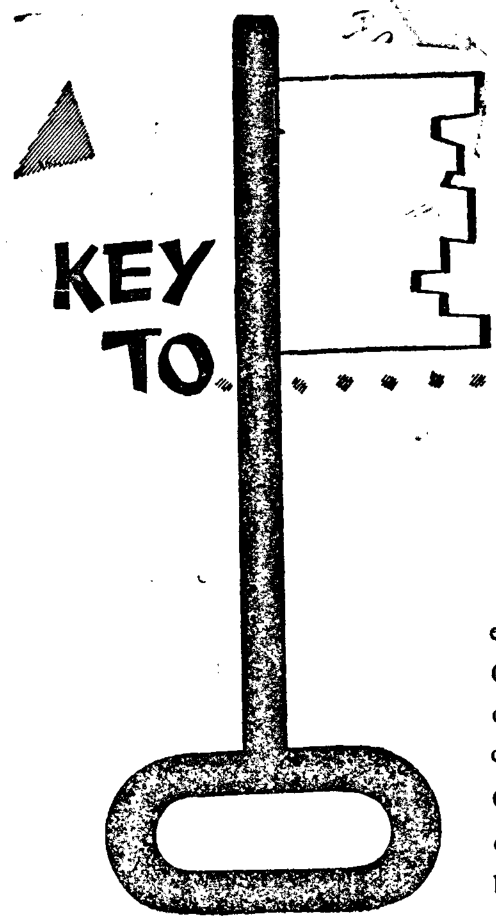
# Smalindustry

EDITOR R. GANESAN SEPTEMBER 1961 Vol. V No. 3



...urage Small Scale Industries

K.S.RAMU

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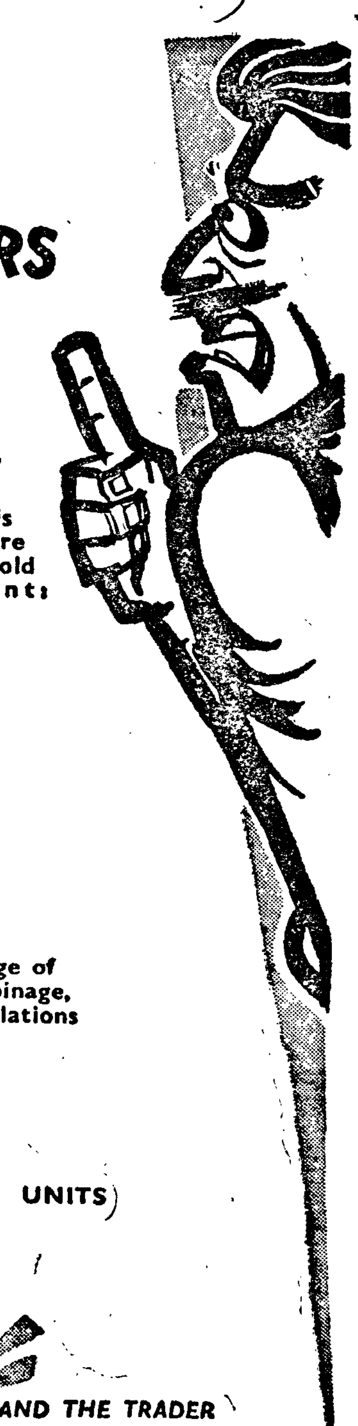

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Smalindustry

VOL V No. III

JULY-SEPTEMBER 1961

## DEVELOPMENT OF SMALL SCALE INDUSTRIES

We have brought this as a special issue of the Conference containing all detailed particulars of the Proceedings of the Second Ordinary General Conference of Federation of Associations of Small Industries of India, held on the 6th & 7th July, 1961 at St. Mary's Public Hall, Madras, with attractive pictures taken on the occasion. The Conference was a grand success in all aspects. The readers will get a glimpse of the same by perusing the pages of this issue, which is mainly full of the Conference news. The speeches and discussions by several delegates representing various industries, the resolutions and other proceedings thereafter, were all of high order; the Conference was well attended by delegates from all over the country. The highlight of the whole function centred round the following items: The unveiling of the portrait of Dr. Sir. M. Visveswarayya as the very first function, by Sri R. Venkataraman, Minister for Industries & Labour, Madras, who inaugurated the Conference, Welcome Address by Sri R. Ganesan; Presidential Address by Sri A. R. Bhat, the three important resolutions unanimously adopted at the Conference and the unveiling of the portrait of Sri T. T. Krishnamachari, M. P. by Sri K. Kamaraj, Chief Minister, Madras, as the pleasant concluding function of the two day session.

Last but not the least, the distinguished presence of all Heads of Departments of both Central and State Governments, and their active participation in the Conference, elucidating the Government's point of view by way of reply to the speeches made earlier by the delegates representing various industries, can be said to be the "climax" of the session. Such mutual contacts always bring about good and desired results.

It is indeed very gratifying to note that most of the representations made by the Small Scale Industrialists have met with due consideration at the hands of the authorities, and prompt action is being taken in this behalf.

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### STATE CONFERENCE AT SALEM

Our readers will be glad to know that tho FOURTH MADRAS STATE SMALL INDUSTRIALISTS CONFERENCE is scheduled to be held in Salem in December this year. Detailed news regarding the same is published elsewhere in this issue. We hope that the Small Industrialists all over the South will avail of this golden opportunity to come together by joining in large numbers as Members of the Reception Committee and delegates to the Conference and make it a grand success.

# INDUSTRIAL MACHINES ON INSTAMENT PAYMENT BASIS

We have the pleasure to announce to new schemes for supply of machines on Hire Purchase basis introduced specially to utilise the Credit of $ 10 million from the development Loan Fund of the United States of America recently made available to the Corporation for the import of machines.

The important features of these schemes are :—

| | *Bank Guarantee Scheme* | *Special Hire Purchase Scheme.* |
|---|---|---|
| Earnest Money | 20% (For the balance the applicant will give Bank Guarantee | 40% (In two instalments.) |
| Period of Repayment for balance | 4 equal annual instalments. | 5 equal annual instalments. |



These schemes are in addition to the one already in operation. According to the normal Hire Purehase Scheme, earnest money of only 10% is required to be paid for machinery valued up to Rs.50,000/- and 20% for machinery above this limit. The value is required in 13 half-yearly instalments.

The machines are supplied to small industries viz., those with the capital investment in land equipment not exceeding Rs. 5 lakhs.

*For full details regarding terms and conditions of supply Please Write to :*

## The National Small Industries Corporation Ltd.,

(A Government of India Concern)

**Rani Jhansi Road, NEW DELHI.**





# The Small Scale Industries Association, 44, Mount Road, Madras-15

## TO: ALL SMALL INDUSTRIALISTS

*Sub:* **The Fourth Madras State Small Industrialists Conference at Salem**

We wish to introduce ourselves as a premier Association working for the development of Small Scale Industries for the past five years. Our Association has been recognised by the Government and we are represented in all the Governmental bodies both Central and State.

