



Report on
INDUSTRIAL ORGANISATION

**(NATIONAL COMMITTEE ON THE
DEVELOPMENT OF BACKWARD AREAS)**

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REPORT ON
INDUSTRIAL ORGANISATION

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I. INTRODUCTION

1. *A Central organisation is no more capable of supporting the promotion and development of the so many types, of industries that can be usefully promoted in the present economy. It is now necessary that the States take over the basic responsibility for the development and encouragement of small industries. But this responsibility cannot be discharged effectively without the active cooperation, and an umbrella role on the part of the central organisation created for the developments (and support of, industry.*

[para 1.4]

II. SMALL INDUSTRIES DEVELOPMENT ORGANISATION

2. Considering the role envisaged for the SIDO in its franchise, the present organisation is not sufficient to discharge the role.

[para 2.9]

3. *Because many States, particularly those backward in industrialisation have not yet taken up their allotted responsibility for development of small industries in their States, the SIDO with its hierarchies of organisation is trying to get down to the entrepreneur in the field and develop small industries in the States directly. As a result, their overall role of policy development and interacting with the Ministries and Organisations which both lay down policies and create necessary infrastructure does leave a lot to be desired.*

[PARA 2.9]

4. *The SIDO should keep to and develop an effective role in policy development and guidance and technical development and guidance on All India basis.*

[PARA 2.9]

5. *The Economic Division of SIDO should improve the monitoring system and lay down the all India policies for monitoring. At the same time, bulk of the actual monitoring in the field and reporting will have to be undertaken by the vast extension organisation that is now being developed in the field for development of small industries.*

[PARA 2.10]

6. *The Economic Adviser (SIDO) must suo-moto take up important sectors of small industrial development for examination and advise without waiting for somebody to ask.*

[PARA 2.10]

7. *Wherever project profiles have been issued by SIDO, it is necessary for the Economic Adviser's Division to do some periodical checks to see how far the presumptions work out in the field and what modifications may have to be adopted by the Technical Advisers to make the profiles more acceptable and more realistic and useful*

[PARA 2.10]

8. The Committee would recommend that the primary responsibility for identifying and dealing with sickness should be that of the Directorate of Industries in the State. The

problem may be referred to SIDO if it cannot be tackled at the State level.

[para 2.11]

9. An integrated system involving the Block Industries Officers, District Industries Centres, the Directorate of Industries and SIDO should be evolved as to ensure that the data for small scale industries is comparable in range and reliability to the data that is available for medium and large industries with the DGTD.

[para 2.12]

10. The functions of Industrial Advisers should be defined as follows : —

- (i) Helping the State level and regional small industries development organisations to keep abreast with latest developments in technology.
- (ii) Monitoring (a) technological developments and (b) changes in the pattern of demand in order to identify new opportunities for development and modernisation and emerging problem areas.
- (iii) Continuously monitoring the changing balance of advantage between large and small industries and seeking changes in policy in favour of Small industries.

[para 2.14]

11. A part of the time at regional meetings of SIDO should be used for a wider meeting which should include officers of the concerned Directorates of Industry, DGTD, IDBI and concerned financial institutions. Every attempt should be made to ensure that the best available technical expertise in the country whether it be in the public or private sector is used at these quarterly meetings.

[para 2.15]

12. A regular flow of published material from SIDO would also help in this task of maintaining the level of technical knowledge in the lower echelons which are involved in direct contact with industries.

[para 2.15]

13. There should be a scheme to second officers of SIDO for operational duties in industrial plants on a regular basis so as to ensure that they remain aware of conditions at the shop floor and enterprise level.

[para 2.16]

14. It is necessary to ensure that there is a back up consultancy scheme to allow SIDO to obtain the services of outside experts.

[para 2.17]

15. The work of the Industrial Advisers may be so organised as to group products with substantial growth potential in a rational manner between the Advisers. If necessary, the number of posts of Industrial Advisers in SIDO should be increased. There should be specialists under the Industrial Adviser dealing with the specific items. Every attempt should be made to ensure that the SIDO has sufficient expertise within organisation at least for the small number of items with high potential.

[para 2.18]

16. There should be a greater interaction between SIDO and DGTD in matters like demand appraisal, technology assessment etc. The operational interaction between SIDO and DGTD should take place not merely at the top level of the Development Commissioner or the Industrial Adviser but also lower down in the hierarchy.

[PARA 2.19]

17. The Directorate of Industries in the States must take the lead in identifying areas/ industries where there is need for modernisation, initiate action and monitor progress.

[PARA 2.21]

18. The Directorate of Industries should acquire the services of a Project Manager for the scheme, taking every care, to ensure that this Manager has the required technical and managerial competence.

[PARA 2.21]

19. When a modernisation programme is sufficiently large the responsibility for implementation may be passed on to the relevant District Industries Centre.

[PARA 2.21]

20. The rate of the Central organisation in the modernisation programme must be to support the Directorate of Industries by way of advice, finance and facilities.

[PARA 2.21]

21. Modernisation be a part of function of each Industrial Adviser and not of just one who is so designated.

[PARA 2.22]

22. The project based approach for modernisation schemes could also be followed wherever there is some potential for intensive development of a new type of Small industry in a concentrated area.

[para 2.23]

23. The role of SIDO in monitoring implementation of the ancillarisation scheme should be considerably strengthened.

[para 2.25]

24. The Industrial Adviser (Ancilliarities) should undertake independent studies on the progress of ancillarisation in specific public sector projects. He must be allowed to look into the structure of operations and purchase programmes in public sector projects to identify the scope for ancillarisation

[para 2.2.6]

25. There should be a High level Committee to, lay down specific targets for individual enterprises under the scheme and to monitor progress. This Committee should be serviced by the Industrial Adviser (Ancilliarities) and his organisation. It should include the Secretary (Industrial Development), the Development Commissioner (SSI) and the Secretary of the concerned administrative Ministry.

[para 2.27]

26. The Government Director on the Board of Public Enterprises should be specifically charged with the responsibilities of ensuring that the scheme of ancillarisation is implemented sincerely. The Industrial Adviser (Ancilliarities) should use the services of the Government Director for tackling specific problems in the response of the parent enterprise to the agreed ancillarisation scheme. [PARA 2.28]

27. The potential for ancillarisation in large projects, whether public or private, which are subject to licensing control must be identified by Industrial Adviser (Ancilliarities)

[para 2.30.]

28 The production of ancillariable items must be left out of the licences which must also contain the conditions that a certain percentage of purchases should come from ancilliarities.

[para 2.30]

29 It must be the responsibility of the Industrial Adviser (Ancilliarities) to ensure that the requisite efforts are forthcoming from 'the State Government concerned

[para 2.31]

30 There should be a Deputy Adviser (Industrial Estates) under the Industrial Adviser (Ancilliarities) who will have to ensure that the two programmes for industrial estates and for ancillary development are adequately coordinated 4

[para 2.32]

31. It is essential that SIDO should be associated with the processes of allocation of imported and controlled raw materials to ensure that the requirements of small industries particularly those in backward areas are fully met.

[para 2.33]

32. The Small Industries Board should be made more 'effective by proper bringing up of problems by the Ministry to, the Board as and when opportunities arise. The Board can also utilise its standing committee approach to deal with particular problems of small industries which are crucial at the time. It is not necessary to give a statutory status to, the Board.

[PARA 2.34]

III. SMALL INDUSTRY SERVICE INSTITUTE

33. The number of SISIs, Branch SISIs, etc., located in industrially less developed areas should be increased to at least 50.

[para 3.2]

34. The industries which cannot be covered by the DIC should be provided the requisite technical expertise by the regional SISI, Branch SISI or Industrial Extension Centre.

[para 3.3]

35. The SISIs should not be thought of as intermediary units between the DIC and the Central Organisation but as organisations which will complement the DICs. What is required is a balanced distribution of technical expertise between the DIC and the SISI.

[para 3.3]

36. The pattern of distribution of expertise between the DIC and the SISI cannot be uniform and will vary from State to State and even district to district. It is clear that lids approach will require a clear coordination of the staffing pattern and work programme of the DICs and the concerned SISI.

[para 3.5]

37. The present arrangements for coordination between SIDO and the SISI and between the SISIs and the State Governments do not need any substantial modifications. However, the staffing pattern of SISI must be coordinated with the technical expertise built up in the DICs by the State Government so as - to avoid unnecessary duplication.

[PARA 3.7]

38. Operational coordination between the DICs and the concerned SISI be secured by periodic meetings of the concerned officers of the two organisations. This meeting may be called by the concerned SISI who may provide the Secretariat for this purpose. However, the meeting would be chaired by the Director of Industries so as to ensure effective participation and decision making by the State Government.

[para 3.8]

39. There should be periodic survey of the requirements of technical expertise in each SISI to be undertaken by SIDO and posts should be rearranged according to need by the DC(SS)I on the basis of the discussions at the regional meetings.

[para 3.9]

40. In order to avoid too great a frequency of transfers the requirements should be assessed on a fairly long-term basis and a post should be assigned to SISI only when the corresponding expertise is likely to, be required for 3-5 years. Shorter term requirements could be met by making ad-hoc arrangements.

[para 3.10]

IV. STATE LEVEL INDUSTRIAL ADMINISTRATION

41. The nature of the State Governments' responsibilities require both a departmental structure as part of the government and a technical wing to advise the State Government and oversee field level implementation.

[para 4.3]

42. The primary responsibility of the Department of Industries will be for planning and policy formulation.

[para 4.5]

43. The Department of Industries will consist primarily of Secretariat staff though it should have an Economic Adviser to provide analytical guidance on planning and policy formulation.

[PARA 4.6]

44. The expertise of the State Government in the field of industrial development will be located mainly in the Directorate of Industries. [PARA 4.6] 45. The primary focus of the Directorate of Industries will be on small industry development since the responsibilities of the State Government in this area are far greater than in the* field of medium and large industries.

[para 4.7]

46. The Directorate of Industries must have a strong technical division. The level of expertise in this division should be such as to advise the technical officers in the DICs promptly and effectively on the various problems that arise in the field. They should also be capable of rendering advice to the State industries departments in technical matters relating to the field which they handle.

[para 4.8]

47. The technical competence of the Directorate of Industries will have to cover the requirements of the modernisation and ancillary programmes.

[para 4.9]

48. The Directorate of Industries will need a strong economic, statistics and monitoring wing. This wing will be responsible for techno-economic analysis and advising the State Government on project economics and on policies. They will have to undertake periodic evaluations of specific programmes and policies.

[para 4.10]

49. Besides technical support and economic advice, operational functions will also have to be covered in the organisational Structure of the Directorate of Industries.

[para 4.11]

50. Though the primary responsibility for coordination will rest with the State Department of Industries, it will be necessary to make provision for a planning wing in the Directorate also so as to provide the required technical support to the Department.

[para 4.12]

51. The Directorate of Industries should be headed by a senior officer equivalent in rank to a Commissioner.

[para 4.13]

52. The Directorate will need high quality technical staff and hence must be given sufficient flexibility to recruit the best talent available.

[para 4.13]

53. The orientation of Directorate of Industries has to shift from regulatory and rationing functions towards industrial promotion and development particularly with regard to small industries.

[para 4.14]

54. Along with the enlargement of the scope of functions of the Directorate of Industries, there is equally a necessity for specific decentralisation of decision making powers and even financial powers and supply powers to the DICs and the lower range where necessary.

[para 4.16]

55. Till the backward States are able to take over their responsibility in full through effective organisations, SIDO and the SISI along with consultancy organisations like the ITCOs should play a direct role in developing small industries in the State, but in a way where they develop and carry such organisations with them instead of trying to do

everything directly themselves. [PARA 4.17]

V. STATE LEVEL CORPORATIONS

56. Lending by SFCs in the industrially less developed States must increase more rapidly than the average so that the share of these States in SFC lending goes up.

[para 5.5]

57. The SFCs must concentrate on a larger proportion of this lending to small units in backward areas.

[para 5.5]

58. The accessibility to SFCs for entrepreneurs in backward areas must improve and for this purpose Branch Offices of the SFC must be opened in all the industrial growth centres taken up for development.

[para 5.5]

59. The composite loan scheme should be run through the DIC and SFC. The authority to sanction the loan would rest with the DIC, as an agent of the SFC. The SFC in turn should be eligible for refinance from the IDBI for "the amounts, disbursed. The required amendments in the Charters of the SFC and the IDBI would have to be made.

[para 5.6]

60. The limit for the composite loan should be raised to Rs. 50,000 and be kept under review so that it can be increased suitably as prices rise.

[para 5.6]

61. Sanctions for projects requiring between Rs. 50 thousand and Rs. 2 lakhs should be available at local level from the local office of the SFC for the term loan and the concerned commercial bank branch for the working capital loan. The DIC should be responsible for tying up the total requirements of the units in these cases though the formal sanctioning authority may remain with the lending institutions. .

[para 5.7]

62. The Committee has recommended that the primary responsibility for planning and implementing infrastructure development plans must rest with the Industrial Development Authority set up for each growth centre. With this approach the Infrastructure Development Corporations' functions become that of a civil contractor to the Industrial Development Authority.

[para 5.10]

63. Promotion of medium and large industries involve a variety of activities like keeping track of prospective entrepreneurs and contacting when they are in the process

of firming up a project, running a public relations campaign to bring out the advantages of specific locations in backward areas, a well organised effort to convince the entrepreneurs as soon as he shows interest, assisting the entrepreneurs in obtaining the required clearance from the Central and State Government providing an 'after sales service' in the form of trouble shooting assistance etc. The organisational framework for doing this can take the form of a corporation or a Cell in the Directorate of Industries.

[para 5.13]

64. The technical expertise required at DIC level may be developed, in the first instance, in the industry level corporations set up by the State Governments. Where the industry has to be promoted on a substantial scale in any district, the project manager should be placed in the DIC. These corporations can also continue with their other activities viz. direct investment in producing enterprises and promotion of medium scale units.

