce & Industry O.M. No. 23-SSI(C)*
(20)/60 dt. the 22nd March, 1961].

- 23 62 The Committee appreciate the suggestion of enlisting the cooperation of technical experts in various fields of industry on an honorary basis and commend it for the consideration of the Government. They are aware that its implementation pre-supposes a spirit of public ser-

vice among the technical experts, which they are confident is available in abundant measure in the country.

- 24 65 The delay in starting the operation of the extension centres has resulted in wasteful expenditure owing to non-utilisation of staff appointed and equipment purchased etc. It is regrettable that procedural difficulties should have delayed the construction of extension centres to this extent. It is imperative that such difficulties should be overcome if further delay in completing the centres is to be avoided. The Committee recommend that the practical difficulties experienced by the department in this regard may be eliminated and arrangements made for quick execution of the programme.
- 25 66 The Committee attach great importance to the role of economic surveys. They recommend that the collection of economic data and information for these surveys should be planned in such a way as to make the reports more informative and of real practical use.
- 26 67 The Committee further suggest that the feasibility of the service institutes undertaking productivity studies of the small industries with a view to suggesting improvements in the productivity of labour and capital on the lines the productivity centres of the Ministry of Labour are working, might also be examined.
- There have actually been no cases of non-utilisation of staff appointed for any Extension Centres, for want of building or equipment. There have, however, been some cases of non-utilisation of equipment and machinery obtained for some Extension Centres due to non-availability of either rented or Government accommodation. In order to expedite the construction of the buildings for the Extension Centres, a Construction Division with the requisite civil engineering staff has been set up in the S.S.I. Organisation itself.
- [Min. of Commerce & Industry O.M. No. 23-SSI(C)(20)/60 dated the 22nd March, 1961].
- Noted.
- [Min. of Commerce & Industry O.M. No. 23-SSI(C)(20)/60 dated the 22nd March, 1961].
- Accepted.
- [Min. of Commerce & Industry O.M. No. 23-SSI(C)(20)/60 dated the 22nd March, 1961].

The Committee understand that many of the State Governments also have mobile workshops and that in many cases both the Institutes and the State Governments operate mobile workshops for identical industries. The Committee recommend that such duplication should be avoided, and the work should be performed by one and the same agency.

Sl. Nos. 27 & 28.

These recommendations will be examined by the Committee referred to in recommendation No. 32

[*Min. of Commerce & Industry O.M. No. 23-SSI(C)(20)/60 dated the 22nd March, 1961*].

Accepted. Adequate publicity is already being given to the various campaigns undertaken by the Central and the State Governments through the Press and by issue of brochures in Hindi and in English by the Central Small Industries Organisation as well as by the Mobile vans which are distributed all over the country. The State Governments publish the schemes etc. in local languages. Intensive development campaign recently initiated by Small Industries Organisation has also gone a long way in acquainting the

The Committee recommend that a review of the working of these vans may be undertaken to assess their utility. They further suggest that arrangements should be made to follow up the initial visits of the vans to assess the results of the earlier visits and also to render refresher training and further assistance, if need be.

The Committee suggest that effective measures be taken to give wide publicity to the assistance offered by Government for the development of small scale industries and all modern media of publicity (particularly documentary films) should be employed for this purpose. They further suggest that the reports etc. brought out by the Small Industries Organisation should be published in local and regional languages and their wide circulation ~~is~~ ensured. The feasibility

of prominently displaying all information concerning Governmental assistance in each Tehsil and Taluka Office in local languages may also be examined. It is also desirable to equip the Institutes, Extension Centres and the State Directorate of Industries with a library where all the necessary technical and other literature on the subject may be available.

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It is obvious that the recommendations of the Village and Small Scale Industries Committee with regard to the location of industrial estates which are accepted and affirmed in the Second Five Year Plan have not been acted upon. Thus one of the major criteria for setting up the estates *viz.*, decentralisation of industrial development remains unfulfilled. The Committee feel that the scheme of industrial estates should be an effective instrument for decentralisation and dispersal of industries and, therefore, they recommend that Government should make better use of it for that purpose. This, however, does not mean that the utilisation of industrial estates as a means to develop small industries in large towns or cities should be a matter of non-concern. In fact, they are the best instruments for the purpose whether in rural or urban areas and as such should be fostered. In this connection, the recommendations of the sub-Committee on Industrial Estates regarding the distribution of the estates

public with these programmes in the interior parts of the country.