We have been holding our State Conferences in Madras City itself so far. As many of our members desired that we should hold our State Conference in mofussil centres also, it has been decided to convene the FOURTH MADRAS STATE SMALL INDUSTRIALISTS CONFERENCE at Salem, an important industrial town in Madras State, in December this year. This idea has been welcomed by Sri R. VENKATAKAMAN, Minister for Industries & Labour, Madras State and we are also assured of all possible support from the Director of Industries and Commerce, Madras and the Central Government Departments connected with the development of Small Scale Industries in conducting the above said conference.

We are sure you will not only welcome the idea but give your active support and personal co-operation in making the Conference a success. It will give us an opportunity for establishing mutually useful contacts between members of the Small Industries in the various parts of the State. We will have a golden chance of discussing our common problems and profit by our mutual experiences. By bringing the Small Scale Industrialists on a common platform, we can create a strong and representative organisation so that our voice would become more effective with the Central and State Governments, particularly at a time when the Third Five Year Plan is being formulated by the Government.

The following decisions have been arrived at by the Reception Committee formed at Salem on 3—9—1961.

Receptian Committee :—

| | |
|---|---|
| *Chairman*: | Sri A. R. Muthuswamy. |
| *Vice-chairmen*: | Messrs. S. A. Khader and B. S. Perumal. |
| *General Secretary*: | Sri V. V. Nathan. |
| *Jt. Secretaries*: | Messrs.S.Srinivasan, M.S. Viswanathan & M.L.Goel. |
| *Treasurer*: | Sri S. A. Perumal. |

The Committee has been vested with the power of co-opting as many members in the Reception Committee from the various districts of the State.

**Conference:** Will be held in December, 1961; the exact date and details of Progrmme will be announced later.

**Venue:** SALEM (Madras State)

Sri R. Venkataraman Minister for Industries & Labour will inaugurate the Conference. Sri K. Kamaraj, Chief Minister of Madras, Sri Manubhai Shah, Minister for Commerce & Industry, Govt. of India, New Delhi, Sri A. R. Bhat, M.L.C., President, FASII and other ministers of Central and State Government are expected to grace the occasion. Distinguished personalities, prominent MLAs, MLCs and MPs, and Heads of Departments both of Central and State Governments will participate in the Conference. Sri R. Ganesan president of Small Scale Industries Asssociation, Madras will preside over the Conference.

**Membership:** The Membership fee of the Reception Committee is Rs. 50/- each. All the Small Scale Industrialists are requested to enrol themselves as Reception Committee Members. Other Industries Associations are also requested to join the Reception Committee.

**Delegates:** All Small Industrialists all over the State and members of various Industries Associations functioning in the State are entitled to attend the Conference as Delegates. The delegate fee has been fixed at Rs. 5/-.

**Donations:** Contributions in the shape of donations will be welcomed by the Reception Committee from all those interested in Small Scale Industries.

**Boarding & Lodging:** Efficient arrangements for boarding and lodging facilities for over 1000 delegates expected to attend the Conference, are made with expert caterers.

**Visits:** Visits to industrial establishments and places of interest like the METTUR DAM, YERCAUD etc., have also been arranged.

**Souvenir:** On the occasion of the Conference we are bringing out a profusely illustrated Souvenir of our journal "SMALINDUSTRY" containing articles from eminent persons on subjects of current importance and statistical and other information, relating to the growth and development of Small Scale Industries, and focussing attention on the problems faced by the Small Industrialists. The Souvenir being fully informative and instructive, will prove to be of invaluable use as much to people engaged in the promotion and development of Small Industries, as to other manufacturers, Foreign Trade Commissions, machinery suppliers & indenting Agents, etc.

Sufficient number of pages will be set aside for advertisements. The charges for advertisements will be as follows:—

| | | |
|---|---|---|
| Last cover page Tricolour | — | Rs. 500/- |
| 2nd & 3rd cover pages | — | Rs. 300/- each |
| Inside pages-black & white | — | |
| Full page | — | Rs. 100/- |
| Half page | — | Rs. 60/- |

The Reception Committee requests all interested in Small Scale Industries to give their advertisements in the "CONFERENCE SOUVENIR" and extend their hearty co-operation by participating in the Conference and make it a great success.

**Subjects for Discussion & Resolutions:** Delegates intending to send suggestions on topics for discussion, and resolutions for consideration by the Conference, are requested to send three copies of the same to:—

The General Secretary, Reception Committee, The 4th Madras State Small Industrialists Conference, 44, Mount Road, Guindy, Madras-15.

before 30th November, 1961, for consideration by the Subjects Committee.

For further particulars write to either:—

Sri A. R. MUTHUSWAMY,
Chairman, Recption Committee,
The Fourth Madras State Small Industrialists Conference:
Shevapet, Salem. Phone: 131.

Sri V. V. NATHAN
General Secretary, Reception Committee,
The Fourth Madras State Small Industrialists Conference:
44, Mount Road, Madras-15. Phone: 87181.







# Federation of Associations of Small Industries of India Second Ordinary General Conference

## Held at Madras on 6th & 7th July 1961

We are glad to inform our dear readers of 'SMALINDUSTRY' that we have brought about this issue mainly as a special issue, containing full and detailed particulars of the proceedings of the Second Ordinary General Conference of the Federation of Associations of Small Industries of India, held at Madras on the 6th and 7th July 1961, at the St. Mary's Public Hall. Such of those small industrialist members, who were unable to attend the two day session of the Conference, will be able to have a clear picture of the proceedings.

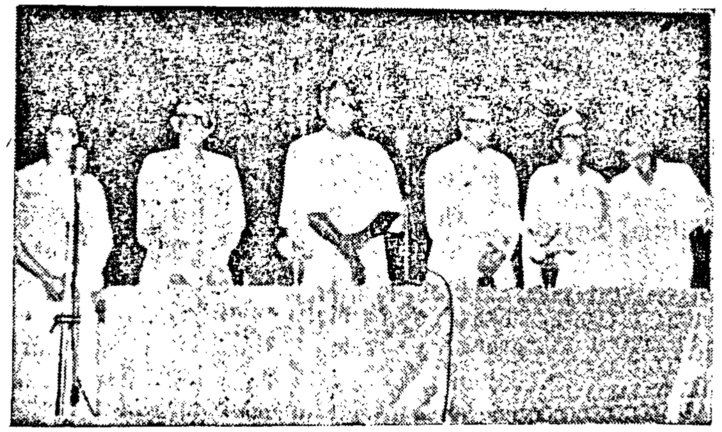
The Conference was well attended by more than 200 invitees including top Government officials both of the Centre and Madras State Government, as well as the members of the Federation and Small Scale Industries Association, and representatives of several other Associations as delegates from all parts of the country.

