

ESTIMATES COMMITTEE (1973-74)

(FIFTH LOK SABHA)

FIFTIETH REPORT

MINISTRY OF INDUSTRIAL DEVELOPMENT

INDUSTRIAL LICENSING



**LOK SABHA SECRETARIAT
NEW DELHI**

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TO

THE FIFTIETH REPORT OF ESTIMATES COMMITTEE
(1973-74) RELATING TO INDUSTRIAL LICENSING
PRESENTED TO THE LOK SABHA ON 16.4.1974

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ESTIMATES COMMITTEE

(1973-74)

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3. Shri Rajagopal Rao Boddepalli
4. Swami Brahmanand
5. Shri Bhaoosahaib Dhamankar
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23. Ch. Sadhu Ram
24. Shri Ebrahim Sulaiman Sait

* Nominated by the Speaker as Chairman with effect from 22nd January, 1974
vice Shri Kamal Nath Tiwari died.

** Elected with effect from 29th November, 1973 *vice* Shrimati Jyotsna Chanda died.

25. Shri P. A. Saminathan
26. Shri P. Ranganath Shenoy
27. Shri Awdesch Chandra Singh
28. Shri M. G. Uikey
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- 30.

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Shri G. D. Sharma—*Deputy Secretary.*

Shri J. P. Goel—*Under Secretary.*

**ACTION TAKEN SUB-COMMITTEE
OF
ESTIMATES COMMITTEE
(1973-74)**

CHAIRMAN

***Shri R. K. Sinha**

MEMBERS

2. Shri Bhaoosahaib Dhamankar—Convener
3. Shri Krishna Chandra Halder
4. Shri Mohammad Tahir
5. Shri Anantrao Patil
6. Shri Jharkhande Rai
7. Shri Awadesh Chandra Singh

***Nominated by the Speaker as Chairman with effect from 22nd January, 1974,
vice. Shri Kamal Nath Tiwari died.**

INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Fiftieth Report on the Ministry of Industrial Development—Industrial Licensing.

2. The Committee took evidence of the representatives of the Ministry of Industrial Development on the 12th December, 1973. The Committee wish to express their thanks to the Officers of the Ministry for placing before them the material and information which they desired in connection with the examination of the subject and for giving evidence before the Committee.

3. The Report was considered and adopted by the Committee on the 21st March, 1974.

4. A summary of recommendations|conclusions contained in the Report is appended (Appendix III).

5. A statement showing the analysis of recommendations/conclusions contained in the Report is also appended to the Report (Appendix IV).

NEW DELHI;

March 3, 1974.

Chaitra 13, 1896 (S).

R. K. SINHA,

Chairman,

Estimates Committee.

REPORT

INTRODUCTORY

1. The Estimates Committee, 1971-72 (Fifth Lok Sabha), examined the policies and procedures relating to Industrial Licensing and presented their 19th Report on the erstwhile Ministry of Industrial Development (Department of Industrial Development)—Industrial Licensing (hereinafter referred to as the “Original Report”) to the Lok Sabha on the 26th April, 1972. This Report contained 77 recommendations in all.

2. Government’s replies to these recommendations indicating the action taken to implement the recommendations were examined and commented upon in the 27th Report of the Committee (1972-73), Fifth Lok Sabha on Action Taken by Government on the recommendations contained in the Original Report (hereinafter referred to as the “Action Taken Report”) which was presented to the Lok Sabha on the 2nd March, 1973. According to this Report, out of 77 recommendations contained in the Original Report, 48 recommendations had been accepted by Government and the Committee did not desire to pursue 25 recommendations. The reply of the Government in respect of one recommendation had not been accepted by the Committee, while the Committee had not received final replies in respect of three of the recommendations.

3. The Action Taken Sub-Committee of the Estimates Committee (1973-74) decided at their sittings held on the 26th July and 25th September, 1973 to pursue with the Government *inter alia* the action taken by Government to implement certain recommendations contained in the 19th and 27th Reports of the Estimates Committee (Fifth Lok Sabha).

4. The Estimates Committee took evidence of the representatives of the Ministry of Industrial Development on the 12th December, 1973.

5. The various matters taken up by the Committee and the recommendations of the Committee in this regard are dealt with in the subsequent paragraphs.

Definition of ‘Substantial Expansion’

In Paragraph 1.24 of the Nineteenth Report of the Estimates Committee (Fifth Lok Sabha) on the Ministry of Industrial Deve-

opment (Department of Industrial Development)—Industrial Licensing (hereinafter referred to as Original Report), the Committee had reiterated the recommendation made in their 9th and 79th Reports (Fourth Lok Sabha), that the term 'substantial expansion' referred to in the Industries (Development and Regulation) Act, may be clearly defined in terms of percentage so as to introduce a certain amount of definiteness in the application of the relevant provisions to individual cases. At the action taken stage (e.g. Twenty-seventh Report of the Estimates Committee (Fifth Lok Sabha) on Action Taken by Government on the Original Report) the Government had noted that the term 'substantial expansion' would admit of a clearer definition and had assured the Committee that a greater measure of definiteness in this regard would be sought to be introduced when the Industries (Development and Regulation) Act was amended.

2. The Ministry of Industrial Development were asked to indicate the latest position in that regard. In a reply received from the Ministry in November, 1973, it has been stated that for the purpose of considering various amendments to the Act including the question of defining the term "substantial expansion", a Group of Senior officials of the concerned Ministries has been constituted and that "further action to finalise the proposals for amendment would be taken on receipt of the report of the Group".

3. During evidence before the Committee, the Secretary, Ministry of Industrial Development amplified:

"This Group was constituted in May, 1973. Originally the intention was that they will be able to complete their work within three months. It has been found that the examination of the various recommendations that have been made and the implications with regard to the various amendments, have taken much longer. They have held a series of meetings and I am informed that the recommendations will not be complete before early next year though I am hoping that on some of the items at least it may be possible for the Group to bring the recommendations.

He agreed with a view expressed in the Committee that there should be a specific indication as to the time limit for submission of the Report, but pointed out the difficulties in that regard as follows:—

".....if I hesitate in trying to give the deadline, it is on the basis of discussion that I had with the officers and the type

of work involved. The nature of work involved and the consultations which we have to undertake with the number of Ministries is such that we have not been able to fix a deadline by which the Committee's Report can be received by the Government.....I do not want to give some deadline in a way which does not work”.

The representative of the Ministry, who was the Chairman of the Group, stated that the question whether such a provision (defining the term 'substantial expansion') was necessary or not “needs to be examined a little thoroughly before final action is taken by the Government” and that the Group could “apply their mind in this aspect more quickly and submit an Interim Report”.

4. The Secretary of the Ministry was asked to state as to how the time limit for completing the consideration of amendments by the Group was originally fixed as three months which was later found to be unrealistic. In reply he stated:

“At that time, the magnitude of the task and its complexity was not appreciated. Recently, after going through in a preliminary way, I find that further extension will be necessary. I thought that instead of giving something which is just like a rough thing, I should give a considered view on this. This is a fact that the complexity of the problem was not fully appreciated. I do not like to defend this. I fully appreciate that we cannot give an indefinite time; there must be a definite time. I was only pleading that the Committee should give me an opportunity to do this in greater detail”.

5. During the discussion in the Lok Sabha on the Industries (Development and Regulation) Amendment Bill 1973 on the 4th December, 1973 a point was made by a Member that the legislation brought before Parliament for amending the Industries Act should have included the amendment suggested by the Estimate Committee and also accepted by the Government, and that when an amendment to the parent Act was contemplated, it should be as comprehensive as possible. Replying to the debate in the House on the Bill, the Minister-in-charge of the Bill stated:—

“Mr. Stephen made a very relevant point. I wish I had known that point earlier; then I might, perhaps, have included the other things also. I was not aware of it. He brought to my notice that the Estimates Committee had made recommendations that the other amendments also should

be brought with regard to this Act. I have verified. These are being processed and I will try to hasten them and whatever amendments are necessary, certainly I shall try to bring them forward. I am indebted to Mr. Stephen for having pointed out this lacuna with regard to my approach to the Industries (Development and Regulation) Act”.

Amendments to Registration and Licensing of Industrial Undertakings Rules, 1952

6. The Committee had in Paragraphs 4.5 and 4.6 of the Original Report, recommended that the procedure for the issue of a letter of intent in the first instance, should be incorporated in the Registration and Licensing of Industrial Undertakings Rules 1952 and that the time limits laid down in the said Rules for the disposal of licence applications should be formally made applicable to the stage of issue of letter of intent. While accepting both the recommendations in principle, Government had stated that the said Rules were being examined for making suitable amendments.

7. The Ministry of Industrial Development have, in a written note furnished to the Committee in January, 1974, indicated the latest position in this regard as follows:—

“The question of carrying out comprehensive amendments to the Industries (Development and Regulation) Act and the Rules thereunder was taken up some time back in the light of the experience gained in administration of the Act and Rules over the years, the recommendations of the Estimates Committee and changes that have taken place in the industrial licensing policy during the last few years, especially after the report of the Industrial Licensing Policy Inquiry Committee. Considering the fact that administration of the Industries (Development and Regulation) Act concerns not only the Ministry of Industrial Development, but a number of other Ministries dealing with specific industries, as also the Ministry of Law and Department of Company Affairs, it was felt that it would be appropriate if a representative group of officers from different Ministries take a joint view of the various proposals. Accordingly, a Group of Officers was constituted for examining all the proposals for amendment. The Group has already met a number of times and has made substantial progress. The progress has been somewhat slow, because of the complicated nature of the assigned task. It

has also not always been possible to get the members together, because of their other pressing preoccupations and exigencies of work. However, the Group has been asked to submit its recommendations by 30th April, 1974. These recommendation will thereafter have to be processed by the Ministry in consultation with other concerned authorities. While, therefore, it may not be possible to fix any time-limit for the action to be taken by Government in this regard, the Committee is assured that every effort will be made to complete the process as early as possible. The specific recommendations made by the Estimates Committee in paras 4.5 and 4.6 of the 19th Report of the Estimates Committee (Fifth Lok Sabha) are, however, being taken up for separate processing and it may be possible to take a final view on these by April, 1974."

8. The Committee are averse to piece-meal amendments to the Industries (Development & Regulation) Act, being brought before Parliament. They regret that Government have been taking unduly long time in examining and finalising the various proposals for amendment to the present Act. They urge that firm target dates should be fixed for the Group appointed to examine the proposals for amendments to the Act and Rules made thereunder, for the submission of their Report and for the Government to finalise them so that comprehensive amending legislation is brought before Parliament at least before the end of the year. The Committee need hardly stress that it would have been for more appropriate if all the amendments to the Industries (Development and Regulation) Act had been effected before the commencement of the Fifth Five Year Plan.