[*Min. of Commerce & Industry O.M. No. 23-SSI(C) (20)/60 dated the 22nd March, 1961*].

Noted. It may be stated in this connection that it is proposed during the Third Plan period to lay greater emphasis on the location of Industrial Estates, as far as possible, in rural areas.

[*Min. of Commerce & Industry O.M. No. 23-SSI(C)(20)/60 dated the 22nd March, 1961*].

in the different areas, villages and towns and cities of varying size seem to be a step in the right direction.

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Adequate financial help was not available to the needy concerns at the right time and inordinate delays occurred in the investigation and processing of loan applications. The Committee recommend that suitable steps should be taken to streamline the procedure and avoid delays.

Noted. A Sub-Committee of the Small Scale Industries Board has examined the procedure followed by different State Governments under their respective State Aid to Industries Acts/Rules for loans to small scale entrepreneurs, and made certain recommendations. Most of these recommendations have been accepted by the State Governments.

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[*Min. of Commerce & Industry O.M. No. 23-SSI(C)(20)/60 dated the 22nd March, 1961*].

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The Committee are of the opinion that it is necessary to evolve a scheme for making equity capital available to small industries either in the form of share capital or at least in the form of loans as a result of which the flow of private capital to this sector may be stimulated; what is more, the enterprising among the technically educated unemployed persons of small means may be prompted to

Accepted. Steps have already been taken by the Government on these lines.

[*Min. of Commerce & Industry O.M. No. 23-SSI(C)(20)/60 dated the 22nd March, 1961*].

form industrial cooperatives especially in the underdeveloped areas.

101

The Committee attach great importance to the part that should be played by the industrial co-operatives in fostering the growth of small scale industries, particularly in semi-urban and rural areas and suggest that special efforts should be made to encourage them. It is also necessary that cooperative workers should be given proper training with industrial bias so that the cooperatives could be organised on sound footing. The Acts and Regulations relating to industrial cooperatives may be liberalised wherever necessary to encourage the formation of co-operatives not only by artisans but also by small entrepreneurs.

102

The Committee consider that the setting up of pilot units is a step in the right direction to foster the rapid growth of industrial co-operatives and hope that this scheme would prove successful.

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Noted.

Ministry of Commerce and Industry O.M. No. 23-SSI(C)(20)/60 dated the 22nd March, 1961].

106

The Committee feel that the organisation of trade associations is a very effective instrument of self-help for the improvement and development of any industry, particularly the small scale industry. They are of opinion that there is considerable room to develop trade associations in this country and recommend that suitable steps may be taken to encourage their formation.

Accepted.

[Min. of Commerce & Industry O.M. No. 23-SSI(C)(20)/60 dated the 22nd March, 1961].

Government have already accepted the recommendations of the Working Group on Industrial Co-operatives for development of Industrial Co-operatives in the country and action is being taken to implement the recommendations made by the group. The recommendations of the Committee are noted.

[Ministry of Commerce and Industry O.M. No. 23-SSI(C)(20)/60 dated the 22nd March, 1961].

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109

The Committee consider that for the successful implementation of the programme for development of small scale industries, which is to be more rural based, greater attention has to be paid to rural electrification. They recommend that in areas where power supply from grid lines is not available but other facilities for setting up small industries exist local generating sets may be established to help the development of small industries.

The Committee's recommendation is accepted. The Small Scale Industries Board had appointed a Power Sub-Committee whose recommendations include the provision of building power houses of 100 kw capacity in rural industrial estates and the establishment of nursery diesel stations and local grids in rural areas. The matter has been taken up with the Irrigation and Power Ministry and Central Water and Power Commission.

[Ministry of Commerce and Industry O.M. No. 23-SSI (C) (20)/60 dated the 22nd March, 1961].