After prayer, Sri R. Ganesan, President of the Small Scale Industries Association, Madras, and Chairman of the Reception Committee, requested Hon'ble Sri R. Venkataraman, Minister for Labour & Industries, Madras, to unveil the portrait of the great centenarian Industrialist Engineer-Statesman and Father of Indian Industrialisation, Dr. Sir M. Visveswarayya.

In his introductory remarks, after welcoming the Minister, President of the Conference, and delegates, Sri Ganesan said: "It is indeed appropriate that we are today honouring ourselves by invoking the blessings of the Great Son of Bharat, the Centenarian-Engineer-Statesman, Dr. Sir M. Visveswarayyá, who is living amongst us, as the pioneer of Planning, rural Development and industrialisation. In fact, the very idea of planning, rural development and decentralised rural industries, was started in Mysore, as visualised and designed by the great Doctor.

Dr. Visveswarayya is "young in spirit and in ideals looking to the future", as our Prime Minister Panditji aptly described him at the speech made on the occasion of the Centenary celeberations.

Every branch of public life—whether it is Irrigation dam, Education, Roads, Science, Industry or Administration—we will find the impact of Visveswarayya stamp on it—which means economy, efficiency and perfection.



We are happy today that we have in our midst a distinguished young Minister for Labour and Industries in Sri R. Venkataraman, whom we have requested to unveil the portrait of Dr. Sir M. Visveswarayya, and to inaugurate the Conference of our Federation.

In Sri R. Venkataraman, we are having an able, energetic, efficient and enthusiastic Minister with his varied knowledge in affairs both internal and international. Friends, may I be allowed to tell that the Madras State is fortunate in being headed and guided by our ever active Chief Minister, Sri Kamraj, assisted by a homogenous team of good and experienced Ministers, and efficient and hard-working officers. Madras State deserves all praise on its achievements in the fields of Education, Industry, etc."

Sri R. Ganesan then requested the Minister to unveil the portrait.

Sri A. R. Bhat, President of the Conference then paid tributes to the services rendered by Dr. Sir M. Visveswarayya to the Nation, particularly to the cause of industrialisation of our land.

* Hon'ble Sri R. Venkataraman, Minister for Labour and Industries then unveiled the portrait of Dr. Sir M. Visveswarayya. Sri R. Ganesan, Chairman of the Reception Committee, then delivered his welcome address.

Sri V.V. Nathan, Honorary General Secretary of the Small Scale Industries Association, and Secretary of the Reception Committee, read the Messages of Greetings received. The following were among the other messages, which were read out:—

Sri K. C. Reddy, Minister for Commerce and In dustry, Government of India.

Sri T. T. Krishnamachari, Former Finance Minister of India.

" M. Bhaktavatsalam, Home Minister, Government of Madras.

" Satish Chandra, Deputy Minister, Commerce and Industry.

Srimathi Chandrasekhar, Chairman, N.S.I.C.

Sri Dr. P.C. Alexander, Development Commissioner, Small Scale Industries.

and from various other Small Scale Industries Associations all over India.

Sri A. R. Bhat, M. L. C., President of the Federation, then delivered his presidential address. Sri R. Ganesan then requested the Hon'ble Minister Sri R. Venkataraman to inaugurate the Conference.

In the afternoon, the delegates formed themselves into a subjects committee, and participated in the discussion on draft Resolutions. which covered all matters affecting the Small Scale Industries, in a comprehensive manner. Various delegates spoke on the special problems affecting particular industries which they represented.

Before dinner at New Woodlands, a film show was organised with the co-operation of British Information Service — depicting:

1) Life sketch of Dr. Sir M. Visveswarayya and celebration of his Centenary.
2) Visit of Her Majesty Queen Elizabeth to India.

The function was well attended by the delegates, members, and officers, both Central and Madras State.

The second day of the Conference (7—7—1961) commenced as Open Session, in which all officers of various Departments concerned participated. Discussion on the problem of small industrialists was made. Summary of the speeches made by the various delegates, are given separately.

* Hon'ble Minister's speech on the occasion is given separately in page 26.



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# Welcome Address By Sri R. Ganesan

**President, Small Scale Industries Association & Chairman, Reception Committee**

It is a pleasure and privilege to me to be able to welcome you all on my behalf and on behalf of the Reception Committee of the Second Ordinary General Conference of the Federation of Associations of Small Industries of India, Madras and President and Executive Committee Members of the FASII, Delhi, to this Second Conference of the representatives of Associations of Small Scale Industries who have assembled here today from all over India. The presence of so many from far and near places is compelling evidence of the importance of the Conference and also the keen interest that we the Small Scale Industrialists evince in such Conferences, particularly of Federation. I thank the Federation and its Committee for their readiness in responding to our invitation to have this Second Conference at Madras. It is our earnest desire that this Conference brings into the mind of the Government as well as the Small Scale Industries, the importance and the urgency of many subjects that are going to be discussed during these two days with detachment and without mental reservation.

It is in the fitness of things that Sri R. Venkataraman, Minister for Industries & Labour, Madras State has unveiled the Portrait of Dr. Sir M. Visveswarayya, the father of the Indian Industry, whose assistance and advice for a number of years has resulted in the remarkable development of industry - large, medium and small in the country.

The Small Scale Sector owes not only a little to Sri T.T. Krishnamachari, the former Union Minister for Finance, whose concept of developing Industrial India has been so big and practical. The great planning mind which created the three big steel projects in the Public Sector did not fail to lay proper emphasis on the important role that has to be played by the Small Scale Sector. The momentum he gave to this Sector when he was the Union Commerce Minister, is responsible for the present tempo of the Sector.

All Small Scale Industrialists will agree with me the enthusiasm and aggressive help that is being rendered to them by Hon'ble Sri Manubhai Shah, Union Minister for Industry, during these 4 or 5 years. As you all know he is the father of the Federation and the present stature of our Federation is not a little due to his dynamic and ever active personality.

About our Sri R. Venkataraman, we all know him very well and he is aware of our genuine affection for him. He has endeared himself in the hearts of both Industry and labour for the rapid strides, the Industries have made in this State and the progressive legislation for the welfare of labour.

As you all know this Federation was ushered into existence in September 1959 at New Delhi and the progress that it is making to promote the interests of Small Scale Industries is marked and the tempo will certainly be faster if more assistance is given from the State Associations. Started with the blessings of Sri Manubhai Shah our Union Minister for Industries and guidance from the commencement by Sri A. R. Bhat, as President, whose hard work and enthusiasm for the progress of the Federation is well-known, the Federation is bound to grow up in stature and importance during the coming years. The period of two years is too short to judge an Association. But even during these two years the Federation can be proud in claiming that it has pinpointed to the Government some of the urgent issues of the Small Scale Sector resulting in favourable response from the latter on some issues.