[para 5.14]

65. Regional development corporations or target-group oriented corporations will not have the requisite level of technical expertise and hence the Committee would not recommend any exclusive reliance on these corporations for promoting small industries in industrially backward areas or amongst economically weaker sections. [PARA 5.15]

66. If the promotional orientation of the technical consultancy organisations set up by the all-India financial institutions is increased, these organisations can also help to provide back-up technical advice for the DICs.

[para 5.16]

VI. DISTRICT INDUSTRIES CENTRE

67. The shortfalls in DIC performance are attributable to some extent, to the fact that they are still in early stage of development and face some teething problems. However, there are some functions which seem to be assigned to the DIC which need to be tackled at a higher level if they are to be effectively performed, e.g. market intelligence and research. Even for other functions the DICs need higher level support.

[para 6.21]

68. The role of the DIC in the allocations of infrastructural facilities does not seem to be recognised in the standard staffing pattern proposed.

[para 6.22]

69. The linkages between the DIC and existing organisations, particularly in the field of village and cottage industries are not very effective.

[para 6.23]

70. The DICs can play a very useful role if too much is not expected of them. The DICs

have to be a part of a multi-faceted set up involving several agencies at the field level. In such a situation they cannot be held responsible for every aspect of industrial development.

[para 6.25]

71. The foundation of the DIC concept is the notion that, at a field level, the entrepreneur should have to deal with a single organisation. This is also the one element in the DIC concept that seems to be universally appreciated.

[para 6.26]

72. There should not be any difficulty in delegating decision making powers to the DIC with regard to registration as a small scale unit or as a supplier for the government, certification of requirements of imports and scarce materials and sanctions and disbursal of subsidies, incentives, etc. With regard to the other items, the role of the DIC may be recommendatory.

[para 6.26]

73. The multiplicity of agencies at field level cannot be eliminated altogether. In this situation, it may be desirable to introduce the concept of a programme package. In this concept the Directorate of Industries prepares a complete programme of development for a specific industry and indicates precisely the responsibility of all concerned field level agencies. The DIC implements the programme and oversees and facilitates the activities which have to be undertaken by other agencies.

[para 6.27]

74. It should be the responsibility of the State Directors of Industries to prepare such a package for all project managers in the DCIs under their control. Similarly the SISIs must prepare a package for the industries which they are expected to service.

[para 6.27]

75. Even if the DIG can provide assistance to the entrepreneur in getting quick decisions from other agencies, the service provided is considered valuable by entrepreneur. This recommendatory role of the D1C can be made effective if certain key areas are staffed on a deputation basis by officers from the present related decision making organisations.

[para 6.28]

76. The role of the DIG in raw material supply and marketing would have to be somewhat peripheral.

[para 6.29]

77. The DIG should continue to play an important role in the planning and management of industrial infrastructure.

[para 6.31]

78. The possibility of sanctioning water and power connections upto a certain limit should rest with the DICs.

[para 6.31]

79. The DIG should be the primary point of contact for technical advice on the establishment of new projects or on problem faced by existing units.

[para 6.32]

80. The concept of "guided entrepreneur-ship" is relevant for backward areas. The guidance will have to cover not merely technical discipline but also finance, marketing, purchase and inventory management, labour management etc. All the required support comes within the concept of the DIG but in backward areas the guidance will have to be more comprehensive and thorough.

[para 6.32]

81. The wide role of the DIG requires that the General Manager Should be a person of high quality.

[para 6.32]

82. There is a continuing obligation to advice and inform the entrepreneur about technical advances, new opportunities, emerging problems etc. Sick units have to be identified and put back on their feet. In these cases the DIG apparatus is the correct instrument.

[para 6.33]

83. The responsibility of the DICs in the area of ancilliary development is for the field level implementation of centrally determined and accepted ancilliary development plans.

[PARA 6.35]

84. The DIG will have to be the principal field agency for the purposes of entrepreneurial selection and training.

[para 6.36]

85. The Committee envisages a three tier system for entrepreneurial development. For relatively simple projects the training could he provided at the DIG itself. At the next level the DIG may refer the case to the Directorate of Industries and the training may be organised by one of 'the State level promotional corporations or by a specialised agency set up for the purpose. A third level of entrepreneurial training will be run by national organisations like IDBL

[para 6.36]

86. For purpose of coordination the DIG should link up with the district planning centre. This planning centre will prepare the district plan taking account of the infrastructure identified in the Action Plan, which the DIG must follow.

[PARA 6.37]

87. The Action Plan of the DIG will also form the basis for the identification of secondary and tertiary opportunities. This must be done by the district planning centre.

[para 6.38]

88. With regard to functional managers the role envisaged for the DIG would suggest the need for a manager (planning, monitoring and economic investigation), manager (credit), manager (raw materials and marketing) and manager (village industries). These managers would deal with the operational responsibilities of the DIG in their respective fields. Other operational functions would be handled by the General Manager and lower level staff. [PARA 6.40] 89. The concept of a project manager who will be a technical person but with enough experience to provide guidance on other matters is appropriate for the requirements "guided entrepreneurship". In each DIG there should be 3-4 project managers each one covering a well-defined set of industries.

[PARA 6.41]

90. Besides the project manager for specified industries the DIG may also need a miscellaneous expert to liaise with SIS1/SIDO and direct entrepreneurs to the correct source for technical advice.

[PARA 6.41]

91. The DIG cannot restrict its presence in the district headquarters and will require a field staff. The industries extension officers at block level and the industrial specialist at project level will deal with general problems and function as the eyes and ears of the DIG in the field.

[para 6.42]

VII. INDUSTRIAL DEVELOPMENT AUTHORITY

92. The IDA should have the juridical authority to receive grants from the Central and State Governments and to borrow from other sources. The most suitable arrangement for purpose may be a company set up under the Companies Act.

[PARA 7.2(i)]

93. The IDA should be delegated with all the authority required for planning, promotion and management of the growth centre.

[para 7.2 (ii)]

94. The IDA should have on its governing council field representatives of all

authorities involved in the issue of sanction and registration. Wherever feasible, the authority to issue these sanctions or registration should be delegated to IDA.

[PARA 7.2(iii)]

95. The IDA should include representatives of technical and financial institutions.

[para 7.2 (iv)]

96. The IDA should have a board of directors consisting only of officials.

[para 7.2 (v)]

97. A change in the chief executive should only be made in consultation with the IDBI which is expected to provide the loan finance required by the IDA.

[para 7.2(v)]

98. The IDA is envisaged primarily as an infrastructure development and promotional agency. In this sense it will differ from the DIG whose primary focus of attention is on technical advice and consultancy. However, for technical advice it must coordinate with the DIC/SISI/SIDO machinery and must be in a position to direct the entrepreneur to the right technical agency.

[para 7.4]

99. The IDA should be headed by a senior officer. It will need a staff of planners, engineers and industrial promotion executives.

[para 7.5]

100. As far as execution of works is concerned, the IDA can rely on existing organisations like the infrastructure corporations or, failing that on contractors. It need not build up an elaborate civil engineering capability.

[para 7.5]

VIII. DISTRICT SUPPLY AND MARKETING SOCIETIES

101. Raw material supply, inventory management and marketing are complex managerial functions which may not have much in common with activities like research and extension. Because of this, the establishment of a District supply and Marketing Society for this purpose is recommended. [PARA 8.4]

102. The proposed DSMS is expected to be run on commercial lines and should get its credit requirements from the banking system. [PARA 8.4]

103. Small industries require a variety of raw materials. Some of these will be subject to statutory control and for this the present system of certification and sponsorship by the Directorate of Industries/ DIG would continue. In this process the assessment of

requirements would have to be done by the technical hierarchy of the D1C who would also be responsible for checking and monitoring supplies. The power to grant the required certificate of requirements should be delegated to the DIG. However, for these as well as for other raw materials the responsibility for obtaining supplies, holding stocks and making deliveries would rest with the DSMS.

[para 8.5]

104. The DSMS must not restrict the activities to centrally allocated raw material. It must also undertake the responsibility for identifying and arranging supplies of local raw materials.

[para 8.6]

105. In the case of raw materials to be obtained from the other districts and from outside districts the State level organisation will have to coordinate.

[para 8.9]

106. A State level organisation is expected to attend to the thousands of small requirements at the district level and meet them in time. It is this work which a district organisation has to perform.

[para 8.9]

107. When the district level organisation, will straightaway take up the work of supporting small industries or leave it to the existing state level organisation till a sufficient business develops is a matter entirely for the States to decide and time its operations.

[para 8.10]

108. The DSMS would act as purchase agents for the public sector organisations and procure small industry output locally. The state or central authority that is responsible for placing orders should pass on responsibilities to the DSMS to the extent required. The exact nature of the arrangement will vary from case to case, but the essential point is that there would be a direct relationship between the purchase organisation and the DSMS.

[para 8.11]

109. The DSMS will need a back up at state level for linkages with other state level and central organisations both for raw material procurement and marketing. Hence the establishment of State Level Corporation for this purpose is recommended.

[para 8.12]

IX. PLANNING AND COORDINATION

110. The cell for Backward Area Development in the Ministry of Industrial Development be strengthened so that it can participate in other decisions effecting industrial development in backward areas. The analytical capability of this Cell should be built up so that it can intervene effectively in appropriate forums like the Planning Commission, Public Investment Board, the Licensing Committee etc.

[para 9.2]

111. It must be the responsibility of the Secretary, Industries to ensure that this Cell is consulted on all decisions which are likely to affect the possibilities of industrialisation in the backward areas.

[para 9.2]

112. Vertical coordination between agencies not linked together hierarchical relationship for example the DIG and SISIs/SIDOs would have to be taken care of through regional meetings.

[para 9.5]

113. As far as horizontal coordination is concerned, what is required is the Coordination Committee at the district, state and central level.

[para 9.5]

114. At the district level, the committee should be headed by the District Collector/Magistrate and include the General Managers of the DIG and IDA field representatives of the lead bank and the SFC, representative of the integrated rural development projects in the area, the district planning group, the local ITI etc.

[para 9.5]

115. At the state level, the Coordination Committee should be headed by the Chief Secretary and include representatives of all the concerned State Departments as well as representatives of the Khadi and Village Industries Board, the concerned all India Commodity Board, the IDBI, the SISI and the State Corporations.

[para 9.5]

116. At the Central level the responsibility for coordination would have to be exercised by the Ministry of Industrial Development.

[para 9.5]

117. With regard to monitoring and evaluation of programmes and schemes, the responsibility should rest clearly with the DIG at the district level, the Directorate of Industries at the State level and the backward areas development cell in the Ministry of Industrial Development at the Central level

[para 9.6]

X. LABOUR TRAINING

118. The primary responsibility for providing facilities for labour training rests with the Directorates of Employment and Training. However, the DIC and the IDA have to play a role in identifying training requirements at the local level.

[para 10.7]

119. In many cases, training may have to be provided outside the local area in which case the Directorate of Industries would have to be the agency responsible for making the necessary arrangements.

[para 10.7]

1. INTRODUCTION

The National Committee on -the Development of Backward Areas is required, among other things, to review the working of "existing schemes for stimulating industrial development of backward area such as the schemes for concessional finance, investment subsidy, transport subsidy, sales tax concession, etc." In pursuance of this the Committee submitted a Report on Industrial Dispersal 'to the Planning Commission in October, 1980. Apart from incentives this report deals with the strategy of industrial development in backward areas. The implementation of this strategy will require a substantial measure of organisational support from the Central and State Governments. Some aspects of this support have been discussed in the Report on Industrial Dispersal. However, there were some aspects which were left open. Hence the Committee has decided to submit this Report on Industrial Organisation which takes an integrated view of the problem.

1.2 The official organisational system (which encompasses the Government and its agencies) for supporting industry has to fulfil the following functions :

- (i) Planning, regulation and coordination,
- (ii) Infrastructure development,
- (iii) Raw material supply,
- (iv) Marketing assistance,
- (v) Credit delivery,
- (vi) Technical advice,
- (vii) Entrepreneurial development,
- (viii) Labour training.

1.3 A complex institutional infrastructure for dealing with these functions has been established. However, the completeness and coherence of this structure particularly where small industries are concerned is open to question. Hence the Committee has addressed itself specifically to the problem of identifying an appro-private structure for small industries in backward areas. The focus of the report is essentially on this problem. However, in certain places, particularly when dealing with coordination, monitoring and evaluation, the proposed structure will naturally cover all types of industries in backward areas.

1.4 Entries 7 and 52 of Union List in the Seventh Schedule of the Constitution of India specify the responsibility of the Central Government in the field of industrial control. Subject to the powers under these entries, the State under entry 24 of the State List of the Seventh Schedule gets the authority to deal with industries generally. The Industries Development and Regulation Act of 1951 has brought certain industries within the control of the Act under -the powers vested under Entry 52 of the Union List in the Seventh Schedule. In implementing the authority given under this Act, the Central Government has excluded from the purview of the regulation and licensing the entire field of small industry. Thus dealing with the small industries will be the special responsibility of the State Governments under Entry 24 of the State List. It will,

therefore, be correct to say that at present development and support of small industries would be mainly the responsibility of the State Government. The Centre has so far taken the responsibility for developing small industries through its major organisation, S.I.D.O. and its subordinate structures. This overall promoting role was certainly necessary when this country took up industrial development as an important thrust in our planning decades. But the scope and spread of small industries is now assuming such proportions that a Central Organisation is no more capable of supporting the promotion and development of the so many types of industries that can be usefully promoted in the present economy. It is now necessary that the States take over the basic responsibility for the development and encouragement of small industries. But this responsibility cannot be discharged effectively without the active cooperation and an umbrella role on the part of the central organisation created for development and support of industry. At present, this coherence has not yet developed. Further in many States there is too much dependence on the central organisation for the development of small industries in the State. This report seeks to identify the gaps and tries to advise on the establishment of a possible coherent Centre-State organisational structure which can deliver the goods.

