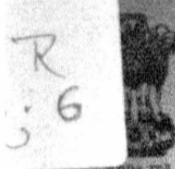


NATIONAL SMALL INDUSTRIES CORPORATION LIMITED

MINISTRY OF INDUSTRY
(DEPARTMENT OF SMALL SCALE INDUSTRIES
AND AGRO AND RURAL INDUSTRIES)

COMMITTEE ON PUBLIC UNDERTAKINGS 1995-96 FORTY-NINTH REPORT

TENTH LOK SABHA



LOK SABHA SECRETARIAT
NEW DELHI

FORTY-NINTH REPORT
COMMITTEE ON PUBLIC
UNDERTAKINGS
(1995-96)

(TENTH LOK SABHA)

NATIONAL SMALL INDUSTRIES CORPORA-
TION LIMITED

(MINISTRY OF INDUSTRY DEPARTMENT OF
SMALL SCALE INDUSTRIES AND AGRO AND
RURAL INDUSTRIES)



*Presented to Lok Sabha on 28.02.1996
Laid in Rajya Sabha on 28.02.1996*

LOK SABHA SECRETARIAT
NEW DELHI

February, 1996/Phalgun, 1917 (Saka)

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COMMITTEE ON PUBLIC UNDERTAKINGS
(TENTH LOK SABHA)

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(1995-96)

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⁵ Ceased to be a Member of the Committee consequent on his appointment as Minister in the Council of Ministers w.e.f. 15th September, 1995.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this 49th Report on National Small Industries Corporation Limited.

2. The Committee took evidence of the representatives of National Small Industries Corporation Limited on 17th and 18th July, 1995 and the representatives of Ministry of Industry (Department of Small Scale Industries and Agro and Rural Industries) on 7th September, 1995.

3. The Committee considered and adopted the Report at their sitting held on 31st January, 1996.

4. The Committee wish to express their thanks to Ministry of Industry (Department of Small Scale Industries & Agro & Rural Industries) and National Small Industries Corporation Limited for placing before them the material and information they wanted in connection with examination of the subject. They also wish to thank in particular the representatives of the Ministry of Industry (Department of Small Scale Industries & Agro and Rural Industries) and National Small Industries Corporation Limited who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

5. The Committee would also like to place on record their sense of deep appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

NEW DELHI;
February 26, 1996

Phalgun 7, 1917 (S)

KAMAL CHAUDHRY
Chairman,
Committee on Public Undertakings.

PART-A

CHAPTER I

ROLE AND OBJECTIVES

A. Historical Background and Objectives

1.1 The National Small Industries Corporation Limited (NSIC) was set up in 1955 to "promote aid and foster" the growth of small scale industries in the country. The Corporation, in this context, provides a wide range of services which are predominantly promotional in character, to small scale industries. The Corporation being a service organisation, through its various services, provides support to the small scale sector.

The main objectives of the company are stated to be as under:—

- (A) To provide supervised credit services through its Hire Purchase and Leasing Schemes for the establishment of new tiny and small industries and for modernisation and diversification of existing industries.
- (B) To provide comprehensive marketing services.
- (C) To procure and supply raw materials through import, bulk procurement, warehousing, etc.
- (D) To take up upgradation of tools and techniques of production coupled with training, common service facilities and transfer of know-how.

1.2 When asked whether NSIC was able to achieve the objectives set for them, the CMD stated:—

"To a very large extent we have been able to achieve them."

1.3 When the similar question was put to the Secretary, Department of Small Scale Industries and Agro and Rural Industries, (SSI & ARI), he too replied in the affirmative and said:—

"Sir, the NSIC was set up with a view to providing support to small scale industries in the country in the form of hire purchase, leasing assistance, exports, project exports etc. In general small industries are handled by the State Government. The Central Government's role is largely limited to policy making.

NSIC is a professional organisation which has a number of

production-cum-training centres all over the country and over the period, as the Committee is aware in all these areas it has expanded its activities. We feel that they are doing useful work in the small scale industries sector.....”

1.4 In this connection the Secretary also stated:—

“The objectives which are there for NSIC are given in broad terms. They will develop small industries and they will develop backward areas.....”

The activities in the case of NSIC involve providing equipment on hire-purchase basis, providing marketing assistance and providing training in all these activities. They have tried to meet some of the objectives which have been detailed for the Corporation. We feel from the Ministry that they have done a good job.”

1.5 It has been stated by NSIC that the Corporation adopted a statement of micro objectives based on the national goal of promotion and development of small scale industries in the country. According to one of the objectives contained in this statement, corporation will organise its support programmes in such a manner as will help the growth of small scale industries in the backward areas and by entrepreneurs belonging to weaker sections of the society.

1.6 When enquired from NSIC whether they have been able to stimulate growth of small industries in backward areas, a representative of NSIC stated during evidence:—

“Our objectives have been defined and we follow those objectives. Rural Development and backward area development is one of the objectives provided we have resources.”

In this connection, he also stated:—

“Sir, I would briefly mention about the role of NSIC in the development of backward areas. We have developed a number of SSI units in rural and backward areas through its Hire-Purchase Scheme by providing plants and machines to first generation entrepreneurs. We have also created technical infrastructure in rural and backward areas through training centres and sub-centres.

Our approach is clusterwise. Aligarh is one such cluster where a large number of artisans are there. We have got a sub-centre at village Pilkhana, 28 kms away from Aligarh where a large cluster of lock artisans exists.....”

1.7 When asked how they identify a backward area, a representative of NSIC said:—

“Sir, as far as the selection of backward areas are concerned, some areas are declared backward by the Government, we ourselves go to some areas which are though not declared as backward by the

Government, yet which we feel, are backward areas. Most of our plans, in the past were meant for backward areas. Only recently, some of the plans have come from the Small Scale Sector for the Equipment Leasing Scheme. Earlier, ours was an intensive campaign. During the last three years we have changed our programme."

1.8 The representative also informed that during 1994-95, four or five cases as backward areas were taken up from every State.

1.9 When the Committee wanted to have the opinion of the Ministry in this regard, the Secretary, Department of SSI & ARI submitted before them as under:—

"I was mentioning that in the area of small industries development the main promotional functions are being done by the State Government and their agencies. There are missing links which we try to provide. It is in Government's policy that the backward areas should be developed. Now this objective is mostly done by the State Government agencies like the Director of Industries and the Small Industries Corporation. They have other industrial development corporations. These objectives are broadly met by them.

As regards the NSIC, as they might have told you, they have concentrated on the North-East, where they have a Centre and they also try to identify entrepreneurs and provide them training. Broadly, we had made an assessment that about one third of the assistance of hire-purchase they give to the backward areas, but it has not been able to decentralize development in small industry sector. We have not done more detailed analysis."

There are broadly two types of small enterprises. One category which uses the traditional or primitive methods of production and the other which uses modern techniques of production to make items like electric fan or a pump or a motor. This latter kind of activity takes place in the urban areas."

He also said:

"In our review, we will ensure that we give more emphasis to the backward areas."

1.10 In this connection, the company also informed the Committee in a post evidence reply as under:—

"Micro objectives of the Corporation are being continuously reviewed with a view to synchronize with the requirements of the small scale industries in particular and of the economy in general. The Corporation will perform its role in accordance with the government policies and programmes for the growth of small scale sector by making available essential inputs to the sector in the areas of finance, marketing technology, training, common facilities services, prototype development etc.

The changes in micro objectives are made as per DPE guidelines from time to time and subject to the approval of the Board of Directors. We are in the process of reviewing our micro objectives and after approval from the Board they will be forwarded."

B. Corporate Plan

1.11 It has been stated that NSIC has drawn a specific programme for 1992-97 where main ingredients are Employment Generation Programme, Technology Development and Upgradation, Equipment Leasing and Marketing Assistance Programme. In addition to this NSIC selected 200 areas for development but they could cover only 55 areas till date (July, 1995).

1.12 When the Committee asked when this corporate plan (for 1992-97) was drawn up, they were informed that it was drawn up in 1991. When enquired whether the company has prepared any corporate plan for the years 1997-2002, the Chairman stated:—

"No, not yet."

1.13 On a query regarding fulfilment of the targets of the corporate plan (1992-97), the Chairman, NSIC informed the committee that they had exceeded their targets in all other fields except the area development and Hire purchase and they wanted to revise the targets laid down in these areas. They wanted to develop 100 areas instead of 200.

1.14 Replying to the query regarding the extent of fulfilment of the corporate plan and if any revision is contemplated at this stage, the Secretary, Department of SSI & ARI stated during evidence:—

"As I said, they are able to achieve the targets of the corporate plan. They are basically meeting the targets. We can feel comfortable."

1.15 Giving his opinion regarding the preparation for the corporate plan for 1997-2002 and periodical reviews of the same, the Secretary stated:—

"As I said in the beginning, their corporate plan is coterminous with the Five Year Plan. Every year, twice we have a look at it. One is, when we are deciding for the next plan. In September or October, we review their achievements. At the time of signing MOU also, we go through some of their achievements.

Broadly speaking, they are meeting their targets and achieving their objectives. Mostly companies have a corporate plan for 10 years. In this company, they have done it for five years, terminating with the Five Year Plan. We review it from time to time."

He also said:

"We are asking them to start the exercise. Actually, the tradition of this company is, they prepare it along with the five year plan proposal."

1.16 When his views were solicited whether the company should have corporate plan for 10 years instead of 5 years, the Secretary said:—

“I agree, it has to be distinct. The Company should have a 10 year corporate plan and then they can have a five year plan and an operational plan for one year.”

1.17 Concurring with the views of the Committee that the Ministry should ask NSIC to prepare corporate plan for 10 years or even more, the Secretary submitted as under:—

“Yes, Sir, We will do that, It is a newly created department. it was created in 1990 or 91. It was part of the Department of Industrial Development. Some of the practices have to be developed fully. One is accountability of the PSUs and its relationship with them. It is still being worked out. On the basis of advice of the Committee, we will advise them to prepare a corporate plan and we will have more regular reviews, quarterly reviews so that, they are in a position to achieve the stated objectives. We are in the process of putting in place the system.”

1.18 Subsequently, the Ministry informed the Committee in a post evidence reply that the corporate plan of the Corporation for next ten years would be ready by April, 1996 as it envisages collection of information from its offices all over the country and different financing agencies have also to be contacted.

C. Memorandum of Understanding

1.19 The Committee wanted to know since when the company has been signing MOU with the Government and what were the ratings which they secured. A representative of NSIC stated during evidence:—

“The Company began signing MOUs since 1992-93. For that year the Corporation got ‘excellent’ rating. For 1993-94 the rating given was ‘very good’ for the last year that is 1994-95, evaluation is yet to be done by the DPE. However, on the basis of provisional data submitted by us to the DPE we on our own worked out that the rating would be ‘excellent’ once again.”

1.20 When asked about the parameters that were considered while evaluating the performance of the Corporation, the representative stated:—

“The parameters considered for 1994-95 were basically three. The first is profit-related parameter in which they considered two aspects the gross margin and the net profit ratio that is net profit to capital measure giving a weightage of 50 marks out of 100. The figures are submitted by us to the DPE and the Task Force. We have submitted that this profit-related criteria in fact needs some change in case of our Corporation. We being a service-oriented and promotional institution this 50 percentage weightage is not

relevant to us. We proposed that instead of 50 a criteria of 40 should be kept. These ten marks should be shifted to other promotional activities that we undertake which are not visible in our financial accounts. This issue is yet to be examined by the Task Force. When figures for 1995-96 are taken up this issue will also be taken up. It is yet to be finalised.... In the current year instead of 50, they wanted to make it 60."

The representatives further stated:

"These parameters have been laid down by the DPE in consultation with the Ministry of Industry."

1.21 The Committee drew the attention of the Ministry regarding the contention of the company for change in the profit related criteria and sought their views regarding the same. The Secretary of the Ministry said:

"Sir, the NSIC has been in existence for some time; they are a promotional body. We also want them to emphasise the commercial aspect. And we also expect some return on the amount of Rs. 90 crores given to them. So, if profit gets any priority assessment, it would be good. Besides, the DPE also look at the entire public sector enterprise system and they have their own criteria and after evaluation they decide on the criteria. So, we would not like to disturb that system."

1.22 When asked categorically whether the Ministry asked the Department of Public Enterprises to reduce the desired weightage on profit as requested by NSIC, the Secretary stated:

"No, Sir".

1.23 The Committee wanted to know specifically whether there were any instances where objectives agreed to by Ministry were not fulfilled. The witness replied:

"We have got the assistance from MOU whatever we have requested except the financial support we have mentioned in the MOU which could not come till the end. We expected that that money would be released this year."

1.24 It was also informed to the Committee that the company expected that the financial support was expected soon. When asked whether any reason was given for not releasing the money last year, the witness stated:

"In connection with the allocation which is done to the NSIC on account of PDTCs, deficit and the exchange variation losses, it was mentioned in the MOU also, this money was released in the end of the year when the surplus of all the branches was compounded. This exercise could not be done till the last day and so it was shifted to the current year."

1.25 The Committee wanted to know the amount which was promised to be given to NSIC under the MOU and the amount actually given. The

Company furnished the following information in regard to the amount reimbursed to it on account of exchange variation losses during the last three years:

	(Rs. in crores)		
	1992-93	1993-94	1994-95
Obligation of Government under MOU	7.75	6.74	4.72
Amount Actually disbursed	4.99	3.93	.99

1.26 When asked to opine whether MOU system was helping the company the witness submitted:

"Certainly it is helping the company, Sir. We have been able to do much better than the targets fixed. The profit related criteria which has been mentioned in the MOU has helped us in giving more attention to this aspect also".