The necessity of having a Federation—Small Scale Industries—is accepted and unless the State Associations and many other Associations of particular industries give their helping hand to the Federation in all matters, the voice of Federation cannot be so compelling as to make both Union and State Governments yield suggestions. It is gratifying to note that most of the Small Scale Industries have found themselves in the Associations–industry-war, as only then it is possible for the State Association and the Federation to explain the handicaps and difficulties to the respective Governments.

With pardonable pride, I can say that the Madras Small Scale Industries Association which is the largest Association of Small Scale Industries in India has in its executive a representative of each of the important industry controlled by Small Scale Industrialists. The other Associations—Industrial Estates, Chamber of Small Industries, etc., are co-operating with us to focus the attention of the Government to the innumerable handicaps of big and small industries of the small scale sector. The publication of 'Smalindustry', a monthly journal by the Madras Small Scale Industries Association is of good use to all Small Scale Industries in this as well as other States. My prayer to the Minister for Industries and to the Small Scale Industrialists assembled here is to encourage this journal which is the only journal dealing with the various problems of the small scale industrialists.

It will be presumptuous on my part to relate about the importance of the development of the Small Scale Industries. There are no two opinions from all Sectors of Governments that unless sufficient encouragement is given to this sector, the tempo of industry itself will get reduced. With the various kinds of assistance that the Union and State Governments are gradually giving to the Small Scale Sector, this Sector has grown normally in the States of Punjab and Bombay (Maharashtra) and to a certain extent in Madras. The growth of this Sector in Madras State is impressive only during the last 3 or 4 years. particularly after the great interest the Government are bestowing on Industrial Estates. I know, I will be getting into controversial grounds when I mention that the Industrial Estates form only a very fraction of the part of the Small Scale Sector and any extra privileges or special treatment given to them will be at the expenses of the other units of the small scale sector which, after a great struggle during all these years have attained this stature. I am not uncharitable to state that Industrial Estates should not be developed by Governmental Agencies, but my only prayer is that equal opportunities and equal facilities and privileges should be given to other units also which are varied in character.

It is gratifying to note that the Government has realised the importance of private Industrial Estate during the Third Five Year Plan. The formation of Industrial Estates by even big industries for their ancilliaries is also a welcome step. The simultaneous growth of Industrial Estates by State Governments, and private Industrial Estates by big industries, will certainly add to the production in substantial manner as also relieve the innumerable problems to a certain extent. In view of the large number of enterpreneurs that are coming up from the rural areas, efforts should be made by the State Government to start Rural Industrial Estates in each and every district by providing them with power, required machinery and raw materials—subsidised manner, if need be. Unless special efforts are made by the Government, it will not be easy to enthuse the rural technical people to start small industries.

I shall be failing in my duty to my colleagues and to myself (Small Scale Industrialists) if I don't state the great difficulties that we are put to by the various departments for procuration of raw materials, plant and equipment and finance. It is a pity that at the end of the two Five Year Plans viz. Ten years we are still groping to find out easy stream lined and co-ordinated method to cut out delays at each and every stage. Nothing is so annoying to a small scale industrialist when even his small requests are not attended to promptly. He cannot afford to lose time as his very existence is dependent on the daily production he is able to make.

Our President, Sri Bhat, I am sure will be dealing with this important subject in his inimitable way in detail. The privileges the small scale sector expects from the Governments and credit institutions can be summed up as follows:

1. Availability of raw materials,
2. Plant, machinery and equipment,
3. Finance,
4. Marketing,

and 5. Standards.

**Availability of raw materials.**

It is a known fact that with the developing economy we have, and the fast pace of industrialisation in the country, the raw material position is a problem to one and all including the Governments. The Government has got details regarding the production capacity of each item which could be manufactured indigenously. It is true that correct data is not fully available for the small scale sector. With the data that is available, it will not be difficult to find out the approximate requirements of each industry, item—war and also note the production by indigenous machines. A scheme should be evolved to get the plants by import either releasing them from barter system or from the rupee currency countries. The Government should take responsibility regarding the quality of imported items, as it is often felt by the small scale sector that some of the items supplied from the rupee currency countries are of little substance.

The delay in getting the essentiality certificate and after that the various stages of difficulty in importing items have been regularly intimated to both the Central and State Governments by the various Associations. It is curious that the same difficulty is felt for getting raw materials for manufacture within the country. The fact that most of the items that are not procurable by the small scale sector under the quota system are available in the open market at higher prices. Is it not time for us to sit across the table to device a method, whereby abuses will be eliminated to a practicable extent and genuine industrialists helped to get their requirements? For gaining this object, it is certainly essential that other small industrialists should see that the raw materials supplied to them are utilised in full for production in their units.

**Plant, Machinery and Equipment.**

The hire purchase system by the National Small Industries Corporation has really done good for the Small Scale Sector. The difficulties viz., delay and consequent higher prices, the cumbersome procedure, naturally vex the small industrialist. Unless the machinery is supplied within a reasonable time, viz., 3 months for indigeneous ones and 6 months for imported ones, it will not be possible for any small scale industry to expand. The Reserve Bank of India, which is also engaging its attention in this matter should evolve a programme in co-operation with NSIC., to simplify the process.

**Finance**

The State Bank of India which is supplying the working capital for the largest number of small industries has to be more liberal regarding the amount and also implement their new scheme for extending the credit for plant and equipment: The guaranteed scheme of the Reserve Bank of India has to be implemented in full by directing the bigger commercial banks to allot at least some percentage of their investment in financing small scale industries.

The State Aid Act in each State has to be completely redrafted to be in tune with the current industrial tempo. In most of the States, this Act has been in the Statute for more than 30 years without undergoing any material change. The limit of Rupees one lakh has to be increased at least to Rupees two lakhs.

*State Financial Corporations:* Most of the progressive States inclusive of Madras, are having State Financial Corporations and in Bombay, the loans to small scale sector has exceeded 15% of the resources of the bank's investable amounts. It is high time that in Madras. the Corporation should be directed by the Government to increase its investment to finance small scale sector to at least 20% which is now less than 2%.

During the Third Five Year Plan, most of the small industries will require larger amounts for their working capital, buildings and machinery. Unless medium and long term loans are arranged, they will come to grief, when their production is on the highest. Of course, securities are needed but special emphasis should be added for units managed by men of honesty, integrity and efficiency. Sufficient importance should be given to character.

### Marketing

In this developing economy, naturally there is a sellers market. It will not be long when producers have to think of marketing. It is time that we think about the important aspect and equip ourselves from now on. The Government can help us in displaying the products of small scale units in each important town at a central place and the emporia that have these products should be equipped with efficient salesmen to give the required data. Though it is allowed to charge 15% extra for tenders sent to the Director General of Supplies & Disposals, the delay in the despatch of tender forms for tenderers in Madras State makes it impossible to send their quotations in time.