Licensing Policy for the Fifth Plan

9. In Paragraph 1.34 of the Original Report, the Committee had observed that for sustained industrial growth, it was imperative that Industrial Licensing procedure and policy should generally hold good for a reasonably long period, say a minimum of 5 years coinciding with the plan period, and had suggested that the Central Government should formulate and announce the Industrial Licensing Policy for the next Plan period well before the commencement of the Plan so as to attract most competitive applications for issue of licences on merit. In reply to this recommendations, Government had stated that while the recommendation would be kept in view, Industrial Licensing Policy would have to take note of the change

in thinking in our socio-economic objectives and the needs of the country in general.

10. As the Fifth Five Year Plan would commence from the next financial year (1974-75), the Ministry of Industrial Development were asked to state whether the Industrial Licensing Policy for the Fifth Plan period had been formulated and, if so, when it would be announced for general information. The Ministry had, in November, 1973, replied as follows:—

“The Industrial Policy Resolution, 1956 continues to provide framework to govern Government’s policies for achieving the objectives of growth, social justice and self-reliance in the industrial sphere. To facilitate the achievement of these objectives in the context of the Fifth Plan, certain modifications in the Industrial Licensing Policy were made in February, 1973. These have already been announced for general information.”

11. During evidence, while replying to the question whether the Industrial Licensing Policy of the Government announced in February, 1973, would substantially hold good for the Fifth Plan period (1974-79), the representative of the Ministry stated. “The Licensing Policy was revised in February, 1973 and it was also announced at the end of the Policy statement that it will be Government’s objective to maintain a durable framework of licensing and other connected policies”. Asked to state as to why it had not been specifically mentioned in the Policy Announcement itself that the policy would continue for the duration of the Fifth Five Year Plan, he stated:—

“.....that has been said in the plan documents which has not yet been released. It is there in black and white that this policy will form the basis for the duration of the Fifth Plan. In all our discussions on the licensing policy, we were greatly influenced by the Estimates Committee Report on Industrial Licensing and in particular by the recommendation that whatever policy is arrived at, should be for the duration of the Plan and even while announcing the policy it was made clear by our Minister that the idea of revising the policy in February, 1973 was to give sufficient advance information to entrepreneurs so that they can plan their investment for the Fifth Plan. Even at the beginning of the Policy statement it was

clearly stated that the policy has been revised in the context of the Plan."

12. Attention in this connection is also invited to the following extracts from the Industrial Policy Governments decisions announced in the Press Note issued by the Government on February 2, 1973:—

"Government have carefully reviewed their policies relating to industrial development in the light of the experience gained in the implementation of the Industrial Licensing Policy of 18th February 1970 and in the context of the approach to the Fifth Five Year Plan.....

"The changes now proposed are designed to stimulate growth in all priority industries of importance to the Fifth Plan subject to a more effective enforcement of social objectives. It will be Government's objective to maintain a durable framework of licensing and other connected policies consistent with the basic principles of the Industrial Policy Resolution of 1956 and to further streamline licensing and connected procedures wherever necessary, so as to expedite the investment process in all its stages."

The Draft Fifth Five Year Plan (1974-79) Pt. II also, in paragraph 5.23, specifically states that "The industrial licensing policy for the Fifth Plan was set out in February, 1973."

13. The Committee note that Government have reviewed their policies relating to industrial development in the light of the experience gained in the implementation of the Industrial Policy of 18th February, 1970 and in the context of the approach to the Fifth Five Year Plan. They also take note of the announcement made by Government in February, 1973, of the Industrial Licensing Policy for the Fifth Plan period. They stress that this policy should remain stable over the Plan period.

Legislation on Small Scale Industries

14. In reply to the recommendation contained in Paragraph 2.63 of the Original Report regarding statutory regulation of relations between ancillary small scale industrial units and the mother unit, Government had stated that the Committee on Drafting Legislation on Small Scale Industries had since submitted their report which, among other things, recommended statutory provision to take care

of the ancillary relationship between large undertakings including public sector undertakings and the small scale units. Replying to another recommendation contained in Paragraph 3.28 of the Original Report stressing the need for evolving a suitable methodology for so working out the rate of growth of industrial production that it reflected the composite growth, both in the large as well as small scale sector, Government had stated that the aforesaid Committee had made a proposal with regard to collection of statistics and when such a bill was passed, it would be possible to compile more accurate statistics of production. In Paragraph 3.29 of the Original Report, the Committee had made a specific suggestion for compiling reliable statistics about the volume of production in the small scale sector. In reply, the Government had stated that the Committee on drafting legislation for small scale industries had made a proposal for compulsory returns of production being furnished by small scale units and when such a legislation came into force, an appropriate methodology would be worked out for ensuring the availability of more reliable statistics.

15. The Ministry of Industrial Development were asked to indicate the latest position in regard to bringing before Parliament the proposed legislation on Small Scale Industries. In a reply received from the Ministry in November, 1973, they had stated that, on the recommendations of the Small Scale Industries Board, a Committee for drafting Legislation for Small Scale Industries (Bhat Committee) was constituted in January, 1972. The Committee, in its Report received during September, 1972, had recommended Legislation on the following subjects:—

- (i) Small Industries Development Act including definition of Small Scale Industries;
- (ii) Small Industries Reservation Act;
- (iii) Small Ancillary Industries Act;
- (iv) Public Sector Purchase and Disposal Act for Small Scale Industries; and
- (v) Restricted Partnership Act.

The Committee had also suggested legislation in the fields of collection of statistics supply of raw materials, modernisation and fiscal incentives. This Report was, according to the note furnished by the Ministry, considered at the meeting of the Small Scale industries Board held in September, 1972 and on its recommendations, it was circulated among the Central Ministries concerned, State Govern-

ments and non-official organisation for eliciting their views. These views were considered at the Inter-Ministerial Meeting held on the 12th November, 1973 when it was agreed that a note for the Cabinet might be prepared. The note for the Cabinet was then stated to be "under preparation".

16. During evidence before the Committee, the representative of the Ministry stated in December, 1973 that as far as Restricted Partnership Act was concerned, "the proposals are in a very advanced stage of consideration" and that "it will very soon be brought; but It will not be able to give the exact date". As regards legislation on other aspects, according to him, the view "which was arrived at after the Inter-Ministerial meeting, was that there was no need for a comprehensive legislation as had been visualised" and that the suggestions and recommendations made by the Bhatt Committee "could be put through by administrative and executive orders". He, however, added:

".....there has recently been rethinking in the light of the Five Year Plan Programmes;.....we are reconsidering as to what would be the appropriate form of legislation."

He further stated that in view of the fact that the Small Scale Industry was a State subject, "we have got to be very clear that the State Departments and the State Ministers give their blessings to a Central legislation on the subject." He added that the Ministers' Conference would be held "soon" and this particular matter would be presented to them for obtaining directions as regards further action to be taken.

17. The Committee note that Government have decided to bring forward necessary legislation so far as the Restricted Partnership is concerned so that the small scale sector is not exploited by the big industrialists as a cover for their activities. The Committee would like the matter to be expedited so that the small scale sector really subserves the objective that the Government had in view of encouraging persons with skill but limited financial resources to contribute their productive effort.

18. As regards the development of small scale industries by way of ancillaries to large scale industries, the Committee understand that the matter is being reviewed comprehensively in the light of Bhatt Committee's recommendations and that Government would take a final decision after discussing the matter with the State Ministries of Industries. The Committee feel that the matter has already been inordinately delayed and that concerted measures

should be taken to afford encouragement either by statutory provision or administrative instructions to the small scale units to develop as ancillaries to large scale units. The Committee would also like Government to examine other aspects like quality control, payment of dues in time, etc. so that the genuine difficulties which are coming in the way of faster development of small scale industries as ancillaries to large scale units, are resolved. The Committee would like to reiterate that the public sector should provide leadership in this behalf by encouraging and sustaining establishment of small scale units as ancillaries to their undertakings.

Items reserved in the Small Scale Sector

19. In Paragraph 2.49 of the Original Report, the Committee had, while noting the reservation of a large number of items exclusively for the small scale sector, observed that it was the responsibility of the Government to ensure that the small scale sector actually delivered the goods, that the consumers' interests were safeguarded in the matter of quality and price of goods produced in that sector and that there were no shortages. In this context, the Committee had suggested that a suitable mechanism should be devised for methodically assessing the demand in respect of each of the reserved items during the next 5 years, drawing up an annual production programme, seeing that it is actually implemented and for taking remedial action in case of shortfalls in production to obviate possible shortages. The Committee had also desired the Government to provide quality testing of goods produced in the small scale sector at cheap rates and introduction of quality control of finished goods, where feasible and necessary. In reply, Government had stated that they agreed with the views of the Committee that consumers interests had to be safeguarded in the matter of quality and price and that there were no shortages. They had also stated that the Small Scale Industries Development Organisation was contemplating the setting up of Sub-Groups in each group of product lines to assess current consumption and draw up future production programmes. The Committee were also informed that Government were also taking steps to make methodical assessment of demand during the next 5 years and that it was also proposed to draw up an annual production programme and to take remedial action in case of shortfalls in production.

The Ministry of Industrial Development were asked to indicate the concrete action taken by Government in pursuance of the recommendations made by the Committee in the Original Report. In reply, the Ministry stated in November, 1973 that the Small Scale

Industries Development Organisation had initiated review of 124 industries exclusively reserved for the Small Scale Sector. In the first round, 18 reserved industries had been taken up for review. This review was expected to cover various aspects of existing and potential demand of the items as also the developmental measures required. The field work had already commenced and reports in respect of some items were under process.

20. During evidence, the representative of the Ministry was asked to indicate whether any time limit had been fixed to complete the review in respect of all the 124 items exclusively reserved for the Small Scale Sector. He stated that the review-mechanism was set up in January, 1973. According to him the progress of review was "fairly good" and he expected the review of 18 items to be completed by February, 1974, and of the remaining items by February 1975. He also informed the Committee that a decision had been taken by Government to appoint a Standing Committee, consisting of an industrial economist and a representative each from the Directorate General of Technical Development and the organisation of Development Commissioner for Small Scale Industries. The Committee would evaluate the Review Reports and recommend for the consideration of Government reservation of an item for the small scale or dereservation of an item which was already reserved for that sector.

21. A point was raised during evidence that the list of industries reserved for Small Scale Sector was being added to from time to time with the result that there was uncertainty in regard to the spheres of activity of the various sectors. Government should, it was suggested, have a definite policy and programme, which should be stable over a period, as to what would be the areas available to the various sectors-small, medium and large. This would enable people to make up their minds in regard to the setting up of industries in advance of the commencement of the Fifth Five Year Plan. The representative of the Ministry stated that the number of industries reserved for the Small Scale sector was proposed to be raised from 124 to 184. He also admitted that Government were "not in a position to spell out and declare in advance as to how many items would be reserved (for the small scale sector) this year, or the next year or the year after that", and explained the position as follows:—

"Before reservation of any item is decided we have to take into account the capability and performance of the small scale sector in that specific production field. Once we know that we are in a position to manufacture a certain

item in the small scale sector to the extent which will enable us to take care of the consumer demand and we are also sure that the quality and the price are not going to effect the market, then, in that particular case, we see to it that we do not allow the big or the medium industries to set up capacities."