1.5 The issues dealt with in this report were discussed at length by the members of the Working Group on Industrial Development set up by the Committee. The Committee also had a series of discussion with the Development Commissioner for Small Scale Industries and the various officers of the Small Industries Development Organisation. The Committee is grateful to these officers for the assistance that they have provided.

1.6 The functions listed above have to be discharged by a variety of institutions and in many cases an institution has to discharge more than one function. The discussion in the report is organised on the basis of institutions and each of the major institutions involved is dealt with seriatim. A final chapter gives an overview by functions.

2. SMALL INDUSTRIES DEVELOPMENT ORGANISATION

The Small Industries Development Organisation of the Ministry of Industry was set up in 1954. It functions as an apex body concerned with advising governments on policies and programmes for small industry development and coordinating the institutional activities both at the Central and State levels for implementing programmes for development of small scale industries and infrastructure for sustained and organised growth. The SIDO also acts as a monitoring agency for development of small scale industries.

2.2. SIDO maintains close liaison with the Central Ministries, Planning Commission, State Governments, financial institutions and other organisations concerned with the development of small scale industries. The activities of SIDO relate to the modern small scale industries sector excluding those which fall within the purview of specialised Boards or agencies viz. All India Handloom and Handicrafts Boards, Coir Board, Central Silk Board and Khadi and Village Industries Commission.

2.3 SIDO coordinates the work relating to the development of small scale industries on an all India basis by:

- (i) evolving an all India policy and programme for the development of small scale industries;
- (ii) coordinating the policies and programmes of various State Governments;
- (iii) acting as a liaison between different States as also between the States and Central Ministries, Planning Commission, Reserve Bank and Financial Institutions;
- (iv) coordinating the programmes for the District Industries; and
- (v) coordinating the programmes for the development of industrial estates and ancillaries all over the country.

2.4 The SIDO renders such technical assistance as may be required by the State Governments for preparing schemes within the overall plan allocations. It assists the Ministry in regulating central assistance to the state for the development of small scale industries.

2.5 An important function of the SIDO is to suggest a pattern of small industries development for the country as a whole. This involves responsibilities for indicating the lines of manufacture which are suitable for the small scale sector and giving it all assistance in the form of promotion, procurement of raw materials and machinery and other technical advice from time to time.

2.6 For the development of ancillary industries, SIDO establishes liaison with the large public and private undertakings and the Directorate General of Technical Development etc. to ensure proper utilisation of the existing production capacity in the small scale sector.

2.7 The SIDO is represented on different licensing Committees, Development

Councils and other bodies and seeks to safeguard the interests of the small scale sector. SIDO coordinates the activities of 382 District Industries Centres set up so far. It has set up a Central and 6 Regional Coordination Committees comprising of representatives of all agencies concerned with development of decentralised industrial sectors.

2.8 The principal technical officers of SIDO at the top level are the Economic Adviser, the Industrial Advisers for specific industries and for modernisation and the Adviser for Ancillary Development. In what follows we deal with the functions of these Advisers if SIDO is to be an effective organisation for small industries development.

2.9 Considering the role envisaged for the S.I.D.O. in its franchise, the present organisation is not sufficient to discharge the role. Further the various divisions of Industrial Advisers have not assumed the overall responsibility for the policy formulation for the small industrial sector under their franchise. There is dual responsibility amongst the Industrial Advisers in functional and sectoral roles which have to be sorted out. For example the rehabilitation of sick industries is separated out under an Adviser while the technical competence is under the sector Adviser. Because many States, particularly those backward in industrialisation have not yet taken up their allotted responsibility for development of small industries in their State, the SIDO with its hierarchies of organisation is trying to get down to the entrepreneur in the field and develop small industries in the States directly. As a result, their overall role of policy development and interacting with the Ministries and organisations which both lay down policies and create necessary infrastructure does leave a lot to be desired. It is necessary that firstly the States build up their own organisation to effectively discharge their responsibility and relieve the SIDO of its direct action in the field except in difficult areas. The SIDO should keep to and develop an effective role in policy development and guidance and technical development and guidance on an All-India basis. In this report the Committee is trying to identify the requirements for the SIDO to fulfil its role according to its franchise. In other chapters the responsibility of the States for building up their organisations to fulfil their responsibility for building up and supporting small industries in their State has been charted.

2.10 At present the Economic Adviser's office tries to monitor the performance of small industries in the country and the utilisation of scarce raw materials and imported raw materials. The frame of monitoring does not bring within its compass the entire sector of small industries registered or otherwise. In a later report the Committee will be drawing attention to the gaps in the structure and the statistical frame necessary for industrial monitoring. The Economic Division should certainly improve the monitoring system and lay down the all-India policies for monitoring. At the same time, bulk of the actual monitoring in the field and reporting will have to be undertaken by the vast extension organisation that is now being developed in the field for development of small industries.

At present, the Economic Adviser's office analyses fiscal and other policies, more or less, sporadically. In fact, much of this work is done on the basis of demands by some lobby or the other or in response to a representation by lobbies. If the Economic Adviser is to perform his role of analysing the policies and advising Government promptly about its effectiveness and the need for modification, the Economic Adviser's

office must be much more effective in this field. The Economic Adviser must, therefore, *suo moto* take up important sectors of small industrial development for examination and advise without waiting for somebody to ask. Further, various project profiles are being developed by SIDO for adoption by the entrepreneurs in the field. Wherever such project profiles have been issued by SIDO, it is necessary for the Economic Adviser's Division to do some periodical checks to see how far the presumptions work out in the field and what modifications may have to be adopted by the Technical Advisers to make the profiles more acceptable and more realistic and useful.

2.11 With regard to the survey of sickness a substantial toning up of the system is required. At present there is a state level committee consisting of banking institutions and the state authorities which undertakes this work. SIDO does some analysis of the data thrown up by these state level committees. However, there is no clear definition of sick units and the identification done by banks is not always correct. Moreover, identification in terms of default is not enough. The reasons for sickness have to be identified and remedial measures taken. The Committee would recommend that the primary responsibility for identifying and dealing with sickness should be that of the Directorate of Industries in the State. The problem may be referred to SIDO if it cannot be tackled at the state level.

2.12 The Committee would lay great stress on the need to organise the effective system for compiling the basic information for the progress of small industries. An integrated system involving the Block Industries Officers, District Industries Centres, the Directorate of Industries and SIDO should be evolved as to ensure that the data for small scale industries is comparable in range and reliability to the data that is available for medium and large industries with the DGTD. At present, SIDO runs a sample survey of registered units for purposes of data collection. This will need to be re-designed. The Committee will deal with these aspects of the data base in the later report.

2.13 The Industrial Advisers in the SIDC are the top most technical experts. At present they appear to discharge three functions :

- (i) Regulatory functions, where relevant,
- (ii) Preparation of technical schemes and project profiles,
- (iii) Assistance for upgradation of existing units.

2.14 The Committee feels that the Apex Organisation should not get involved in direct relationship with the entrepreneurs. Its principal functions should be to guide the lower echelons and to intervene in policy decision at the central level. In the light of these the Committee would suggest that the functions of Industrial Advisers should be defined as follows:

- (i) Helping the State level and regional small industries development organisations to keep abreast with latest developments in technology;
- (ii) Monitoring (a) technological developments and (b) changes in the pattern of demand, in order to identify new opportunities for development and

modernisation and emerging problem areas;

- (iii) Continuously monitoring the changing balance of advantages between large and small industries and seeking changes in policy in favour of small industries.

2.15 At present, around four meetings a year are held where regional officers of SIDO are exposed to lectures by specialists in technical disciplines in order to help these officers to upgrade their technical knowledge. This present procedure may continue. However, a part of the time of these meetings should be used for a wider meeting which should include officers of -the concerned Directorates of Industry, DGTD, IDBI and concerned financial institutions. Every attempt should be made to ensure that the best available technical expertise in the country whether it be in the public or private sector is used at these quarterly meetings. A regular flow of published material from SIDO would also help in this task of maintaining the level of technical knowledge in the lower echelons which are involved in direct contact with industries. These may take the form of status papers on individual industries. The work of preparing these status papers may reveal problems which need to be tackled.

2.16 The officers of the SIDO, both at central and regional level may -tend to get out of touch with the problems of industries. There should be a scheme to second these officers for operational duties in industrial plants on a regular basis so as to ensure that they remain aware of conditions at the shop floor and enterprise level.

2.17 The number of technical disciplines involved in small industry production has increased substantially. It would be difficult to ensure that the three Industrial Advisers dealing with the different sectors will have full range of expertise required. It is therefore, necessary to ensure that there is a back up consultancy scheme to allow SIDO to obtain the services of outside experts. This should take the form not merely of some broad enabling provision but should be reflected in a definite plan to obtain regular technical advice in areas in which there is a gap within the SIDO.

2.18 Around 1500 to 1800 products account for a very substantial proportion of small industry production. Out of these about 834 items are reserved for the small scale sectors. The total number of items with substantial growth potential be about 100. The work of the Industrial Advisers may be so organised as to group these products in a rational manner between the advisers. If necessary, the number of posts of Industrial Advisers in SIDO should be increased. There should be specialists under the Industrial Adviser dealing with the specific items. Every attempt should be made to ensure that the SIDO has sufficient expertise within organisation atleast for the small number of items with high potential.

2.19 There should be a greater interaction between SIDO and DGTD in matters like demand appraisal, technology assessment etc. In these matters small scale industries cannot be analysed in isolation and there is need for a common information base. The operational interaction between SIDO and DGTD should take place not merely at the top level of the Development Commissioner or the Industrial Adviser but also lower down in the hierarchy. There are two forums where interaction takes place the licensing Committee and the Reservations Committee. In both these confrontationalist attitudes

must give way to coordination. This will be easier if there is inter-action between the two organisations before an issue is considered by any formal Committee.

2.20 The SIDO with its subordinate organisation, SISI, may be getting a bit too insular and may not be keeping itself abreast of technological development in various fields. Further, as already explained above, its rapport with the DGTD is not sufficient and its rapport with major and medium industries in the new fields of technology is also rather small. SIDO should through its system of industrial advisers and consultation arrangements interact more with the development of technology so that the organisation can advise the entrepreneurs through the extension structure of the development stages so that obsolescence may be avoided. This change over from its insularity will have to be deliberately cultivated overtime as it is not easy for an introvert to overnight become an extrovert. There is a lot of complementarity between major and medium industries and small industries, particularly in the modern sector.

2.21 At present, the modernisation schemes are looked after by the Industrial Adviser in charge of engineering. The role of SIDO is to identify areas, lay down guidelines, transmit advice. At present, SIDO is trying to go into the problems of individual units. The Committee is of the view that the Directorate of Industries in the States must take the lead in identifying areas/industries where there is need for modernisation, initiate action and monitor progress. It should acquire the services of a Project Manager for the scheme, taking every care, to ensure that this Manager has the required technical and managerial competence. In order to ensure effective development, there should be sufficient flexibility to allow the Directorate of Industries to obtain the services of a reasonably senior person, if required. When a modernisation programme is sufficiently large the responsibility for implementation may be passed on to the relevant District Industries Centre. The role of the central organisation must be to support the Directorate of Industries by way of advice, finance and facilities.

2.22 Modernisation is an activity that is applicable not merely in the engineering industries but in many others. It should, therefore, be a part of function of each Industrial Adviser and not of just one who is so designated.

2.23 The project based approach for modernisation schemes could also be followed wherever there is some potential for intensive development of a new type of small industry in a concentrated area.

2.24 SIDO has an Industrial Adviser who looks after ancilliary development. His principal functions are :

- (a) Monitoring the scheme for ancillarisation of the public sector.
- (b) Preparation of project reports of ancilliary and other sectors.

2.25 In the report of 'Industrial Dispersal', the Committee has drawn attention to the fact that the present guidelines for ancillarisation in the public sector have been observed more in the breach. The Committee has recommended a programme for promoting ancillaries to public sector units in industrial estates in industrially backward regions. At present, Government policy on ancillarisation is not being implemented

effectively and the existing structure is not adequate. It is necessary that there is a mechanism at the Central level for ensuring that the specific targets laid down are achieved. In order to ensure this, -the Committee would recommend that the role of the SIDO in monitoring implementation of this scheme should be considerably strengthened.

2.26 The basic approach should be to (a) identify public sector units where further ancillarisation is possible (b) try and get agreement at plant level (c) refer the matter to a High-level Committee for decision if there is no agreement (d) entrust the implementation of the ancillary development plan to the State Governments and (e) monitor progress and tackle problems as they arise. The Industrial Adviser (Ancilliarities) should play a nodal role in this process. He should undertake independent studies on the progress of ancillarisation in specific public sector projects. He must be allowed to look into the structure of operations and purchase programmes in public sector projects to identify the scope for ancillarisation.

2.27 There should be a High Level Committee to lay down specific targets for individual enterprises under the scheme and to monitor progress. This Committee should be serviced by the Industrial Adviser (Ancilliarities) and his organisation. It should include the Secretary (Industrial Development), the DC (SSL), and the Secretary of the concerned administrative Ministry.

2.28 The Government Director on the Board of public enterprises should be specifically charged with the responsibilities of ensuring that the scheme is implemented sincerely, This Government Director may be serviced for this purpose by the Industrial Adviser (Ancilliarities). The Industrial Adviser (Ancilliarities) should use the services of the Government Director for tackling specific problems in the response of the parent enterprise to the agreed ancillarisation scheme.

2.29 The Committee would emphasise that the structure, it is recommending, is in addition to the present structure. The plant level committees and the trouble shooting parties, which have been successful in arising the tempo of ancillarisation must continue.