*Export Promotion:* It is gratifying to note that some of the small scale industrialists are in a position to export their products provided facilities for export promotions are given to them. It is not fair for the institutions to place the small scale industrialist to keep in par with the medium or big industrialists. The State Trading Corporation should collect samples from small scale sector and send them to Embassies in our country, which may need such products and act as liaison between the manufacturers, the Embassies and the purchaser in the foreign countries. Unless such similar steps are taken, it will not be possible for any small industrialist to attempt at export, The methods that are adopted in Japan & West Germany can be copied by us with benefit.

### Standards.

There is no need to emphasise the necessity of manufacturing products of quality. The Indian Standard Institute is able to assess the quality and issue certificates, For small scale industry test laboratories should be established in two or three important towns in each State to enable the small industrialists to have their products assayed. I am sure that every small scale industrialist is particular in manufacturing products of quality ones, and if now and then he is given advice regarding standards, it will not be difficult to have only products of quality in years to come.

The Third and Fourth Five Year Plans are certain to give unlimited opportunities to enterpreneurs who have the determination to work hard. One thing gladens the industrialist when he realises that the future is quite good and that his enthusiasm, honesty and efficiency will certainly get him a coveted place in the industrial field.

I thank all of you once again for having given me an opportunity to arrange for this Second Meeting of the Federation.



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## Presidential Address by Sri A. R. Bhat, M.L.C. (Maharashtra)

On behalf of the Committee of the Federation of Associations of Small Industries of India, I join the Chairman of the Reception Committee in welcoming you to this our Second Ordinary General Conference. The Federation's Committee has decided to hold these Ordinary General Conferences in different centres with a view to know first hand the problems of the Small Scale Industry in the States in which they meet and to bring it closure to the Federation.

### Our Illustrious Chief Guest

2. We are very happy to have amongst us this afternoon Hon'ble Shri R. Venkataraman, Minister for Industries and Labour, Madras to bless us. By sheer merit and devoted public service he has risen to the present position. He began his public life as the President of the Students' Union and Social Reform Club. He has stood against exploitation whether social or economic. No wonder, therefore, that he has been prominently associated with the Trade Union Movement in the country. In 1952 he was a delegate to the Committee on Metal Trades of the International Labour Organisation which met at Geneva. He was subsequently the leader of the Indian Delegation to the 42nd Session of ILO. He edited the Labour Law Journal for sometime. Being convinced that no substantial progress of our motherland was possible so long as she was a dependency in the British Empire, he actively participated in the national struggle for emanipation and suffered detention in the Quit India Struggle. He was a member of the Panel of the Lawyers that defended Indian Nationals who participated in the Indian National Army organized by Netaji Subhash Chandra Bose. In his college days Shri Venkataraman made a mark as an able speaker and no wonder that both as a member of the Lok Sabha and Delegate of India to the United Nations General Assembly he made a mark as an accomplished debater. He has displayed great qualities of an Organizer as the Secretary of the Tamilnad Congress and the Congress Party in Parliament. Although in the last general elections he was elected to Parliament, the leader of the Congress Party in the Madras Legislature, that great Organizer and Administrator, Shri Kamraj who is so noted for his proper assessment of men and matters, asked Shri Venkataraman to join his Cabinet and take up the portfolio of Industries and Labour.

3. One may be dismayed at the choice of a labour leader for the Ministership of Industries. But there is nothing to be wondered at. A constructive labour leader is always anxious for the development of industry on a sound footing because he knows that workers' lot could never be improved without a prosperous industry. He has a better appreciation of the problems of industry and one finds its proof in the impetus which my friend Shri Venkataraman has given to the industrialization of Madras. He has been against concentration of economic power and I have known him, during my close association as a member of the Wage Board of Working Journalists that he believes in decentralization of industry and the development of efficient small scale units as an effective instrument of economic democracy. The Industrial Estate at Guindy is considered a model for quality production. His appreciation of the difficulties of Small Scale Industry in getting financial accommodation and in observing the provisions of the rules framed under the Factories Act and his anxiety to solve them has been reflected in the promotion of the Industrial Co-operative Bank which would cater to the needs of 320 Co-operatives and some 7000 small industrial enterprises in the Madras State and the recent relaxation of

the Factory Act Rules. Friends, need I say that we consider ourselves fortunate in having Shri Venkataraman to inaugurate this our Second Ordinary General Conference of the Federation?

## Our Federation

4. Our Federation was ushered into existence on September 1959 at the meeting of the representatives of the Associations of Small Scale Industries called by the Small Scale Industries Board under the Chairmanship of Shri Manubhai Shah. Central Minister for Industries. It is the only accredited national organization of small scale industry in the country which has afforded a platform on which the small scale industrial units meet through their organisations to discuss their common problems. That there was a felt need for such an organization has been proved by the fact that seventy Associations of Small Scale Industries in the country have joined it as members and that two among them one in Bombay and the other at Mirzapur came forward voluntarily to make donations to it in appreciarion of the services rendered. More than 175 small scale units in the country have joined it as Individual Members. Being convinced of the effective role that the Federation has been playing in spite of its meagre financial resources, the Government of India came forward to give it a small grant towards in organizing activities. I may state here that it is not so much the amount as the appreciation it cannotes to which I attach importance. Ultimately the membership alone would be the source of strength of the Federation.

5. Nobody is more conscious than I that our performance has to improve substantially. But the Federation's office has hardly a skeleton staff. There is a secretary, a stenotypist, a junior assistant and a peon. It was only last month that we could secure a centrally situated office and that also at a high rent. Services of the Federation to its members cannot be diversified unless we have adequate, qualified staff. That would be possible if the Federation can have an income of at least a lakh of rupees per year. Then only its economic position will be self-generating. We shall not have then to appeal to and persuade small scale units and small scale industries associations to become members but they will themselves approach the Federation for membership. I repeat what I said at our Calcutta Conference that on an average for every Association Member we should have at least ten individual units as members. If all of us work with zeal to that end it would not be difficult to achieve it. In the life of every institution the first phase of activity is organisation. Organise to educate small scale industry in better business methods and uptodate production techniques and represent to Government its difficulties for speedy solution should be our motto.