He added that the Evaluation Committee referred to earlier "will be taking a view whether the small scale industry has really developed the expertise and the capability to meet the requirements of the consumers or not. Keeping those particular aspects in view, they might perhaps be able to de-reserve some of the items; but many items will certainly be reserved for small-scale industries; and the large or medium industries will not be permitted as a rule to come into them unless there are other redeeming factors. So far as the finality is concerned, when we declare such a reservation and it is supported by the Evaluation Committee, I do not think there will be any ambiguity left about it in future". Amplifying this point further the Secretary, Ministry of Industrial Development stated:

"In the past, whenever Government had desired to reserve a particular item for exclusive development by small sector, the criterion was whether that particular item was one which, in terms of skill and of investment, was suitable for inclusion in the small sector. If it was felt to be suitable, it was then reserved. The point to be made sure was that the country's need is being met in terms of production, price and quality. The problem cannot be met only by people responsible for the development of small scale sector. That is why the Government has constituted a Committee consisting of an industrial economist, the Director General of Technical Development and the Development Commissioner for Small Scale Industries. Therefore, in deciding whether an item should be reserved for small sector, the question whether the large-scale has to play a part therein, has to be examined. For the first time, the point has also been made that when a particular item is so reserved but it is found subsequently that the performance of the small sector has not been adequate, it may be necessary to de-reserve it. Therefore, there can be simultaneous expansion of the small sector and, at the same time, we may also allow the large-scale sector to play its part".

22. Another point raised during evidence was the inadequacy of quality control measures and facilities for the products manufactur-

ed in the small scale sector. Replying to the point raised, the representative of the Ministry stated:

“Projects have been worked out for regional (quality control) centres. Money has been spent and machinery has already been ordered for. As far as the electronics is concerned, a funding principle has been evolved, which has been communicated to all the State Governments and to some centres and laboratories which can organise and offer this service. It will be done on the basis of a 75 : 25 matching grant principle. Action has been taken on that line”.

The Secretary, Industrial Development spelt out the role played by the Small Scale Industries in the economy of the country as follows:

“As at present, the performance of the small sector in the Fourth Plan has been one of the bright spots of the industrial development programme. While, in fact, the growth in the organised industries has not kept pace with the extent stipulated in the Fourth Plan, the production in terms of investment and employment in regard to the small industries has been quite good. Claims have been made that we do not have correct figures and that the rate of growth has not been of the order of 10 per cent or 12 per cent. We know it for a fact that the credit given by the nationalised banks to the small scale industry had already crossed the target mentioned in the Fourth Plan, last year. We also have a report from a team which the World Bank had sent to survey the position of the small scale industries. The finding of that team, based on rigorous sample survey, is that in terms of performance and quality, the performance of the small scale sector in India has been quite creditable; and, therefore, they had worked out a special scheme to assist small and medium units. I would, therefore, like to put this problem in proper focus. However, this performance is not uniform. The sector consists of several fields, including engineering and electronics. The industries in some other fields may not have done equally well.”

23. The Committee feel that the comprehensive review of all the items reserved for the Small Scale Sector should have been completed well before the commencement of the Fifth Plan so that Government could take decisions about reservation/de-reservation of items

for the Small Scale Sector and announce them for the guidance of all concerned. Thereafter, a standing machinery could have been set up for a continuous review and timely action by Government to sustain development of Small Scale Sector in the areas reserved for them and also for making additions and alterations therein in the light of performance of the Small Scale Industries. The Committee note the assurance given to them that the work of review of all items reserved in the Small Scale Sector, would be completed by February, 1975. They hope that while evaluating individual items and taking decisions regarding reservation|de-reservation for the Small Scale Sector, the Government would keep in view inter alia the paramount interest of the consumers in the matter of availability of goods of assured quality at competitive prices.

Census of Small Scale Industries

24. The Committee had in paragraph 2.53 of the Original Report, suggested that Government should devise a scheme of periodical survey of small scale units to find out the correct position in respect of small scale units registered with the State Directorates of Industries. At the Action Taken stage, Government had replied that they were studying a proposal to conduct a census of small scale industries. In the Action Taken Report, the Committee had observed that they might be informed of the results of the study when available.

25. The Ministry of Industrial Development were asked to indicate the latest position as also the results of the study of the proposal to conduct a census of small scale industries. The Ministry have, in November, 1973, informed the Committee that the preparatory work for carrying out the country-wide census of small scale industries had been finalised and the actual field operations were expected to commence in December, 1973. Government expect the census work to be completed in "a year's time". Replying to a question in Lok Sabha on this subject, the Minister of State in the Ministry of Industrial Development stated that the result of the nation wide census "will become available by the end of 1974."

26. During evidence, the Secretary, Ministry of Industrial Development spelt out the problem relating to evaluation in regard to the small scale sector as follows:—

"One main problem relating to any evaluation in regard to the small scale sector, is the fact that thousands of units are distributed all over the country and many of them are under the State Directorates. The statistical information, the data available with the organisation are very limited

.....We hope that with the completion of the census, our ability to deal with the evaluation of small scale sector will be greatly strengthened”.

27. The Committee need hardly stress that the information to be collected during the Census should be meaningful so as to enable the Government to make a realistic assessment of the role and contribution of the small scale sector with reference to the capacities developed and production achieved in different fields. The census should also help the Government to understand the various constraints of inputs, particularly availability of power, raw materials, etc. so that concerted efforts could be made to resolve these difficulties. The Committee suggest that such surveys should be undertaken at periodical intervals, more specially before the conclusion of a Plan period so that the salient facts which come to notice as a result thereof are duly taken into account in reviewing and modifying the policies in the interest of achieving larger production in this sector during the next plan period.

Concessions to Larger Houses in the interest of development of backward areas

28. The Committee had, in paragraphs 3.68 to 3.74 of the Original Report, dealt with the question of extending concessions to larger Houses in the interest of development of backward areas. In this context, they had, in Para 3.75, observed that in the existing situation of scarce resources, expertise, engineering and managerial skills, it was either public undertakings or well established and efficient industrial organisations of proved integrity and service which could play a constructive role in the setting up of industries in backward areas, and had recommended that Government should study the situation most objectively and adopt a pragmatic policy which would make for establishment of industrial units in the backward areas without further loss of time. At the Action Taken stage, Government had merely noted the recommendation.

29. Government were asked to state whether the question of extending concessions to Larger Houses in the interest of development of backward areas had since been considered and if so, to furnish the details thereof. In a reply received in November 1973, the Ministry of Industrial Development reiterated the financial incentives available for the development of backward areas, namely, concessional finance, development subsidy for selected districts and transport subsidy already described in para 3.43-3.45 of the Original Report. These concessions are available to all entrepreneurs. They

have added that "no special concessions are envisaged for large industrial houses in this regard at the moment".

30. During evidence, the question of allowing special concessions to larger houses in the interest of development of backward areas was raised. The Secretary, Ministry of Industrial Development restated the existing limitations on the role of the larger houses, namely, that they had to concentrate on the core sector and that they required permission of the Government under the Monopolies and Restrictive Trade Practices Act for setting up a new industry or expanding an existing one. No special concession was being given to large houses for setting up industries in the backward areas but large houses were also eligible for such concessions and incentives as were applicable to backward areas, he said. Asked to give his opinion on the issue, as his Ministry was mainly responsible for the development of industries in the country and especially in the backward areas, he replied:

"What is important for the development of backward areas is not the type of persons who put them up but the type of industries so put up. For example, large investments have been made by the public sector in certain States e.g., Bihar. We cannot say that this has greatly helped that State in improving the economic level or the industrial development. The nature of the industry is important; and it is good if it results in greater development. Merely encouraging large houses to go to backward areas may not probably solve the problem."

Replying to another question, he said:

"I am extremely doubtful whether the presence of large houses is the right solution to the problem of development of backward areas. Let me illustrate this. I think I am correct in saying that the MRTP Act today does not apply to Jammu and Kashmir. Large houses do not have to go through the rigours of the MRTP Act for setting up industries in Kashmir. So, I would suggest that this is not the real problem..... On the short point of relaxation of the licensing policy and the MRTP Act beyond the flexibility that is already built in to give preference to backward area, I am not sure whether further relaxation will help in matter."

31. Replying to the point raised that in the backward areas where the necessary infra-structure for setting up industries by the small scale sector was lacking, it was only the large houses who had the resources to set up industries there, he said:

"I have not come across many cases of large houses offering to set up industry in backward areas for which they are eligible. Usually or very often in cases when a large house is prepared to go to backward area, it is in a low priority industry. This is the real problem."

32. Dealing with the question whether the licensing policy could not be used as a lever to make big industrial houses go to the economically backward areas, he said:

"It is certainly part of the licensing policy to try and push large houses to backward areas wherever possible, but we have no way of compelling people to set up industries where we want. The licensing policy is not a positive instrument in that sense..... It is possible to use the licensing policy to direct industries to backward areas up to a limit. Beyond this limit, it is not practicable. As I said, one can give preferences and there are cases where large houses are told that they will be approved but only if they decide to locate them in a backward area. These conditions are imposed at the Licensing Committee level and sometimes by the Cabinet. But the problem of development of backward areas about which the Hon'ble Members are so much exercised (and rightly so) cannot be resolved by a simple solution in terms of the licensing policy. Further steps will be necessary. Location of large houses is not the only solution."

However, agreeing with the need for development of backward areas, he stated:—

"..... there are a number of States that have to be taken up for the development of backward areas. It relates not only to industrial development but relates to various other sectors. I know the Planning Commission has been giving thought to this and perhaps the feelings that you have expressed could also be conveyed to the Planning Commission because the problem of development of backward areas is a very large and complex problem. It has to be dealt with in several dimensions, not only in terms of industry but within that in terms of a large or small house and within that in terms of licensing policy..... One of the charters of the Industrial Development Bank of India

is to encourage industries in backward areas. In different regions they have set up a number of institutional terms which have visited a number of backward States and have undertaken the surveys of potentialities in different States and they have certainly identified the type of industries and the location and so on which have to be set up. As a followup action of these reports, in some States they have taken steps to set up consultancy organisations to take the preliminary idea and to elaborate them into project reports. Further follow up action in many cases, in regard to backward areas, is necessary and the State Governments have to get themselves more closely involved because this is more of a regional problem; infrastructure development has to be there. So one of the elements in the development of backward areas is the degree of commitment and degree of involvement of the State Governments, the local agency, the Industrial Development Corporation and the local banking institutions. Of course, we have been having discussions with the State Ministers on this and we hope, in the Fifth Five Year Plan, some concrete lines to push this programme further, will be taken."