2.30 The potential for ancillarisation in large projects, whether public or private, which are subject to licensing control must be identified by Industrial Adviser (Ancilliarities). The production of ancillarisable items must be left out of the licences which must also contain the condition that a certain percentage of purchases should come from ancilliarities.

2.31 The implementation of the ancillary development plan for individual projects will require the cooperation of the State Governments. It must be responsibility of the Industrial Adviser (Ancilliarities) to ensure that the requisite efforts are forthcoming from the State Governments concerned. Hence he should draw up the plans in consultation with them.

2.32 The ancillary development programme is linked with the programme for the establishment of industrial estate in industrially backward area. Hence there should be a Deputy Adviser. It must be the responsibility of the Industrial Adviser (Ancilliarities) who

will have to ensure that the two programmes are adequately coordinated.

2.33 The responsibility for allocation of improved and controlled raw materials rests with a variety of agencies at the central level. It is essential that SIDO should be associated with these processes of allocation to ensure that the requirements of small industries particularly those in backward areas are fully met.

2.34 At present there is a Board created by an executive order known as the Small Scale Industries Board, for continuously studying the problems of small industries and advising the Government on the appropriate policies and programmes. This Board sets up standing committees for important aspects of policies like raw material, marketing, credit etc. The Chairman of this Board is the Minister for Industrial Development and the members include Ministers of all State Governments and representatives of small scale industries associations among others. This Board is expected to meet once a year. The Member-Secretary is the Development Commissioner (Small Scale Industries) and the Secretariat is provided by the SIDO. There is a view that; this Board should be made a statutory authority so that their recommendations may have greater strength than what is felt to be the present position. The Committee has carefully considered this view. In the present state of small industries development, unless the Central and the State Governments squarely take the responsibility for development of small industries, nothing much will be achieved. The Committee has already commented upon the present stage of sickness in the sector and the uneven development of small industries and particularly tiny industries in the country. A statutory board to be effective must have a huge organisation which can really monitor and analyse the situation in the various sectors of small industries development. This will mean a parallel body which has only the responsibility for criticism but not for performance. The Committee has had occasion to point out how even the constitutional authority, the Commissioner for Scheduled Castes and Scheduled Tribes, has not proved very effective in either raising issues or seeking remedies in the field of tribal development where the constitutional responsibility of Parliament is quite substantial. The Committee would, therefore, advise against creating another wheel in the coach. On the other hand, if the Central Ministry utilises the SIDO and has the entire field of small industries regularly monitored and analysed and brings up the problem annually before the Board as it is, the Board has got sufficient representation to effectively give the answer to the problems. If they cannot, nobody else can. The Committee would, therefore, advise that the Board should be made more effective by proper bringing up of problems by the Ministry to the Board as and when opportunities arise. The Board can also utilise its standing committee approach to deal with particular problems of small industries which are crucial at the time. Better use of the standing committee approach would probably be fruitful.

3. SMALL INDUSTRY SERVICE INSTITUTE

The Small Industries Service Institutes (SISI) and Branch Institutes are meant for providing services in particular states/regions. They have officers in technical, managerial, economic and statistical, marketing, ancillary development and other disciplines. Extension Centres are meant for providing assistance to particular groups of industries and are located at the place of concentration of such industries. The workshops attached with the SISIs, Branch Institutes and Extension Centres provide training to workers of small industries in the use of modern machines, common facility services through machines installed in the workshops, develop prototype of designs, make tools, dyes, jigs, fixtures etc. and carry out improvements in the use of raw materials and their substitutes. The officers at these institutes and centres provide both on the spot guidance in the premises of the industrial units as well as to entrepreneurs visiting the Institutes and through correspondence.

3.2 The location of the small industry service institutes appears to be guided largely by the present pattern of industrial location. An analysis of the pattern of location of SISIs, Branch SISIs and Industrial extension centres reveals the following picture:

LOCATION OF SISI AND RELATED FACILITY

	SISI	Branch SISI	Industrial Extension Centres
Industrially more developed areas	20	9	35
Industrially less developed areas of which the identified growth centres*	8	11	6
	(6)	(9)	(6)
Total	28	20	41

* As identified in the Report on Industrial Dispersal National Committee on the Development of Backward Areas.

The Committee, in the Report on Industrial Dispersal has laid great stress on the need to provide technical guidance to entrepreneurs in industrially less developed areas. Hence the Committee has recommended that the number of SISIs, branch SISIs, etc. located in industrially less developed areas should be increased to at least 50. (Ref. para 8.25 of the Report on Industrial Dispersal NCDDBA). The Committee would lay great stress on this and point out that a great deal of ground has to be made up in this area.

3.3 The Committee envisages that the primary point of contact between the entrepreneur and the technical expert will be the DIC. However, it would be difficult to provide the full range of expertise in the DIC for all the industries in the areas. For instance in Gaya, the Committee observed that there were about 65 different types of industries. It would clearly *not* be possible to cover all of these with technical expertise at the DIC level. The Committee envisages that the DIC will have technical expertise for the industries which are present in fairly large numbers at the district level. The others, which cannot be covered by the DIC, should be provided the requisite technical expertise by the regional SISI, branch SISI or Industrial Extension Centre, This regional

facility can provide a back up for the DIC, particularly in the earlier stages when the competence of the DIC is being built up. But the DIC experts should also have a *direct* relationship with the technical experts at the central level. Thus, the Committee does not envisage the SISIs as intermediary units between the DIC and the Central organisation but as organisations which will complement the DICs, What is required is a balanced distribution of technical expertise between the DIC and the SISI.

3.4 The Committee's approach requires that the level of expertise at the DIC for the disciplines covered by it should be the same as at the SISI. However, there will be a phase of transition during which the SISI will have to guide the DIC in its technical extension and consultancy work. In due course, as the capabilities of the DIC is built up the SISI could vacate that particular area and concentrate on others. The pattern of distribution of expertise between the DIC and the SISI cannot be uniform and will vary from state to state and even district to district. It is clear that this approach will require a clear coordination of the staffing pattern and work programme of the DICs and the concerned SISI.

3.5 The SISIs (and related facilities) are a part of the Central organisation for promoting small industries. Their programme of work is determined to a large extent by the Central organisation viz. the Small Industries Development Organisation. The coordination between the SIDO and the SISIs is effected through four regional meetings at which the work programme is discussed and problems sorted out. These regional meetings also provide the forum for exposing SISI staff to lectures and seminars on new developments in technology, markets, etc.

3.6 The coordination of SISI activity with the State Governments' efforts is effected through the Advisory Committee for each SISI which is headed by the Industries Secretary of the State. Around 30 per cent or so of SISI capabilities are left uncommitted and are available for programmes suggested by the State Governments.

3.7 The Committee is of the view that the present arrangements for coordination between SIDO and the SISI and between the SISIs and the State Governments do not need any substantial modifications. However, the Committee would emphasise that the staffing pattern of SISI must be coordinated with the technical expertise built up in the DICs by the State Government so as to avoid unnecessary duplication. For instance, if in a particular area, the State Government builds up expertise, say, in electronics at the DIC level, because there is sufficiently large concentration of electronic units the SISI need not duplicate the same electronic expertise in its own staffing pattern.

3.8 In dealing with SIDO the Committee has suggested that officers of State Government organisation like the Directorate of Industries and the DICs should be invited to the regional meetings of SIDO/SISI officers. Besides this, there is another regional meeting at which the State industries departments, representative of banks and financial institutions are also called. This deals with the more general problems affecting small industries in the area. This arrangement can continue. Apart from these two regional meetings the Committee would recommend that operational coordination between the DICs and the concerned SISI be secured by periodic meetings of the concerned officers of the two organisations. This meeting may be called by the concerned SISI who may provide the secretariat for this purpose. However, the meeting would be chaired by the

Director of Industries so as to ensure effective participation and decision-making by the State Government.

3.9 There is a need for flexibility in the assignment of posts in the SISI. The nature of the expertise required in any particular SISI will change over time. For instance, as DIC capabilities are built up in any particular area of technical expertise, the need for providing this type of expertise at SISI level will diminish and a change in the allocation of posts for that SISI will be required. Another reason for such a change could be the desire to promote a new industry in an area, when in the first instance, the expertise may be provided at SISI level, with the DICs taking over responsibility later as the industry develops. At present this sort of flexibility is not available and there is a certain rigidity in the assignments of posts. The Committee recommends that there should be a periodic survey of the requirements of technical expertise in each SISI to be undertaken by SIDO and posts should be rearranged according to need by the DC(SS) on the basis of the discussions at the regional meetings.

3.10 In order to avoid too great a frequency of transfers the requirements should be assessed on a fairly long-term basis and a post should be assigned to SISI only when the corresponding expertise is likely to be required for 3-5 years. Shorter term requirements could be met by making ad-hoc arrangements.

4. STATE LEVEL INDUSTRIAL ORGANISATION

The primary responsibility for executive actions in regard to industrial development, in so far as state governments are concerned rests with the Department of Industries and its associated Directorate of Industries. The Directorate have administrative and technical officers on its staff at state headquarters and, in the larger states, at regional offices also.

4.2 The nature of the state governments' responsibilities in the sphere of industrial development need to be defined more precisely in order to identify the type of organisational support required. In the field of medium and large industries regulatory powers and, therefore, the responsibility for development rests largely with the Central Government. The responsibilities of the State Government in this sector, are mainly that of assisting prospective entrepreneurs by supporting their case with the Centre, providing some supplemental financial assistance and monitoring progress. In the field of small scale industries, however, the responsibility for development rests to a much greater extent with State Governments. In this sphere, whatever be the assistance given by Central institutions, the responsibility for finance, technical support and arrangements for raw material supply and marketing rests with the State Governments. The same position obtains, to a large extent, for village and cottage industries. The provision of most items of infrastructure, both for medium and large industries and for small industries is largely the responsibility of the State Government though in some items like telecommunication and rail transport it is the Central Government that is responsible.

4.3 The nature of the State Governments' responsibilities require both a departmental structure as part of the government and a technical wing to advise the State Government and oversee field level implementation. The departmental responsibilities would be rested in the Department of Industries and the technical wing would be the Directorate of Industries.

4.4 At present, in most States, the Department and the Directorate of Industries have a lot of mix up between governmental and technical functions. More attention is paid to major and medium industries and attention is not sufficient for small industries whose development is squarely the responsibility of the State. Regulatory and allotment functions take up a great deal of the time of the Directorate but it is not aimed at the development role or towards easing the problems of the industries. The development of industries is left to various Corporations which being away from the policy making and interacting level of Government, are many a time ineffective in reaching necessary help to small industries. The level of sickness in small industries in a State is a good index of the incoherent handling of this sector. A rational interlinked organisation has yet to be developed to discharge the primary responsibility of the States to develop small industries. This Chapter tries to spell out essentials.

4.5 The primary responsibility of the Department of Industries will be for planning and policy formulation. Here specifically they will have to interact with other State Government departments to ensure that the implementation and other requirements for industrial development are provided from the plans of the concerned departments. The responsibility of liaising with Central Organisations like the DGTD, the SIA, the

Department of Industrial Development will also rest with the Department. The Department will be responsible for coordinating the work of State level corporations involved in industrial development. Thus planning, policy formulation, coordination and liaison with concerned State and Central Government departments will be the prime responsibility of the State Departments of Industries.

4.6 The Department of Industries will consist primarily of secretariat staff though it should have an economic adviser to provide analytical guidance on planning and policy formulation. The Department will have to use fully the capabilities of the Directorate of Industries, which will be its technical wing, in order to fulfil its responsibilities. The expertise of the State Government in the field of industrial development will be located mainly in the Directorate of Industries.

4.7 The primary focus of the Directorate of Industries will be on small industry development since the responsibilities of the State Government in this area are far greater than in the field of medium and large industries. However, a separate Directorate for medium and large industries may not be required and the support function that the State Government has to fulfil for these industries can be handled by the Directorate of Industries.

4.8 The Directorate of Industries must have a strong technical division. The level of expertise in this division should be such as to advise the technical officers in the DICs promptly and effectively on the various problems that arise in the field. It is not desirable that the DICs should depend entirely on the SISI and the SIDO for this back up on technical expertise. This technical division should also be capable of preparing project profiles for the small industries which are important for the economy of the State and in identification of industrial opportunities. They should also be capable of rendering advice to the State industries departments in technical matters relating to the field which they handle. This industrial division should be enabled to call on the services of other state government organisations like Industrial Promotion Corporations and the Central organisation the SISI, SIDO and IDCO for consultancy in fields which are beyond their competence. They should also have close liaison with major and medium industries in the State to enable them to draw upon the knowledge available in the technical divisions of these industries where necessary.

4.9 The technical competence of the Directorate of Industries will have to cover the requirements of the modernisation and ancillarisation programmes. With regard to modernisation the Committee is of the view that the Directorate of Industries must play a lead role. In order to enable them to do this they should have a Project Manager for each modernisation scheme (Cf. para 2.21 above). With regard to ancillarisation, the State Governments play an important role in implementation even though the ancillarisation plan may be determined at a Central level (Cf. para 2.31 above). The Directorate of Industries must be responsible for the implementation of the tasks accepted by the State Government as part of the ancillary development plan. It will therefore require the appropriate technical expertise.

4.10 The Directorate of Industries will need a strong economic, "statistics and monitoring wing. This wing will be responsible for techno-economic analysis and advising the state governments on project economics and on policies. They will have to

undertake periodic evaluations of specific programmes and policies. As in the case of the corresponding organisation in SIDO they must be responsible for monitoring the performance of small industries, identifying incipient sickness and suggesting corrective measures. In fact, since the Directorate of Industries has a nodal role in the implementation of modernisation schemes, this particular function is of special importance. The role of the Directorate of Industries in the data system for small industry has been dealt with earlier in para 2.12. The Economic and Statistics wing of the Directorate should be responsible for this. They should use fully the facilities for comprehensive data collection that will become available in the DICs as the spread of the extension System increases.