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113

The small industries sector has as yet not been playing the part it has to as it is doing in industrially advanced countries. The Committee are fully alive to the need for developing heavy industries. That very fact, which necessitates the development of a large number of ancillaries as well as the need to catch up with the position it has to secure in the industries as a whole makes it imperative to augment the allocation suitably in the years to come. They lay equal emphasis on the need to ensure the full and proper utilisation of the plan provision.

Noted.

[Ministry of Commerce and Industry O. M. No. 23-SSI(C) (20)/60 dated the 22nd March, 1961].

REPLIES OF THE GOVERNMENT THAT HAVE BEEN ACCEPTED BY THE COMMITTEE

Sl. No. as Reference
in Appendix to para
V of the No. of the
77th Report Report

Summary of Conclusions/Recommendations

Reply of the Government

1 2

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Sl. Nos. 6 & 7

6 22

The Committee feel that the implication of the term 'capital' should be restricted to the gross value of all fixed assets so that the risk of larger industries taking advantage of Government aid meant for the smaller units is avoided.

The present definition of small scale industries is as follows :

"Small Scale Industries will include all industrial units with a capital investment of not more than Rs. 5 lakhs, irrespective of the number of persons employed".

7 25

The Committee are of the opinion that if 'capital' is restricted to gross and not to net fixed assets, the present limit would be quite a fair compromise. They, however, feel that there is a real necessity to ensure that Government aid for development of small industries goes also to the smaller units and is not monopolised by units with capital nearer the ceiling. The Committee, therefore, recommend that in

The implication of the term 'capital' has been clarified to all authorities concerned as investment in fixed assets like land, buildings, machinery and equipment. Where units are functioning in rented premises, the capital valuation of such buildings shall be taken into account in assessing the prescribed limit of Rs. 5 lakhs, but workers' housing and welfare amenities shall be excluded from the capital estimate for this purpose. When

administering Government aid special steps be taken to ensure that the benefit at least goes equally, if not more, to the development of really small units.

calculating the value of machinery and equipment the original price paid by the owner, irrespective of whether it was new machinery and equipment or second-hand will be taken.

Government have no reason to believe that the assistance intended for small units is being taken advantage of by others. An analysis of the utilisation of the hire-purchase scheme of the National Small Industries Corporation Ltd., and the scheme for disbursement of loans by the State Governments show that the facilities provided by Govt. are being availed of at present mostly by really small units.

[*Ministry of Commerce & Industry O.M. No. 23-SSI (C)(20)/60 dated the 22nd March, 1961.*]

30 74 The Committee hope that effective measures would be taken to remove the bottlenecks and that all the industrial estates planned for would be completed and started by the end of the Plan period.

Out of the 120 Industrial Estates proposed to be set up during the Second Plan period, 51 are already functioning ; the construction of 11 more Industrial Estates have been completed while 25 more are under construction. All these are expected to start functioning shortly. In the case of the remaining 33 Estates, Preliminary steps such as acquisition of land and preparation of blue prints are yet to be completed. Every effort is being made to see that there is no undue delay in completing their construction within the course of the next one year.

[*Ministry of Commerce & Industry O.M. No. 23-SSI (C)(20)/60 dated the 22nd March, 1961.*]

The Committee understand that with very few exceptions the construction and management of the estates have been undertaken directly by the States through their own departments. In effect such a practice goes against the set up envisaged in the plan. The Committee feel that, as recommended by the Sub-Committee on Industrial Estates, in future Government should construct industrial estates on its own mainly in rural and backward areas. In other cases local bodies, cooperatives and other private agencies should be encouraged to construct them with safeguards against the small industries being exploited. The industrial estates built by such non-Government agencies should be subject to the same conditions as those built by Government agencies.

While this recommendation is accepted, in principle, from the practical point of view it is doubtful whether in urban areas local bodies, cooperatives and private agencies will come forward in adequate number to take on the responsibility of construction of Industrial Estates. Such a development will take time and meanwhile Government cannot divest themselves entirely of the responsibility of construction of industrial estates in urban areas.

[*Ministry of Commerce & Industry O.M. No. 23-SSI (C)(20)*] 60 dated the 22nd March, 1961].