33. The Ministry of Industrial Development have indicated the number of applications received from the 20 Larger Houses listed in the Industrial Licensing Policy Inquiry Committee Report for setting up of industries in backward areas and their disposal as follows:—

	1971	1972	1973 (Til Aug., 73)
Total No. received	43	35	18
Disposed of	35	11	4
Pending	8	24	14
<i>(Break-up of Disposal)</i>			
Licences issued	3	1	
Letters of Intent issued	7	2	
Rejections and otherwise disposals	25	8	4

34. The following table gives the letters of intent and industrial licences issued to undertakings belonging to the 20 Larger Houses as

listed in the Industrial Licensing Policy Inquiry Committee (Dutt Committee) Report for setting up of industries in backward areas on a state-wise basis:—

STATE	1971	1972	1973 (Till Aug., 73)
1. Andhra Pradesh	1		..
2. Bihar . . . . .		..	1
3. Gujarat . . . . .	..	1	..
4. Jammu & Kashmir . . . . .	..	..
5. Madhya Pradesh	3	1	..
6. Maharashtra	4	2	1
7. Karnataka (Myosre)	2	3	
8. Orissa	1	1	
9. Punjab . . . . .	..	..	..
10. Rajasthan	1	1	..
11. West Bengal	7	6	6
TOTAL	19	15	9

It is pointed out that these approvals do not necessarily relate to applications received in the same year. In some cases they will also relate to applications submitted in earlier years.

35. In reply to the question as to what has been the response of entrepreneurs to set up industries in backward areas since 1-3-1973, the Ministry of Industrial Development have stated that consequent on the Budget announcement of the Finance Minister providing for further incentives for backward areas effective from 1-3-1973 (viz. increase in central investment subsidy from 10 per cent to 15 per cent and deduction of 20 per cent of profits from tax), entrepreneurs are showing increasing interest in locating industries in backward areas. The State authorities are being asked by Central Government to accelerate the programme further. It is stated that it is rather too early to indicate any quantitative assessment of the response to the liberalisations; the general impression, however, is that the scheme has been received favourably. The following statement shows the amount of subsidy sanctioned, state-wise, upto 31-10-1973:—

10 per cent Central Outright Grant or Subsidy Scheme—Details of amount sanctioned/disbursed under this scheme as per reports received upto 31st October, 1973

Sl. No.	State/Union Territory	No. of applications received	Amount sanctioned (Rs.)	No. of units sanctioned	Amount disbursed (Rs.)
1	Tamilnadu	638	29,94,440	59	4,57,163
2	Kerala	43	10,19,928	39	
3	Madhya Pradesh	182	10,20,963	44	
4	Orissa	49	4,00,000	15	
5	Goa, Daman & Diu	132	4,48,440	52	
6	Maharashtra	315	126,12,670	120	29,97,918
7	Andhra Pradesh	170	4,60,963	26	
8	Karnataka	38	10,25,230	26	10,25,230
9	Bihar	108	1,00,000	62	
10	Gujarat	356	14,89,627	85	1,63,835
11	Uttar Pradesh	83	3,74,796	24	
12	Rajasthan	230	2,24,529	24	1,33,017
13	Pondicherry	55	98,057	18	8,098
14	Manipur	30	23,069	9	18,397
15	Punjab	55	59,643	25	58,943
16	Assam	108	..	..	..
17	Nagaland	188	1,34,000	—	..
18	West Bengal	53	12,282	7	..
19	Meghalaya	30	21,942	9	..
20	Dadra & Nagar Haveli	28	..	..	..
21	Andaman & Nicobar Islands	6	..	..	..
22	Tripura	15	26,275	15	..
23	Haryana . . . . .	..	..	..	..
24	Himachal Pradesh . . . . .	..	..	..	..
25	Jammu & Kashmir . . . . .	..	..	..	..
26	Misoram . . . . .	..	..	..	..
27	Laccadives Islands . . . . .	..	..	..	..
28	Arunachal . . . . .	..	..	..	..
TOTAL		2,912	225,46,854	659	48,62,601

NOTE.— This Ministry of Industrial Development have sanctioned total reimbursement of Rs. 27,21,801 so far as in favour of State Governments Financial Institutions.

Development of infrastructure facilities in backward areas

36. In the course of evidence, the representative of the Ministry informed the Committee that the strategy worked out for the Fifth Five Year Plan implied shifting of industrial growth towards the rural areas. Recognising that industries could not grow where infrastructure facilities were not available, it was proposed to select "certain 'growth points' in rural areas, develop them by providing them with infra-structural facilities etc., and then try to make available facilities of financing, credit etc., to units set up on such selected growth points." When asked to state the steps being taken to ensure that the assistance provided to the states for development of backward areas was really used for the purpose, he replied that the approach to that problem was currently being discussed by his Ministry with the Planning Commission. As to the number of 'growth centres' proposed for each backward district, he stated that it was under the consideration of the Planning Commission. "We do want to have a large number of growth centres but the exact number will depend on the finance available" he added.

37. The Committee are constrained to observe that while the problem of development of backward areas has been recognised for nearly a decade, we have not been able to make any noticeable dent on this problem during this period. The Committee note that Government have now identified growth centres in backward areas. The Committee stress that Government should make concerted efforts to provide infra-structure like power, water, communication facilities, etc., at these growth centres in the backward areas. The Committee stress the need for preparation of blue prints of industrial projects which could be set up appropriately in these growth centres so that the most promising ones could be selected for implementation after examination in depth. Government should also take a timely decision about the agency whether in public or private sector which would be entrusted with the establishment of the selected industrial unit in the centres so that it can be extended all the facilities to bring up the unit as per time bound and production oriented programme. The Committee would like the Government to bring out concrete and detailed schemes for the development of backward areas and give them wide publicity so as to dispel the prevailing mood of pessimism obtaining in these areas. The progress made in implementing these schemes should be specifically mentioned in the Plan document as well as the Ministry's annual reports.

Size of Industrial Units

38. In Paragraph 2.80 of the Original Report the Committee had recommended that a study should be initiated in association with

the technical advisory authorities such as Directorate General of Technical Development, Textile Commissioner etc to broadly determine the minimum and optimum economic size for industrial units in particular industries on the basis of the prevailing cost structure and technology. The Committee had pointed out that the study could serve as a guide for examining applications from Larger Industrial Houses or foreign companies for licensing capacities in the middle sector "in the interest of cost efficiency and growth of the firm to minimum economic size". In reply, while accepting the recommendation, Government stated that "a study of this type will be initiated."

39. The Ministry of Industrial Development were asked to indicate whether the study to broadly determine the minimum and optimum economic size for industrial units had since been completed and if so, with what results. In a reply furnished to the Committee in November, 1973, the Ministry stated as follows:—

"The question of determining economic size of units has been examined in consultation with the technical authorities. The economic size of a unit would depend on the development of technology, the stage of industrial development of a country, the internal demand, exports potentialities etc. The economic sizes of units in different industries are considered by Task Forces, Development Councils etc. from time to time".

40. During evidence, the question of having the minimum and optimum size for industrial units broadly determined was raised. The representative of the Ministry replied that "a number of Task Force Committees have been appointed by the Planning Commission" who have also indicated "the economic size of a plan".

41. In a subsequent written note furnished by the Ministry of Industrial Development to the Committee, it has been stated:

"....for the formulation of policies and programmes relating to the development of various industries in the Fifth Five Year Plan period, the Planning Commission had constituted Steering Groups. These Groups, in turn, had set up Task Force for detailed studies like fertiliser, glass and ceramic industry, rubber products, pulp and paper and allied industries, synthetic fibres, etc.

The composition of these Task Force consisted, in most cases, of the Secretary of the Administrative Ministry dealing with the particular subject and membership included

some members of the Development Council, Consultants, Scientists, Manufacturers, representatives of the Directorate General of Technical Development, Administrative Ministry and Finance. These Task Forces identify the present status of the industry, trends in consumption, the targetted projection on demand and production in the Fifth and Sixth Five Year Plans, the export potential, the research and development aspect and a number of other related matters including, in certain cases, reference to economic size of the industry."

42. The composition and the role of the Development Councils appointed under the Industries (Development and Regulation) Act, 1951 have been indicated in the Note as follows:—

"The composition of these Councils brings together the representatives of the industry, labour and consumers who have specialised knowledge and are actively interested in the industry. The Member-Secretary of each Council is invariably a Directorate General of Technical Development officer at the level of the Development Officer.

In the year 1973, Chairman|Members of the Development Councils, through their sub-Committee Panels, assisted the Task Forces appointed by the Planning Commission in identifying the present status of the industry, trends in consumption, the targetted projection on demands and production in the Fifth and the Sixth Five Year Plans, the export potential, the research and Development aspects and a number of other allied matters".

43. It is also noted from the brief extracts from the Reports of the Task Forces pertaining to the economic size of industries furnished to the Committee that the references to the economic size of the industrial units have been dealt with by the Task Forces in a very general way and that there does not appear to have been any systematic study in this direction. Even in regard to these general observations of the Task Forces relating to the economic size of the industrial units in various industries, the Note points out the following difficulties:—

"It is stated that the economic size is subject to periodical review of different variable factors. These factors, which are relevant to various minimum and optimum economic capacity, are stated to be as follows:—

- (1) The combined factor of cost of production on economic scale in relation to the annual pattern, so as to make the unit economically viable. In other words, the capacity should be such as to make the unit give a reasonable return on the capital employed.
- (2) The capability of the entrepreneurs to invest higher capital for higher capacity plants;
- (3) The present stage of indigenous development of industries with maximum recourse to indigenously manufactured equipment; for instance, initially in the paper plant 5-40 tonne per day capacities have been set up. This progressively rose to 150 pre day and now even 250 tonnes per day plants are being envisaged. Similarly, in the power plants, initially 30MW plants were deemed suitable and appropriate. This went up by stages to 60 MW, 110MW and now to 200 MW, with our capability developing for the manufacture of larger sets. In future, this may even go up to 500 MW capability.
- (4) The demand in the domestic as well as export markets.
- (5) Manufacture through modern processes employing suitable production techniques, quality control set up, in-plant R&D facilities, skilled technical and managerial staff etc.
- (6) Unit capacity for similar units in developed countries and their manufacturing costs.

Keeping these factors in view, the economic size, as suggested in various Task Force Reports or in other surveys undertaken, is subject to periodical reviews keeping in view the different viable factors."

44. The Committee feel that it would be in the larger economic interests of the country if the scarce resources are not committed for industrial units which, being not economically viable, have to close down eventually or be a constant drag on the economy of the country. The Committee, therefore, feel that it would be useful to have a systematic study made, industrywise, of the economic size of industrial units so as to serve as a guideline for taking licensing decisions. They recommend that the terms of reference of the various bodies appointed to formulate the policy and programmes relating to development of various industries should include inter alia an

inquiry into the minimum and optimum economic size of units in the particular industry. ..

Computer-based information system

45. In Paragraph 3.66 of the Original Report, the Committee had stressed that the licences issued should be systematically and closely followed up to assess realistically the impact of Government's policies and decisions on the trend of industrialisation and take measures as necessary to ensure that development of industries in the backward areas received special impetus and encouragement. In reply, the Government had stated that it was proposed to set up a comprehensive computer based information system covering progress of a licence application upto the stage of commencement of production. They added that it was also proposed to constitute a Committee of Officers to periodically review such progress. In the Action Taken Report, the Committee had observed that they might be informed when concrete action was taken by Government in that regard.

46. Replying to a specific suggestion made by the Committee in Paragraph 4.24 of the Original Report for the introduction of a suitable card index system for compilation of up-to-date data in respect of licence applications, Government had stated that they were already considering the introduction of a computer based information system.