## Record of Service

6. During the period of a year or so since its Office was set up, the Federation has tried to be as serviceable to small scale industry as possible. In the present conditions of acute shortage of foreign exchange, the principal problem facing the small scale industry is the one of inadequate supplies of imported raw materials, machinery and components. The Federation has been taking up this problem with the office of the Chief Controller of Imports through correspondence, interviews and personal discussions. Its Committee waited in Deputation on the Chief Controller of Imports twice. It has, also, taken up difficulties experienced by small scale industry in the matter of export promotion of its products. In regard to the work of the National Small Scale Industries Corporation, it has got simplified the hire purchase application form and made suggestions for streamlining its procedure. The Provident Fund Scheme has now been made applicable to factories employing twenty or more workers. At the request of the Federation it has been decided not to apply the Scheme to units



employing less than 50 workers for the first five years since their inception instead of three years as prescribed for bigger units. Further a definite assurance has been secured from the Minister for Labour that as and when for the units employing fifty or more workers the Employers' Contribution to Provident Fund is increased to 81/3 per cent, the present rate of $6\frac{1}{4}$ per cent would continue in the case of smaller units. The Federation has through its memoranda submitted to the Committees appointed by the Small Scale Industries Board pleaded that for small units there should be a reduction in power rates through subsidies and incentives to bring about dispersal of industries. Its representatives have also had discussions with Committee at present studying the problems of small industries in respect of supplies to Government Departments through the Directorate General of Disposals and Supplies. Recently the Deputy Governor of the Reserve Bank of India and the Bank's Chief Officer in charge of Industrial Finance met the members of the Federation in Delhi to understand the difficulties of small scale industry in respect of bank accommodation and supply of adequate raw materials and machinery due to shortage of foreign exchange. The Federation took up with the concerned authorities the problems of some thirty-five individual members. It takes an amount of time for follow up action.

7. The Government of India, the Reserve Bank of India and various other Central bodies often consult the Federation in the formulation of policies affecting small scale industries, ask for its views on the working of the schemes promoted for their benefit and also seek information. The Federation on its part sends round circulars eliciting views and information from its constituent organizations. Unless the latter furnish the same in a comprehensive way duly supported by facts, it becomes difficult for the Federation to function effectively. I am aware of the difficulties of the associations of small scale industries in attending to correspondence and collecting information from their members. A small industrialist is too much engrossed in his own problems that he hardly has the time and means to reply to the queries made. Further, a small entrepreneur is individualistic in outlook. But steadily both these handicaps in the way of organizing small scale industrialists have got to be overcome. Then only the local associations and its central organizations would become fit instruments for voicing the needs and problems of small industry.

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## Disappointing Plan Allocation for Small Industry

8. In the pre-independence days importance of mechanized small scale industry in the economy of the country had not been recognised and in all discussions along with the large scale and medium scale industries there used to be a mention of cottage and village industries which were for all practical purposes considered as the small industries sector. The latter are small scale but their character and role are distinctly different to that of the mechanized small scale industry. In the successive three Five-Year Plans more and more emphasis has come to be placed on its promotion and the allocations for the same in the Plan provision has also gone on increasing. Thus in the draft Third Five Year Plan it is placed at Rs. 107 crores as against Rs. 56 crores spent in the Second Plan period. In view of the ever enhancing tempo of the growth of small mechanised industry, the scale of aiding it by affording technical advice and common service facilities, through procurement of Government contracts for supplies to various departments, supply of machinery on hire purchase basis and marketing of its products by arranging finance on easy terms and supplies of raw materials through depots etc has, also, to increase.

9. The First General Conference of the Federation held at Calcutta in September last did consider the question of the Third Five Year Plan allocation for the development of small scale industries and felt that the

original allocation should be more than doubled but no substantial change appears to have been made in the final outline of the Third Plan. In this context I should mention here that only some three weeks back speaking at Rajkot, Shri Manubhai Shah, Minister of Industries, Government of India who is the Chairman of the Small Scale Industries Board expressed his disappointment at the Third Plan provision for small scale industries and felt that it should have been considerably enhanced. The development of small scale industries is the responsibility of State Governments and I am afraid that this low provision of funds for their development in the Third Plan will inevitably curb their ability to give encouragement to the promotion, growth and development of small scale industries.

10. While the small scale industries are under the exclusive charge of the State Governments, the factors affecting their development are outside their purview. The import policy, industrial licencing under the Industries (Development and Regulation) Act, railway freights, customs, excise and income taxation which have a direct bearing on the development of small scale industry are in the Central Government's sphere of action and at the moment the State Governments consider themselves helpless in influencing the Centre's policy in the interest of small industry. If the small scale iudustries are to be protected against the marring effects of the Central Government measures, tne State Governments must activise themselves: Their Ministers for Industries helped by their Directors of Industries must meet once or twice a year and review the effects of the Central policies on the economy of small scale industries and make a united representation to the Centre for their modification if found necessary.

### Nature of Accepted Policy of Protecting Small Industry

11. Since small scale industry is in its infant stage, it has been the accepted policy of Government to support it by restricting the volume of production in the scale sector or by differential taxation. But in practice this policy has not been effectively implemented. There are instances of further capacity in the large scale sector being sanctioned when there is ample capacity for quality production of goods in the small sector, on the specious plea that the actual user should not be completely dependent on a single producer in the country. I wish to submit that where there is a limited demand for the product of a small scale industry and when it is already found by the market to be satisfactory, no unit in the medium or large scale sector be licensed. There is no fear of development of monopoly as no licence is required to start a unit in the Small Scale Sector. So far as the common production programme for the benefit of Small Scale Industry is concerned, as pertinently pointed out by that reputed economist Prof. D. R. Gadgil in his address to the Harold Lasky Institute of Political Science at Ahmedabad in 1958 — and there is hardly any substantial improvement in the situation during the last three years — "We find in this context, in the First Five Year Plan a fair theoretical formulation of the problem (protection of small industrial or productive units) going so far as to contemplate a common production programme for all types of units within an industry. However, on the practical side-beyond blessing the programmes, already under way, almost no advance is made". Except in the case of cotton textiles there is hardly any effective restriction on the produc, tion of a product in the large scale sector, even where a programme of common production for the scheduled units and small units has been chalked out because already there is an over aseessment of demand.

### Adverse Effect of Central Budget

12. As regards the protection through differential taxation, this is specially needed by the Small Scale Sector in the sphere of excise duties. With the curtailment of imports consequent on the industrialization of the country and the growing needs for resource for the Third Five Year Plan, it is only logica that excise duties be levied on a larger range of articles. I am a supporter of this policy and hold the view that there need be no blanket exemption for all units in the small industries sector. But under existing conditions, there is always a good case for the levy of excise duty at differential rates. But as has been evident in the levy of excise duties in the last Central Budget, no proper factual investigation in the cost structure of the Small Scale Sector vis-a-vis the larger one in an industry was made while deciding upon the levy of an excise duty on a commodity. There was a cogent case for a differential rate in the case of the non-ferrous industry. As is well known the Small Scale units are not given virgin copper, zinc etc. even to the extent of 33% of the scheduled units and they have to run their factories by making purchases of the metals in the open market at extremely exhorbitant prices. There is therefore no statistical evidence necessary to prove that the cost of production of a small unit is very much higher than the one in a scheduled unit. The Federation brought this to the notice of the Finance Ministry and pleaded for a concession to the small units but without effect. Similarly the Federation made representations on behalf of small radio assemblers and pharmaceutical units for relief to no purpose. The Central Government removed the exemption enjoyed by units having four or less powerlooms from the levy of excise duty and made it applicable to units with two or less powerlooms. The Federation pleaded that some concession was needed for units employing four powerlooms. In fact the so called concession to establishments with four powerlooms to exempt them from excise levy if they ran only one shift results in loss of production and unemployment. But the decision has not been reconsidered with the result that a large number of powerlooms have been put out of production.