The Committee are glad to note that to enlarge bank lending facilities to small scale industrial units, a credit guarantee scheme is being introduced shortly. They hope that the guarantee system would considerably ease the situation. They note that the scheme does not indicate the extent to which the terms and conditions of loans covered by the guarantee would be liberalised. The Committee are of the opinion that the success of the scheme will largely depend on the rates of the interest and the terms relating to the security allowed by the credit institutions being placed on a parity with the terms under which loans are given by Government.

As the credit guarantee scheme is an experimental measure, it has been decided to leave liberalisation of terms to the Banks concerned. The point stressed by the Committee is, however, kept in view.

[*Ministry of Commerce & Industry O.M. No. SSI(C) (20)*] 60 dated the 22nd March, 1961.]

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The Committee consider that the steps so far taken by Government for the supply of controlled raw materials to small scale units have not been very successful. So far as supplies of iron and steel are concerned, they feel that the position should now considerably ease with the commissioning of steel plants in the public sector. In view of the vital role envisaged for these industries in the national economy their requirements should be accorded due recognition and priority, and it should be ensured that the actual supply does not lag behind the allocation. The shortage of non-ferrous metals should be met by larger imports as a short term measure and intensified geological surveys on a long-term basis to find out new sources in the country. The licenses for imported raw materials should be given as far as possible to actual users only after careful scrutiny.

The allocations of iron and steel to the States for distribution to Small Scale Units has been steadily on the increase as the figures below would indicate:—

Year	Quantity
1957-58	. . . 52,700 tons
1958-59	. . . 1,07,950 "
1959-60	. . . 2,75,500 "
1960-61	. . . 3,30,612 (Metric Tonnes).

Even though the allocation has been increasing, the demand has been growing faster than availability due to the phenomenal development of Small scale industries. However, to relieve the difficulty of small units. Government have taken certain special steps,—

- (a) The planning of production of one-third of the indigenous allocation of steel in categories such as sheets, wires, plates, bars and rods in each half year is being made on high priority basis with indigenous producers;
- (b) Arrangements have also been made so that genuine small scale units can encash their increased quota certificates and essentiality

certificates for the 90,000 tons of different categories of steel including sheets and wire now available with the Iron and Steel Controller procured by him on barter deal;

- (c) Imports of categories of steel like wire, tin plates, industrial scrap, box strappings, steel strips, black and galvanising plains sheets, tool and alloy steel, etc. by actual users is considered on the basis of the recommendations of the State Directors of Industries; and

- (d) Imports by June 1961 of 50,000 tons of steel in categories like sheets, strips, cold rolled rods, wire, tin plates, etc., which are in short supply in the country, has been arranged from Rupee payment countries through the State Trading Corporation for later distribution to small scale industries through the Directors of Industries of the States.

In respect of non-ferrous metals there is distribution control only over copper and zinc. The allocation of these two metals to small scale units during April 1959 to March, 1961 is given below:—

	April 59 to March 60,	April 60 to March 61.
	On Tons	
Copper	13,044	16,770
Zinc	10,775	12,120

[Min. of Commerce & Industry O.M. No. 23-SSI
(C) (20)/60 dated the 22nd March, 1961].

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97

The Committee are further of the opinion that to ensure continuous supply of scarce raw materials to small scale sector, it is necessary to build up buffer stocks of Iron and Steel, chemicals and other raw materials in each State. They feel that the scheme of the association of small and medium industries in West Bengal for supply of raw materials to its constituents is a good one and commend its examination for adoption in other areas as well.

The recommendations of the small scale Industries Board in regard to the setting up of Raw Material Depots which will hold stocks of steel and other raw materials in order to ensure regular supply of raw materials to small units has been brought to the notice of State Governments for appropriate action. The State Governments are taking steps for establishing such Depots. However, it would be difficult for these Depots to hold large buffer stocks of imported categories in view of the shortage of foreign exchange.

[*Min. of Commerce & Industry O.M. No. 23-SSI (C)(20)/60 dated the 22nd March, 1961.*]

(*Further information called for by the Committee.*)

The action taken on the suggestion made in this recommendation regarding the adoption in other areas of the scheme of the Association of Small and Medium Industries in West Bengal for supply of raw materials to its constituents may be stated.