4.11 Besides technical support and economic advice the Directorate of Industries will have certain operational functions like the assessment of raw material requirements for imported and controlled materials, the implementation of specific promotional schemes, assistance to the DIC in entrepreneurial development and labour training (when the matter cannot be handled at the local level), etc. These functions will also have to be covered in the organisational structure of the Directorate of Industries.

4.12 Though the primary responsibility for coordination will rest with the State Department of Industries, it will be necessary to make provision for a planning wing in the Directorate also, so as to provide the required technical support to the Department and the framework needed for specifying targets and responsibilities for lower formations.

4.13 The Directorate of Industries, as envisaged by the Committee, will play a much more central role in the processes of industrial development) than is the case in most States at present. Hence, it is necessary that it should be headed by a senior officer equivalent in rank to a Commissioner. The Directorate will need high quality technical staff and hence must be given sufficient flexibility to recruit the best talent available.

4.14 The orientation of Directorate of Industries has to shift from regulatory and rationing functions towards industrial promotion and development particularly with regard to small industries. Regulating functions require a knowledge of rules and a minimum Of industrial expertise. The exercise of these functions presumes that the initiative will be taken by the entrepreneur. Active promotion of industry will require a more positive approach in which the Directorate will have to assess industrial opportunities and identify and assist entrepreneurs who can utilise them. This will require a change in attitude and not just higher level of industrial expertise.

4.15 At present the responsibility for the development of village and cottage industries generally rests with the Directorate of Industry supported of course by the KVI Boards, the KVIC and the all-India boards. In its report on Village and Cottage Industries the Committee has recommended the creation of a separate Directorate of Rural Industries. This Directorate may also cover small industries of a rural character (Cf. 9.6 of the Report on Village and Cottage Industries). If this is done then the existing Directorate of Industries will have to be restructured suitably.

4.16 There is too much centralisation in the working of the Directorate of Industry at present. This report spells out in detail the hierarchial system of small industries development starting from the field to the state headquarters. Each level like the DIC

and the block industries officer to be effective must have sufficient decentralised powers to take decisions at that level. Whilst decentralisation of functions and decision making is an accepted policy in a large administrative structure, in practice we often notice that decentralisation and decision making is rarely given to the secondary and tertiary levels. The Committee would specially emphasise that along with the enlargement of the scope of functions of the Directorate of Industries, there is equally a necessity for specific decentralisation of decision making powers and even financial powers and supply powers to the DIG and the lower rungs where necessary.

4.17 Broadly it can be asserted that States which are advanced in industrial development have established a much more pervasive technical and extension organisation than the States which are industrially backward. The analysis the Committee has made shows that even in the advanced states some more specification of responsibility and coordination structures would make the system more effective. In the backward States there is need for a rapid change over to an effective system but this cannot be achieved in a day. If the Directorate of Industries develops the ethos that the organisation must pay attention to the development of industries by identifying opportunities and assisting entrepreneurs, the result can be achieved much earlier than where they maintain the present insularity. The Directorate of Industries must react not only with the Central Government Organisations but industrial entrepreneurship in the major and medium industries in the State, the various corporations created by the State for industrial development and the credit and other organisations created by the Centre which are complementary to industrial development. At the same time, till the backward states are able to take over their responsibility in full through effective organisations, SIDO and the SISI along with consultancy organisations like the ITCOs should play a direct role in developing small industries in the State, but in a way where they develop and carry such organisations with them instead of trying to do everything directly themselves. This gradual building up of the State organisation by the Central organisation is a basic necessary today in the States that are industrially backward. The states which are neither forward nor backward have to get help from the Central organisation in some sectors and the Central organisation should be ready to provide help till the State can fill up the gaps.

5. STATE-LEVEL CORPORATION

A variety of corporations have been set up by State Governments for promoting industrial development. Broadly speaking they fall into the following categories:

- (i) State Finance Corporations.
- (ii) Promotional Corporations e.g. SSIDCs.
- (iii) Finance-cum-promotional Corporations e.g. SICOM, PICUP, SIPCOT, etc.
- (iv) Infrastructure Development Corporations.
- (v) Regional Development Corporations.
- (vi) Industry-oriented promotional corporations e.g. for electronics, leather, textiles.

Apart from this, many States invest directly in productive enterprises in the joint sector or State sector.

5.2 A very large number of financing and promotional corporations have been set up by the State Governments. According to the report of the Seventh Finance Commission in 1976-77 there were 36 financial corporations including those set up under the State Financial Corporations Act 1951 and other eligible for refinance facilities from the IDBI. In that same year there were 121 promotional Corporations 'engaged mainly in promoting the development and other industries of all regions through providing infrastructural facilities, financial and managerial assistance, technical know-how, etc. as well as through works of development for backward areas or the weaker sections of the population' (page 34 of the Report of the Finance Commission, 1978).

5.3 The primary activity of the State Finance Corporations is the provision of term finance to small industry. Since inception the SFCs have sanctioned loans amounting to Rs. 1249.8 crores. Out of this the share of small scale units is around 56 per cent and of units in backward districts/areas (as presently specified) about 45 per cent. However, these are averages for the total period of operation and conceal a rising trend. Thus in 1978-79 the share of small scale units in sanctions was 67 per cent and of units in backward districts/areas, 58 per cent.

5.4 An analysis of the state-wise distribution of SFC lending shows that the share of industrially more developed states (as denned in the NCDDBA's Report on Industrial Dispersal para 2.17) in total sanctions by SFCs amounted to nearly 58 per cent.

5.5 The Committee has emphasised the need to provide credit to small units in backward areas and the role of SFCs in doing this. (Ref. para 8.26 and 9.24 in NCDDBA's Report on Industrial Dispersal). The data given in the previous paragraph bring out) the fact that much needs to be done in this regard. Firstly, lending by SFCs in the industrially less developed states must increase more than the average so that the share of these States in SFC lending goes up. Secondly, the SFCs must concentrate a larger proportion of this lending to small units in backward areas. Thirdly, the

accessibility to SFCs for entrepreneurs in backward areas must improve and for this purpose branch offices of the SFC must be opened in all the industrial growth centres taken up for development.

5.6 The greatest difficulty of the small scale entrepreneur is the tying up of the term loan with working capital. What is required is that the initial allocation of working capital should be reasonable and that the funds provided for this purpose should increase as the business expands. These requirements have seldom been met and many small scale units fall sick because of the lack of working capital. The Committee has noticed the useful role played by the credit manager of the DIC. What seems to be needed is a close tie up between the DIC, the SFC and the commercial bank, with the credit manager of the DIC acting as the reference point for relief. Hence the Committee would suggest a substantive change in the modalities of state financing for small industries. At present there is a composite loan scheme covering both term loan and working capital loan for an amount of upto Rs. 25,000. However this composite loan scheme has not made much headway. As a concept the composite loan, which would be applicable mostly for village and cottage industry units and tiny units, is good and needs to be pursued. The Committee would recommend that the scheme should be run through the DIC and SFC. The authority to sanction the loan would rest with the DIC, as an agent of the SFC. The SFC in turn should be eligible for refinance from the IDBI for the amounts disbursed. The required amendments in the charters of the SFC and the IDBI would have to be made. The limit for the composite loan should be raised to Rs. 50,000 and be kept under review so that it can be increased suitably as prices rise. At present most of the tiny industries suffering from the lack of tie up between working capital and term loan will be covered by this limit of Rs.50,000.

5.7 The composite loan can only cover the smallest manufacturing establishment. There is a need for a measure of decentralisation for the next level of establishments also. The Committee would recommend that sanctions for projects requiring between Rs. 50 thousand and Rs. 2 lakhs should be available at local level — from the local office of the SFC for the term loan and the concerned commercial bank branch for the working capital loan. The DIC should be responsible for tying up the total requirements of the units in these cases though the formal sanctioning authority may remain with the lending institutions.

5.8 State Small Industry Development Corporation have been set up in practically all States and Union Territories. Their principal function appears to be the distribution of scarce, imported and indigenous raw material. However, besides this some of them undertake other activities like the setting up of industrial estates, supply of machinery on hire purchase, marketing etc.

5.9 The Committee has suggested a certain structure for raw material supply and marketing for village, cottage and small industries. This structure involves district level supply and marketing societies and a State Level Corporation for supply and marketing. (Ref. para 9.18 and 9.19 of NCDDBA's Report on Village and Cottage Industries). In the interest of economy the Committee has suggested a common structure for village and cottage industries and for modern small scale industries.

5.10 In most States the responsibility for the development of industrial estates/areas

and some other related activities like the provision of water supply rests with the State Industrial Development Corporation or with a specialised corporation for infrastructure development. The Committee has recommended that the primary responsibility for planning and implementing infrastructure development plans must rest with the Industrial Development Authority set up for each growth' centre (para 7.24 to 7.28 in NCDBA's 'Report on Industrial Dispersal')-With this approach the Infrastructure Development Corporations' functions become that of a civil contractor to the Industrial Development Authority.

5.11 Most State Governments have set up corporations for promoting medium and large industries. These Corporations carry a variety of names but can be broadly, subsumed under the term "State Industrial Investment Corporations". Since their inception until the end of March 1979 these corporations had sanctioned Rs. 414 crores of assistance. The share of backward districts/areas (as presently specified) in the assistance sanctioned by SIICs was 58 per cent in 1977-78 and 70 per cent in 1978-79. More than half of the assistance sanctioned by SIICs is accounted for by three States viz. Maharashtra, Gujarat and Andhra Pradesh.

5.12 The Committee has emphasised the importance of small industry development in backward areas. However, modern and large industries are also an important component of the strategy of industrialisation of these areas and hence the Committee would commend the growing emphasis on backward area development in SIIC activity. The Committee notes that SIIC activity is at a very low level in most States categorised as industrially backward in the Report on Industrial Dispersal. Yet there are some SIICs e.g. the one in Maharashtra (SICOM) which have been very successful in attracting medium and large industries to the backward areas of the State.

5.13 The medium or large entrepreneur does not require training or technical support from State level institutions. He may or may not require finance, depending on his ability to mobilise funds from All India Financial Institutions. He probably has an existing base in the form of an industrial or trading unit. The essential task of the State level organisation, in this situation, is to 'sell' an industrial location in the backward area of the State to these entrepreneurs. This involves a variety of activities like keeping track of prospective entrepreneurs and contacting when they are in the process of firming up a project, running a public relations campaign to bring out the advantages of specific locations in backward areas, a well-organised effort to convince the entrepreneurs as soon as he shows interest, assisting the entrepreneurs in obtaining the required clearance from the Central and State Government providing an 'after sales service' in the forms of trouble-shooting assistance, etc. The organisational framework for doing this can take the form of a corporation or a cell in the Directorate of Industries.

5.14 Several States have set up industry-oriented corporations covering sectors like electronics, leather textiles, etc. These corporations have a dual role in that they invest directly in producing enterprises and also assist small and medium private sector units in their field of operation. There is, thus, some overlap between the operations of these corporations and the role envisaged for the project managers in the DIG. These industry oriented corporations are state level organisations and the Committee would recommend that they should be used as technical advisers to the Directorate of Industries, Operational responsibilities for promoting small industries in backward areas

should rest with the DIC machinery. However, the technical expertise required at DIC level may be developed, in the first instance, in these industry level corporations. Where the industry has to be promoted on a substantial scale in any district the project manager should be placed in the DIC. These corporations can also continue with their other activities viz. direct investment in producing enterprises and promotion of medium scale units.

5.15 Besides the corporations concerned exclusively with industrial development many States have set up regional development corporations or target-group oriented corporations. For these corporations promotion of small industries is only one element in their wide ranging activities. They will therefore continue to operate as a supplement rather than as a substitute for the agencies involved in industrial promotion. It is unlikely that these corporations will have the requisite level of technical expertise and hence the Committee would not recommend any exclusive reliance on these corporations for promoting small industries in industrially backward areas or amongst economically weaker sections. The primary responsibility for this will have to rest with the DICs the Directorate of Industries and the other State-level corporations dealt with in this section.

5.16 Apart from the corporations set up by State Governments, the all India Financial institutions have promoted the establishment of technical consultancy organisations in several States. These organisations, which are organised on commercial lines, are meant to provide an inexpensive but efficient consultancy service for small and medium entrepreneurs as also the state level organisations concerned with the development of these. They have also been given a certain promotional role. In order to be effective in backward areas it is necessary that this promotional orientation is increased. If this is done, these organisations can also help to provide back-up technical advice for the DICs.

6. DISTRICT INDUSTRIES CENTRE

The responsibility for field level implementation of industrial development policies rests with a variety of institutions. At the District level the responsibility rested with branch officer of state and central level organisations where they existed, the District Industries Officer (who was part of the apparatus of the Directorate of Industries) and the project authorities responsible for programmes like Rural Industries Programmes (RIP) and the Rural Artisans Programme (RAP) in certain districts.

6.2 By the late seventies certain deficiencies in the structure had become apparent. Basically the entrepreneur, particularly the small entrepreneur wants a package of services from the government. The contents of this required package may vary but in the case of the typical small entrepreneur, it will involve raw material supply, credit, allocation of land or sheds and infrastructure, some marketing support, assistance in labour training, etc. Certain states had started experimenting with the concept of a unified service. However, in the first instance a unified approach was introduced for medium and large enterprises and not for small scale units. Another problem was that many of the functions were concentrated in the state headquarters and this posed a particular problem to small entrepreneur who had to go to state headquarters again and again. A third difficulty lay in the concentration on setting up new units, with very little attention to a follow-up service to assist these units in solving their teething problems. Thus it was clear that there was a need (a) to unify some of the points of contact between the official machinery and the small entrepreneur (b) to provide the entrepreneur with a more comprehensive package of services including follow up services after the establishment of the unit and (c) to decentralise authority at least to a district level.