47. The Ministry of Industrial Development were requested to indicate the latest position in regard to the proposal for the introduction of a computer based information system to keep a watch on the progress of licence applications and on implementation of licences. A note on the constitution and working of the Committee of Officers/ Implementation Committee, if already set up was also called for from the Ministry. In a reply furnished to the Committee in November, 1973, the Ministry have stated that the proposal for introduction of a computer-based information system to keep a watch on the progress of licence application and on implementation of licences is "under consideration".

48. During evidence before the Committee, the representative of the Ministry stated that Government had "worked out this system (computer based information system) in the Directorate General of Technical Development and it is meant for only production data" and that "after reviewing the entire position in the light of studies made, it is now felt that it will not be necessary to computerise the progress of the implementation of a letter of intent and industrial

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licence." "This", he said, "should be handled by getting a six monthly report on progress, analysing and identifying bottlenecks, pursuing with State Governments, administrative Ministries and the entrepreneurs." It was pointed out during discussion that the Ministry were resiling for the assurance given to the Committee at the 'action taken stage' in December 1972 that such an information system was "proposed" to be set up. In reply, the Secretary, Ministry of Industrial Development state:

"There is no question that we should have centralised information as to the licences issued, with reference to various industries, with reference to various regions, etc., and that we should have complete data in regard to the implementation of the various stages of licensing. there is a scheme in the Ministry for having all the information on computerised basis, for the Directorate General of Technical Development, which deals with a number of other issues like raw material licensing, production trends and so on. There, the information is so complex that only a computer would be suitable. There was an idea that the licensing progress should also be linked with that. We have gone into this and our present thinking is that, instead of the data processing equipment, the card index system will be adequate to deal with so far as information in regard to licences issued, licensing progress and licensing implementation is concerned. You will appreciate that the particular type of information system should be suited to the nature of the work and should not make it more complicated for operational purposes, that is necessary for the subject matter in hand. There is no difference of opinion in the fact that we should have information. The only point is whether it should be a card index system or the data processing system. Until now, the collection of information in regard to licensing was based on the file and register system. That was totally inadequate."

Watch on Progress of Licence Applications

49. In reply to the recommendation made in Paragraph 5.53 of the Original Report regarding follow-up of licences issued upto the stage of their actual implementation, Government had stated that an implementation Committee was being set up to keep strict watch over the progress of licence applications from the time of their receipt upto the stage of actual setting up of licenced capacities.

Asked to indicate the constitution and working of this Committee, if already set up, the Ministry of Industrial Development have stated in a note furnished to the Committee in November, 1973:—

“Secretariat for Industrial Approvals (SIA) has been set up on 1st November, 1973 and in this Secretariat a new Committee at the level of Secretaries to the Government, namely, Project Approval Board, has been set up. This Board, among other things, has also been entrusted with the responsibility of reviewing the implementation of letters of intent and licences. A monitoring Unit has also been set up under the Secretariat for Industrial Approvals and its main functions are:

- (i) monitoring of delays during the approval process so that ‘delayed cases’ where decisions are pending even after the expiry of the prescribed time-limits, are promptly brought to the notice of the Approvals Committees; (ii) keeping track of the progress in commissioning of capacity after an industrial licence is issued.”

50. In a subsequent note furnished to the Committee describing the system of monitoring the progress of licence applications under the new system, it has been stated that cases where the processing had been delayed beyond the prescribed time limits would be reported to the Project Approval Board—an inter-ministerial Committee presided over by the Secretary, Industrial Development. The Board would review these pending applications monthly and give detailed instructions to the Ministries concerned on reduction of pendencies based on such reviews. In regard to the system for monitoring the progress of implementation of letters of intent and industrial licences, the note states:

“Progress in the implementation of industrial licences is being monitored through ‘G’ form returns which are furnished by entrepreneurs on a half-yearly basis to the Directorate General of Technical Development. With the introduction of the new arrangements, such returns in respect of industrial licences issued after 1-11-1973 will be received by the Monitoring Unit of the Secretariat for Industrial Approvals. Individual files have been opened for each approval and ‘G’ form returns in each case will be filed and analysed on a systematic basis. It is proposed to bring to the notice of Administrative Ministries and State Governments cases where implementation has not been satisfactory so that they could review the progress and take

remedial steps. A copy of the 'G' form is also being sent along with the industrial licence to entrepreneurs so that they have no difficulty in furnishing the required information on a timely basis."

52. In Paragraph 3.66 and 4.24 of their 19th Report (Fifth Lok Sabha), the Committee had stressed the need for a systematic and close follow-up of the licences issued to assess realistically the impact of Governments policies and decisions on the trend of industrialisation and for taking measures as necessary to ensure that development of industries in the backward areas received special impetus and encouragement. Government had earlier stated that with this end in view, they were considering the introduction of a computer-based information system. Government have now come to the conclusion that instead of computerisation of the information system, the card-index system would be adequate. Under the new procedure introduced with effect from 1st November, 1973, the responsibility for reviewing the implementation of letters of intent and licences and the monitoring of progress in that regard, has been entrusted to an inter-Ministerial body known as Project Approval Board. The Committee hope that as a result of adoption of these measures Government would be able to achieve the object of a systematic follow-up of the progress of licence applications until the licensed capacity is actually established. They would, however, like Government to examine the efficacy of the system after a period of two years of its working and take such remedial measures as may be necessary in the light of experience gained.

Delays in processing of licence applications

52. In Paragraph 4.11 of the Original Report, the Committee had stressed that normally it should not take Government more than 2-3 months to issue the letter of intent. At the Action Taken stage, Government had merely noted the recommendation. In Paragraph 4.40, the Committee had expressed distress at the fact that as on the 15th November, 1971, as many as 3,104 licence applications were pending with different Ministries/Departments of Government, that 30 per cent thereof were pending for more than one year and that the applications pending for more than one year with the Ministry of Industrial Development alone were as many as 259. The Committee had enjoined upon all the production Ministries the need for early disposal of licence applications and had stressed the need for a centralised, close and regular watch being kept on the stage by stage progress in respect of licence applications by the Ministry of Industrial Development upon whom rested the ultimate responsibility for early disposal of licence applications. In reply to the re-

commendation, the Ministry of Industrial Development had stated in December, 1972 that as a result of various measures taken by them, the number of applications disposed of had been, of late, showing an upward trend and the number of cases, pending with the Ministry of Industrial Development for one year had been brought down from 259 to 112. The Ministry had also stated that every effort was being made to clear the old pending licence applications, at the same time taking care to see that more recent applications did also receive quick and adequate attention so that those were also brought before the Licensing Committee within a reasonable span of time.

53. A statement showing the Ministry wise pendency of industrial licence applications as on 1.11.1973 when the new licensing procedure came into force is given below:

*Ministry wise Data of Pending Industrial Licence Applications
as on 1-11-1973.*

Ministry/Department	Year of Receipt of Application							Total
	1967	1968	1969	1970	1971	1972	1973 (Till Oct.)	
Industrial Development	2	3	1	13	92	98	892	1308
Heavy Industry	..	..	1	6	11	94	280	392
Commerce	1	10	13	125	120	232	256	757
Chemicals			1	9	88	236	349	683
Petroleum				1	..	8	8	17
Steel				5	18	52	98	173
Mines				4	8	74	109	195
Electronics			3	18	20	56	105	202
Sugar & Vanaspati	..	..	..	2	16	51	72	141
TOTAL	3	13	19	183	373	1101	2169	3861

54. The comparative position of pendency of licence applications as on 15th November, 1971 and 1st January, 1973 is as under:

Applications pending since	15-11-1971		1-11-1973	
	1	2	1	3
1967	..	11	..	3
1968	..	18	..	13
1969	..	114	..	19

1	2	3
1970	989	183
1971	1972	373
	(Upto 15-11-71)	
1972	..	1101
1973 .	..	2169
		(Upto 1-11-1973)

Of the 1692 licence applications pertaining to 1972 and earlier pending with different Ministries|Departments as on 1.11.1973 the Ministry|Department-wise break-up is as follows:—

Mnistry/Department	No. of applications pending
Industrial Development	409 ..
Heavy Industry .	112
Commerce . .	501
Chemicals . .	334
Petroleum . .	9
Steel	75
Mines	86
Electronics .	97
Sugar & Vanaspati	69
	<hr/> 1692

55. As to the progress of disposal of licence applications, the Ministry of Industrial Development have indicated that the clearance has gained momentum and that the number of pending cases pertaining to 1972 and earlier years has gone down from 1950 on 1.9.1973 to 1692 on 1.1.1973. The total number of pending cases have also, it is stated, gone down from 3861 on 1.11.1973 to 3596 on 1.12.1973, which represents a net reduction of 265 during November, 1973 despite a fresh receipt of 310 in that month. According to the Ministry, the “drive is being kept to reduce arrears and particularly pendencies in pre-1973 applications” and that “every effort will be made to dispose of these cases as early as possible during 1974”.

56. During evidence, the representative of the Ministry was asked to state as to when the Government expected to clear the backlog. He replied:

“It is very difficult to give a precise date. This is a matter which is distributed among the nine Ministries. I cannot give any commitment on behalf of so many Ministries.

But all applications of 1972 and earlier, I think, we will be able to wind up more or less by the first three months of 1974. There are some complicated cases; some of them have been questioned in Parliament. We will get about 99 per cent success in the first quarter. We can speak only for ourselves”.

57. The Ministry of Industrial Development were asked whether any changes have been introduced by Government in the industrial licensing procedures to facilitate early disposal of applications. They have stated that a revised procedure for industrial approvals has been introduced with effect from 1st January, 1973, with a view to issue various industrial approvals within the prescribed time limits. The letters of intent, foreign collaboration and capital goods clearances are proposed to be given clearance within 90 days. In cases requiring MRTP clearance, the applications will be disposed of within 150 days. In respect of schemes involving more than one approval, the entrepreneurs have been advised to come forward with composite applications for industrial licences. The implementation of the new system of industrial approvals has been under the overall supervision and guidance of a Committee consisting of Secretaries to the Government (Project Approval Board). Under the new system a Monitoring Unit has been set up to keep a watch on delays in processing the applications and setting up of capacity after the licences have been issued. Similarly, an Entrepreneurial Assistance Unit has also been set up to advise the new entrepreneurs on industrial policy and procedures etc. Detailed note describing the new procedure furnished by the Ministry are at Appendix I and II.

58. During evidence, the representative of the Ministry describing the new licensing procedure stated that although it was too early to give an exact idea of its functioning but “so far, it has been going on quite well”. He pointed out that the new procedure partially applied to old (pre-November, 1973) cases also and added:—

“Formerly, all cases which went to the Licensing Committee, after they were received back with the approval of the Minister were again distributed to nine Ministries for issuing final orders. In these cases, six weeks to two months were taken after approval was given for issuing final orders. Now, we have centralised this thing and this applies to the old cases also. For the approvals given in November, we have already issued the final orders and they have reached the applicants.”