### States' Responsibility to be Vigilant

13. The question is who is going to keep a watchful eye to see that the formulated policy for helping small scale units to withstand competition of the large units is implemented? In my view it is the duty of the State Governments to be alert and study the Central policies affecting small scale industry in the sphere of taxation, licensing, import policy etc. Acitvities of the Central Small Scale Industries Organization, the National Small Industries Corporation, State Directorate of Industries and the like institutions are confined to evolving and executing schemes of technical, business and management aids to small scale industry, supply of machinery on a hire purchase basis, loans on easy terms, marketing etc. Until such time as the small scale sector crosses the infant stage and becomes viable to function effectively in competition with large scale sector with the help of constructive assistance alone, restriction on production of the large sector in those spheres where the small scale sector has been efficiently functioning and has the capacity to expand and differential taxation will have to be resorted to protect it. It is not enough to formulate policies; it is very necessary to pay attention simultaneously to the problem of techniques and agencies for their implementation.

### Shortage and Maldistribution of Scarce Raw Materials

14. The first Ordinary General Conference of the Federation held at Calcutta had dealt very exhaustively with the difficulties experienced by the Small Scale Sector in matter of supplies of essential raw materials and made concrete suggestions for relief. It is a matter of regret that there is well nigh no improvement in the situation during the last nine months and the small scale industries using non-ferrous metals, copra, steel etc. continue to work under a serious handicap. It is indeed most annoying that scheduled units are being given preferential treatment in the supply of scarce raw materials and components by star-

ving small scale units, in spite of the fact that in age or standing the scheduled units are no better than the small scale units. The Federation has been receiving pathetic letters narrating the difficulties of small scale units. Their only shortcoming is that they are non-scheduled. While in our society communities and tribes are declared scheduled for their extreme backwardness, in the field of industries those with better resources are declared scheduled and like scheduled castes and tribes receive preferential treatment in the matter of supplies of scarce raw materials! Another difficulty is being experienced by Small Scale Units. The import of several materials and stores is banned from the indigenous angle and that is a right policy. But what has been happening that since there is no obligation on the indigenous manufacturers to sell their products direct to actual users, the small scale units fail to get supplies at reasonable prices and are exploited. The disparity in the basis of Essentiality Certificates issued by Directorates of Industries in various States continues, with the result that the distribution of scarce raw materials between States is inequitable. Further case where the Essentiality Certificates are not respected are not uncommon. It has been noticed that for the same material while a licence is issued to a party, it is denied to a small unit.

**Raw Materials Sub-Committee's Work**

15. There has been awareness of this sorry state of affairs on the part of the Small Scale Industries Board. Its Standing Committee, at its meeting held in August 1960 appointed a Committee under the Chairmanship of Shri G. L. Bansal, Secretary General of the Federation of Indian Chambers of Commerce and Industry (1) to assess small scale industries' requirements of different categories of essential raw materials; (2) to assess the supply position together with indigenous capacity to meet their requirements; (3) to suggest steps for meeting the shortage and make recommendations of long term measures including the use of substitutes and (4) to examine the scope of permitting import of raw materials against increased export earnings by selected small scale units. When the minutes of the Standing Committee's above meeting came up for consideration at the Chandigarh Meeting of the Small Scale Industries Board, I brought to its notice that there was no representative of small scale industry on the said Committee and urged inclusion of small smale industrialists representing non-ferrous metals and engineering industries. The same was accepted and four representatives of small scale industry were nominated on it. The Committee has held general discussion and its team has visited leading centres of small scale industry in the country, heard the views of various State Directorates of Industries and representatives of small scale industry. The Committee is now in the last stage of its work and it is hoped that it wiil make comprehensive suggestions for tackling this complex problem. It will be upto Government to implement them.

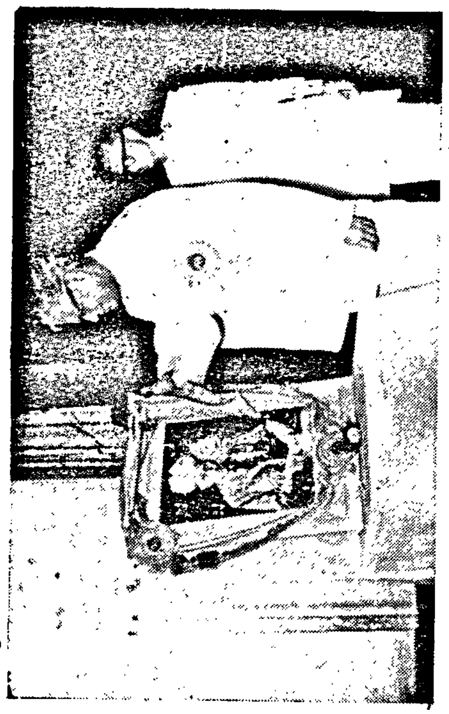
**Non-functioning Steel Import Advisory Committee**

16. There have been complaints about the defective working of import control of steel items. The Commerce and Industry Ministry appointed in March last a Committee under the Chairmanship of the Secretary, Ministry of Steel, Mines and fuel, Department of Iron and Steel. Representatives of small scale industry have been included in it. The Committee held a preliminary meeting on the 6th March, 1961, and although four months have elapsed since then no further progress has been made! The small scale engineering industry has its grievances against the import policy of steel which continue unredressed. Thinner gauge steel, certain kinds of wires, sheets and tin-plates and billets continue in short supply. Small industries which need tool and alloy steels and stainless steel continue to face grave shortages. It is now clear that for some years to come the import of steel cannot be banned. It is, therefore, essential that the said Committee should function effectively.