1.27 The Committee pointed out (September, 1995) that the MOU for the current year i.e. 1995-96 was not yet signed and it would be difficult for the company to coordinate its activities in the absence of the same. Reacting to this the Secretary, Department of SSI and ARI replied:

"Though the MOU has not yet been signed we have informally told the NSIC that they can go ahead with their work. There are some Government obligations in this. They want a definite obligation and our Finance Ministry has not agreed to that. But pending that, we have said that they can go ahead with whatever terms are there so that it does not come in the way of discharging their responsibilities."

1.28 When asked to clarify whether MOU would not lose its importance if it is signed at the end of the year, the Secretary stated:

"I realise that it should be signed early. It should have been signed before August. Now, it will be signed within 20 days, that is, by the end of this month, it will be definitely signed. There are two points so far as the obligations of the Government are concerned. They want a definitive obligation on the part of the Government that this money will be given. But the Finance Ministry is not agreeable to that condition. On that technical point only this has been delayed and we would like to finalise it quickly."

Subsequently, it was brought to the notice of the Committee that the MOU for the year 1995-96 has been signed on 19.12.1995.

1.29 On the question of adverse effect on NSIC in the absence of financial support, the witness stated:

"There are two points on that financial support. O.e is reimbursement of excess expenditure incurred by the NSIC on lending to

PDTCs: and the other is the reimbursement of losses incurred by the NSIC due to devaluation of the rupees. They incurred an excess expenditure of Rs. 10.60 crores on PDTCs. In 1995-96, we have given to them Rs. 8.05 crores as reimbursement, Rs. 4.65 crores as grants under the Plan and Rs. 3.40 crores as grants under the Non-Plan. We have been advising them to conduct their business in such a manner that they will meet their own requirement within that money. I tell that at the beginning of the year that I have my own limits, that I can give them this much money and that they should cut their coat according to the cloth."

1.30 When asked when the money would be released, the Secretary stated:

"The Finance Ministry has not yet agreed to this. On 22nd August, we have sent a proposal requesting them to give us at least Rs. 3 crores. I am not talking about the PDTCs' money I am talking about the total financial support. The Finance Ministry has agreed to include the sum of Rs. 3.61 crores in the Supplementary Budget for 1995-96.

There are two components of that money. One component pertains to PDTCs; the Finance Ministry has not yet agreed to it so far as refunds the other component is concerned, an amount of Rs. 8.05 crores have been given and they should meet their obligation within that."

1.31 The Committee wanted to know whether the release of the money has been approved by the Government. Clarifying the position, the Secretary said:

"But these conditions have not been approved. That is the reasons why MOU is not signed. We are taking it as an obligation of the Government. Finance is involved and all the finance is given at the beginning of the year when the Budget is made and the Budget is already spent. They can go to the bank and market and raise their own resources. They run to the Government for everything. They are not a Department of Government."

CHAPTER II

VARIOUS SCHEMES, OF NSIC

2.1 The table given below depicts the State-wise figures of all the major activities of National Small Industries Corporation.

**No. of Units Assisted
NSIC Financial Schemes**

	Hire Purchase (Since 1960)	Govt. Purchase (From 1976)	Marketing (1994-95)	Raw Material (1994-95)	Bill Dis- counting (1994-95)	Equipment Leasing since Inception (From 1989-90)
Delhi	1655	1540	1325	2742	49	234
H.P.	39	26	6	—	—	—
Punjab	1567	1185	12	1853	—	47
Rajasthan	774	897	25	61	—	15
Haryana	652	642	10	3925	—	53
J & K	139	33	—	—	—	—
U.P.	2633	1968	153	1534	—	55
West Bengal	2228	5331	61	1134	—	115
Bihar	852	743	—	19	—	17
Orissa	240	356	—	17	—	29
Tamilnadu	3755	3712	1075	562	15	205
Karnataka	2680	1042	15	602	78	—
Kerala	2947	330	157	—	—	4
A.P.	1652	1482	4	37	—	6
Pondicherry	175	143	39	2130	—	—
Assam	613	303	4	34	6	14
Arunachal Pradesh	—	—	—	—	—	—
Meghalaya	14	—	—	—	—	—
Tripura	65	—	—	—	—	—
Nagaland	12	—	—	—	—	—
Manipur	232	—	—	—	—	—
Sikkim	1	—	—	—	—	—
Mizoram	12	—	—	—	—	—
Andaman & Nicobar	13	—	—	—	—	—
Maharashtra	2311	3483	1039	281	16	88
Madhya Pradesh	1352	1124	46	19	—	25
Goa	116	110	—	23	—	24
Gujarat	1392	1755	1146	1013	11	78
GRAND TOTAL	28121	26205	5021	15887	175	1009

* This figure is of total North Eastern Region

2.2 The targets and achievements of NSIC in respect of some of the activities was given as follows:

	1992-93 Value		1993-94 Value		1994-95 Value	
	No. of Units assisted	Target Achievement	No. of Units assisted	Target Achievement	No. of Units assisted	Target Achievement
Machine Supplied on Hire Purchase and lease basis	633	2700	2655	242	2900	1896
Marketing						
— Domestic	3412	1200	527	4501	1000	1536
— Exports	135	1200	1108	152	1200	1138
Integrated Marketing support	136	—	1112	150	1200	1385
Services rendered and sale of products manufactured by PDTCs	—	—	379	—	—	439
						—
						757

A. Hire Purchase Scheme

2.3 The Hire Purchase Schemes run by the Company has been mostly targetted for first generation entrepreneurs. The scheme was introduced in 1956 and has gone a longway. Extension of Industrial Finance through the Hire Purchase System has been found to be quite useful in stimulating the growth of small scale units in the country. The scheme has been very well received as machines for a value of more than Rs. 410 crores have been supplied to more than 30,000 units in the country. Under this scheme, a maximum assistance of Rs. 60 lakhs in case of SSI units and Rs. 75 lakhs for Ancillary units is extended on the initial payment of Earnest money 20 to 25%. The cost of the machine alongwith the interest is charged from entrepreneurs after every six months. Ownership is transferred after the payment of Hire Purchase dues.

2.4 It has been stated by NSIC that under Hire Purchase Scheme NSIC takes upon itself the entire purchase procedure starting from issue of enquiry to the suppliers and issue instructions for delivery of machines and making payment to them. In case of imported machines, NSIC arranges foreign exchange, obtains import licence, opens the letter of credit and looks after the customs requirement and clearance of machines. The role of a person starting a small industry is to make an application with necessary documents, pay the earnest money and execute the Hire Purchase Agreement. The machines are delivered at his door steps. The entrepreneurs subsequently repay in instalments through the earnings by running the machines.

2.5 The table given below depicts Industry-wise number of units assisted alongwith Hire Purchase value thereof during the years 1989-90 to 1993-94 under the Hire Purchase Scheme along with the financial results from the Hire Purchase activity.

(H.P. Value) (Rs. In Lakhs)

Name of the Industry	1989-90	1990-91	1991-92	1992-93	1993-94			
	Nos.	Value	Nos.	Value	Nos.	Value	Nos.	Value
Engg. (Mech.) Elect. & Metro-allegical	365	1029.52	358	1151.38	413	1376.20	194	707.89
Chemical	11	44.40	9	42.00	8	35.00	17	70.18
Plastic Rubber	65	280.50	48	245.00	45	222.00	55	437.74
Ptg. Stationery & Paper Products	214	790.52	174	745.40	163	734.00	52	437.74
Textile Wearing apparels	60	150.70	77	161.00	64	170.30	49	226.12
Food Products	74	159.60	19	158.90	50	160.00	70	326.89
Timber Based	45	80.00	41	109.10	41	115.00	32	63.65
Others	93	222.23	89	265.60	86	269.70	55	256.17
Total	925	2757.47	8815	2878.58	870	3082.20	524	2488.15
Financial Results							151	530.73
PROFIT	63,68,206	35,51,648	45,43,350					11,18,987

2.6 The Committee was also informed in a post evidence reply that during 1994-95, 67 units were assisted in Hire Purchase Scheme and the value of the same stood at Rs. 292 lakhs.

2.7 The Committee wanted to know the reasons for the declining trend in Hire Purchase Business. A representative of the company stated during evidence:

"Sir, it is due to non-availability of sufficient funds. We need funds for five to seven years. We could not get sufficient funds. So, we took a conscious decision to restrict our supply only in backward areas and to the areas where subsidy was available. In the meantime we have reoriented our schemes depending on the money supply."

2.8 In this connection, a witness also stated:

"The money which should have been reimbursed to us by the Government of India has not yet been reimbursed. That is why we had to restrict our schemes."

2.9 The Committee wanted to know when the decision to decrease Hire Purchase Business was taken. They were told that it was decided in December 1992. However, the Chairman, NSIC said during evidence:-

"We took the decision in the last meeting in April, that policies are reviewed in consultation with our branches. We thought that we would now go ahead with hire-purchase and we have brought some policy changes. The seven-and-a-half year period has been reduced to five year period, etc. It takes a little time to implement this.

I think, I can tell you that during the year 1994-95 in terms of hire-purchase, there will be improvement over the previous year."

2.10 The Committee asked how in the absence of funds, the company was optimistic to boost its Hire-Purchase Business. Explaining the position, the Chairman, NSIC said:

"We are in agreement with you. There has been a consistent decline in the growth of business. Based on the feed back I submitted to you that we have a line of credit and that we have finalised with the KFW of Germany. That will be for this year and next year. They have approved it and Government of Germany has also sanctioned it. Our Ministry has also approved it. We are now in the final stage.

Second, there is another line of credit which is likely to be made available from KFW. Basically it is related to national renewal fund. We have been chosen as one of the agencies to do this. Mostly, all the business is related to hire-purchase and leasing.

Thirdly, we do hope that from the market also we would be able to raise it because at the moment our rating in the market is good.

I do hope that based on our expectation, we can go ahead. As I submitted to you it takes time to restart the scheme and I think we should be able to do it."

2.11 The Committee wanted to know about the dues which were pending in Hire Purchase business during the last three years. The company in a post evidence reply furnished the dues *vis-a-vis* actual recovery in regard to Hire Purchase activity at the end of the last three years i.e. 1992-93, 1993-94 and 1994-95 which are as under:

(Rs. in crores)

At the end of the years	1992-93	1993-94	1994-95
(i) H. P. Dues	300.58	328.40	353.17
(ii) Amount received	245.23	268.80	286.96

2.12 The Committee wanted to know from the Ministry their opinion regarding according of low priority by NSIC to Hire Purchase Scheme. The Secretary Department of SSI and ARI stated:

"Hire Purchase is an old scheme. We have some problem of recovery. There is the equipment leasing. Hire Purchase is declining. Performance on the equipment leasing is increasing. I presume that they are diverting more to equipment leasing. According to them, equipment leasing may be better way of providing this assistance."

2.13 Stating about the reasons of low achievement of this scheme, the Secretary said:

"Their approach is to bring down the expenditure on hire purchase and concentrate more on equipment leasing. Because in the case of hire purchase some entrepreneurs will not pay the instalments in time and this has created a problems for them."

B. Equipment Leasing Scheme

2.14 It has been stated by NSIC that they launched Equipment Leasing Scheme for providing Industrial Finance in 1987 mainly to augment the existing units and also for their modernisation, upgradation of technology keeping in view the pace with the changing need of the SSI sectors.

Under this scheme an equipment is leased for a period of 5 years for which specific rent is charged. After the lease period is over the ownership of the equipment is transferred on the request of the lessee. The maximum assistance of Rs. 60 lakhs for ancillary units could be provided under this scheme. During the period the equipment is leased, the depreciation is availed by NSIC.

2.15 It has been stated by NSIC that activities are reviewed keeping in view the internal resources position as well as relevance to the present

situation. There is now an increasing focus on the Equipment Leasing activity, as Corporation believes that this activity can help in achieving some degree of modernisation, expansion and diversification of the beneficiary units. This will also help them in becoming competitive both in terms of price and quality.

The assistance under this scheme is being extended to the existing units which are technically viable including ancillary units and new units defined as service industry and covered under Small Scale Service/Business Industry Related Enterprises (SSEBs).

2.16 The table given below shows the performance of the company in regard to Equipment Leasing Scheme during the years 1991-92 to 1993-94.

A. Assitance Provided

Year	Cost of Equipment (in lakhs)	Sale Value (in lakhs)
1. 1991-92	Rs. 460.43	Rs. 492.66
2. 1992-93	Rs. 805.39	Rs. 861.76
3. 1993-94	Rs. 943.52	Rs. 1009.56

B. Financial Results

Year	Lease Rental Income (In lakhs)	Net Profit (In Lakhs)
1. 1991-92	Rs. 397.38	Rs. 59.90
2. 1992-93	Rs. 418.50	Rs. 102.41
3. 1993-94	Rs. 653.26	Rs. 131.34

2.17 The Company also supplied figures for the last three years of the performance in this Scheme. It is as under:—

Activity	(Rs. in lakhs)								
	1992-93			1993-94			1994-95		
	No. of unit	Value	Profit	No. of unit	Value	Profit	No. of unit	Value	Profit
Equipment Leasing	109	805	102.41	91	944	131.34	285	723	145.33

2.18 The Committee wanted to know the reasons why Equipment Leasing Scheme was extended only to the existing units and not new units. A representative of the Company explained as under:—

“There is no moratorium period in the case of the existing units and we can start collecting the monthly lease rental from the next month.”

2.19 On being suggested that this scheme could also be extended to the new units, the Chairman NSIC said:

"The reasons as to why we want to give it to viable units is that we want to improve the recovery aspect. In the existing units, recovery would be easy. Any way, we can apply our mind to the new models, which you are talking about."