59. In a subsequent written note furnished to the Committee, the Ministry of Industrial Development have stated that under the new procedures introduced with effect from 1st November, 1973 time limits have been fixed for the different stages in the processing of applications for letters of intent, industrial licences, foreign collaboration and capital goods. The time limit is 90 days for industrial licences (where MRTP clearance is not involved), for foreign collaboration approvals and for CG clearance. If simultaneous applications are made for letters of intent, foreign collaboration and capital goods, the time limit for a simultaneous clearance is 120 days. In cases where MRTP clearance is involved the time limit is 150 days. Within the prescribed time limits, every effort is made to clear export-oriented cases as quickly as possible. The Ministry of Commerce keeps a special watch on such cases in order to ensure that they are processed speedily. The detailed position in respect of export-oriented cases is also reviewed on a monthly basis by the Cabinet Committee on Industry and Trade. Under the new arrangements, applications for letters of intent, foreign collaboration and capital goods are now being received by the Secretariat for Industrial Approvals (SIA) in the Ministry of Industrial Development. The SIA has a common numbering system which links the different types of approvals and facilitates the progressing of applications at different states. Another improvement made in the new procedure is the fixing of realistic validity periods to avoid unnecessary work involved in extensions. Prior to the introduction of the new system, letters of intent had an initial validity period of 6 months. Since it was found that this was unrealistic and resulted in considerable paper work and delay in granting extensions, the initial validity period has been increased to 12 months. Thereafter, further extensions upto two periods of 6 months each¹ can be granted by the Administrative Ministry and extension proposals need not be brought to the Licensing Committee. With the increase in the initial validity period and delegation of responsibility to Ministries for granting extensions there will be, it is stated, a significant reduction in delay and in paper work. To streamline the process of examination of the proposal by the Ministry/Department concerned, the considerations which govern the examination and approval of industrial licences have been set out in detail in Guidelines for Industries 1973-74. The publication of these considerations will, it is stated, also help entrepreneurs to come up with proposals which conform to Government's policies and priorities. Guidelines for 110 industries were published in August 1973. Government proposes to publish such Guidelines on an annual basis.

60. The Committee are distressed to find that the number of licence applications pending with different Ministries at the end of October, 1973 was as large as 3861 out of which 1692 pertained to 1972 and earlier years. Of the total pendency, nearly 80 per cent were with the Ministries of Industrial Development, Commerce, Petroleum and Chemicals (Department of Chemicals) and Heavy Industries. The Committee regret that despite the importance of early clearance of licence applications being stressed by this Committee time and again, Government had not taken concerned measures to clear the pending licence applications. There is a general feeling that the industrial licensing is not merely dilatory but has in the past operated as a clog in industrial development. According to the Economic Survey 1973-74 there was a "small decline" in the index of industrial production during the first half of the calendar year 1973. The Minister of Finance also has, in his budget speech before Lok Sabha, admitted that "the upsurge in industrial production that was evident in 1972 was not sustained in 1973" and that "the available indicators suggest that there was hardly any increase in the rate of growth of industrial production in 1973". In the face of this distressing account of the industrial production during 1973, the Committee cannot too strongly emphasise the importance of concerted measures being taken to remove all laxity and impediments in the way of speedy clearance of licence applications and the implementation of the licences issued, so that atleast in the current year, the industrial production picks up the requisite momentum and the current scarcities yield place to adequate availability of essential goods to the common man and of industrial raw materials for accelerating production. The Committee desire that all the Economic Ministries/Departments should make special and concerted efforts to clear the backlog of pending licence applications as far as possible by the middle of this year.

Delay in disposal of M.R.T.P. Act cases

61. The Committee had, in Paragraph 4.109 of the Original Report, pointed out the delays occurring in the Department of Company Affairs and the MRTP Commission in the disposal of cases attracting the provisions of the MRTP Act. The Committee had desired that the Department of Company Affairs as well as the MRTP Commission should seriously try to compress their enquiries, investigations and processes within the statutory time limits and see that cases which were not disposed of within those time limits were an exception and not the rule. At the action taken stage Govern-

ment had stated that the recommendation had been brought to the notice of the Department of Company Affairs who had initiated necessary action for expediting the disposal of applications for clearance under the MRTP Act.

62. Government were asked to state the concrete action taken by the Department of Company Affairs and the M.R.T.P. Commission in this regard. In reply it has been stated that "a Secretariat for Industrial Approvals (SIA) has been formed as a Division of the Ministry of Industrial Development to rationalise, streamline and speed up the entire process of the grant of industrial approvals" and that "with the setting up of the new system it is hoped that the entire procedure would be expedited".

63. During evidence before the Committee, the representative of the Department of Company Affairs stated that "on an average we try to dispose of cases in about 4 or 5 months". The main difficulty in disposing of the applications, he added was that "unless the techno-economic merit of the cases are considered (by the appropriate authorities), it is premature to consider them under the MRTP Act."

64. The Government were also asked to furnish data regarding the pendency of applications received under the MRTP Act. The pendency as on 1-10-1973 has been indicated as follows:—

Section of the Act	Below 2 months	2 to 6 months	7 to 12 months	1 year & above	Total
21	10	20	24	20	74
22	7	14	11	16	48
TOTAL . . .	17	34	35	36	122

In a subsequent communication, the pendency position on 1-12-1973 has been indicated as follows:—

Pending for:

Below 3 months	35
More than 3 months but less than a year . . .	56
More than a year	35
TOTAL	126

65. A comparison of the above pendency position as on 1-10-1973| 1-12-1973 with that as on 15-11-1971 (cf. Paragraph 2.99 of Original Report) indicates that the number of M.R.T.P. cases pending with Government has increased from 61 on 15-11-1971 to 126 on 1-12-1973; that of cases pending for a period exceeding the statutory limit of 60 days for disposal has increased from 57 on 15-11-1971 to 105 on 1-10-1973; that of cases pending for more than six months has increased from 23 on 15-11-1971 to 71 on 1-10-1973; while the number of cases pending for one year or more has increased from 4 on 15-11-1971 to 35 on 1-12-1973. Asked to state the reason for this deterioration in the rate of disposal of cases under the MRTP Act, Government have in a written note furnished to the Committee stated:

“The number of fresh applications received for consideration under the MRTP Act has been on the increase and final disposal of these applications has also been higher. The percentage of disposal for the years 1970 (1-6-1970 to 31-12-1970), 1971, 1972 and 1973 (upto 31st November, 1973) have been 50, 73, 72 and 71 respectively. The percentages have been worked out with reference to the fresh receipts during the year and the actual disposal. The applications pending as on 1-12-1973 was 126 out of which 91 applications were pending for over a period of three months.

In regard to disposal of applications from MRTP covered undertakings, the applicants did not always make simultaneous applications for MRTP clearance. As the applications for MRTP clearance were considered after the clearance by Licensing Committee of the applications for industrial licence from the same party, it necessarily entailed certain amounts of delay as the procedures were sequential and not simultaneous. It was also noticed that in quite a few cases, the parties came up with the request for adjournment of hearings or wanted time for the furnishing additional information after hearing. Often the parties took a long time in filing applications for MRTP clearance. The reasons for pendency of MRTP cases can be summarised as below:—

- (i) Time lag due to sequential consideration of applications for industrial licence by the Licensing Committee and of the MRTP applications by the Advisory Committee;
- (ii) Non-submission or late-submission of MRTP applications by the parties;

- (iii) Request made by the parties for adjournment of hearings and for time for furnishing additional information”.

It has been further stated that, with a view to expediting the disposal of MRTP applications, the following steps are envisaged:—

1. The parties who have not yet applied for MRTP clearance are being directed to do so within a specified period of time.
2. The meetings of the Licensing Committee are being held more frequently to dispose of the pending back-log and this together with more sittings of the Advisory Committee will bring down the pendency considerably.
3. The Secretariat for Industrial Approvals which has been set up to consider and dispose of applications received after 1-11-1973 envisages clearance of MRTP covered cases within a period of 150 days. The revised procedure ensure simultaneous consideration of applications for industrial licences and MRTP clearance and to that extent the time consumed in giving the final approval would be reduced considerably. Also in order to ensure that the parties do not wait for one or the other clearance under the MRTP Act or the I (D&R) Act, a Press Note has been issued that the parties in their own interest should make simultaneous applications for industrial licence as well as MRTP clearance.

66. The Committee hope that the new licensing procedures introduced with effect from November, 1973 would result in expeditious disposal of licence applications requiring clearance under the MRTP Act. They suggest that, in the interest of expeditious clearance of the backlog of pending cases, the new procedures should be made applicable to all pending cases, irrespective of the date of receipt of the application.

Carrying on business licences

67. The Committee had in Paragraph 6.9 of the Original Report, observed that long delays were taking place in the disposal of applications for issue of carrying-on-business licences in respect of industrial undertakings which had been brought under licence under the new Industrial Licensing Policy announced in February, 1970. The Committee had noted the assurance given to them that

Government would try to speed up the clearance of such applications and try to dispose of all the pending applications in about 4 months i.e. by about the end of April, 1972. On reply to the recommendation, Government had stated that the pendency of applications for COB licences had come down from 417 as on 1st January, 1972 to 309 as on 1st August, 1972 out of which those pending for more than one year were 174. It was also stated that instructions had been issued for expeditious disposal of such cases.

68. On enquiry as to the latest position regarding the pendency of applications for COB licences as on 1st September, 1973, and their break-up according to the duration of their pendency, Government have indicated the position as on 1-9-1973 as follows:—

Pending for more than 3 years	8
Pending for more than 2 years but less than 3 years	94
Pending for more than 1 year but less than 2	26
Pending for more than 6 months but less than 1 year	30
Pending for more than 3 months but less than 6 month	20
Pending for less than 3 months	96
TOTAL	274

69. In a subsequent communication, the number of COB licence applications pending for more than one year as on 1-11-1973 has been indicated as 131. The reasons for the slow pace of disposal of these applications have been given as follows:—

“Before the issue of COB licences, a detailed scrutiny of the claims to capacities made by the applicants and actual production in the plant are necessary. The disposal of COB applications, therefore, takes relatively longer time than other industrial licence applications. Every effort will be made to clear these applications quickly, especially in cases where they have been pending for a long time”.

It may be stated that the time of last examination of the subject by the Estimates Committee (1971-72) the same plea was advanced for the slow rate of disposal of these applications and the Secretary of the Ministry of Industrial Development had, while tendering evidence before the Committee in January, 1972, given the assurance that Government “shall try to speed them up further and finish them in about four months”.

.70. The Committee regret to note that during the period of 15 months from August, 1972 to October, 1973, the pendency of applications for C.O.B. licences was reduced by only 35 and that as on 1-11-1973 as many as 274 such applications were still pending with the Government. This is despite the repeated assurances given to the Committee during evidence as well as in writing that special efforts would be made to clear them expeditiously. The Committee would, therefore, like to stress upon Government the need for early clearance of these applications without which the running enterprises are unable to get raw material at controlled rates. In this connection they would suggest that the new streamlined licencing procedures should be made applicable to all applications for C.O.B. licences pending with the Government irrespective of the date of receipt of the application. In stressing the need for speeding up the processing of applications for C.O.B. licences, the Committee should not be understood to imply that cases of foreign companies or those with foreign collaboration should not be examined in depth to make sure that such licences are really in country's interest.