(*Lok Sabha Secretariat O.M. No. 21-PU/61 dt. the 28th October, 1961.*)

All State Governments have been requested to set up Raw Material Depots; the States are taking necessary steps in this regard.

[*Min. of Commerce & Industry O.M. No. 23-SSI(C)(20)/60 dt. the 14th November, 1961.*]

CHAPTER IV

REPLIES OF THE GOVERNMENT THAT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Sl. No. as in Appendix V of the 77th Report	Reference to para No. of the Report	Summary of conclusions/recommendations	Reply of the Government	Comments by the Committee
1	2	3	4	5

2 The Committee find that the functions of the Development Commissioner, Small Scale Industries and the National Small Industries Corporation Ltd., do not appear to have been as yet clearly demarcated and a certain amount of fluidity of functions exists. It is possible that such a relationship may not be conducive to smooth and harmonious relationship and may cause also delays which are avoidable. If the two

There is at present a fairly clear demarcation between the functions of the Organisation of the Development Commissioner for Small Scale Industries and those of the NSIC. The Development Commissioner, Small Scale Industries is concerned with the following :

- (a) advise small units on improved technical processes and use of modern machinery and equipment;

organisations can be amalgamated, there will be the additional advantage of economy.

(b) demonstrate the use of such processes through workshops in Extension Centres and also small mobile workshops mounted on trucks ;

(c) train small industrialists in proper methods of business management including marketing ;

(d) conduct economic surveys of particular industries and areas, leading to concrete recommendations for a developmental programme ;

(e) act as an information centre, including publication of bulletins, pamphlets, model schemes and the like for the guidance of small industrialists ;

(f) carry out research on questions like proper use

of raw materials, improved designs of machinery etc.; and

(g) development of ancillary industries.

On the other hand, the National Small Industries Corporation is concerned with the following activities :

Commercial—

1. Supply of machinery under the hire-purchase scheme ;
2. Running of Wholesale Depots ;
3. Export of Footwear ;
4. Import and distribution of cycle components and knitting needles and distribution of brass scraps ; and
5. Outright sale of machinery to State Govts. and of machines obtained from U.S. Defence Surplus stock. ₹

I	2	3	4	5
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Promotional :

1. Setting up and running of two Prototype Production and Training Centres at Okhla (New Delhi) and Rajkot ;
2. Administration of Industrial Estate at Naini (Allahabad);
3. Government Purchase Scheme ;
4. Pilot scheme for marketing ; and
5. Participation in Exhibitions.

It would be observed from the above that there is no over-lapping between the functions of the two organisations and that the activities of one are complementary to the other. Government do not consider that there will be any advantage in amalgamating the National Small Industries Corporation and the Organisation of the

Development Commissioner,
Small Scale Industries.

[*Ministry of Commerce & Industry*
O.M. No. 23-SSI (C) (20)/60
dt. 22nd March, 1961.]

Please see para 3 of Chapter I.

14 38 In the opinion of the Committee the essential pre-requisites for planned development of the small industries are as follows :—

- (i) There should be an area-wise and industry-wise survey of the existing as well as the potential small scale industries for the whole country to determine the fields and areas where their further development is possible or called for. The Small Scale Industries Organisation is at present carrying out certain selected industry-wise, area-wise and marketing surveys etc. but the Committee feel that comprehensive survey should be centrally planned, directed and completed within a given period.

* * * *

(Please see Chapter II).

While the Committee's recommendation that there should be area-wise and industry-wise survey of existing as well as potential small scale industries in the whole country to determine the fields and areas where their further development is possible or called for may be useful so far as it relates to the collection of statistical data on such items of interest as employment production, etc., it would be difficult to plan centrally and complete an area-wise and industries-wise survey as suggested because of many obvious difficulties. First, the 350 odd districts in the country—if the district is to be taken as an area—will be having a large number of industries of various types. A certain industry like the bell-metal utensil industry may be important in half-a-dozen districts whereas the steel trunk making industry

may be important in a dozen others, and carved furniture making may be confined to a few districts and so on. To plan a comprehensive survey of all possible industries in the small scale sector, one has to know what are the relevant industries in each area, the areas common for such industries, so that a sample can be drawn to bring out certain results. They may be many such samples and with a number of them in hand, it would be difficult to decide on or launch a scientific survey without knowing the exact level or population of the units in each of the industrial fields.