2.20 Giving his views regarding the viability of the Equipment Leasing Scheme, a representative of NSIC submitted before the Committee as under:

"We have to recover the investment along with our interest thereon on account of this leasing during a period of five years. We apply the rate of interest as prevailing in our scheme. Presently it is 17 per cent. So, we work out of the monthly lease rental by adding the interest component with the principal. Accordingly to recover the interest as well as the principal over a period of five years, we fix the lease rental and presently it is at Rs. 24 per one thousand per month. We get a return of 17 per cent."

2.21 When the Committee desired to know the Ministry's views in regard to extending the Equipment leasing scheme to new units the Secretary of the Ministry said:

"There are modern SSI units which are going in for better technology and also export oriented units. They can provide equipment leasing to this kind of new units also."

2.22 In this connection, the Committee were subsequently informed by the Company in a post evidence reply as under:

"The scheme is presently operative for viable existing units who undertake either modernisation or technology upgradation or expansion of the units. It has been observed that only existing viable units are able to re-pay dues in time. However, the scheme can be extended to the new units who have got sound projects.

As per guidelines issued by the Office of the DC (SSI) assistance under equipment Leasing Scheme is also being extended to the 'New Units' called Small Scale Services and Business (Industry Related) Enterprises (SSSBES). Further study was also undertaken and in certain area of SSI sector, it was felt imperative to extend assistance under Equipment Leasing Scheme to the new units of the following categories:—

Units which are promoted by reputed existing units belonging to sister/associates of group companies.

Export oriented units where export orders are in hand.

Units promoted by Technocrat having degree qualification.

However, continuous endeavour and exercise is being undertaken to evolve possibility of extending assistance to new units under the Equipment Leasing Schemes."

C. Prototype Development and Training Centres

2.23 NSIC has stated that they have 5 Prototype Development and Training Centres (Okhla, Howrah, Rajkot, Madras and Hyderabad) and 6 Sub-Centres Aligarh, Dindigul, Kashipur, Guwahati, Rajpura and Khammam which provide diverse technical support to small scale sector. One more sub-centre is shortly being set up at Cuttack in Orissa.

The Centres and Sub-Centres provide technical support to small scale sector by providing trained man-power, developing prototypes, providing common facilities, providing laboratory and quality Testing facilities, developing improved tool kits, development of appropriate technology and through other activities related to skill and technology upgradation in small sector. Each centre has a Sectoral specialization.

2.24 NSIC has also stated that these centres have so far, incurred deficit of Rs. 1060 lakhs upto the end of 1993-94 after taking into account the amount of grants. A further deficit of Rs. 130 lakhs was estimated during 1994-95. NSIC wants that Government should meet full cost of running of PDTCs and sub-centres and also reimburse the deficit incurred so far.

2.25 The Committee asked whether the deficit incurred so far would be reimbursed specially because PDTCs were not engaged in commercial operations. The Secretary, Department of SSI & ARI stated before the Committee:—

"We provide them under Plan and Non-Plan some Grant-in-Aid for meeting some expenditure. Obviously their expenditure is more than what the Government is able to provide. We have therefore advised them during our discussion on the PDTc that they can realise some costs from some of their activities like training and making prototypes, etc. I realise that a lot of it is promotional in nature and therefore the Government is giving them funds. But we have to work out what is their reasonable requirement and also to see how much the Government can provide and they have to raise the remaining resources from their own activities. This is what we are trying to work out."

2.26 Regarding the contribution of PDTCs to the Small Scale Sector, the Secretary said:—

"They are doing very good work because they have the PDTC at different places. Each PDTC is specialised in a different field. They are giving very useful training."

2.27 When Secretary was asked to clarify whether PDTCs were engaged in any kind of commercial activity, he said:—

"I said that they can. Sometimes when they prepare prototypes, they also prepare a budget for its making and they can sell it to the

people. They can realise the cost from the people who are utilising that prototype. Similarly when they train people they can realise some money Not hundred per cent commercial, but when they are under pressure for funds, they should see to it that they also raise some resources."

When asked whether their role should be clearly redefined, the Secretary stated:

"I agree with you, It has to be redefined."

2.28 The Committee asked whether the Ministry felt that there was need to open more such centres. Replying to the query the Secretary of the Ministry said during evidence:

"There has always been a need. But it has to be limited to the resources available and they have to make a trade off. Actually, we are also creating this kind of centres under other schemes all over the country. Some of the State Government also are doing it. So, to the extent money is available, they can do it."

2.29 When the Committee pointed out that these centres should also be opened in rural areas because most of the people who were coming for training were from villages, the Secretary of the Ministry submitted as under:—

"In cities there are ITIs, Polytechnics and all those centres. This is just one among them. These centres are in the metropolis. But they can open their sub-centres in smaller towns and in rural areas. Hereafter they will be persuaded to go to rural areas instead of opening new centres in big cities."

2.30 The Committee wanted to know what type of training was imparted in the PDTCs. Throwing light on this a representative on NSIC stated as follows:—

"Many of these are general engineering items. We give the complete range of conventional training. Basically most of the industry needs are covered in these training courses. We also try to place them from the campus in the industries. I would like to submit that the target groups, which comes to us for training, is a group which has failed to get admission to any educational institution of higher learning. Most of them have not even had any college education and we have to train them for placement in some responsible position. This training element is very difficult to quantify."

2.31 Elaborating on this point the representative also said:

"We have two systems. Basically there are two kinds of trainees. The first one we call it as short term trainees and the other, we call as 'fresh trainees'. We take short term trainees for skill

upgradation these are people already engaged in the industry. Fresh trainees are trained for absorption in the industry. The persons who come for upgradation of their skills are mostly sponsored. Here in high technical courses almost hundred per cent of the people are sponsored. They are sponsored either by the employer or sometimes they come on self-sponsored basis. In the other category, our system is that we normally put an advertisement in the Employment News. We also accept nomination from the District Industries Centres. Many a time, the State Governments have sponsored and have been sponsoring trainees.....”

2.32 When asked about the coordination of NSIC with Industrial Houses and employment Exchanges, the Representative said:

“We coordinate only with the industries and not with the employment agencies/exchange. We were able to accommodate a large number of trainees from our campus. We have to liaise with the Industrial houses. But we have no mechanism to have liaison with the employment exchanges.”

2.33 When asked whether they did not feel that it was necessary to coordinate with Employment Exchanges, the witness said:

We feel that it is not necessary because even if a person registers in the employment exchange, he will be accommodated according to the seniority and not on merit. At the campus we interview them and accommodate them.”

2.34 When asked about the number of trainees absorbed after the training the company in a post evidence reply supplied the following statistics for the last three years relating to PDTC Okhla and Madras.

S.No.	Passed out trainees	Pay range Okhla	No. of Madras
1.	Pay range upto Rs. 1000	140	703
2.	Pay range upto Rs. 1000-2000	416	64
3.	Pay range from Rs. 2000-3000	205	5
4.	Pay range from Rs. 3000-4000	34	16
5.	Sponsored Trainees	739	227
6.	Started their own Industries	34	20
7.	Engaged in trading	21	3
8.	Foreign trainees	2	—
9.	No feed back	1209	155
		2800	1193

2.35 When enquired about the follow up system adopted in NSIC to keep in touch with trainees, the company informed in a post evidence reply as under:—

“Efforts are made to keep in touch with the trainees after their completion of training. However, follow-up efforts to a large

extent depend on the cooperation and interest of ex-trainees. The standard method for follow-up is to give a post-card to each trainees which he/she is expected to fill-up and return indicating their activity after passing out from the Training Centres. In addition, the Sub-Centres being Small Centres try to approach the trainees individually through direct visit or having meetings of ex-trainees to ascertain their progress. However, it is to be appreciated that this personal follow-up is limited to local areas and is mostly done by sub-centres where large number of trainees come from local areas."

D. Marketing

2.36 It has been stated by NSIC that in the area of marketing, the company is providing multi dimensional marketing assistance to SSI. This assistance is provided by Marketing to Government and PSUs etc under Single Point Registration Scheme, by forming of consortia of small units, Organising Buyer-Seller Meets, participation in National and International exhibition, Exports (Products & Turn-key Projects). Setting up of Market Development Centres and Providing Raw Material Assistance etc.

2.37 The Committee wanted to know about the performance of NSIC in the field of marketing. Replying to the query Senior Executive Director (Dev.) stated during evidence:

"About marketing assistance programmes, we provide marketing facilities to nearly 4000 to 5000 units. Some new units come and old units go but the value of marketing support is Rs. 27.47 crores in 1992-93, Rs. 40.50 crores in 1993-94 and Rs. 19 crores in 1994-95. This is our achievement under marketing assistance programme."

2.38 Stating the reasons about the downward trend in marketing assistance programme, the witness said:

"There was some recession. That is why, after liberalisation, the small scale industries could not be secured more jobs, even though we have quoted on their behalf."

2.39 When asked how precisely NSIC helps the entrepreneurs in the field of marketing, the Chairman, NSIC stated:

"If anybody wants to put up an enterprise today we support him in marketing. We are market oriented. Even when we make a soap, what kind of flavor or sugandh is required, what kind of lather is required, all such parameters have to be taken into account before making it. Being entrepreneur friendly we support him."

(i) Market Development Centres

2.40 It has been stated by NSIC that under the Internal Marketing Assistance Programme, NSIC has taken up a programme to set up "Marketing Development Centres" for the promotion of markets of Small industries' products. These market Development Centres provide marketing outlets and serve as Common Market Facility Centres. NSIC is now in the process of finalising a scheme for franchising the space in the Market Development Centres to enterprises to market their products. The market development Centres are presently located in Delhi, Madras and Cochin but there is tremendous scope for setting up more centres of this type.

2.41 When asked about the development of more such centres by NSIC, a senior executive Director stated during evidence as follows:

"Two centres have been established in Cochin and Madras and at three other places, that is Patna, Ahmedabad and Calcutta, we have got the space available and we are going to set up these centres this year. In rest of the places, like Guwahati, Bombay, Jaipur, Ludhiana and Indore, we have not yet got the space but we have earmarked these places also."

2.42 When asked what substantial boost these counters can provides for SSIs, the witness said:

"They can exhibit their products and some of them can form market also. So, they will be the centres where they can sell their products."

2.43 During the course of evidence the committee came to know that NSIC also propose to set up a market information centres which would not only help trading but would facilitate exports also. Giving details about the centre the Chairman, NSIC said during evidence:

"Sir, we have collected information regarding various types of information centres. We hope that by next year we will be able to start our Market Information Centre. We will be installing computers at the centre which will have information regarding on-going prices of various products in different parts of the country and other related information. It will also include the information regarding demand and supply.....Sir, during the year 1996-97, it will be operational."

2.44 On being enquired about the marketing of SSI products to Public Sector Undertakings and other Government agencies, a representative of NSIC intimated during evidence:

"We have approached all the public sector undertakings, we have approached Railways, we have approached the Posts and Telegraphs etc. They give the tender forms at free of cost to all

these small units who are registered with us; sometimes, somebody may be refusing. And we help them in quoting for these tenders."

2.45 Asked about the response of PSU in this regard, Chairman NSIC said:

"We do send the directory which we have compiled to all the public sector undertakings and then we do have interaction from time to time in different regions to bring linkages between the SSI units and the public sector undertakings so that they can source their supplies from these registered SSI units."

E. Participation in Exhibitions/Fairs

2.46 It has been intimated to the Committee that NSIC has been participating in various national & International Exhibitions/Fairs over the past few years.

The amount spent in participation in such fairs during the years 1991-92 to 1993-94 is as follows:

Year	Amount spent on International Exhibition (Rs. in Lakhs)
1991-92	7.05
1992-93	10.61
1993-94	16.00

2.47 Stating about the advantages of such Exhibitions/Fairs, NSIC informed the committee in a post evidence reply that the national Small Industries Corporation is participating in around ten international and six national exhibitions throughout the year. The main objective of its participation is to expose the small scale industries to the national and international market. In the national exhibition, NSIC organise the participation of small scale industries from all parts of India, where they are provided space in its stall/pavilion at a subsidised rate. This provides to the small industries a very effective exposure to their products at a nominal expenditure.

In the international exhibitions NSIC arrange for display of quality products of different small industries and also allows participation of interested representatives of small scale units.

2.48 On a query regarding business generated by these exhibitions, the company intimated to the Committee also through a post evidence reply as under:—

"Details of exhibitions participated national/international

Sl. No.	Year	Number of Exhibitions	No. of units participated	Business Generated (Rs. Lacks)	Business enquiries generated (Rs. crores)
1.	1992-93	14	703	1647	150
2.	1993-94	16	815	1911	250
3.	1994-95	21	889	2632	300

The above figure is inclusive of participation in the Regional Exhibition."

2.49 On a suggestion that NSIC should charge preferential rates from SSIs depending upon the background of the unit, the Chairman NSIC said:

"If we fix different rates then people may complain about this disparity. May be we can think of it after some time but not now.

I may inform the Committee that the amount spent by us on the domestic exhibitions was Rs. 13,79,000.

2.50 The Committee enquired from the Ministry whether it was not desireable to increase the number of such exhibitions sufficiently to expose the small scale industries to the national and international market. Replying to the query, the Secretary SSI & ARI said:

"Yes, Sir, I agree that more and more exposure should be given. But for these exhibitions what they should do is, to take more small entrepreneurs in the delegation to the exhibitions. The participation of the NSIC should be minimized. The participants from the NSIC can provide coordination. For example, if in a delegation, there are ten persons, then out of them, nine persons should be from the small entrepreneurs' side and one officer for coordination from the NSIC should be there. In the name of exhibition there is a tendency to send more officials. This practice of sending more officials should be discouraged..... The small entrepreneurs should be exposed so that they got to know as to what is happening in the rest of the world."

F. Exports

(i) Product Export

2.51 It has been stated by NSIC that a large number of products, manufactured in the small scale sector, have good export potential. In handling export, small scale industries, however, face certain problems like

inadequate knowledge of marketable products, prices, specifications and quality control requirements, lack of communication facilities for dealing with foreign buyers, inability to produce in adequate quantity and to stock good and inability to procure correct materials of the required specifications.