6.3 These are the motivations that underlie the District Industries Centre programme which was launched in May 1978 and was meant to provide under a single roof all the services and support at pre-investment and post-investment stages to small and cottage units. The DICs are to undertake economic investigation of the potentials for the total development of the district including its raw materials, demands, skills and other resources, identification of entrepreneurs, selection of suitable items of production, registration of units, preparation of project profiles, assistance in procurement of machinery equipment, raw materials and infra-structural facilities, making effective arrangements for credit facilities, quality control, research, extension and entrepreneurial training and rendering marketing assistance. So far 382 DICs have been sanctioned.

6.4 The scheme provides for posting of a General Manager and seven functional Managers with supporting staff at each DIG. The Central Government has recommended that a General Manager should preferably be of the rank of Joint Director of Industries and the Functional Manager should be preferably of the rank of Deputy Director of Industries. The various Functional Managers are expected to provide assistance in disciplines such as economic investigation, machinery and equipment, research, extension and training, raw materials, credit, marketing and cottage industries. However, the staffing pattern was kept flexible and the State Governments, depending upon the scope and needs of a particular DIG at a specified time, could modify the pattern in terms of number of Functional Managers as well as their functions.

6.5 Not all the State Governments have adopted the staffing pattern suggested by the Government of India. The number of Functional Managers in each DIC varies from three to seven. Some of the State Government have introduced different pattern for the different DICs. For example, in Punjab, for the more industrially advanced districts, persons of senior ranks have been appointed as General Managers (Joint Director of Industries) and in the industrially backward Districts, the General Manager is of the rank of Deputy Director of Industries and Functional Managers are of the ranks have been appointed as General Managers their number is also restricted to three. Wherever the number of the Functional Managers is less than seven, it has been agreed that as and when the work develops, there would be need to provide additional staff. By the end of December 1980, 381 posts of General Managers and 2213 posts of Functional Managers were sanctioned against which 312 General Managers and 1535 Functional Managers had been appointed.

6.6 Well known national organisations have been drafted to act as coordinators to prepare course material and to supervise the training programmes which are organised by reputed professional institutions. The first phase of training programme was started during July 1979. There were residential training courses of the two week's duration and consisted of three parts viz. concept and policies of DIC programmes, behavioural sciences and technical contents of the respective disciplines. By the end of March 1981, 227 General Managers and 676 Functional Managers have been trained.

6.7 The emphasis on decentralised growth of small and cottage units, demands that the promotional staff of DICs should not be posted only at the district headquarters. The staff of the department of industries working at district level earlier to the establishment of DICs is rendered surplus as their activities get merged with those of the DICs. The persons thus released as well as the Extension officers (Industries) at Block level particularly now proposed under the Integrated Rural Development Programme are supposed to form the core of the Field Wing of the DICs. The module of staffing pattern suggested to State Governments provides for the posts of a number of Assistant Managers, depending upon the requirements of a DIG, these officers could also be merged with the Field Wing and posted at block level. Besides, placement of the schematic staff of the erstwhile RIP and RAP Programmes has to be so arranged as to become part of the Field Wing.

6.8 The DICs are expected to prepare an Action Plan to provide for systematic implementation of industrial promotion efforts. The Action Plans are to concentrate on demands, skills, surplus resources of the district concerned and also to provide details of programmes, blockwise and bring out financial, employment and production potentials separately for artisans based activities, tiny and small scale units. These also provide estimates of the quantities required of different inputs and the organisational support needed to implement the programmes which will facilitate provision of various inputs by concerned institutions such as commercial banks, State Financial Corporations, State Industrial Development Corporation, etc. The Action Plans are also to contain information in respect of industrial activities to be promoted through scheduled tribes, scheduled castes and women entrepreneurs. This is in line with the importance being given for introduction of special efforts for these communities. According to the information received, during 1978-79, action Plans have been prepared in respect of 297 DICs and the remaining ones were reported to be under preparation.

6.9 The DICs are expected to develop close coordination with various institutions at Central and State levels. The national organisations like Khadi and Village Industries Commission, Hand-loom Board, Handicrafts Board, etc. are extensively involved in the programme of assisting decentralised industrial sectors. Wherever these organisations have their own specific programmes, instructions have been issued that there should be a close meshing of the DICs with programmes of these organisations so that there is no duplication of efforts. Where existing organisations are undertaking work, those should continue and the DICs should supplement their efforts by initiating similar programmes in other areas. Many of the State Governments have made progress in developing a close linkage of DICs with institutions like Khadi and Village Industries Board by way of giving ex-officio Deputy Chief status to the General Managers.

6.10 A system has been evolved for monitoring the progress of DICs. Monitoring Cells have been set up at the State Directorate of Industries. The DICs have to furnish a monthly report on salient achievements and a detailed annual report. Out of DICs positioned, 228 DICs reported actual achievements during 1978-79, 275 during 1979-80 and 332 during 1980-81 (April 1980-January 1981). According to these reports, 3,05,379 artisan based and 1,24,701 small scale units were established. The number of units granted permanent or provisional registration in these DICs total 3,33,867. The average number of new units established per DIG during the three years amounted to 3,86,715 and 542 while new registrations done were 333, 425 and 528 respectively. The information for 1980-.81 is available for the period April 1980 — January 1981. Details are given in Annexure 6.1.

6.11 Efforts made in obtaining credit assistance from the financing institutions have fructified and the amount of financial accommodation provided totals to Rs. 418.98 crores. The average per DIC was Rs. 66.68 lakhs for 1979-80.

6.12 The programmes of assistance to sick, units have been initiated and 4,471 units have been assisted. The DICs have also been providing assistance in the field of technology, marketing and management benefiting 3,90,546 units.

6.13 The overall quantitative and statistical position as reported above does not give correct field for the effectiveness of the DICs. For this purpose, more detailed evaluation of individual DICs are necessary. Such evaluations have been made for 5 DICs viz. Anantnag (J. &K. State), Alwar (Rajasthan), Ramanathpuram (Tamil Nadu), Sundergarh (Orissa) and Surendera-nagar (Gujarat). The observations and suggestions which emerged from examination of these evaluations are dealt with below.

6.14 The central element in the DIC concept is the provision of unified service for small and cottage industries. Before the DIC concept was introduced, the entrepreneur had to approach a multiplicity of agencies for the required sanctions and clearances. Moreover, there was insufficient delegation of authority to the district level and the entrepreneur had to go to the State capital for many such sanctions and clearances. The evaluation studies that have been done suggest that substantial improvements have taken place since the introduction of the DIC concept. The establishment of DIC has been much appreciated by small entrepreneurs who now have a more accessible agency, closer to their establishment, which provides access to the governmental system and at least theoretically has a set of functions which are very useful.

6.15 Apart from the concentration of decision making within the DIC, there was a certain role in industrial promotion which the DIC was expected to play. Judging by the pattern of staff recommended by the DIC concerned it would appear that DIG was expected to play an important role in overall planning of industries in the district, in raw material supply and marketing, in the provision of credit, in providing technical guidance and training. It is necessary to assess the extent to which the DIC structure has fulfilled expectations in this area.

6.16 The principal instrument in industrial planning was to be the Action Plan. As indicated earlier, these Action Plans have been prepared for 297 DICs. The delay in preparation of the Action Plans can be attributed to the late sanctioning of DICs and delays in appointment of the full complement of staff.

6.17 The content of these Action Plans leave much to be desired. For example, in the case of Sundergarh, the DIC authorities stated that the Action Plan was prepared hurriedly and could not be used in the day to day planning and working of the DIC. In the case of Ramanathpuram, the Action Plan was found to be useful as a first approximation. This particular evaluation report, however, made very valuable suggestions for making the Action Plan more meaningful. It suggests that with regard to Action Plan, it would be necessary:

- (a) to define more carefully concepts such as 'employment generation', 'assisted units' etc. because at present these parameters are not sufficiently rigorously defined;
- (b) to make arrangements for much greater access by the DICs to various professional bodies capable of well-conceived project formulation in different sectors, at present project profiles prepared by the SISI are limited to disciplines available with them;
- (c) to tap certain local pockets of surplus generation even in otherwise backward districts like Ramanathpuram, e.g. owners with irrigated land, returnees from the Gulf, etc., who could provide not only the necessary financial stake but appear to be looking for opportunities for investment outside agriculture;
- (d) to review in the light of current practice of coordinated work with IRD and TRYSEM, future opportunities where funds meant under these schemes for rural industrialisation can be more effectively used through viable project proposals.

6.18 With regard to the provision of raw materials, the DIC seems to mainly play a recommendatory role. However, it appears, in Orissa they have direct responsibilities for allocation of raw materials and in Tamil Nadu, the DICs recommendations are expected to be honoured by the Small Industries Development Corporation. With regard to marketing, the DICs have not played any useful role in general.

6.19 In the provision of credit to entrepreneurs, DICs appear to have played an important role. Credit Managers have been drawn on deputation from financial institutions. However, there are certain problems which have been noticed. Firstly, there

is no joint appraisal of finance which takes into account term loan, working capital loan, subsidy etc. together. Decisions have to be obtained separately for these different elements. Secondly, there are often two appraisals of the project, once by the DIC credit Manager and second time by the loaning institutions. This double appraisal is leading to delays and problems. Thirdly, there is no feed back to the DIC of the credit cases referred to banks/institutions by them.

6.20 With regard to the provision of technical advice the DICs appear to have done some useful work in the provision of project profiles. However, their contribution in" providing day to day assistance to entrepreneurs appears to be very limited.

6.21 The shortfalls in DIC performance are attributable to some extent, to the fact that they are still in early stage of development and face some teething problems. However, there are some functions which seem to be assigned to the DIC which need to be tackled at a higher level if they are to be effectively performed e.g. market intelligence and research. Even for other functions the DICs need higher level support.

6.22 The role of the DIC in the allocations of infrastructural facilities does not seem to be recognised in the standard staffing pattern proposed. In fact several states have felt the need for a manager (infrastructure) and have provided for it in their staffing schemes.

6.23 The linkages between the DIC and existing organisations, particularly in the field of village and cottage industries are not very effective. Thus the evaluation report for Anantnag states, "the Handicrafts Manager" located at the district headquarters was some what apathetic on the role of the DICs and seem to regard it as an 'invasion' of his own jurisdiction. The representative of the Khadi and Village Industries Board was more hostile and stated that he had nothing to do with the DICs. The evaluation reports generally bring out the need for working out more fully the procedure for bilateral and multilateral coordination. The linkages with state level corporations and with banks appear to be in a better state.

6.24 The linkages with large industries, particularly with regard to ancillary development have been dealt with in the report on the DIG at Sundergarh. In this case the General Manager of the DIG is the Secretary, Plant Level Advisory Committee on ancillary development for the Rourkela steel plant. Despite this the evaluation report states that the linkages with the steel plant was not satisfactory in practice.

6.25 The evaluation of the performance of the DICs presented above suggests that they can play a very useful role if too much is not expected of them. The DICs have to be a part of a multi-faceted set up involving several agencies at the field level. In such a situation they cannot be held responsible for every aspect of industrial development. A clearer definition of what the DICs can be expected to do is necessary.

6.26 The foundation of the DIG concept is the notion that, at a field level, the entrepreneur should have to deal with a single organisation. This is also the one element in the DIG concept that seems to be universally appreciated. Broadly speaking a small entrepreneur requires *decisions* (as distinct from advice or assistance) from government agencies with regard to the following matters:

- (i) Registration as a small scale unit,
- (ii) Registration as a supplier to the government,
- (iii) Sanction of connections for infrastructure like land and shed, power and water,
- (iv) Certification of requirements for imports and scarce materials,
- (v) Supply of canalised or controlled raw material,
- (vi) Sanction and disbursal of subsidies, incentives etc.,
- (vii) Sanction and disbursal of credit.

The extent to which authority can be delegated in these items varies. In many cases there are existing organisations which are involved in this field, who cannot be displaced easily. There should not be any difficulty in delegating powers under (i), (ii), (iv) and (vi) to the DIG. With regard to the other items the role of the DIG may be recommendatory.

6.27 There is need for certain element of realism in this concept of unified service for small industries. Every attempt should be made to delegate powers to the DIG and in many cases dispense with the need for sanctions or clearance elsewhere. However, the multiplicity of agencies cannot be eliminated altogether. In this situation, it may be desirable to introduce the concept of a programme package as in Tamil Nadu. In this concept the Directorate of Industries prepares a complete programme of development for a specific industry and indicates precisely the responsibility of all concerned field level agencies. The DIG implements the programme and oversees and facilitates the activities which have to be undertaken by other agencies. There is a clear linkage between this concept and the concept of a project manager for specified industries. It should be the responsibility of the State Directors of Industries to prepare such a package for all project managers in the DICs under their control. Similarly the SISIs must prepare a package for the industries which they are expected to service.

6.28 A closer linkage between the DIG and the other agencies would also help. For instance, in Tamil Nadu the recommendations of the DIG with regard to the allocations of raw materials are accepted and normally honoured by the raw materials depot of Small Industries Development Corporation. Again in many cases the Manager (Credit) comes on deputation from one of the financial institutions and his recommendations carry a great deal of weight with his parent organisation. An attempt is also made to tie up the Action Plan of the DIG with the Credit Plan drawn up by the lead bank. Thus, even if a decision making authority cannot be concentrated in the DIC, it can play a nodal role as far as the entrepreneur is concerned. In fact the evaluations show that even if the DIC can provide assistance to the entrepreneur in getting quick decisions from other agencies, the service provided is considered valuable by entrepreneur. This recommendatory role of the DIC can be made effective if certain key areas are staffed on a deputation basis by officers from the parent related decision making organisations. Staffing on deputation also has the advantage that the DIC need not keep on staff who have become obsolete.