Such a task becomes more complicated if the surveys were also to include potential small scale units in the entire country as suggested by the Committee. It is because of

these difficulties that instead of an all-India survey of small-scale industries (existing or potential), surveys of each industry have been planned and organised separately under the Central Small Scale Industries Organisation. Thus regional industry surveys cover industries of purely local or regional significance, whereas all-India industry surveys are made for industries having a country-wide importance. To survey each and every industry from the regional and all India angles is doubtless desirable but it is not feasible just at present in view of several limitations.

Nevertheless, All India Industries Surveys have been completed in respect of the following fifteen industries:

1. Automobile Batteries.
2. Automobile leaf spring.
3. Boot Polish.

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|-----|--|---|---------------|---|
| 4. | Brass holders. | | electric lamp | |
| 5. | Brushware | | | |
| 6. | Cotton textile machinery spare parts. | | Machi- | |
| 7. | Domestic wireless receiver sets and components. | | | |
| 8. | Electric fans. | | | |
| 9. | Fruit and Vegetable preservation and canning industry. | | | |
| 10. | Hosiery. | | | |
| 11. | Machine tools. | | | |
| 12. | Paints, varnishes and lacquers. | | | |
| 13. | Surgical instruments. | | | |
| 14. | Scientific instruments. | | | |
| 15. | Umbrella Ribs. | | | |
| | Gradually, more industries will be covered. | | | |

It is proposed to take up 30 more such surveys during

the Third Plan period on an average of six surveys per year.

[*Ministry of Commerce and Industry O. M. No. 23-SSI (C) (20/60 dated the 22nd March, 1961).*]

33

The Committee understand that no general guiding principles have so far been laid down by the Government for allotment of sheds in the industrial estates. They would suggest that in case old units are allotted sheds, the terms of allotment should specifically stipulate that they have to close down their existing establishments in the city, so that to that extent at least the unhygienic conditions created by them in the city are removed.

80-81

Units which are allotted accommodation in the Industrial Estates generally close down their existing establishments in the City, but in actual practice it is difficult for the State Governments concerned to insist on the allottees doing so in all cases.

[*Ministry of Commerce and Industry O.M. No. 23-SSI (C) (20/60 dated the 22nd March, 1961).*]

The reply does not indicate whether any general guiding principles have been laid down for allotment of sheds in the Industrial Estates. The Committee feel that there is need for laying down and enforcing strictly the terms that the units which are allotted sheds in the Industrial Estates should close their existing establishments in the city so that among other things, the possibility of certain individuals monopolising the industry could be obviated.

34

The Committee feel that it will be an extremely desirable measure to provide as far as

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The recommendation is accepted in principle. But it will be difficult to implement

Please see para 4 of Chapter I.

1	2	3	4	5
		possible housing facilities for labour employed by the industries in the industrial estates, in adjacent areas. They suggest that the feasibility of correlating industrial housing schemes with industrial estates may be examined.	it because of limitation of resources.	
		[Ministry of Commerce and Industry O. M. No. 23-SSI (C) (20)/60 dated the 22nd March, 1961].		

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Sl. No. as in Appendix V of the 77th Report	Reference to para No. of the Report	Summary of Conclusions/Recommendations	•	Reply of the Government	Comments by the Committee
1	2	3	4	5	
44	112	The Committee feel that if a comprehensive legislative measure were to be introduced to regulate the development of small scale industries in India, it would also incidentally help laying down the broad policies conducive to their accelerated growth. They, therefore, recommend that the advisability of introducing requisite legislative measures on various matters relating to small scale industries, e.g., the development of small scale industries in rural and backward areas, regulation		A similar proposal is already under examination of a Committee appointed by the Small Scale Industries Board. [Ministry of Commerce and Industry O. M. No. 23-SSI (C) (20)/60 dated 22nd March, 1961]	The Committee may be informed of the decision in due course.