2.52 The Committee enquired from NSIC exactly how they help small units to undertake exports. A representative of the company informed the Committee:

"As a Corporation, we have got composite services, like starting from sourcing to identification of the product and then execution of the export orders through samples as well as bulk orders. In all these activities we are involved. We also give facility to them to correspond with the foreign buyers through our communication facilities which are available with us, namely FAX, telephone, etc. We also facilitate them in displaying their products in foreign exhibitions because we participate on an average in around 10 exhibitions in a year. The items that are mainly involved are brass hardware, aluminium hardware and other hardware engineering items. Of late we have also started exporting consumable to Russia and other places. We are also participating in some exhibitions which are held in Russia."

2.53 Asked whether they had any separate cell for exports, the Group General Manager, Development Division NSIC stated:—

"In our head office we have a division headed by me and assisted by various technical and commercial people".

2.54 As intimated by NSIC, the table below shows the export turnover of the company for the years 1991-92 to 1993-94:

(Rs lakhs)

	1991-92	1992-93	1993-94	
	1	2	3	4
(a) Product Export	958.57	1031.93	957.81	
(b) Project Export	133.69	62.65	168.29	
(c) Other Services/Consultancy Charges including display fee	9.63	88.95	194.60	
	1101.89	1183.53	1320.70	

2.55 The Committee desired to have export turnover of SSI units during the last three years. The company informed the Committee in a post evidence reply as under:—

Year	Export Turnover
1992-93	Rs. 17785 Crores
1993-94	Rs. 24149 Crores
1994-95	Rs. 32000 Crores (Estimated)

(ii) *Project Export*

2.56 It has been stated by NSIC that there has been considerable demand from developing countries for assistance from NSIC in the supply of projects on turnkey basis for selected small industries' products. NSIC's services, in this regard, include preparation of industrial profiles and detailed project reports, selection and supply of plant and machinery, experts and technicians for commissioning of units and initial management, specialised training both in India and at site and special purpose studies for rehabilitations, upgradation and diversification programmes. Under this scheme, NSIC takes up export of machines and equipment, parts and components and raw materials. NSIC has been receiving enquiries from several developing countries for setting up projects on turnkey basis.

2.57 The Committee wanted to have the views of NSIC on their Project Export business. A representative of NSIC stated during evidence:

"As far as project export is concerned our technology is appropriate to Africa and Asia. So, they look forward to India to get proper technology. We have developed technology based on our own discussions and experience."

2.58 When asked about the projects in hand, the chief executive of the Corporation states:

"Three projects have been completed and seven are under negotiations."

The Committee was also informed that all the projects supplied during last three years were profitable.

2.59 Stating about the assistance which NSIC required in this export business, the Chief executive NSIC said during evidence:—

“Sir, with your permission, I would like to make a small submission. The Indian model of small industries development is very popular in African countries. They value our services, particularly that of NSIC's. Many Prime Ministers, Industry Ministers and delegates have visited our camp in Okhla to see our presentation. I think this would continue in times to come. We are working in close cooperation with External Affairs Ministry and also with our own Ministry whenever delegates make presentation. It is one of the areas where they look to India for we have the expertise and we can share with them the expertise.”

2.60 When the Committee asked whether NSIC conducted any study on the export potential from SSI, the Chief executive said:—

“Last year we had organised a workshop on 7th October where we had international and national export houses. We look at the rate of growth.”

2.61 The Committee asked from the Ministry if a special task force created by drawing representatives from the Ministries of Industry, Commerce and External Affairs as well as representatives from the NSIC and various national level small scale industry organisations would be beneficial to the SSI units.

The Secretary, replying in the affirmation said:—

“We agree, Sir, but basically these exports are looked after by Commerce Ministry. They keep appointing task forces on different items from time to time. In consultation with them we can appoint such a task force.”

2.62 When asked how far could the Ministry help the NSIC for increasing its project export by way of bilateral trade agreements so that they could improve their foreign exchange earnings and have a greater share in exports, the Secretary stated:—

“Sir, whenever there are bilateral negotiations with other countries we try to bring in a representative from NSIC and when delegations go we try to send NSIC representative on the delegation so that they can negotiate this kind of projects. But again this has to be limited to the funds available to them and their priorities. But they have already got many contracts in the African countries and many a time we have helped them from the Department.”

G. Enterprise Building Programme

2.63 NSIC has stated that during 1992—97 Enterprise Building Programmes are to be taken up in about 200 areas over the 5 years period for development of industries in rural and backward areas. An integrated

range of support services will be provided under this programme, thus enabling the youth towards industrial activities. However out of 200 areas only 55 areas could so far be covered. Now the NSIC proposes to develop 100 areas instead of 200.

2.64 When asked as to how many people have been trained as entrepreneurs, a representative of the company referred as under:—

“In 1994-95 we have conducted 25 programmes and 700 candidates have been trained.”

2.65 Asked whether there was any follow up to know about the trained people starting their own enterprise, the representative said:—

“There is a follow-up immediately and after that also we pursue them. But hardly 20 per cent of them have put up their own enterprise. It is not that we are not following it up. But only a very small percentage of them do come forward to put up their own enterprise.”

2.66 On the question of involvement of NGOs in this programme, the representatives said:—

“In some places we have involved them.”

2.67 Elucidating further on this point, the Chairman, NSIC said during evidence:—

“In future we would like to involve more NGOs because they are the people who can provide more support. The success rate of Entrepreneurship Development Programme varies from four to seven per cent. In the case of urban areas if a programme is good, the success rate is 45 to 50 per cent.”

2.68 Subsequently, the company stated in a post evidence reply as follows:—

“The corporation is organising Enterprise Development Programme (EDP) with the involvement of Local District Industries Centres, Private Associations and other Voluntary Organisations. The methodology is to assess raw material available, the technical capability available within the District and to work out a suitable projects wherein an integrated approach is effected *i.e.*; by providing all the facilities required for the successful functioning of the enterprise. Such EDP programmes greatly facilitate the generation of employment and prevent the possible migration of the rural youth to urban areas. In view of the importance of these EDP programmes, Government should earmark certain funds as an outright grant for conducting such programmes.”

2.69 When asked from the Ministry whether they had any difficulty in providing funds for the same, the Secretary Department of SSI & ARI stated during evidence:—

“Sir, this is another area where some rationalisation can be done. We have four national institutions for entrepreneurship development. One is at Ahmedabad, one is in Delhi, one is in Hyderabad, and fourth one is in Guwahati. Then there is a scheme in which the State Governments have been given money to set up entrepreneurship development institutions. There are so many organisations giving entrepreneurship training as of now.”

CHAPTER III

FINANCIAL PERFORMANCE

A. Working Results

3.1 The table given below shows the turnover and profits of NSIC during the years 1989-90 to 1993-94:—

Particulars	(Rs. in lakhs)									
	1989-90		1990-91		1991-92		1992-93		1993-94	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
I. Turnover/Sales										
Hire Purchase	1700.00	1571.17	2100.00	1684.14	2000.00	1819.10	1700	1431.34	500	299.19
Leasing	600.00	641.48	1000.00	857.81	1000.00	822.05	1000	1223.89	1500	1596.78
Marketing	7500.00	7539.65	9800.00	9267.34	12500.00	8011.90	8400	9016.29	10000	11734.48
PDTG	350.00	360.98	377.00	379.95	400.00	375.37	450	378.97	450	438.92
Total	10150.00	10113.28	13277.00	12153.48	15900.00	11064.18	11550	12050.39	12450	14069.37
2. Profit/Loss (Scheme-wise)										
Hire Purchase	72.00	63.68	80.00	35.52	86.50	45.43	40.00	39.31	21.25	11.19
Leasing	10.00	35.40	15.00	27.35	34.00	59.90	30.00	102.41	91.85	131.34
Marketing	50.00	62.73	70.00	46.53	99.50	77.72	26.00	(3.06)	63.00	8.49
Others	—	4.13	—	—	—	—	—	0.4	—	3.50
Total	132.00	165.94	165.00	109.40	220.00	183.05	96.00	139.57	176.10	154.52

3.2 Supplementing these figures, NSIC informed the Committee in a post evidence reply that the company earned a profit of Rs. 16.30 lakhs on Hire Purchase, Rs. 31.85 lakhs on Marketing, Rs. 145.33 lakhs on equipment leasing scheme. After adjustments the profits for the year 1994-95 stood at Rs. 203.85 lakhs against the budgeted figure of Rs. 185.10 lakhs. Thus the actual profit of the Company has been lower than the targets since 1990-91 except the year 1992-93.

3.3 The Committee enquired why actual performance of the Company has been lower than the targets in the past few years. Replying to the query a representative of NSIC stated during evidence:

“.....We have targeted that figure but we could not achieve. Due to financial constraints, we have taken a decision to move in a particular area.”

3.4 An official of NSIC also informed the Committee during the course of evidence that in their action plan for the year 1995-96 they have set a target of Rs. 40 crores for both Hire Purchase and lease rental. When asked whether they would be able to achieve the same, the official said:

"We will be able to achieve it if the matching resources are available."

3.5 Giving the picture about the profitability of entire operations of the Company, a representative stated during evidence as follows:

"In the case of entire operations of the Corporation, if you see the profitability position, there have been improvements. In the year 1992-93, there was a net profit of Rs. 1 crore and 24 lakhs. In the year 1993-94, it was 1.31 crores and in 1994-95, it is expected to be 1.60 crores. In the case of higher purchase, the profit is less. But in other schemes, the profit has improved. The reason is that from year to year whatever resources we are raising, the cost has been going up. The blockade of funds in the higher purchase cost us more money. In marketing, it gave us a little additional business on lesser employment of funds."

3.6 The Committee enquired whether the Company maintained any monthly, profit and loss account or not. The Chairman, NSIC stated:

"We have not been doing that."

He also stated:

"Last year, we did it on half yearly basis. There are so many branches and regions. We have to collect the data. With Computerisation, we shall be able to do it from the next year."

3.7 The Committee pointed out that according to the statement of micro objectives of the Corporation, though its prime objective was development, it would endeavour to earn a reasonable rate of return on investments and desired to know the rate of return earned by NSIC. A representative of NSIC informed in evidence:—

"Return on equity was 2.11 per cent whereas return on investment, in 1993-94 that is, capital employed, was 7.73 per cent."

3.8 Defending the profitability figures of the Corporation the Chairman, stated during evidence:

"I would say that it is difficult for anybody in my place or for that matter, even yourself, to draw a line here. You have to look at the totality. On the one hand, we have a very big objective to help the small scale entrepreneurs and simultaneously, we are supposed to help artisans and others. On the other hand, we are judged or measured by the profit which we are making. I will tell you my own experience, since 40 years of the inception of this Corporation, for almost 29 years we faced losses. I am happy to report to the Committee that we have written off about Rs. 8 crores of cumulative losses. Now, after writing off all those cumulative losses, we have a net profit of carry forward of Rs. 2 to Rs. 3 crores. We are also trying to reach a wider section of the society. There are two aspects here. One aspect is the technology details and the second is the widespread of turnover. Turnover increases year after year. From Rs. 140 crores, it has increased to Rs. 366 crores and this year, it is Rs. 600 crores. At one point of time, when our Company reported to the Ministry a profit of Rs. 29 lakhs, they said that we should charge more and at the same time, do more of small scale industries development.

So, Sir, drawing a line here is a very difficult task. This year since the MOUs demand more profitability, we are relooking on the aspect of charging more."

3.9 The Committee wanted to have the views of the Ministry whether the rate of return on investment was low or satisfactory. The Secretary of the Ministry stated:

"I concede that the rate of return on equity and also on capital is low..... It is low, because part of its functions are promotional in nature and only the other part is commerical in nature."

3.10 When enquired whether the Ministry dealt with the low return at any of their periodical meetings or otherwise, the Secretary stated:

"Mostly, they get Plan money and one or two per cent return is not very much. Therefore, in various meetings we have been saying that in the initial period you gave emphasis to promotional work and you gave emphasis to activities which are not commerical in nature. But as things are improving and as things are becoming more established, you must make a distinction between what is primarily commerical and what is promotional. This is what we

have said. We have also said that they must give more emphasis on commercial work and get a return and for the promotional work the Government can provide grants. So, on all these activities like equipment leasing, hire purchasing etc., there has to be commercial return. For training activities and other promotional activities the Government must provide grant to them."

3.11 Subsequently, the Committee were informed by the Ministry in a post evidence reply as under:—

"The National Small Industries Corporation Limited is primarily engaged in the promotion and development of small scale Industries. Its promotional activities are partly financed out of the Government Grants. The Commercial Activities of the Corporation are also not purely commercial but do have an element of promotional content. The services of NSIC are priced at concessional rates in order to provide economical assistance to the SSI Units, therefore, the return on investment in case of NSIC will be lower than the return expected from a Commerical Enterprises.

It is, therefore, felt that ideal rate of return on investment in NSIC can be considered to be around 12% per annum. The Corporation has improved its profitability and the rate of return on investment in the year, 1994-95 from 8.11% to 8.59% and has also proposed dividend of Rs. 41.52 lakhs (20% of post tax profit)."

3.12 In a post evidence reply the company also intimated to the Committee that during 1991-92 to 1993-94 the lending rates were hiked by the Banks resulting in increase in interest on borrowed funds. The increase in cost could not be fully passed on to the borrowing SSI Units. This resulted in decrease in profitability of the Corporation.

3.13 The Committee wanted to know about the financial assistance which the company was getting from the Government. A representative of the Corporation stated as under:—

".....To meet that shortfall we receive grant from the Government. Sometimes the grant received is not adequate. Some shrtfall still remains in the books and that is carried forward to the next year's account. Otherwisc, we are maintaining separate accounts. Showing grant, expenditure and income for that particular activity."