6.29 Not all functions can be discharged by one organisation. There is a clear distinction between commercial and promotional activities. The types of experts required for the two types of activities are different. Moreover when the two types of functions are handled by one organisation it is the promotional function which suffers. Hence the role of the DIC in raw material supply and marketing would have to be somewhat peripheral. The Committee has recommended the establishment of a District Supply and Marketing Society (and a corresponding State Level Corporation) for raw material supply and marketing support to village, cottage and small industries. (The marketing support for small industries would be more limited than for village and cottage industries). Thus, in the structure suggested by the Committee, the DIC would not have any operational responsibilities for these functions. (The role of the DSMS is discussed further in chapter 8 of this report).

6.30 With regard to credit, the role of the DIC was indicated earlier in the discussion on SFCs. To recapitulate the DIC would sanction, as the agent of the SFC, composite loan upto Rs. 50 thousand. For loans between Rs. 50 thousand and Rs. 2 lakhs the formal sanctioning authority would be the SFC and the concerned commercial bank branch, but the responsibility for arranging this tie up would rest with the DIC so that in effect the entrepreneur would get a composite loan. (Ref. para 5.6 above).

6.31 The Committee envisages that the DIC will continue to play an important role in the planning and management of industrial infrastructure. In its report on Industrial Dispersal the Committee has recommended the establishment of 100 industrial estates away from the identified growth centre for ancillary units and other small units. The Committee had suggested that these estates should be run by the DIC. (Ref. para 8.16 of the Report on Industrial Dispersal). Thus, the responsibility for allocation of land and sheds in these estates will necessarily rest with the DIC. The Committee would suggest that the possibility of sanctioning water and power connections upto a certain limit should rest with the DICs. Both these facilities should be carefully planned on the basis of anticipated requirements. In the case of power, once a certain capacity is provided for in the step-down transformer, the responsibility for allocation should rest with the DIC, at least for small loads upto 25 HP.

6.32 With regard to technical advice and entrepreneurial development the Committee envisages a nodal role at the field level for the DIC. The DIC should be the primary point of contact for technical advice on the establishment of new projects or on problem faced by existing units. In backward areas entrepreneurship and technical skills are not well developed. The general lack of industry makes it difficult for entrepreneurs to call on the services of professionals (like management accountants) or fellow entrepreneurs. In many cases, the technologies introduced may be new not merely for the entrepreneurs but also for his workmen. New channels of marketing and raw material supply have to be established. All this requires the assistance of a knowledgeable expert who will guide the entrepreneur when he is establishing a new project or later when he faces teething troubles. The Committee would commend the concepts of "guided entrepreneurship" for backward areas. The guidance will have to cover not merely technical disciplines but also finance, marketing, purchase and inventory management, labour management, etc. It is essential that it should be available at a single point and it is logical that this single point should be at the DIC. All the required support comes within the concept of the DIC but in backward areas the guidance will have to be more comprehensive and thorough.

The wide role of the DIC also requires that the General Manager should be a person of high quality.

6.33 Once a unit is established soundly the dependence on the DIC may decrease. However the mortality rate among small scale units is high mainly because of the lack of correct advice at the correct time. Hence there is a continuing obligation to advise and inform the entrepreneur about technical advances, new opportunities, emerging problems, etc. Sick units have to be identified and put back on their feet. In these cases the DIC apparatus is the correct instrument.

6.34 Basically the Committee views the DIC as the counterpart, for small industry of the extension system built up for agriculture. The growing complexity of modern agriculture has led to the acceptance that this extension machinery should concentrate on technical advice and leave input supply and marketing functions to other agencies. The complexity of modern industry is as great and the need for a specialised technical extension machinery is as evident here. The Committee envisages that the DICs assisted by the SISIs will fulfil this purpose.

6.35 The Committee's strategy for promoting small industry in industrially backward areas places great emphasis on ancillary developments. The planning framework required for effective implementation of the governments policies in this regard has been outlined earlier (Ref. paras 2.25 — 2.32) in this report. The responsibility of the DIC in this area is for the field level implementation of centrally determined and accepted ancillary development plans. This is one area where the concept of a programme package outlined in para 6.27 above can be fruitfully applied.

6.36 The DIC will have to be the principal field agency for the purposes of entrepreneurial selection and training. The Committee envisages a three-tier system for entrepreneurial development. The level at which any entrepreneur should be trained will depend on the complexity of the project which he is expected to undertake. For relatively simple projects the training could be provided at the DIC itself since the requisite technical expertise may be available locally. At the next level the DIC may refer the case to the Directorate of Industries and the training may be organised by one of the State level promotional corporations or by a specialised agency set up for the purpose. These two levels between them will take care of most areas of entrepreneurial activity. However there will be some areas where the number of units likely to come up within the state is quite small and the requisite technical expertise is not readily available within the state, Such cases may be referred to a third: level of entrepreneurial training run by national organisations like IDBI. In this connection we would draw attention to our recommendations regarding the establishment of regional EDP centres by IDBI. (Ref. para 9. 21, Report on "Industrial Dispersal, NCDBA). The training process may require development of the local entrepreneur to an existing unit. It should be the responsibility of the DIC to tie this up if necessary with the help of the State level organisation or the IDBI.

6.37 The DIG is expected to act on the basis of an Action Plan that identifies opportunities for industrial advance. This Plan will require the development of infrastructure. Certain elements in this infrastructure like existing and new industrial estates will be within the competence of the DIG. Certain other elements will have to be

taken care of by other agencies. Hence, for purpose of coordination the DIG should link up with the district planning centre. {Ref. Para 3.20 of the report on the Organisation of Administrative and Financial Structure for Backward Area Development). This planning centre will prepare the district Plan taking account of the infrastructure identified in the Action Plan, which the DIG must follow.

6.38 The Action Plan of the DIG will also form the basis for the identification of secondary and tertiary opportunities. This must be done by the district planning centre. These opportunities would have to be integrated into the IRD and TRYSEM programmes by the district rural development agency.

6.39 The responsibilities cast on the DIG will determine the pattern of staffing. In the original scheme the pattern envisaged, besides the General Manager, a set of seven managers for economic investigations, machinery and equipment, extension and training, raw materials, credit, marketing and cottage industries. It is understood that, there is a proposal to modify this pattern with fewer functional managers and about three project managers each one for a well-defined group of industries.

6.40 With regard to functional managers the role envisaged for the DIG would suggest the need for a manager (planning, monitoring and economic investigation) manager (Credit), manager (raw materials and marketing) and manager (village & industries). The 'role of the manager (village & industries) will be mainly for coordinating the work done by the group centres set up on the lines recommended in the Report on Village and Cottage Industries, NCDDBA (Ref. para 4.18 and 4.19 of that report). These managers would deal with the operational responsibilities of the DIG in their respective fields. Other operational functions would be handled by the General Manager and lower level staff. Compared to the original position the Committee's recommendations would involve the deletion of managers for research extension and machinery & equipment. These are not necessary because their functions will be exercised by the project managers.

6.41 The concept of a project manager who will be a technical person but with enough experience to provide guidance on other matters is appropriate for the requirements "guided entrepreneurship" indicated in para 6.32 above. The DIC is a single service point and within the DIG the project manager will provide a further concentration of services for the perspective entrepreneurs. Instead of having to go to a series of functional managers the entrepreneur would have to contact only one person. In each DIC there will be 3-4 project managers each one covering a well-defined set of industries. The Committee would recommend the adoption of the project manager approach. The Committee envisages that this project manager will be the principal vehicle for fulfilling the extension function of the DIC. Besides the project managers for specified industries the DIG may also need a miscellaneous expert to base with SIS/ SIDO and direct entrepreneurs to the correct source for technical advice.

6.42 The DIC cannot restrict its presence in the district headquarters and will require a field staff. The Committee has emphasised the need for Industries Extension Officers at the block level for the promotion of village, cottage and tiny units. (Ref. para 9.12 of the Report on Village and Cottage Industries). The Committee has also recognised the need for a specialist in industrial development at project level (para 6.51 and 6.52 of the

Report on the Organisation of Administrative and Financial Structure for Backward Area Development). These Officers will deal with general problems and function as the eyes and ears of the DIG in the field.

ANNEXURE 6.1

District Industries Centre Programme physical Achievements- April 1980 to January 1981 (As per information received in the Office of DCSSI, DIG Cell upto 26-2-1981)

States	No. of DICs		New Regist ration- done Perma nent & provi sional	New into Units gone production			Addl. emplo yment gene rated (No. of person s)	Credit provi ded by Finan cial insti tutions (Rs. in lakhs)	No, of sick units assis ted	Other assis tance provid ed *
	Sanc tioned	Repo rted		Artisa ns	Small scale and other units	Total				
1	2	3	4	5	6	7	9	10	11	12
Anadhra Pradesh	22	14	4572	6496	1878	8374				
Assam	10	5	888	317	229	546	2733	16.41		1264
Bihar	31	31	9434	11752	3881	15633	36749	593.59	96	4118
Gujarat	17	17	14036	11979	4338	16377	61311	1072.84	189	647
Haryana	12	11	5290	2006	2592	4598	14022	503.51	185	2502
Himchal Pradesh	52	12	1859	907	415	1322	2763	151.20	23	1113
Jammu & Kashmir	14	11	2902	176	454	630	2702	151.36	19	1165
Karnataka	13	13	3519	1593	1225	2818	8108	325.78	417	2893
Kerala	11	11	10679	2863	2442	5305	24541	181.42	73	41582
Madhya Pradesh	45	45	18473	6230	5621	11851	30372	1173.50	22	627
Maharashtra	25	25	7898	20715	12713	33428	75205	1737.23	84	10406
Manipur	6	6	1508	943	631	1574	3978	4.40	10	138
Meghalaya	5						N.R.			
Nagaland	7	4	205	51	10	61	200	0.55		32
Orissa	13	13	6626	16948	1365	18313	37540	870.53	33	8444
Punjab	12	7	3587	532	2513	3045	13210	175.20	28	13547
Rajasthan	26	20	16982	592	1571	2163	11360	2636.97	176	9404
Sikkim	1						N.R.			
Tamil Nadu	14	14	15316	4459	4144	8603	45724	1141.48	530	7823
Tripura	3	2	119	97	55	152	485	10.68		301
Uttar Pradesh	56	52	12867	4478	4253	8731	33428	2159.84	124	11442
West Bengal	15	15	3662	311	849	1160	4800	874.30	8	2643
A. & N. Islands	1	1	118	1	.8	9	62	2.27		1133
Arunachal Pradesh	5	2	31	4	10	14	49			382
Chandigarh	1						N.R.			
Dadra and Nagar Haveli	1						N.R.			
Goa, Daman and Diu	1						N.R.			

States	No. of DICs		New Regist ration- done Perma nent & provi- sional	New into Units gone production			Addl. emplo yment gene- rated (No. of person s)	Credit provi- ded by Finan- cial insti- tutions (Rs. in lakhs)	No, of sick units assis ted	Other assis- tance provid ed *
	Sanc tioned	Repo rted		Artisa ns	Small scale and other units	Total				
1	2	3	4	5	6	7	9	10	11	12
Mizoram	2					.N.R				
Pondicherry	1	1	329	11	56	67	414	7.65	4	293
Total	382	332	140900	93461	51253	144714	431425	14900.92	2101	140573
All India Average per DIG for 10 Months.			528	350	192	542	1616	55.82	8	527

* Other assistance include technical assistance, raw material assistance, marketing assistance and assistance provided for allotment of accommodation, electric power etc.

Note: The achievements for April 1980 to January 1981 are based on the monthly progress reports. Some DICs have sent reports only for few months (and not for all the ten months from April 1980 to January 1981). The average per DIC achievement have been worked out for ten months.

NR: Stands for not reported so far.

7. INDUSTRIAL DEVELOPMENT AUTHORITY

In its Report on Industrial Dispersal the National Committee has suggested among other things a growth centre based approach as far as medium and large industries are concerned. The Committee has recommended that the responsibility for the development of these centres should rest with an Industrial Development Authority (Ref. para 7.18 of the Report on Industrial Dispersal, NCDBA). With regard to funding arrangements the Committee has recommended "that the capital funds that will have to be found by the IDA for the area development and provision of minimum facilities will have to be borrowed and to enable this the IDA will have to be provided seed money at the rate of 20% for that part of the total expenditure which is recoverable and 100% for the non-recoverable component" (para 7.28 of the Report on Industrial Dispersal, NCDBA).

7.2 The Committee would suggest that the essential features of the IDA should be as follows :

- (i) It should have the juridical authority to receive grants from the central and state governments and to borrow from other sources. The most suitable arrangement for purpose may be a company set up under the Companies Act. The alternative of a statutory corporation may not have enough facility. The proposed arrangement would also be consistent with the commercial orientation and responsibility for execution that the IDA should have.
- (ii) It should be delegated with all the authority required for planning, promotion and management of the centre.
- (iii) It should have on its governing council field representatives of all authorities involved in the issue of sanction and registration, like the power board, the Industries department, the local municipality. This will ensure that procedural formalities are expedited for industrial units coming up in the centre. Wherever feasible, the authority to issue these sanctions or registration should be delegated to the IDA.
- (iv) It should include representatives of technical and financial institutions.
- (v) It should have a board of directors consisting only of officials. A change in the chief executive should only be made in consultation with the IDBI which is expected to provide the loan finance required by the IDA.

7.3 The above features are necessary as the IDA is expected to function on commercial lines and hence must be given the freedom to plan and implement the development programme in a flexible manner. The delegation of powers must cover the powers to sanction and undertake infrastructural works, to allot plots and shed, etc.

7.4 The IDA is envisaged primarily as an infrastructure development and promotional agency. In this sense it will differ from the DIG whose primary focus of attention is on technical advice and consultancy. However the IDA will have to play a coordinating role to ensure that all the requirements of the entrepreneurs in the growth centre are met. In particular for technical advice it must coordinate with the DIC/SISI/SIDO machinery and

must be in a position to direct the entrepreneur to the right technical agency.