NEW DELHI;

March 3, 1974

Chaitra 13, 1896 (S)

R. K. SINHA,

Chairman,

Estimates Committee.

APPENDIX I

(Vide Para 57 of the Report)

Ministry of Industrial Development, Dated:—31-10-1973

PRESS NOTE

STREAMLINING OF INDUSTRIAL APPROVAL PROCEDURES

In announcing their decisions on Industrial Policy in the Press Note Dated February 2, 1973, Government had expressed their intention to streamline licensing and connected procedures, wherever necessary, so as to expedite the investment process in all its stages. Government have now completed a comprehensive examination of the procedures relating to preinvestment approvals such as letter of intent, industrial licence, foreign collaboration approval, capital goods clearance and approvals under the MRTP Act, 1969. It is both necessary and feasible, within the frame-work of Industrial Policy, to reduce the time lags currently involved in issuing these approvals. With this objective in view, a considerably streamlined system for the issue of Industrial Approvals will be introduced with effect from November 1, 1973 in respect of applications made on or after that date.

The essential objective of the new system will be to issue various clearances within defined time targets. Letters of intent, foreign collaboration approvals and capital goods clearance are proposed to be issued within 90 days of the receipt of applications in each case. In MRTP cases, it is proposed to give clearance within 159 days having regard to the provisions of the MRTP Act, 1969. It is also the desires of Government that, wherever possible, entrepreneurs should be encouraged to come forward with composite applications for industrial licence and, as may be required, for foreign collaboration approval and capital goods clearance as well. In such "composite cases", the time target will be 120 days for a composite clearance which will cover the licence, foreign collaboration and capital goods applications. Where, in addition, an MRTP clearance is also involved, the time target will be 150 days.

The implementation of the new system of Industrial Approvals is being placed under the overall supervision and guidance of an Inter-Ministerial Committee of Secretaries, viz., the Project Approval Board (PAB). Existing approval committees such as the Licensing

Committee, Foreign Investment Board and the Capital Goods Committee will function as Committees of the PAB. The PAB will directly deal with composite applications. In order to facilitate the co-ordinated and timely disposal of licensing and MRTP clearances, a joint Licensing-cum-MRTP Advisory Committee has been formed.

The Project Approval Board and the other approval committees will be serviced by a Secretariat for Industrial Approvals (SIA) which has been formed as a separate division in the Ministry of Industrial Development. The SIA will be responsible for receipt of applications, processing them through the concerned approval committees and for issuing the final orders of Government in each case to the applicant within the prescribed time limit. It will also monitor the implementation of approvals by entrepreneurs and assist them in procedural matters.

All applications for industrial licence and foreign collaboration may be submitted with effect from November 1, 1973 to the Secretariat for Industrial Approvals (Central Receipt and Despatch Section), Udyog Bhavan, New Delhi-11. Capital goods applications, where the estimated, value of the equipment is Rs. 10 lakhs (non-rupee area) and Rs. 25 lakhs (rupee area) or above may be submitted to the Secretariat for Industrial Approvals (C.G. Unit), Udyog Bhavan, New Delhi-11. Capital Goods applications below these limits may continue to be submitted to the Chief Controller of Imports and Exports, Udyog Bhavan, New Delhi-11. Foreign collaboration agreements which have to be taken on record by Government after their conclusion may be sent to the Administrative Ministry concerned.

Application forms currently in force for the various industrial approvals may continue to be used for the present. It is proposed to simplify and streamline them separately. It will be necessary for applicants who need a clearance under the MRTP Act, 1969 to submit industrial licence and MRTP applications simultaneously in future. Unless this is done it will not be possible to coordinate the two clearances within the prescribed time limits under the new arrangements. In such cases, a copy of the MRTP application should be sent to the Secretariat for Industrial Approvals (Central Receipts and Despatch Section), Udyog Bhavan, New Delhi-11, along with the industrial licence application. Simultaneously, the prescribed number of copies of the MRTP application should be sent as at present to the Department of Company Affairs. In cases where an applicant needs capital goods clearance and/or foreign collaboration approval in addition to an industrial licence, he may submit simultaneously applications for all the approvals required. It will

be desirable for entrepreneurs to submit such "Composite applications" since it will enable a composite or simultaneous clearance to be given with a significant saving in the time lag. Entrepreneurs are also advised to submit sufficient number of additional copies of applications where the investment proposal involves the manufactures of items which fall under different sub-groups listed in the First Schedule to the Industries (Development and Regulations) Act, 1951 to facilitate speedy precessing. Deficiencies in filling up applications will be comprehensively brought to the attention of applicants who will be required to resubmit them with full particulars. The help of the Entrepreneurial Assistance Unit of the Secretariat for Industrial Approvals will also be available to applicants for filling in the necessary forms. It is emphasised that the efficient working of the new system will depend in large measure on entrepreneurs furnishing complete particulars on well conceived investment proposals which conform to Government (s) industrial policies and Plan priorities.

At present the initial validity of letters of intent is normally six months, within which applications for other clearances as may be required such as foreign collaboration and capital goods are required to be submitted. Since in most cases preparatory work for subsequent clearances takes more time, letters of intent are being extended frequently entailing avoidable paper work for both Government and the entrepreneur. Government have therefore decided that in future the initial validity period for a letter of intent will be 12 months. In cases where neither foreign collaboration approval nor capital goods clearance is involved, an industrial licence will be issued at the initial stage itself instead of a letter of intent. In cases where only one further clearance viz., foreign collaboration or capital goods clearance is necessary, one further extension of six months to the initial validity may be considered. In cases where both foreign collaboration and capital goods clearances are involved, two extensions of six months may be considered. Applications for extensions to letters of intent should be addressed to the Administrative Ministry concerned. Government, however, wish to point out that applications for extensions beyond a total period of 18 or 24 months, as explained above will in no event be entertained. If an entrepreneur is not able to file applications for all clearances he needs within the total periods indicated above, his letter of intent will lapse and he will have to apply for a fresh letter of intent if he so chooses.

There is considerable delay at present in converting valid letters of intent into industrial licences. To avoid this delay, letters of intent will be automatically converted in future into industrial licences when the final subsequent. Clearance that is required viz., foreign colla-

boration or capital goods clearance is given. Applications for converting letters of intent issued prior to 1-11-1973 into industrial licences may be sent with a copy of the original approval to the Administrative Ministry concerned.

The initial validity of industrial licences will be two years within which period commercial production from the licensed capacity will have to be established. This period can be extended by the Administrative Ministry concerned if there is good and sufficient reason for two further periods of one year each. Thereafter, extensions to the validity of industrial of licences will have to be decided upon by the Project Approval Board. The PAB while considering extensions in suitable cases where the investor has made serious efforts to commission capacity, will at the same time, take a strict view of cases where adequate progress has not been made so that preemption off capacity and delays in bringing licensed capacity to fruition can be effectively discouraged.

Entrepreneurs holding industrial licences are required to submit returns in Form 'G' prescribed under Rule 19 of the Registration and Licensing of Industrial Undertakings Rules, 1952 within one month after the expiry of every half year ending June 30 and December 31 commencing from the date of issue of the licence, until such time as the industrial undertaking commences production. The Form 'G' returns should be submitted in future in duplicate to the Secretariat for Industrial Approvals (Monitoring Unit), Udyog Bhavan, New Delhi-11. Copies of the Form 'G' returns should also be sent to the Administrative Ministry concerned and to the Director-General of Technical Development or other appropriate Technical Authority.

The Secretariat for Industrial Approvals has also been equipped with an Entrepreneurial Assistance Unit. This unit will help small, medium and new entrepreneurs in obtaining information on Industrial Policy and procedures, the status of various industries and other relevant matters which might be of benefit to them. The Unit will also advise applicants on request regarding the status of their applications if there is a delay beyond the prescribed target date. Government have also recently brought out a publication entitled 'Guidelines for Industries 1973-74', which brings together useful information on a number of industries of particular interest to small, medium and new entrepreneurs. It is proposed to issue such guidelines on an annual basis. Government have also separately streamlined the procedural requirements that apply to the 'delicensed sector' of investments upto Rs. one crore. These arrangements are

specifically intended to reduce delays for small and medium entrepreneurs.

Government hope that these arrangements will result not only in speedy and orderly approval procedures but also in enforcing an expeditious translation of letters of intent and industrial licences into productive capacity on ground.

APPENDIX II

(Vide Para 57 of the Report)

GOVERNMENT OF INDIA

MINISTRY OF INDUSTRIAL DEVELOPMENT

PRESS NOTE

STREAMLINING OF PROCEDURES IN THE DELICENSED SECTOR

In their Press Note on Industrial Policy dated 2nd February, 1973, Government had announced their intention to enlarge and intensify a variety of positive measures designed to promote the growth of small and medium entrepreneurs and to streamline licensing and connected procedures wherever necessary to expedite the investment process in all its stages.

2. According to the existing industrial licensing policy, proposed investments on Land, buildings, plant and machinery not exceeding Rs. one crore require an industrial licence if such investments fall in any of the following categories:—

- (i) The additional investment along with the ordinal investment in the undertaking exceeds Rs. 5 crores;
- (ii) The applicants belongs to a larger house or a dominant undertaking falling under Chapter III of the MRTP Act or a foreign majority company;
- (iii) The article of manufacture is one reserved for the small scale sector (unless the proposed unit is itself in the small scale sector) or for the public sector as specified in schedule A to the Industrial Policy Resolution of 1956 or is one of the industries subject to special regulation. (*viz.* coal, textiles produced on power looms, milk, foods, malted foods, roller flour mills, oil seed crushing, vanaspati, leather and matches);
- (iv) The proposed investment requires foreign exchange exceeding 10 per cent of the investment or Rs. 5 lakhs whichever is higher for the import of machinery and equipment;

- (v) The proposed investment requires foreign exchange exceeding 5 per cent of the ex-factory value of annual production or Rs. 5 lakhs whichever is less for the import of raw materials (other than steel and aluminium) used in the manufacturing activity in any year or 10 per cent of the ex-factory value of annual production or Rs. 5 lakhs whichever is less in any year after 3 years of the commencement of production for the import of components used in the manufacturing activity.

3. The effect of the above conditions is that small and medium entrepreneurs whose investments do not fall in the categories specified in paragraphs 2(i), (ii), (iii) and (v) are required to take an industrial licence, in addition to capital goods clearance in cases where the import of capital goods is necessary. It is found that a substantial number of industrial licence applications are from such applicants purely from the point of view of capital goods requirements. In order to reduce the delay involved in these process Government have now decided that it will be sufficient for such investors to apply for capital goods clearance straightway without having to obtain in a letter of intent or an industrial licence in advance.