The representative also stated:

"As regards commercial activity we are not receiving any grant except a small amount of interest subsidy. These grants are related to the promotional activities only which are a separate segment in the Corporation."

3.14 The table below shows the funds received and utilised by NSIC during the years 1989-90 to 1993-94.

S.No. Particulars	1989-90	1990-91	1991-92	1992-93	(Rs. in Lakhs) 1993-94
1. Share Capital	600.00	650.00	550.00	800.00	1000.00
2. HBA Loans	—	—	—	—	—
3. Total amount of Grants recd. during the year.	985.00	994.90	1021.94	913.55	968.80
4. Total expenditure, against Grants during the years.	936.03	1057.80	1213.90	1205.63	1362.44

3.15 The Committee pointed out to the Company that the expenditure incurred by the company against the grants was more than the actual grants received by them. Explaining the position the representative of the company said:

“Sir, in 1993-94 there is an excess expenditure of Rs. 350 lakh. This expenditure is a sort of an obligation. This expenditure is a compulsory expenditure basically related to the maintenance and functioning of the on going schemes in various PDTCs and sub centres.”

The representative also said:

“Sir, We have been requesting the Government to release this money.”

3.16 When asked from which sources they met the extra expenditure, the representative said:

“We meet this money from our own resources, that is capital and borrowings from the market. Ultimately it comes from the borrowings. We raise borrowings for the commercial activity. Ultimately it goes from general kitty comprising of equity and borrowings.”

Supplementing the point his colleague, a witness further said:

“We have been impressing upon the Government that these are the promotional activities in nature and the expenditure should be borne by the Government.”

3.17 The Committee pointed out that in the absence of sufficient funds, the NSIC was not able to accomplish their objectives fully and asked what assistance the Ministry could render for the same. The Secretary of the Department submitted before the Committee:

“To the extent, I would humbly submit, that is possible with the limited financial resources available with the Government, we are supporting and trying to realise these objectives but we are also

trying to point out that in the situation itself, these process are slow."

Asked whether it was the policy of the Government to slow down the accomplishment of objectives as per the availability of funds, the witness said:

No, Sir"

3.18 In this connection, the Secretary also stated before the Committee:

"..... about the finance part of it, I am making a distinction between the two. Finance is always a problem whether it is rural cottage industry or the modern small scale industry."

"As far as the development of small scale industries is concerned, finance is always a problem for them when we tend to depend on institutional credit....."

B. Availability of Finance

3.19 NSIC has informed the Committee that during 1995-96 it has projected total turn-over of Rs. 600 crores implying a growth of 60% over the last year's turnover. Considering vast potential and the need for providing additional financial support for the development of small scale sector a growth rate of 60% per annum has been projected for estimating total turnover in each of the subsequent years upto 1999-2000. With this growth rate total turnover of Rs. 10,000 crores has been projected during the 5 years from 1995-96 to 1999-2000. According to this plan total additional funds of Rs. 1292 crores will be required during 5 years.

3.20 The Company also intimated that the total resource requirement of Rs. 1292.00 crores was proposed to be met partly by internal resources of the Corporation and equity support from the Government and remaining by way of borrowings from SIDBI, issue of Bonds and other resources from Foreign lines of credit and deposit of surplus funds by Foreign Banks.

In the above plan of resources the Company has projected mobilisation of funds by way of borrowings from following sources:

(Rs. in crores)

A. Issue of Bonds	225.00
B. Refinance assistance from SIDBI	340.00
C. Foreign lines of credit (KFW/Others)	160.00
D. Deposit of surplus funds by Foreign Banks	250.00
	975.00

3.21 Asked to state the feasibility of allocating more funds to NSIC, the Secretary of the Ministry stated before the Committee:

"About financing, I would just like to give the background that you can understand where we stand. The way the Government

corporations operate is that in a particular plan, like the Eighth Five Year Plan, the Corporate plan is prepared by them and then they come with proposals for financing. For the entire small scale sector, in the Eighth Five Year Plan, Rs. 1,627 crore have been provided by the Planning Commission, of which Rs. 900 crore is for Khadi and Village Industries Commission. So, most of the money, that is, 55 per cent of our total outlay, we have given to that area. That is the sector which is amendable to decentralised development in our backward and rural areas. The NSIC's allocation for the entire Eighth Plan is Rs. 65 crore. It works out to about four per cent of the total outlay. As you know, the resources are planned centrally by the Planning Commission, depending upon the priority of the sector. So, Rs. 65 crore was given to NSIC, normally, on a pro-rata basis, they should have got Rs. 39 crore in the first three years but we have already given them Rs. 45.59 crore. For the Fourth year, that is, for 1995-96, the allocation is about Rs. 22 crore. So, this will bring the figure to Rs. 67 crore in the first four years of the Eighth Plan. One more year is still there. So, we shall go to the Planning Commission ask them to increase the allocation. So far as the Ministry is concerned, whatever was allocated for NSIC, we have already exceeded that figure."

3.22 The Committee pointed out to the Ministry that for the equity capital support, NSIC had projected Rs. 104 crore over the next five years and desired to know how NSIC would meet the projected amount. The Secretary of the department replied:

"Already, as I said, we have Rs. 65 crore as the plan outlay. We will press for increasing that outlay because we are exceeding that money in the first four years of the plan. In that process, it is subject to the Planning Commission exercise and the availability of money for various sectors. We will try to get more money."

3.23 During the course of evidence, the Secretary also intimated to the Committee that this year budget outlay was Rs. 13 crores but that was also not given to them. He also said that each individual company was discussed by the Planning Commission and the Ministry would plead the case of NSIC with them.

3.24 The Committee asked NSIC to give details about the direct and indirect financial assistance they require from the Government so that they can compete in the post liberalisation period and constantly endeavour to boost the growth of SSIs. The company informed the Committee in a post evidence reply as under:

"The corporation required following assistance/help for serving the small scale sector:—

(i) *Rate of Interest*

At present NSIC borrows money at the commercial rate of interest. Many small scale units cannot afford to pay this high rate of interest hence

there is a need that the funds should be made available at the rate of 4% which is applicable to Khadi & Village Industries Commission and other similar institutions.

(ii) Refinancing Facility

NSIC does not get the refinancing facility being provided to the State Financial and Industrial Development Corporations. This refinancing is provided by SIDBI to State Financial and Industrial Development Corporations. If this facility is extended to NSIC being an apex level organisation, this will go a long way to enable us to serve larger number of units.

We have proposed gross refinance assistance from SIDBI of Rs. 340 crores during the next five years. This is the minimum amount of resource estimated under this scheme and depending upon availability of other resources projected in the Plan, the requirement under this scheme is likely to increase. Therefore, additional provision of around Rs. 250 crores has to be made to compensate for any short-fall in other resources.

(iii) Bank Guarantee for Issue of Bonds

In the present market scenario. When money market situation is very competitive, the funds through issue of bonds can be mobilised only when these bonds are backed by Central Government's Guarantee. In order to assist the small scale sector, there is a need to raise low cost resources, whereas in the present money market conditions the bonds can be issued at 15% to 17% rate of interest which is not viable for our Corporation. To have the subscription from the Investors at maximum rate upto 14% per annum, Central Government Guarantee would be necessary without which the bonds issue will not be successful.

(iv) Deposit of surplus funds by foreign banks

This scheme is operational for the last two years in which foreign banks are required to deposit the shortfall in their lending to priority sector which is mandatory for them with SIDBI at interest rate of 10%. Since NSIC is exclusively engaged in promotion and development of small business enterprises which is a key priority sector category, NSIC's name should also be included for deposit of this amount by foreign banks at the above interest rate. With this provision, we have projected gross mobilisation of Rs. 250 crores from this source.

(v) Foreign lines of Credit

NSIC, hitherto, has been availing Foreign Lines of Credit from KFW Germany. We have negotiated a line of credit of 18 million DMS which would be equivalent to Rs. 40 crores approx which would be availed in two years 1995-96 and 1996-97 with Rs. 20

crores in each year. But during the remaining three years we have projected fresh lines of credit from KFW Germany or other foreign assistance amounting to Rs. 120 crores for which necessary provisions/approvals will have to be given by the Government."

3.25 The Committee desired that atleast Ministry could coordinate with other financial agencies to provide money to NSIC on lower rate of interest. Reacting to this, the Secretary stated before the Committee:

"I am not so much bothered about the rate of interest. If they can get sufficient quantity of money in time at the prevailing rate of interest, I will be very happy about it."

3.26 At this point, the Committee pointed out that even half a percent reduction in the interest would help NSIC in substantiating their business interests. Agreeing with the views of Committee, the Secretary said:

"The small entrepreneurs were running their business on the money-lenders' money. They get money even at 35 per cent interest. So, if they get it at even 25 per cent interest, it is a relief to them. otherwise, they are not getting money. Today, our whole focus is on getting money from the institutional mechanism."

3.27 In this connection, the witness also stated:

"We cannot force an institution to give at a particular interest ratio."

3.28 About the role of SIDBI the Ministry informed the Committee in a post evidence reply:

"In response to the long standing demands of the small scale sector in India, Small Industries Development Bank of India was set up by an act of Parliament as an apex Institution for development of industries for providing financial assistance to the small scale sector and for corrdinating with other Institutions engaged in similar activities. SIDBI is a wholly owned subsidiary of Industrial Development Bank of India (IDBI). It came into operation on 2nd April, 1990 by taking-over the outstanding protfolio and activities of IDBi pertaining to small scale sector."

3.29 The Committee enquired whether NSIC was getting loan from SIDBI as SIDBI is the bank promoted specially to finance small scale sector. Replying in the negative the Chairman, NSIC said during evidence:

"Till about a couple of years back, we were getting finances from this bank but we discontinued it about two or three years back because we have found out that their interest rate is very high. Their interest rate was 19 per cent. Out average lending rate is 17 per cent."

3.30 In this connection, the Chief Executive also informed the Committee:

"We have been pleading with the banks and financial institutions. Since we are dealing with the grassroot level institutions they are

running only to the companies and the financial institutions. Persuading the Reserve Bank we told them to give us the benefit. They gave us a letter saying that we will be intermediary financial institutions getting out three per cent less than the normal market rates. We did plead with various banks and whatever financial institutions we could find. But unfortunately this has not happened despite the clear mandate of the Government of India. Therefore, we went to the primary market. It is under that we could muster some funds in fixed deposit. We were to get some money at concessional prices."

3.31 The Committee pointed out that SIDBI is extending refinancing facilities to State Government agencies for the development of SSIs and asked whether NSIC pleaded with SIDBI to have this facility extended to them also. A representative of NSIC replied as under:

"I would like to mention about this. SIDBI refinance scheme operates from State Financial Corporation. In fact in the past, we have been raising loans from SIDBI but only direct loans. These have been passed on as our loan. It is true that SIDBI is operating a scheme of refinancing to a very large extent to State Governments, commercial banks, etc. This scheme is not available to NSIC. This is the state of affairs."

He also stated:

"For application of refinancing, we have not directly approached them. We have been approaching them for direct loans. But the terms and conditions are very sharp, particularly the security requirement."

3.32 On the question of funds received from SIDBI, the Chief Executive NSIC stated during evidence:

"About SIDBI, you have been saying that the NSIC should get also refinancing from SIDBI. But they said that they had to prohibit it. This is what they have said to us. They have given us ad hoc bond. But, over the years, the total amount that is being lent to us had been dwindling and the interest rates had been going up. I will tell you the interest rates that they are charging year-wise. In 1981-82 it was 10 per cent; in 1986-87 it was 11 per cent; in 1988-89 it went up to 11.5 per cent; in 1989-90 it went up to 12.5 per cent; in 1990-91 it went up to 13.5 per cent and then in the same year it went up to 16 per cent and in 1993-94 it went up to 19 per cent."

He also clarified:

"When the interest rate was at 19 per cent, we borrowed a sum of Rs. 7 crore and we were very much upset at that time because our

average interest rate that we charge was at 17 per cent. Therefore, we decided that we should explore alternate source of funding. That is why, yesterday I have said that we went to the capital market for alternate source of funding."

3.33 When asked whether refinancing facility if given to them would solve the problem of the company, the Chief Executive replied:

"I think, to some extent it will solve our problem. It will help us certainly. We have also approached the RBI to permit us to borrow from the foreign banks also but we have not yet got their permission to do so."

3.34 In this connection the Secretary, Ministry of SSI and ARI said:—

"As we said, we will try with SIDBI and definitely some projects can get direct lending from SIDBI. Also, we are trying for refinancing."

3.35 About the suggestion of NSIC for depositing part of surplus funds of foreign banks with the NSIC the Secretary, Deptt. of SSI & ARI intimated to the Committee about the investment of foreign banks in the priority sector. He said:—

"For foreign banks there is a requirement of 40 per cent lending to the priority sector. In case of the foreign banks the Government have said that if that amount is not achieved then that amount should be deposited with SIDBI and NABARD. That is why it has been kept with them because SIDBI and NABARD provide refinancing. NSIC is not a refinancing agency."

3.36 When asked whether a part of the amount could also be deposited with NSIC because it is also doing the job of industrial development, the Secretary said:

"We will take up this matter with the Ministry of Finance. However, as a reaction, I can say that SIDBI and NABARD are refinancing agency. NSIC is not a refinancing agency. That is the difference I am trying to point out. However, we will take up this matter with the Ministry of Finance. It was brought to our notice that NSIC has not taken up this matter."

3.37 When desired by the Committee, NSIC also supplied figures of the borrowings from different sources during the last three years which clearly depict that borrowing from SIDBI has been constantly dwindling whereas borrowing from foreign lines of credit, Public deposit etc is on the rise.