7.5 The staffing pattern of the IDA will have to reflect its responsibility. Since the scale of work will be quite substantial it should be headed by a senior officer. It will need a staff of planners, engineers and industrial promotion executives. However, it will not be possible for the IDA to provide technical advice on any substantial scale even to small industries and this responsibility will have to rest with the DIC/SISI system. Hence the IDA may not require technical experts. As far as execution of works is concerned the IDA can rely on existing organisations like the infrastructure corporations or, failing that, on contractors. It need not build up an elaborate civil engineering capability.

8. DISTRICT SUPPLY AND MARKETING SOCIETIES

At present the official systems undertake responsibility for supplying raw materials to small industries mainly for statutorily controlled materials. For these materials as well as for imports, small industries have to obtain a certification of requirements and sponsorship through the Directorate of Industries. Medium and large industries can go directly to the concerned central organisation for this purpose. Actual deliveries of raw materials are effected through the State Small Industries Corporations and various public sector trading agencies like STC, MMTC, etc.

8.2 The Committee dealt with the problems of raw material supply to small industries in its Report on Industrial Dispersal (Ref : paras 8.21 and 8.23 of this report). In this report it had suggested that local raw material dumps should be run by the DIC/IDA.

8.3 The Committee has also examined the problem of raw material supply for village and cottage industries in its report on the subject (Ref : paras of Report on Village and Cottage Industries, NCDBA). In this case the supporting organisations have more wide ranging responsibility which covers non-controlled raw materials also. There is an intimate link between raw material supply and marketing in this sector and the Committee has emphasised the need for a common structure for this purpose (para 6.20 of Report on Village and Cottage Industries, NCDBA).

8.4 Raw material supply, inventory management and marketing are complex managerial functions which may not have much in common with activities like research and extension. Because of this the Committee has delinked this aspect and recommended the establishment of a District Supply and Marketing Society for this purpose. In order to economise on expenditure and to take advantage of the commonality in the requirements of village and cottage industries and small industries, the Committee has recommended a common organisation for these sectors. The proposed DSMS is expected to be run on commercial lines and should get its credit requirements from the banking system. (Ref.: para 5.18 and 5.21 of the Report on Village and Cottage Industries, NCDBA).

8.5 Small Industries require a variety of raw materials. Some of these will be subject to statutory control and for this the present system of certification and sponsorship by the Directorate of Industries/DIC would continue. In this process the assessment of requirements would have to be done by the technical hierarchy of the DIG who would also be responsible for checking and monitoring supplies. The power to grant the required certificate of requirements should be delegated to the DIC. However, for these as well as for other raw materials the responsibility for obtaining supplies, holding stocks and making deliveries would rest with the DSMS.

8.6 The DSMS must not restrict its activities to centrally allocated raw material. It must also undertake the responsibility for identifying and arranging supplies of local raw materials. If the DSMS covers the requirements of village and cottage industries and of small industries and if its activities encompass non-controlled raw materials also, the turnover per DSMS will be large enough to be able to sustain a fully professional organisation.

8.7 Various organisations have been developed at the State level for supply of raw materials to small industries. A view has been expressed that a district supply organisation may not be able to render the necessary services for small industries in supply of raw materials. It is desirable to have a state-level organisation which can liaise more effectively with the Departments and also obtain bank finances. The Committee has carefully considered this suggestion. For one thing the State level organisations now providing raw materials do not provide that type of comprehensive raw material coverage which the Committee finds absolutely essential for the proper development of small industries. The Committee in its Report on 'Industrial Dispersal' has already pointed out that in the case of small industries in Nasik lack of raw material supply was responsible for heavy sickness in this sector. If this was the position at a centre which was specially supported by the Government of Maharashtra, one can very well imagine what would be the position in the so many districts where small industries are languishing. The Committee cannot over-emphasise the need for supply of raw materials according to the requirements of small industries on time and at fair price. The Committee can agree that the state level organisations which are at present working in the states should anyhow be reorganised to ensure that they are in a position to supply all the raw materials that are required in the State by the small industries. A rough calculation will show that this will mean a very large turn-over base in many types of raw material. It is unlikely that this centralised organisation will be able to meet the requirements of the smaller amongst the small industries. The Committee is particularly anxious that small industries with a capital of Rs. 1 lakhs and less which may be called tiny industries should now be able to perform efficiently by proper supply of raw materials. In the Report on 'Industrial Dispersal' the Committee has already pointed out how in the district of Gaya such small industries require very small amounts of raw materials which cannot be covered easily by a Central organisation. The Committee has, therefore, no hesitation in saying that if we are really serious about developing the thousands of tiny industries that are now being started all over the country mostly with local entrepreneur, an organisation close to the industries who can supply them small amounts of material required, from time to time, is an essential part of the services. It is for this reason that the Committee has recommended the formation of the DSMS in its Report on 'Village & Cottage Industries'.

8.8 Raw material supply at the district level comprises of scarce controlled raw material, imported raw materials and locally available raw materials. At present, there does not appear to be any state level organisation which deals with all these three commodities. On the other hand, supply of all these three types of commodities is necessary for the proper development of small industries in the rural sector. Considering the need for a decentralised organisation and taking note of the fact that anyhow more effective arrangements have to be made for supply of raw material, the Committee has no hesitation in saying that it is only a district level organisation which can help the industry.

8.9 The Committee has also explained the need for a state-level organisation which will look after the problem of getting the necessary scarce raw materials and imported raw materials for the whole State and distributing the same to the district organisations on the basis of accepted policy. In the case of raw materials to be obtained from the other districts and from outside districts the State level organisation will no doubt have to coordinate, but to expect the State level organisation to attend to the thousands of

small requirements at the district level and meet them on time will be expecting too much. It is this work which a district organisation has to perform.

8.10 The Committee realises that not all districts will develop small industries straight-away. Where the demand is limited in a district, with the help of the expert in the DIG, the State level organisation can arrange the supply of the material. The Committee has, however, explained in detail in their report on 'Village and Cottage Industries' how for the proper development of village industries a district level organisation is absolutely essential. Whether this organisation will straightaway take up the work of supporting small industries or leave it to; the existing State level organisation till a sufficient business develops is a matter entirely for the States to decide and time its operations.

8.11 With regard to marketing support, the present . arrangements for small industries lack clear focus. The Committee in its Report on industrial Dispersal had identified certain areas of public activity that could provide marketing support for small industries. Specifically the Committee has emphasised the need to link small industry output with *the* purchase programme of the Central and State Governments and their .associated organisations. In its Report on Industrial Dispersal, the Committee had placed the responsibility for organising this linkage on the DIG. With the establishment of a DSMS this would not be necessary and this responsibility would have to be exercised by the DSMS itself. They would act as purchase agents for the public sector organisations and procure small industry output locally. The state and central authority that is responsible for placing orders will pass on responsibilities to the DSMS to the extent required e.g. they may call tenders and place orders and pass on the responsibility after that point to the DSMS or they may authorise individual DSMS, to place orders and delegate the authority for inspection and clearance to them. The exact nature of the arrangement will vary from case to case, but the essential point is that there would be a direct relationship between the purchase organisation and the DSMS.

8.12 The DSMS will need a back up at state level for linkages with other state level and central organisations both for raw material procurement and marketing. In the Report on Village and Cottage Industries the Committee has recommended the establishment of a State level Corporation for this purpose. Such an agency can help in the procurement of raw materials which are not available within the district. (Ref. para 5.20 of the Report on Village and Cottage Industries, NCDBA).

9. PLANNING AND COORDINATION

Planning and Regulation

The responsibility for industrial planning at the national level is spread over a large number of organisations like the Planning Commission, the Ministry of Industrial Development (and its associated offices like DGTD), various sectoral ministries like Petroleum and Chemicals, Steel and Mines, Electronics, the Ministry of Finance etc. A review of the entire structure of industrial planning at the centre -would be well beyond the scope of the present report. However, a review of the arrangements for taking care of the special requirements of industrially backward areas is necessary.

9.2 From the point of view of backward areas development and particularly small industries development in these areas, two agencies can be expected to fulfil this function. The first is the Cell for Backward Area Development in the Ministry of Industrial Development. At present this Cell which has a very small staff, deals mainly with the monitoring of the Central Subsidy Schemes. It is necessary that this cell be strengthened so that it can participate in other decisions effecting industrial development in backward areas like decisions on pricing, licensing, in location of public sector projects, Infrastructure; development etc. What is required is that analytical capability of this Cell be built up so that it can intervene effectively in appropriate forums like the Planning Commission, Public Investment Board, the Licensing Committee etc. It must be the responsibility of the Secretary, Industries to ensure that this Cell is consulted on all decisions which are likely to affect the possibilities of industrialisation in the backward areas.

9.3 The second organisation involved in planning and regulation at the Central level is the Small Industries Development Organisation, The role that the organisation can play in this task has been dealt with earlier in this report. As indicated in this chapter, this organisation is expected to play an important catalytic role in the promotion of small industries in backward areas. The manner in which the organisation needs to be strengthened for this purpose has been dealt with in Chapter 2.

9.4 At the State level, the primary responsibility for planning and regulation will rest with the Department of Industries and its technical wing i.e. the Directorate of Industries as indicated in Chapter 4. (Ref. para 4.4 above). The responsibility at the district level will have to be exercised by the District Industries Centre (Ref. para 6.37 above).

Monitoring, Coordination and Evaluation

9.5 Since a variety of institutions are involved in the field of industrial development, a system of coordination is- necessary. Vertical coordination between agencies not linked together in hierarchical relationship for example the DIG and SISIs/SIDOs would have to be taken care of through regional meetings as suggested in para 2.15 and para 3.8 above. As far as horizontal coordination is concerned, what is required is the Coordination Committee at the district, state and central level. At the district level, the committee should be headed by the District Collector/Magistrate and include the General Managers of the DIG and IDA field representatives of the lead bank and the SFC, representatives of the lead bank and the SFC, ment projects in the area, the

district planning group, the local ITI etc. At the State level, the Coordination Committee should be headed by the Chief Secretary and include representatives of all the concerned state departments as well as representatives of the Khadi and Village Industries Board, the concerned all India Commodity Board, the IDBI, the SISI and the State Corporations. At the Central level the responsibility for coordination would have to be exercised by the Ministry of Industrial Development.

9.6 With regard to monitoring and evaluation of programmes and schemes, the responsibility should rest with the DIG at the district level, the Directorate of Industries at the state level and the backward area development Cell in the Ministry of Industrial Development at the Central level.

10. AN OVERVIEW

The previous chapters have dealt with some of the important institutions involved in the field of industrial development. The purpose of this Chapter is to provide an overview to show how the various functions which the organisational structure has to fulfil will be met, As far as planning, regulation and coordination is concerned this has been dealt with separately in Chapter 9.

Infrastructure Development

10.2 The responsibility for infrastructure development is very diffuse and spread over a variety of organisations like the Railway Board, the PWD, the Telecommunication Department, the State Industrial Infrastructural Development Corporation etc. As far as Industrial areas are concerned, the Committee's recommendations assign key role to the Industrial Development Authority in the growth centres and as for industrial estates to the district industries centre, the actual physical work will be done by the state level infrastructure corporation or by contractors but the responsibility for planning and implementation should rest with the IDA/ DIC. At the State level, the Department of Industries would have to function as coordinating agency ensuring that the appropriate investment are made by sister departments (Ref. para 6.31 and 7.4 above).

Raw Material Supply and Marketing

10.3 As indicated in Chapter 8, the Committee envisages that the field level responsibility for raw material supply and marketing will rest with the District Supply and Marketing Society as far as small industries, village and cottage industries are concerned. (The marketing support for small industries will of course be more limited than for village and cottage industries). At the state level, the operational responsibility would rest with the State Supply and Marketing Corporation. (Cf para 6.12 above). The responsibility for sponsorship for statutorily controlled raw materials and imports may have to rest with the DIC and the Directorate of Industries. (Cf. para 8.5 above). At the Central level, the SIDO should be the coordinating agency to ensure that the requirements of small industries, particularly, those in backward areas are fully met. (Cf para 2.33 above).

Credit Delivery

10.4 The primary responsibility for credit delivery has to rest with the organised credit structure consisting of the commercial banks, the all India financial institutions and the State Finance Corporations. The Committee's recommendations involve a special role for the DIC as far as the smaller of the small industries are concerned. (Cf. para 5.6 above).

Technical Advice

10.5 The DIG and the SISI should between them provide the field level technical advice required for establishing new projects and for successfully running existing ones. (Cf. para 3.3 and 6.32 above). Since these agencies may not have the full expertise required, the state level technical consultancy organisation set up by the all India

financial institutions and the Central organisation of SIDO should provide the required back up consultancy. (Cf. para 2.14 and 5.16 above).

Entrepreneurial Development

10.6 As indicated in para 6.36 above, the field level responsibility for entrepreneur identification will rest with the DIC. As far as training is concerned a three-tier system is proposed. For simple schemes, the DIC would undertake training at a local level. At the next level, the State Government would provide the required training through one of the state level corporations or specialised organisations set up for this purpose. The third level will consist of the regional centres to be run by the Industrial Development Bank of India.

Labour Training

10.7 The primary responsibility for providing facilities for labour training rests with the Directorate of Employment and Training. However, the DIC and IDA have to play a role in identifying training requirements at the local level. (Cf. para 9.6 of the Report on Industrial Dispersal, NCDDBA). In many cases, training may have to be provided outside the local area in which case the Directorate of Industries would have to be the agency responsible for making the necessary arrangements. Thus, though the facilities may be provided by the DET, the responsibility for identifying requirements and linking these with the available facilities must rest with the DIC/IDA at the local level and the Directorate of Industries at the State level.