4. This facility will, however, not be available to cases where the additional investment along with the original investment in the undertaking exceeds Rs. 5 crores or to applicants who belong to a larger house or a dominant undertaking falling under Chapter III of the Monopolies and Restrictive Trade Practices Act, 1959 or to a foreign majority Company. It will also not be applicable where the article of manufacture is one is reserved for the small sector or for the public sector or is one of the industries subject to special regulation. Cases where requirements for the import of raw materials or components exceeds the limits at present prescribed will continue to require prior licensing.

5. Government have also decided that this facility will not be available where the proposed investment is in any of the following industries (i) Manufacture of all qualities of steel from electric furnaces based on scrap; (iii) Iron and Steel pipes and tubes and stainless tubes; (iii) Bright bars; (iv) Tin containers and metal containers; (v) Drugs and barrels; (vi) Wires of mild steel, special steel and alloy steel coated and uncoated; (vii) Re-rolling of steel; (viii) Non-ferrous semis, alloys, flat products and extrusions excluding aluminium semis; (ix) Plastic processed goods; and (x) industrial gases.

6. In considering applications for import of capital goods, the Capital goods Committee, besides taking into account the essentiality and indigenous non-availability the equipment proposed to be imported, will also ensure that the proposed investment conforms to the industrial licensing policy of 2nd February, 1973 and Plan priorities. Investments proposed in non-priority areas or in fields where there is adequate capacity and which involve a significant dependence on imported capital goods and/or imported or scarce raw materials will not be encouraged. The Capital Goods Committee will also examine such proposals with reference to technological aspects, export possibilities and the over-all effect on the balance of payments. It is proposed to publish, from time to time, lists of industries in respect of which a prior licence will still be necessary because of these considerations.

7. After the approval is accorded to the import of capital goods as above, such cases will be eligible for registration with the Directorate General of Technical Development under the scheme as applicable to cases not required to take industrial licences.

8. The necessary notifications to implement this decision are being issued separately.

Ministry of Industrial Development

New Delhi, October 31, 1973/Kartika 9, 1895.

APPENDIX III

Summary of Recommendations|Conclusions Contained in the Report

S. No.	Reference to Para No. of the Report	Recommendations|conclusions
(1)	(2)	(3)
1.	8	The Committee are averse to piece-meal amendments to the Industries (Development & Regulation) Act, being brought before Parliament. They regret that Government have been taking unduly long time in examining and finalising the various proposals for amendment to the present Act. They urge that firm target dates should be fixed for the Group appointed to examine the proposals for amendments to the Act and the Rules made thereunder, for the submission of their Report and for the Government to finalise them so that comprehensive amending legislation is brought before Parliament at least before the end of the year. The Committee need hardly stress that it would have been for more appropriate if all the amendments to the Industries (Development and Regulation) Act had been effected before the commencement of the Fifth Five Year Plan.
2.	13	The Committee note that Government have reviewed their policies relating to industrial development in the light of the experience gained in the implementation of the Industrial Policy of 18th February, 1970 and in the context of the approach to the Fifth Five Year Plan. They also take note of the announcement made by Government in February, 1973, of the Industrial Licensing Policy for the Fifth Plan period. They stress that this policy should remain stable over the Plan period.

(1)	(2)	(3)
3.	17	<p>The Committee note that Government have decided to bring forward necessary legislation so far as the Restricted Partnership is concerned so that the small scale sector is not exploited by the big industrialists as a cover for their activities. The Committee would like the matter to be expedited so that the small scale sector really subserves the objective that the Government had in view of encouraging persons with skill but limited financial resources to contribute their productive effort.</p>
4.	18.	<p>As regards the development of small scale industries by way of ancillaries to large scale industries, the Committee understand that the matter is being reviewed comprehensively in the light of Bhatt Committee's recommendations and that Government would take a final decision after discussing the matter with the State Ministers of Industries. The Committee feel that the matter has already been inordinately delayed and that concerted measures should be taken to afford encouragement either by statutory provision or administrative instructions to the small scale units to develop as ancillaries to large scale units. The Committee would also like Government to examine other aspects like quality control, payment of dues in time, etc. so that the genuine difficulties which are coming in the way of faster development of small scale industries as ancillaries to large scale units, are resolved. The Committee would like to reiterate that the public sector should provide leadership in this behalf by encouraging and sustaining establishment of small scale units as ancillaries to their undertakings.</p>
5.	23.	<p>The Committee feel that the comprehensive review of all the items reserved for the Small Scale Sector should have been completed well before the commencement of the Fifth Plan so that Government could take decisions about</p>

(1)

(2)

(3)

reservation|de-reservation of items for the Small Scale Sector and announce them for the guidance of all concerned. Thereafter, a standing machinery could have been set up for a continuous review and timely action by Government to sustain development of Small Scale Sector in the area reserved for them and also for making additions and alterations therein in the light of performance of the Small Scale Industries. The Committee note the assurance given to them that the work of review of all items reserved in the Small Scale Sector, would be completed by February, 1975. They hope that while evaluating individual items and taking decisions regarding reservation|de-reservation for the Small Scale sector, the Government would keep in view *inter alia* the paramount interest of the consumers in the matter of availability of goods of assured quality at competitive prices.

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The Committee need hardly stress that the information to be collected during the Census should be meaningful so as to enable the Government to make a realistic assessment of the role and contribution of the small scale sector with reference to the capacities developed and production achieved in different fields. The census should also help the Government to understand the various constraints of inputs, particularly availability of power, raw material, etc. so that concerted efforts could be made to resolve these difficulties. The Committee suggest that such surveys should be undertaken at periodical intervals, more specially before the conclusion of a Plan period so that the salient facts which come to notice as a result thereof are duly taken into account in reviewing and modifying the policies in the interest of achieving larger production in this sector during the next plan period.

(1)	(2)	(3)
7.	37	<p>The Committee are constrained to observe that while the problem of development of backward areas has been recognised for nearly a decade, we have not been able to make any noticeable dent on this problem during this period. The Committee note that Government have now identified growth centres in backward areas. The Committee stress that Government should make concerted efforts to provide infrastructure like power, water, communication facilities, etc. at these growth centres in the backward areas. The Committee stress the need for preparation of blue prints of industrial projects which could be set up appropriately in these growth centres so that the most promising ones could be selected for implementation after examination in depth. Government should also take a timely decision about the agency whether in public or private sector which would be entrusted with the establishment of the selected industrial unit in the growth centres so that it can be extended all the facilities to bring up the unit as per time bound and production oriented programme. The Committee would like the Government to bring out concrete and detailed schemes for the development of backward areas and give them wide publicity so as to dispel the prevailing mood of pessimism obtaining in these areas. The progress made in implementing these schemes should be specifically mentioned in the Plan document as well as the Ministry's annual reports.</p>
8.	44	<p>The Committee feel that it would be in the larger economic interest of the country if the scarce resources are not committed for industrial units which, being not economically viable, have to close down eventually or be a constant drag on the economy of the country. The Committee, therefore, feel that it would be useful to have a systematic study made, industrywise, of the</p>

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economic size of industrial units so as to serve as a guideline for taking licensing decisions. They recommend that the terms of reference of the various bodies appointed to formulate the policy and programmes relating to development of various industries should include *inter alia* an inquiry into the minimum and optimum economic size of units in the particular industry.

9.

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In Paragraph 3.66 and 4.24 of their 19th Report (Fifth Lok Sabha), the Committee had stressed the need for a systematic and close follow-up of the licences issued to assess realistically the impact of Governments policies and decisions on the trend of industrialisation and for taking measures as necessary to ensure that development of industries in the backward areas received special impetus and encouragement. Government had earlier stated that with this end in view, they were considering the introduction of a computer-based information system. Government have now come to the conclusion that instead of computerisation of the information system, the card-index system would be adequate. Under the new procedure introduced with effect from 1st November, 1973, the responsibility for reviewing the implementation of letters of intent and licences and the monitoring of progress in that regard, has been entrusted to an inter-Ministerial body known as Project Approval Board. The Committee hope that as a result of adoption of these measures Government would be able to achieve the object of a systematic follow-up of the progress of licence applications until the licensed capacity is actually established. They would, however, like Government to examine the efficacy of the system after a period of two years of its working and take such remedial measures as may be necessary in the light of experience gained.

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The Committee are distressed to find that the number of licence applications pending with

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different Ministries at the end of October, 1973 was as large as 3861 out of which 1692 pertained to 1972 and earlier years. Of the total pendency, nearly 80 per cent were with the Ministries of Industrial Development, Commerce, Petroleum and Chemicals (Department of Chemicals) and Heavy Industries. The Committee regret that despite the importance of early clearance of licence applications being stressed by this Committee time and again, Government had not taken concerted measures to clear the pending licence applications. There is a general feeling that the industrial licensing is not merely dilatory but has in the past operated as a clog in industrial development. According to the Economic Survey 1973-74 there was a "small decline" in the index of industrial production during the first-half of the calendar year 1973. The Minister of Finance also has, in his budget speech before Lok Sabha, admitted that "the upsurge in industrial production that was evident in 1972 was not sustained in 1973" and that "the available indicators suggest that there was hardly any increase in the rate of growth of industrial production in 1973". In the face of this distressing account of the industrial production during 1973, the Committee cannot too strongly emphasise the importance of concerted measures being taken to remove all laxity and impediments in the way of speedy clearance of licence applications and the implementation of the licences issued, so that atleast in the current year, the industrial production picks up the requisite momentum and the current scarcities yield place to adequate availability of essential goods to the common man and of industrial raw materials for accelerating production. The Committee desire that all the Economic Ministries/Departments should make special and concerted efforts to clear the backlog of pending licence applications as far as possible by the middle of this year.

(1)	(2)	(3)
11.	66	<p>The Committee hope that the new licensing procedures introduced with effect from November, 1973 would result in expeditious disposal of licence applications requiring clearance under the MRTP Act. They suggest that, in the interest of expeditious clearance of the backlog of pending cases the new procedures should be made applicable to all pending cases, irrespective of the date of receipt of the application.</p>
12.	70.	<p>The Committee regret to note that during the period of 15 months from August, 1972 to October, 1973, the pendency of applications for C.O.B. licences was reduced by only 35 and that as on 1st November, 1973 as many as 274 such applications were still pending with the Government. This is despite the repeated assurances given to the Committee during evidence as well as in writing that special efforts would be made to clear them expeditiously. The Committee would, therefore, like to stress upon Government the need for early clearance of these applications without which the running enterprises are unable to get raw material at controlled rates. In this connection they would suggest that the new streamlined licencing procedures should be made applicable to all applications for C.O.B. licences pending with the Government irrespective of the date of receipt of the application. In stressing the need for speeding up the processing of applications for C.O.B. licences the Committee should not be understood to imply that cases of foreign companies or those with foreign collaboration should not be examined in depth to make sure that such licences are really in country's interest.</p>

APPENDIX IV

(Vide Introduction).

*Analysis of Recommendations|Conclusions contained in the
Report*

1. CLASSIFICATION OF RECOMMENDATION

A. *Recommendation for improving the Organisation and Working:—*

S. Nos: 1 and 3—12.

B. *Miscellaneous Recommendation:*

S. No. : 2.