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of relationship between the large and small scale sectors, organisation of industrial co-operatives and the organisational set-up of agencies entrusted with the development of these industries at the Centre and State levels and regulating their relationship may be considered.

(Further information called for by the Committee)

The decision taken in the matter may please be intimated.

(Lok Sabha Secretariat O.M. No. 21-PU/61 dated 28th October, 1961.)

The Committee appointed by the Small Scale Industries Board has not yet arrived at any conclusion in this regard.

[Ministry of Commerce and Industry O.M. No. 23-SSI (C)(20)/60 dated 14th November, 1961.]

NEW DELHI ;

The 6th March, 1962.

The 15th Phalguna 1883 (S).

H. C. DASAPPA,
Chairman,
Estimates Committee.

APPENDIX I

(Vide Sl. No. 3, Chapter II)

[To be published in the Gazette of India Part I, Section 1]

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE AND INDUSTRY

RESOLUTION

In pursuance of the recommendations of the Estimates Committee (1959-60) of the Second Lok Sabha contained in para 17 of its 77th Report (Part I), the Government of India have decided to appoint a Committee to review the functions of the different organisations for development of Small Scale Industries, both at the Centre and State levels, and make suitable recommendations to Government, with a view to reduce the multiplicity of organisations and to eliminate overlapping of functions by clearly demarcating the duties as between them. The Committee will consist of the following :—

- | | |
|---|----------|
| 1. Shri K.V. Venkatachalam,
Joint Secretary to the Govt. of India, Ministry of
C & I, New Delhi. | Chairman |
| 2. Dr. D. K. Malhotra,
Joint Secretary, Planning Commission, New Delhi. | Member |
| 3. Director of Industries, Government of Madras, Madras . | Member |
| 4. Director of Industries,
Government of Uttar Pradesh, Lucknow. | Member |
| 5. Director of Industries,
Government of Orissa, Bhubaneswar. | Member |
| 6. Shri A. R. Bhat,
President,
Federation of Associations of Small Industries of India,
Poona. | Member |
| 7. General Manager,
National Small Industries
Corporation Ltd., New Delhi. | Member |
| 8. Deputy Secretary to the Government of India,
Ministry of Finance (C.I. Div.), New Delhi. | Member |
| 9. Dr. P. C. Alexander,
Development Commissioner, Small Scale Industries,
New Delhi. | Member |

2. The Committee shall submit a Report within six months from the date of publication of this Resolution.

(Sd.)
(S. Ranganathan)
*Secretary to the Government of
India.*

No. 23-SSI(C)(7)/61

New Delhi, the 8th September, 1961

ORDER : Ordered that a copy of the Resolution be communicated to all the members.

Ordered also that the Resolution be published in the Gazette of India for general information.

(Sd.)
(S. Ranganathan)
*Secretary to the Government of
India.*

APPENDIX II

(Vide Introduction)

Analysis of the action taken by Government on the recommendation contained in the 77th Report of the Estimates Committee (2nd Lok Sabha).

1. Total number of Recommendations made	45
2. Recommendations that have been accepted by Government [<i>vide</i> recommendations Nos. 1, 3, 4, 5, 8, 9, 10, 11, 12, 13, 14, (partly), 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 31, 35, 37, 40, 41, 42, 43 & 45, referred to in Chapter II]:	
Number	33½
Percentage to Total	75%
3. Recommendations not accepted by Government but replies in respect of which have been accepted by the Committee (<i>vide</i> recommendations Nos. 6, 7, 30, 32, 36, 38 and 39 referred to in Chapter III):	
Number	7
Percentage to Total	15.6%
4. Recommendations in respect of which replies of Government have not been accepted by the Committee [<i>vide</i> recommendations Nos. 2, 14 (partly), 33 and 34 referred to in Chapter IV]:	
Number	3½
Percentage to Total	7.2%
5. Recommendations in respect of which final replies of Government are still awaited (<i>vide</i> recommendation No. 44 referred to in Chapter V):	
Number	1
Percentage to Total	2.2%