STATEMENT OF BORROWINGS

(Rs. in crores)

	1992-93	1993-94	1994-95
LOAN FUNDS:			
1. Loans:			
a) From Govt of India	2.08	1.70	1.12
b) From KFW Germany	3.68	18.98	24.75
c) From SIDBI	73.90	58.22	39.99
d) Others	1.25	0.92	1.05
2) Cash credit from banks	20.64	10.88	29.79
3) Public Deposit	5.88	31.22	61.18
TOTAL	107.43	121.92	157.88

3.38 Regarding their commercial dealing with SIDBI, the company informed through a post evidence replies:

"Total loans availed from IDBI/SIDBI till date amount to Rs. 114.00 crores against which present outstanding is Rs. 35.18 crores only. All the instalments and interest due to SIDBI have been paid well in time and there is no over due to them".

C. Concession in Excise

3.39 The Committee were informed by NSIC that SSIs are provided relief concessions in excise upto a certain limit. Explaining about this assistance, the company informed in a post evidence reply as under:-

"The small scale units are provided relief/concessions in excise upto certain limit on the value of production. When NSIC forms consortia of units manufacturing the same products and participates in the tenders floated by various organisations and arrange to supply the products, NSIC has not been considered as a manufacturing unit or a small scale unit and as such it was liable to pay excise on the products supplied by it for and on behalf of small scale units who form the consortia. Because of non-availability of excise relief, many small scale units are not able to take advantage of NSIC's Marketing Assistance Programme. The issue regarding excise has been taken up by NSIC with concerned Government Departments and notification has been issued by the Government of India which is said to be valid for only one year."

3.40 When asked from the Ministry about their assistance in this regard specially about the validity of circular for one year the Secretary SSI & ARI stated during evidence:-

"It was issued in March, 1992 and it was valid upto March, 1993, I

think. What they are saying is that this notification was valid for one year. The problem is that when a small industry has a turnover of Rs. 35 lakh, they get full excise exemption upto Rs. 35 lakh. There is a graduating scale. For an amount upto Rs. 30 lakhs they get full exemption. From Rs. 30 lakhs to Rs. 50 lakh, it is ten percentage points less than normal. That is if the excise duty was 20 per cent, only 10 per cent would be applicable. And between Rs. 50 lakh to Rs. 70 lakh, it would be reduced by 5 per cent. And the eligibility per unit is upto Rs. 300 lakh."

The Secretary also stated:

"The individual enterprises would get this benefit if the turnover is within their limit. NSIC is trying for consortia for supplies. If a consortium is there and NSIC is also there, they club the turnover and it goes out of the excise benefit limit. What NSIC is saying is since they are only acting as a consortium, the excise benefit should be made applicable. That was made applicable by that notification of 1992, which was valid for a year. NSIC have been taking up the matter with the Excise Department to extend the validity of the notification."

3.41 When asked specifically whether NSIC has sought the help of the Ministry in this regard and whether they have taken the matter with the Ministry of Finance, the witness said:

"Sir, we will take it up with the Ministry of Finance....Sir, we have not yet recommended because they have not sent us any proposal. As there was no proposal, no formal recommendation had gone. Now, as you have said, we will take it up with the Ministry of Finance."

D. Sundry Debtors

3.42 It has been stated by NSIC that the position of Sundry Debtors during the years 1991-92 to 1993-94 was as follows:

Scheme	1993-94	1992-93	1991-92
A. Hire Purchase (% to cumulative accrued instalments)	17.23	17.30	16.66
B. Leasing (% to cumulative rentals due)	5.43	14.58	34.29
C. Marketing (% to turnover)	49.28	26.07	22.53
D. PDTCS (% to turnover)	33.81	39.30	21.30

3.43 When asked about the figures of 1994-95, a representative of the Company said:

"The provisional figures which we have complied in respect of the year 1994-95, as on 31st March 1995, are Rs. 87.74 crore for

purchase schemes. Under leasing, it is Rs. 4.35 crores, under internal marketing, it is Rs. 4.83 crore and under bills discounting, it is Rs. 59 lakh or it is Rs. 0.60 crore. This is the cumulative position."

3.44 About the total debts of the corporation as on 31-3-94 and 31-3-95, the representative informed:

"As on 31-3-94 the total debt outstanding was Rs. 115.11 crore. This includes the scheme of hire purchase and leasing. As on 31-3-1995, this has gone to Rs. 127.27 crore."

3.45 The Committee were also informed that the maximum outstandings i.e. Rs. 87.74 crores were expected during 1994-95 on Hire purchase Scheme. On a query as to why the company was not in position to liquidate the Sundry Debtors, the representative said:

"The reason is that hundred percent recovery is not achieved. We are making all efforts to recover the old dues by stepping up our efforts. In other schemes, we have been able to recover almost 90 or 95 per cent of the dues."

E. Inventory

3.46 As intimated by NSIC the inventory in the company during the years 1991-92 to 1993-94 stood as follows:—

Scheme	1991-92	1992-93	1993-94
A. Hire Purchase	26.38	26.38	26.38
B. Marketing	286.33	79.34	43.64
C. PDTCs	526.70	600.03	586.63
D. Others	5.04	4.34	4.30
Total	844.45	710.09	660.95

3.47 The Committee wanted to know the reason for wise variations in inventories over the years. A representative of the undertaking said during evidence:

"The accounts for the year 1995 are still not finalised. If we compare the figures of 1992-93 with 1993-94, we will find there is a slight reduction in the inventory. As on 31st March 1993, the total inventory is Rs. 7.10 crore. It has come down to Rs. 6.61 crore as on 31-3-1994. So there is a slight reduction in the inventory as compared to the figure available for March. 1993."

3.48 When asked about high inventory ratio in PDTCs, the representative stated:

"This is the total value of the inventory in our PDTC and Sub-centres. This also includes the seized machinery. This machinery had been seized from various hirers and lessees."

3.49 Clarifying further on this issue a witness said:

"Normally under the PDTC inventory, a lot of development project and certain prototype have been taken into account. This continues to be reflected in the book. Whatever is lying there for a long time, we can take it out for training exercise."

3.50 Asked if PDTC inventory will be sold or utilised otherwise, the witness said:

"It will then go only as a scrap. But more practical usage would be to give it to the trainees as a complex exercise."

CHAPTER IV

MISCELLANEOUS

A. Organisation and Manpower

It has been intimated by NSIC that the manpower of the company during 1991-92 to 1993-94 was 2190, 2088 and 1989 respectively. The Committee enquired whether NSIC carried out any study as to assess the optimum manpower of the Corporation. Replying to the query a representative of the company stated during evidence:

“Billimoria Consultants have carried out a study about the optimum requirement of manpower. Based on that we take our optimum strength as 1000 This was done at the instance of (the recommendations) of the Ministry.”

4.2 Asked about the present strength of the company, the Chairman, NSIC stated during evidence:

“We have about 1940 persons and approximately 500 people will be retiring in the next three years in the natural process. We may have 450 persons seeking voluntary retirement.”

4.3 When asked about the change in the organisational structure by inducting more professionals the Senior Executive Director (Technical) stated during evidence:-

“Four hundred people are considered surplus because of historical reasons due to high indirect to direct ratio. In the present scenario, so many people are not required. We are assisted in this by another historical factor. We anticipate some natural retirements should help us. Energy management, environment management, industrial design, computer specialisation, are critical core areas for us. We may have to induct people in specific disciplines. There will be technical executives.”

4.4 In this connection, the representative further stated:

“Discipline-wise professionals are to be inducted. It has not yet been done. A study was carried out last year. That study has been completed and report has been submitted. We have presented our recommendations to the Board. But after deliberations in the Board, it has to go to the Ministry. The action plan has not yet been prepared about the induction.”

4.5 Stating about the problems of manpower in regard to PDTCs a representative informed the Committee:

"It remains a weak area because the design has become a very complex activity. Prototype design is not in demand. We will shift the focus from prototype to application engineering. The main problem is retaining the talented people because the salary structure in Government is very poor when compared to private sector."

4.6 When asked about the activities which have been recommended for closer scrutiny, the representative stated:

"There is going to be a shift in the focus. There will have some activities which are more industry prone now. Some of the traditional areas like heat treatment, electro plating, may have to be closed down. We have to start certain new activities where industry would require our support. Whatever manufacturing we are doing today is going to be phased out because manufacturing can be done more economically by either a small scale unit or private entrepreneur.

We will have to identify certain people who are in the right age bracket and they have to be retrained and redeployed. We are doing an internal exercise on it. We may have to retrain a set of people whose areas of expertise are no longer in demand. In the natural process, during the next two to three years, some people may go out."

4.7 Asked from where the company would meet the financial burden for the redundant manpower, a witness said during evidence:

"Five hundred people have to be given VRS this month. We approached the Government to give Rs. 7 crores for meeting this liability. Out of Rs. 7 crores, recently Government has informed us that a sum of Rs. 3.68 crores has been agreed to for which the proposal has to go to Parliament."

4.8 The witness further informed the Committee:

"Rs. 7.00 crore has been drawn up based on an assumption of the people opting for it. We can draft a scheme and circulate to the people and people can go in for it. We have to first identify the posts which are surplus and offer to those people. This is a little complex process."

4.9 Giving details about the financial assistance sought from the Ministry NSIC informed the Committee in a post evidence reply as under:

"..... Since the adoption of the VRS by this Corporation was subject to the availability of the financial support from the Government for payment of dues to the employees retiring in bulk

under the scheme, reference was made to the Ministry in September, 1994 for making available to this corporation, an amount of Rs. 7.05 crores from National Renewal Fund, during the years 1994-95 and 1995-96. The above said amount of Rs. 7.05 crores was computed taking an average estimated payment of Rs. 1.41 lakhs per employees. A further reference was made to the Ministry in December, 1994 wherein the said amount was increased to Rs. 8.55 crores, keeping in view the rising Dearness Allowance and it was requested to the Ministry to make a provision of Rs. 5 crores, for the year 1995-96.

The Ministry *vide* their letter dated 29th June, 1995 (Dept. of SSI & ARI) have now intimated that a provision of Rs. 3.68 crores for the year 1995-96, has been made for implementation of the proposed Voluntary Retirement Scheme in the Corporation In response to the above said reference, we wrote to the Ministry *vide* our letter dated 17th July'95 informing that the VRS in the Corporation will be implemented in accordance with the guidelines of the Government and that a provision of Rs. 3.68 crores made for the Corporation, though inadequate, be retained for the current financial year. But during personal discussion with the concerned officers in the Ministry of Industry, it was mentioned that before a proposal for supplementary grant and release of funds from NRF for the proposed scheme of VRS of the Corporation, the Corporation has to submit a detailed proposal duly recommended by the Board of Directors, giving specific information with regard to the number of employees desirous of taking voluntary retirement, the posts to be surrendered by the Corporation as a result of implementation of the said scheme and the exact amount of the funds required. The next supplementary grants are to be sent to the Ministry of Finance in October, 1995, and before that the above said information is to be intimated to the Ministry.

"The proposal will be implemented after it is approved by the Board of Directors."

4.10 The Committee enquired from the Ministry whether the proposed sum would be provided to the company in the current financial year. Explaining the position, the Joint Secretary of the Ministry stated before the Committee :

"Sir, I will take a minute to explain. The Board of the Corporation took a very conscious decision that they should not recruit more people who are not professionals and in that way they were not filling up the retirement vacancies. To that extent strength has been reduced and the establishment cost has come down.

Secondly professionals who are having higher qualifications have been recruited which has helped the Corporation. I may mention that we are planning to start holding campus recruitment also. We want to go to some of the management institutes and engineering colleges to recruit fresh people.

Thirdly when it comes to voluntary retirement scheme, NSIC has made a proposal to the Government which was sent one and a half years ago. This is about giving Rs. 3.68 crore this year and another Rs. 4 crore next year to those who opt for VRS. This can be implemented over a period of two years."

4.11 Regarding the assistance from the NRF, the Secretary Department of SSI & ARI stated before the Committee:

"Under the VRS scheme, there is a Committee in the Department of industrial development which administers the NRF and allocates the funds. For each Corporation which is reducing the number of persons, there is a separate budget allocation for VRS. If only amount is allotted under the NRF, then this amount will be reflected for VRS in the budget of that Ministry. We sent a proposal for providing Rs. five crore in the budget for 1995-96, but it was not admitted. The Finance Ministry went on examining it but they did not include it in the budget for 1995-96. Subsequently they agreed that in the supplementary budget they would provide Rs. 3.68 crore. So, in the first supplementary budget, this amount will be provided. Only after it is provided it will be possible for us to release this amount."

4.12 The Secretary also stated:

"We have been on this proposal since September, Finally, a decision has been taken to provide Rs. 3.68 crore, but since it was not provided in the budget of 1995-96, it has to wait for the first supplementary budget. This is what I am trying to say. In any case, it was agreed and it will be provided in the supplementary budget."

4.13 Subsequently, the Ministry informed the Committee that one of the major recommendation of M/s Billimoria Consultants *inter-alia* was that NSIC should build up a strong cadre of marketing professionals and experienced managers and induct young qualified MBAs and Engineers, based on a Manpower Planning exercise to be updated annually.

4.14 Also, about VRS, the Report stated:

"We recommend that surplus staff are offered Voluntary Retirement Scheme (VRS) on a selective basis. However, due to shortage of funds instead of once off payments, we have recommended three other alternatives:

Alternative-1 : Deferred VRS payments instead of one time payment.

Alternative-2 : VRS payments are deemed to be deposited with NSIC and employees are paid interest.

Alternative-3 : Disposable machines are handed over to the employees opting for VRS and sale value adjusted against VRS payments."

4.15 The Ministry also informed the Committee in the post evidence reply that another recommendation of the consultancy firm was as under:—

"At present NSIC does not have any full time Directors on the Board. We recommend that the major functions namely (i) marketing (ii) Planning and (iii) Finance should be represented at the Board level."

B. Raising Ceiling Limit of Small Scale Industries

4.16 The Committee wanted to know the present definition of SSI. Intimating about the investment limit, the Chairman, NSIC stated:

"The present definition is that if the investment on plant, machinery and equipment is Rs. 60 lakhs, then it is a small scale industry. If the investment on plant, machinery and equipment is less than Rs. Five lakhs, then it is called a tiny industry."

4.17 During the course of evidence it was intimated to the Committee that the ceiling limit for SSI should be revised to Rs. 2 crores from 60 lakhs. Asked to state who had made this recommendation, the Chief Executive of NSIC stated:—

"The industry has made these recommendations because they found it necessary under the process of modernisation. The imported machines are becoming more expensive because the value of the rupee has gone down. Obviously, the industry have felt that we should be able to increase the limit to Rs. 2 crore."

4.18 The chief executive also intimated to the Committee that NSIC had sent this recommendation to the Department of SSI & ARI about six months back. When asked from the Ministry about the decision taken in this regard, the Secretary stated:—

".... Today, the Small Scale Industry is defined as a unit where the investment in plant and machinery is Rs. 60 lakhs; for ancillary units, it is Rs. 75 lakhs. That is the definition. Earlier, it started with Rs. 5 lakhs; it has been revised from time to time; I think, the last revision was done in 1991. The NSIC gave a proposal in 1994 to revise it. But sir, it does not depend upon only on the NSIC. It is a definition which will apply to the entire small scale industries and the associations of small scale industries are also all involved. We have to consult various other Ministries and come to

some conclusions. Now, the feeling is that we have to see from the date it was last settled in 1991 as to how the inflation has eroded the value of money so that it needs revision. The evaluation has also to be placed vis-a-vis dollar or German Mark. What was Rs. 60 lakhs in 1991, may be Rs. 2 crore as on today. Their proposal was to raise it to Rs. 2 crore. Our basic agency is the Development Commissioner, Small Scale Industries; he has to collect the data and consult the associations and give us the proposal. All these proposals have come and the Government has to examine them. We have a range of figures starting from Rs. 1.5 crore to Rs. 3 crore. This examination is still going on and it will take time for finalising the decision. There is an opposition from the small industry associations. There is a feeling on their part that if it is increased to Rs. 3 crore, they will not get any facilities which they are getting under the priority sector lending. So, we have to deal with that factor also. At the same time, in the interest of technology upgradation for competitiveness, we may have to increase it up to Rs. 3 crore. So, these are the conflicting considerations which we are still analysing and debating before we finalise any decision."

4.19 Asked whether this sanction has to be accorded by department of SSI & ARI, the Secretary said:

"It has to be done under the Industrial Development Regulation Act. My Ministry will get the views prepare a proposal and then send it to various Ministries for their comments. Then, it is put up to the Industries Minister; after his approval, a notification is issued which has to be placed on the Table of the House for 30 days. It has to be approved by Parliament also in a way."

C. Impact of Liberalisation

4.20 NSIC is stated to have undertaken a study to find out the impact of liberalisation.

The Committee wanted to have the views of the company about the outcome of the study. Replying to the query, the Chairman, NSIC stated:

"We have, at the instance, of the Ministry asked the CAT, Hyderabad to undertake a study. They gave us a draft report and they wanted our reaction. We have given our reply to them. We had two rounds of discussion. In the meanwhile the person incharge of the study..... has retired. I in fact, wrote to them about it. They have not given us so far the final report..... When they gave us the draft report, we found several aspects which they had not considered."

4.21 The Committee asked from the Ministry whether any future guidelines have been issued to NSIC so that they can acclimatize with the

post liberalisation era. Giving the facts before the Committee, the Secretary of the Department said:

"Frankly formally no guidelines have yet been issued. We are still in the process of discussion on various issues. My emphasis would be that we must in our small scale sectors make a distinction between the rural and cottage industries and the modern small industries.

The rural and cottage industries can be dispersed to the rural areas and the modern industries would have to be located near cities because there are certain economies of agglomeration, which the modern industries have to make use of. The NSIC have to take care of the modern small scale sector. When you draw up a memorandum of association or an articles of association of a company you give all kinds of thing included as its objective. We want flexibility for operation but when we operate we have to limit to whatever objectives that can be realised. As I see it, and this is my personal view, NSIC should concentrate on the modern aspect of small scale sector and should concentrate on the industries which will be technologically of a higher standard, which will produce quality goods and should be able to compete with similar industries in other countries of the world. If we define this role in a limited way, then, they would not spread it so widely and should concentrate on a few activities. Equipment leasing is one such activity. Then, if they are trying to get technological upgradation, providing information, providing financial services and a few other selected activities can be included in their scope of work."

4.22 To this the Committee reacted that NSIC would be needing more funds and also the definition of SSI would have to be redefined. Agreeing with the views of the Committee, the Secretary said:

"That is under process."

4.23 It has been stated by NSIC that at present 836 items were reserved for exclusive production by small units. According to Press Reports the Government was currently reviewing the list of items reserved exclusively for small scale sector. The Government were also stated to be of the view that reservation and protection to the SSI would not continue indefinitely and small industries could not be kept outside the process of economic liberalisation.

4.24 When asked from the Ministry whether Government intends to curtail the list of items hitherto reserved for SSI, the Secretary, Department of SSI & ARI while deposing before the Committee said:

"There are 836 items that are reserved for small units. Frankly speaking, my personal view is that this concept of reservation does not go with liberalised regime or economic reforms. It should be

changed, but again, the small entrepreneurs do not want this list to be either changes or diluted. The requirements of competition and technology are such that we may have to change the list. What the Minister has done is that he has set up a Committee under my Chairmanship with some other officers as its members. The Standing Committee is called the Advisory Committee on Reservation. We hold meetings from time to time and get representations from people who want changes in that list; we hear both parties and then we make recommendations to the Minister. Again, it has to go to the Minister and after the issue of notification, it has to be placed on the Table of both Houses of Parliament. This process is on; it is a continuous process. In addition, the Minister desired that the entire list should be reviewed and an Expert Committee is being appointed to review the entire list. They have to make a recommendation to the Advisory Committee headed by me and then we have to consider and make our recommendation to the Minister who has to approve it. Then, after his approval, again, a notification has to be issued and placed on the Table of both Houses of Parliament. This is the process; we are conscious of the need to revise this list. But again, there are conflicting pulls and pressures on this subject."

4.25 When asked whether curtailment of the list would not jeopardise the growth of this sector, the Secretary said:

"Therefore, we will not do it abruptly, but we will do it over a period of time. It has to be done over a period of time keeping in view the interests of the small entrepreneurs."

4.26 Asked if any short listing has been done, the Secretary said:

"No Sir."

PART-B

CONCLUSIONS/RECOMMENDATIONS OF THE COMMITTEE

The NSIC was set up in the year 1955 to promote, aid and foster the growth of Small Scale Industries in the country. The company provides a wide range of services to small scale industries which are registered with the company or which approach them directly. The main objectives of the company are to provide supervised credit services through its Hire Purchase and Leasing Schemes to provide comprehensive marketing services, to procure and supply raw materials and to take up upgradation of tools and techniques of production.

2. According to one of the micro-objectives of NSIC, it was to organise its support programmes in such a manner as would help the growth of small scale industries in the backward areas and by entrepreneurs belonging to weaker sections of the society. The Committee are astonished to learn that even after forty years of establishment of NSIC, Government have not undertaken any detailed analysis in regard to fulfilment of this important objective by the corporation. They have received an impression that this aspect has not been given the attention it deserves by NSIC and the Government also have comforted themselves by putting the whole responsibility of development of backward areas on the State Government agencies like the Director of Industries and the Small Industries Corporations. The Committee recommend that a detailed analysis of the impact of activities of NSIC in the development of small scale industries in the backward areas should be made by Government within three months of presentation of this Report. In the light of such analysis NSIC should endeavour to identify the backward areas district by district which have potential for development of small industries and provide assistance depending on the type of activity which would be viable for them. If necessary separate funds should be provided by Government to NSIC for this purpose. The action initiated in this regard should also be intimated to the Committee.

(Recommendation Sl. No. 1)

3. The Committee find that the company prepares its Corporate plan coterminous with the Five Year Plan. The corporate plan for five years i.e. 1992—1997 was prepared in the year 1991. The Committee are of the opinion that in order to have a clear picture of the direction in which the company's activities are to be oriented it would be more meaningful if the corporate plan is prepared for a longer period. The Committee, therefore, recommend that the corporate plan of the company for the period beginning 1997 should be for a period of ten years which could be reviewed after five

years. They also desire that as assured by the Secretary, Department of Small Scale Industries & Agro and Rural Industries this corporate plan should be finalised by April, 1996.

(Recommendation Sl. No. 2)

4. The Committee observe that NSIC started entering into MOU with the Government since 1992-93. The Company has secured 'excellent' and 'very good' ratings for the years 1992-93 and 1993-94 respectively while the evaluation for the year 1994-95 was yet to be done. The Committee are very much perturbed over the delay in signing the MOU for the current year i.e. 1995-96. It is disquieting to note that in spite of the assurance given to the Committee by the Secretary, Department of Small Scale Industries & Agro and Rural Industries that the MOU would be signed by the end of September, 1995, the same could only be signed on 19th December, 1995. The Committee are not at all convinced with the argument of the Ministry that pending the signing of MOU, NSIC, had been told to go ahead with their work. The Committee would like to draw the attention of Government to their 36th Report (1994-95) and 45th Report (1995-96) where they have dealt in detail with the question of delays in signing the MOUs. They would again emphasise that if the MOU is not signed well in time, it would not only lose its importance but would remain only an exercise on paper. They recommend that in future it should be ensured that the MOU is signed before the end of first month of the concerned financial year.

5. The Committee regret to note that the financial support committed by Government in the MOU during the last 3 years i.e. 1992-93 to 1994-95 was not released fully till the end of the financial year. During the year 1994-95 against an MOU obligation of Rs. 8.95 crores Government released only an amount of Rs. 99 lakhs to NSIC. They would like to be informed whether the balance assistance has since been released. The delay in signing the MOU for 1995-96 also was reportedly due to the hesitance on the part of Government in regard to financial commitment. The Committee deprecate such apathetic attitude of Government and recommend that keeping in view the importance of providing financial support to the small scale sector, not only adequate provision of necessary funds should be made in the MOU to be signed with NSIC but the same should also be released in time without which the provision would have no relevance whatsoever.

(Recommendation Sl. No. 3)

6. The Committee find that in the MOU signed by NSIC, 50 per cent weightage is being given to profit related criteria while calculating the ratings of the Company. In view of the promotional nature of its operations, NSIC wants this weightage to be brought down to 40 per cent. The

Committee have been informed that the criteria for evaluation are decided by the Department of Public Enterprises. The Committee desire that the role of NSIC should be clearly defined and in case it is expected to play a predominantly promotional role, the matter should be taken up with the Department of Public Enterprises for adjustment in the profit related criteria. The decision taken on this issue should also be intimated to the Committee.

(Recommendation Sl. No. 4)

7. Hire Purchase Scheme is one of the oldest schemes which the Corporation is running to benefit the small scale industries and which has been very well received by first generation entrepreneurs. However, the Committee find that of late NSIC has accorded low priority to this scheme. It seen that the number of units assisted in 1989-90 was 925, with the hire purchase value being at Rs. 2757.47 lakhs. The number of units assisted sharply declined to 67 during 1994-95 with the value of hire purchase at Rs. 292 lakhs. The profits in this activity also declined from Rs. 63 698 lakhs in 1989-90 to just Rs. 11.19 lakhs in 1993-94. The main reason of squeezing assistance under this scheme according to NSIC is the non-availability of funds, which resulted in restricting this scheme only in the backward areas and to the areas where subsidy was available. According to the Ministry this scheme has been accorded low priority due to problems of the recovery of instalments. The Committee recommend that as assured by the Chairman, NSIC Hire Purchase Scheme should be given boost as this is the scheme which has been found to be quite useful in stimulating the growth of small scale units in the country and is acknowledged by the first generation entrepreneurs and has also been extended to old units. The Committee urge that NSIC should revitalize this Scheme by raising their own resources to the extent possible. They recommend that special attention needs to be given to recovery aspect of this scheme.

(Recommendation Sl. No. 5)

8. The Committee note with a degree of satisfaction the Equipment Leasing Scheme which is relatively a new scheme of the Corporation is showing an upward trend. During the years 1992-93 to 1994-95, the number of units assisted under this scheme was 109,91 and 285 respectively while, the profit earned under this scheme was Rs. 102.41 lakhs, Rs. 131.34 lakhs and Rs. 145.33 lakhs respectively. However, what perturbs the Committee is the fact that this scheme is extended only to the existing viable units which undertake either modernisation or technology upgradation or expansion of the units simply because only such units are able to repay the dues in time. The Committee understand that Equipment Leasing Scheme has recently been extended to the 'New Units' called Small Scale Services and Business (Industry Related) Enterprises. While not undermining the repayment aspect, the Committee are of the firm opinion that this scheme should not be restricted to a few selected categories of units but should be

extended to all units-existing and new-based on merits of each case. In the coming years, if this scheme is able to earn handsome profits, the same could also be utilised to sustain a part of the promotional activities of the company. The Committee also note that at present the equipment leasing scheme is concentrated only in a few States like Delhi, West Bengal and Tamil Nadu. In some of the States like Himachal Pradesh, Karnataka, J&K and all the North Eastern States except Assam, the scheme is yet to be started. The Committee need hardly emphasise that the Company should endeavour to provide assistance under this scheme evenly in all the States.

(Recommendation Sl. No. 6)

9. The Committee note that NSIC has five Prototype Development and Training Centres at Okhla, Howrah, Rajkot, Madras and Hyderabad. In addition to that it has 6 subcentres also at Aligarh, Dindigul, Kashipur, Guwahati, Rajpura and Khammam. These centres provide technical support to small scale sector by providing trained manpower, developing prototypes, providing common facilities and quality testing facilities etc. These activities are stated to be more or less promotional in nature. The Committee desire that efforts should be made to set up more such centres particularly in the rural and backward areas. The Committee also came to know that these centres have so far incurred a deficit of about Rs. 1190 lakhs upto the end of 1994-95. The NSIC wants that since PDTCs are not engaged in commercial operations, Government should meet full cost of running them and also reimburse the deficit incurred so far. The Government's view on the contrary is that NSIC should make the activities of the PDTCs commercial to a certain extent in order to raise some resources for running them and the rest can be provided by Government. The Committee are of the opinion that if at all the activities of PDTCs are to be commercialized, it should be done to the minimum extent while maintaining their predominant promotional character. In any case, a decision in this regard should be taken without further delay and NSIC should be reimbursed at least the amount incurred on the promotional part of the activities. The Committee also desire that for the specialised training which is imparted in these PDTCs the company must have liaison with employment exchanges also apart from the industrial houses so as to leave no stone unturned to get the trainees an opening in the industry.

(Recommendation Sl. No. 7)

10. The Committee find that marketing is one of the important commercial activities of the Corporation. The corporation's role in this field cannot be over emphasised as it markets the products of small and tiny industry which is otherwise difficult for them if they do it individually. But the Committee are perturbed to find that the value of marketing support declined sharply from Rs. 40.50 crores in 1993-94 to Rs. 19 crores in 1994-95. The Committee strongly recommend that marketing of SSI products should be given a fillip so that small industries can fight the

glamourous marketing campaigns launched by Multi national Corporations who have entered lately into consumer products also. The Committee are unhappy to note that the marketing assistance programme is also maximum in four States viz. Delhi, Tamil Nadu, Maharashtra and Gujarat. They have yet to start this scheme in almost all the North Eastern States except Assam. They desire that vigorous efforts should be made to provide assistance under this scheme in all regions of the country.

(Recommendation Sl. No. 8)

11. The Committee note that NSIC has set up Market Development Centres at Delhi, Madras, and Cochin for the promotion of marketing of Small Industries' products. The Committee expect that such centres at Patna, Ahmedabad and Calcutta would be set up within this year. The Committee desire that keeping in mind the feedback, such centres may be set up at other places also to provide an effective marketing outlet to the small scale units. They would also suggest that the profit and loss account of each of these centres should be maintained separately in order to ensure effective monitoring of their performance. They also desire that the proposed Market Information centre should be set up expeditiously.

(Recommendation Sl. No. 9)

12. The Committee find that the NSIC participates in around ten National and six International Fairs/exhibitions in a year for giving an exposure to SSIs to the national/international market. The business generated from such fairs/exhibitions for the small scale industries during 1992-93 to 1994-95 was Rs. 16.47 crores, Rs. 19.11 crores and Rs. 26.32 crores respectively. The Committee urge that NSIC should participate in larger number of fairs and concerted efforts should be made to increase the number of units which participate in these exhibitions and to generate more and more business for them. NSIC should also organise on its own exhibitions of SSI products at different places in the country. Also, in their Techmart, which coincides with the India International Trade Fair, all out efforts should be made for maximum participation of foreign companies. Besides, the Committee concur with the views of the Ministry that more and more small sector entrepreneurs should be taken in the delegation to foreign countries instead of officials.

(Recommendation Sl. No. 10)

13. The Committee observe that notwithstanding the fact that NSIC is making efforts to increase the exports of SSI, the actual benefits accrued to Small Scale Industries seem to be marginal. During 1993-94, against a total export turnover of SSI units of Rs. 24149 crores the exports through NSIC was only Rs. 13.21 crores. The Committee cannot but recommend that NSIC must pay much more attention to the export aspect of SSI sector in order to increase export earnings of this sector. The Committee also desire that the administrative Ministry, in consultation with Ministries of Commerce and External Affairs should initiate action for forming a special

task force to monitor and assist in exports of small scale industries. The action taken in this regard should also be intimated to the Committee.

(Recommendation Sl. No. 11)

14. The Committee are happy to note that NSIC is doing fairly well in its project export business. The project exports during 1991-92 to 1993-94 amounted to Rs. 133.69 crores, Rs. 62.64 crores and Rs. 168.29 crores respectively. But they are of the view that on account of the increasing demand from the developing countries in the supply of projects on turnkey basis there is still lot of scope in this area. They therefore desire that NSIC should conduct a study in this regard and make an earnest effort for expanding this business not only in Africa and Asia but in all the third world countries specially the SAARC nations. The seven projects which are stated to be under negotiation should also be finalised soon. For giving a boost to the project export business, NSIC should also keep itself abreast of the latest technology which could be available at cheaper rates from other countries.

(Recommendation Sl. No. 12)

15. The Committee find that under the Enterprises Building Programme, NSIC was to take up 200 areas over the period 1992-97 for development of industries in rural and backward areas. However, 55 areas only could be covered so far and now the company plans to reduce the target to 100 areas. Considering the fact that hardly 20 per cent of the people trained under the programme have put up their own enterprise, the Committee suggest that there is a need for rethinking about continuing with this programme by NSIC. This is all the more necessary since there are already four national institutions for entrepreneurship development. They agree with the views expressed by Government that this programme should be rationalised. The Committee therefore, recommend that a study in regard to EDP's being carried out by various organisations should be carried out by Government with a view to rationalising efforts in this direction and assignee a precise role to NSIC in order to avoid any duplication of efforts. The Committee should also be apprised of outcome of the study.

(Recommendation Sl. No. 13)

16. The Committee are concerned to note that the profitability of NSIC has been very low over the years. The net profit earned during 1992-93 to 1994-95 was only Rs. 1.24 crores, Rs. 1.31 crores and Rs. 1.60 crores respectively. The Committee would like to point out and that according to the statement of micro-objectives of the company, though its prime objective was development, it would endeavour to earn a reasonable rate of return on investments. But during 1993-94, the rate of return was a meagre 2.11 per cent on equity and 7.73 per cent on investment while according to the Ministry, the ideal rate of return on investment for NSIC would be 12%. The Committee were given to understand that the return was low because of higher rates of interest on borrowings raised by the company and because a

part of such borrowings raised for commercial activities had to be diverted for promotional activities due to inadequate grants from Government for the latter. The Committee, therefore recommend that in order to have a proper evaluation of its performance the promotional and commercial roles of NSIC should be clearly demarcated under intimation to the Committee. Once its role is clearly defined, NSIC should strive to earn a reasonable rate of return on investment. The Committee also recommend that as assured by the Chairman, NSIC, the Company should maintain quarterly profit and loss accounts in order to facilitate quick corrective action whenever required.

(Recommendation Sl. No. 14)

17. The Committee have been informed that over the 5 years' period from 1995-96 to 1999-2000, it has projected a total turnover of Rs. 10,000 crores. According to this plan, total additional funds of Rs. 1292 crores would be required during the 5 years. NSIC proposes to meet this requirement partly by internal resources and equity support from Government and the remaining by way of borrowings from SIDBI, issue of Bonds, foreign lines of credit and deposit of surplus funds by foreign banks etc. However, the availability of resources from none of these sources seems to have been confirmed. The Committee recommend that since the matter needs serious and urgent attention, it should be taken up by the administrative Ministry with the concerned authorities particularly the Ministry of Finance in right earnest so that adequate funds could be made available to NSIC in time.

18. The Committee have also come to learn that against the allocation of Rs. 65 crore for NSIC for the Eighth Five Year Plan, the company has been allocated Rs. 67 crores during the first four years of the plan. Since the company has projected Rs. 104 crores as equity capital support over the next five years, the Committee recommend that the matter regarding allocation of more funds to NSIC within the Eighth Plan period should be taken up with the Planning Commission and the Committee apprised of the results thereof.

(Recommendation Sl. No. 15)

19. The Committee do not agree with the contention of the Ministry that the rate of interest at which NSIC receives money would not affect its functioning. They would like to point out that if NSIC is expected to provide assistance to small scale sector at reasonable rates, it is imperative that the company is able to raise resources at a lower rate. On the contrary, the Committee observe that inspite of the assurance given by Reserve Bank of India to NSIC that it would get funds at three per cent less than the normal market rates, the same has failed to fructify. Small Industries Development Bank of India (SIDBI) has also raised its rate of interest on direct loans to NSIC to 19 per cent while the average rate of interest charged by NSIC is 17 per cent. The Committee recommend that the matter of providing funds

to NSIC by financial institutions at concessional rates should be taken up by the Ministry with the RBI/Ministry of Finance. SIDBI should also be persuaded to extend refinancing facilities to NSIC as is being done for State Government agencies, since NSIC is also engaged in the promotion of small industries.

(Recommendation Sl. No. 16)

20. The Committee note that for the last two years foreign banks are required to deposit the shortfall in their lending to priority sector from the mandatory 40 per cent., with SIDBI and NABARD at an interest rate of 10 per cent. NSIC is exclusively engaged in promotion and development of small business enterprises, a key priority sector. The Committee therefore, desire that a part of such surplus funds of foreign banks should also be deposited with NSIC.

(Recommendation Sl. No. 17)

21. The Committee have been informed that small scale units are provided relief/concessions in excise on a graduated scale if the turnover of the individual units is upto Rs. 300 lakhs. NSIC has also brought to the notice of the Committee that when it forms consortia of units manufacturing the same products, the benefit of excise relief is not available now as a result of which many small scale units are not able to take advantage of NSIC's Marketing Assistance Programme. Such benefits were in fact made available to the NSIC for one year only i.e. 1992-93 and the notification was not extended thereafter. The Committee deprecate the failure of the company in bringing the matter to the notice of the administrative Ministry. They would now recommend the administrative Ministry to take up the matter with the Ministry of Finance immediately and have the benefits of excise relief restored to NSIC under intimation to the Committee.

(Recommendation Sl. No. 18)

22. The Committee are perturbed to note that the outstanding dues to NSIC have been increasing over the years in the case of all schemes except leasing. The total outstandings as at the end of 1993-94 and 1994-95 were Rs. 115.11 crores and Rs. 127.27 crores respectively. Out of the outstanding as on 31 March, 1995 as much as Rs. 87.74 crores were on Hire Purchase Scheme only. The Committee desire that the debt recovery machinery in the company should be strengthened and concerted efforts should be made to recover the outstandings early.

23. The Committee express concern over the high level of inventories in the company particularly in the case of PDTCS. Out of a total inventory of Rs. 6.61 crores at the end of 1994 the inventory with the PDTCS was as high as Rs. 5.87 crores. The Committee desire that company should make all possible efforts including disposal of the seized machines etc. to reduce

the inventory to the lowest. The realisation from the sale of surplus machinery would also add to the profits of the company.

(Recommendation Sl. No. 19)

24. The Committee have been informed that according to a study carried out by Billimoria Consultants, the optimum requirement of manpower in NSIC is 1000. Against this the present manpower strength of the company was stated to be 1940. While about 500 people are expected to retire in the next three years, NSIC has made a proposal for offering voluntary retirement scheme to about 450 people. For this a proposal was made to the Ministry in September, 1994 for making available to NSIC an amount of Rs. 7.05 crores from National Renewal Fund during 1994-95 and 1995-96 which was requested to be increased to Rs. 8.55 crores in December, 1994. The Committee regret to note that against this, an amount of Rs. 3.68 crores only was provided for in June, 1995. Even this amount has not so far been released and was expected to be released only after the first supplementary budget. The Committee deprecate the lackadaisical attitude of NSIC in preparing a detailed proposal in this regard as also of the Government in releasing the amount which will go a long way in solving the problem of over employment in NSIC. They recommend that this amount should be released to NSIC without further delay and action initiated in regard to the next instalment to be provided from the National Renewal Fund. They also feel that the suggestion of the consultants for handing over machinery to the employees instead of cash deserves serious attention.

(Recommendation Sl. No. 20)

25. The Committee are surprised to learn that NSIC does not have full time Directors. In view of the vast area of operations of the company, the Committee desire that the recommendation of the consultants for appointing full time Directors for Marketing, Planning and Finance should be implemented immediately under intimation to the Committee.

(Recommendation Sl. No. 21)

26. The Committee find that at present if the investment on Plant, machinery and equipment in a unit is less than Rs. 60 lakhs, it is termed a small scale industry. Based on the recommendations of the industry, NSIC submitted a proposal in 1994 for raising this limit to Rs. 2 crore. No final decision in the matter has so far been taken. The Committee desire that in view of the need for technology upgradation on account of competition, an early decision in regard to raising this limit should be taken by Government.

(Recommendation Sl. No. 22)

27. NSIC is stated to have got a study undertaken on their behalf to find out the impact of liberalisation on small scale sector. The final report on the subject is still awaited. The Committee desire that the study should be expedited and the findings together with the action taken thereon intimated

to them. The Committee are dismayed to learn that Government proposes to curtail the list of items reserved exclusively for the small scale sector. They are of the firm opinion that in spite of the opening up of economy some kind of protection is still essential for small industries. They feel that already small sector is facing the onslaught of the multinationals whose technology is very much advanced and which can corner the Indian Small industries very easily. In view of the importance of the small scale sector in the Indian context, the Committee strongly recommend that this curtailment of list be deferred till such time as the small industries are able to improve their quality and procure state-of-the-art technology and can compete in domestic as well as international markets.

(Recommendation Sl. No. 23)

New Delhi;
February 26, 1996

Phalguna 7, 1917(s)

KAMAL CHAUDHRY,
Chairman,
Committee on Public Undertakings.