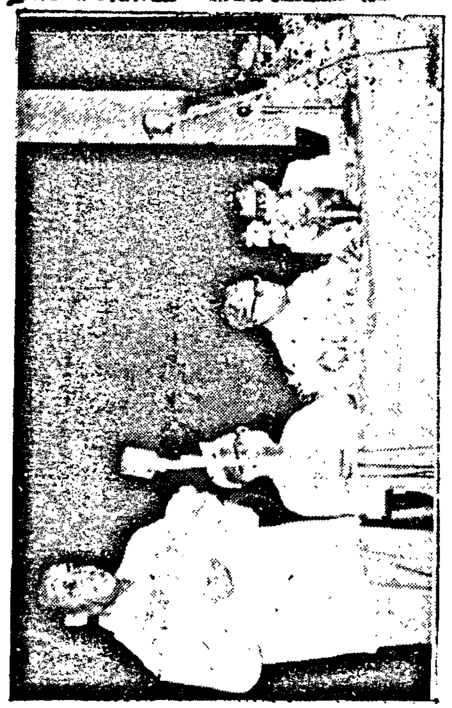


21-A

SECOND ORDINARY GENERAL CONFERENCE OF FASII. AT MADRAS

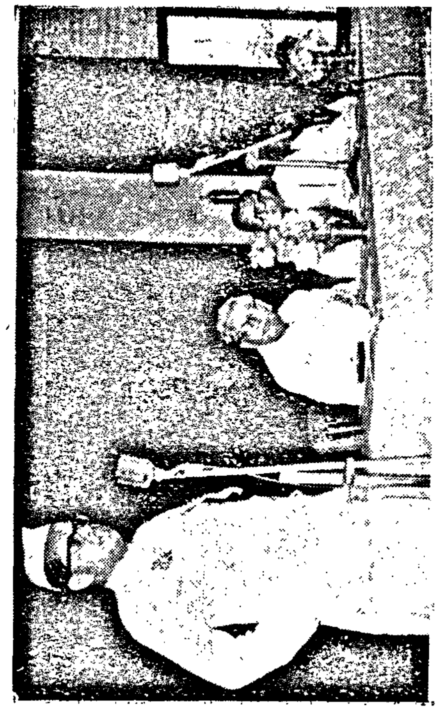


Sri R. Venkataraman, Minister for Industries & Labour, Madras unveiling the portrait of Dr. Sir M. Visweswarayya

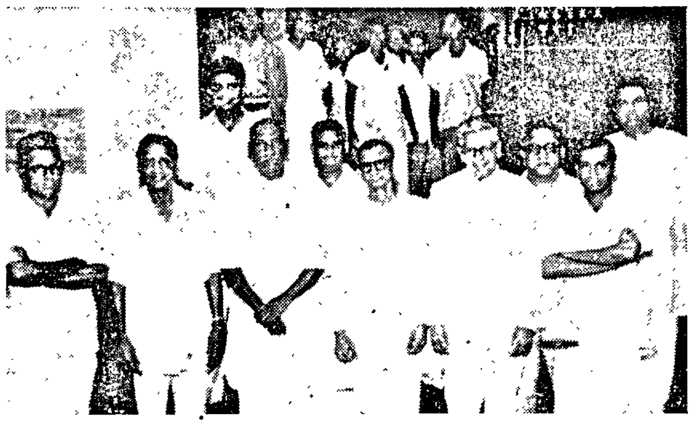


Sri V. V. Nathan, Hony. Gen. Secretary, SSIA & Secretary, Reception Committee, reading the Messages

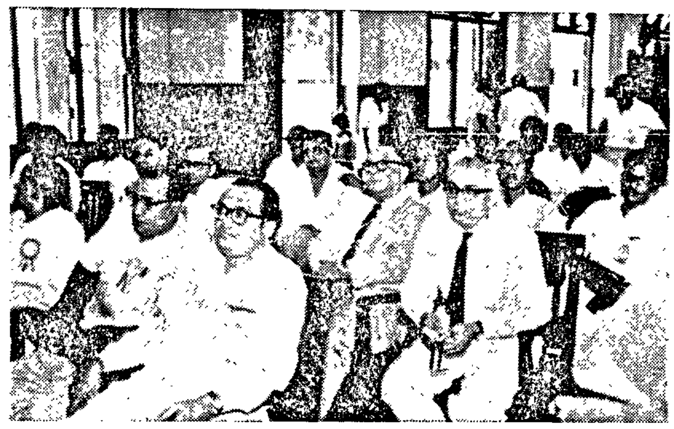
Sri R. Ganesan, President, SSIA & Chairman, Reception Committee, delivering the welcome Address



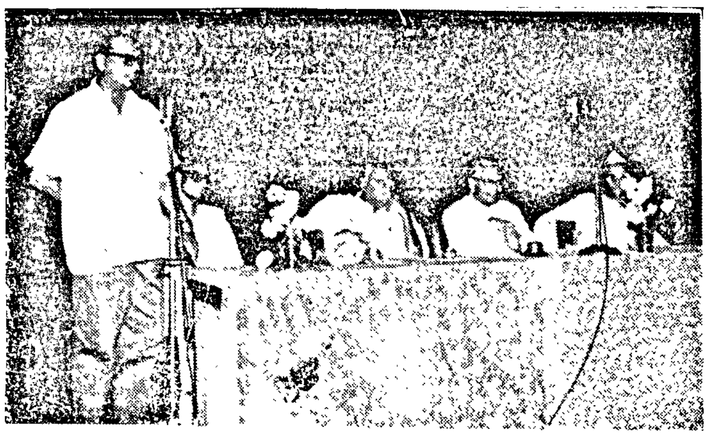
Sri A. R. Bhat, M. L. C., President, FASII, delivering his Presidential Address.



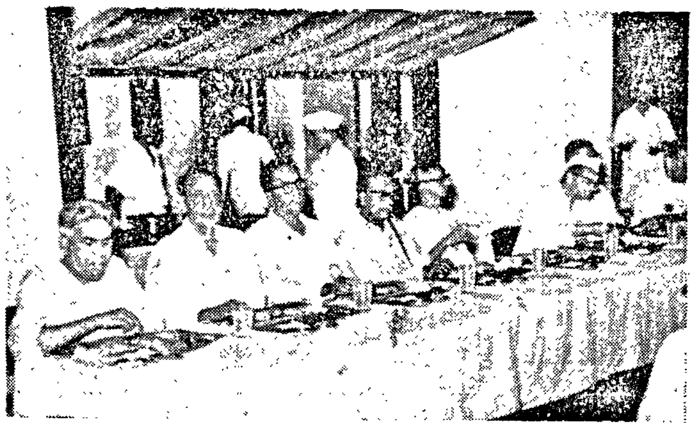
Sri K. Kamaraj, Chief Minister & Sri R. Venkataraman, Minister for Industries with Messrs S. Chakrapani, V. V. Nathan, Jay Rajeshirke, S. Natarajan, R. Ganesan, B K. Shanker & others



Sri J. K. Mullick, Vice President SSIA. Sri Ved & others with Mr. Ellicot, Controller of Stores (Southern Rly.)



Sri A. R. Muthuswami, President, Small Industries Association Salem Dt., Proposing Vote of Thanks



At the Dinner at "New Woodlands"

Sri R. Venkataraman, Minister delivering the Inaugural Address

Sri R. Iswaran, Vice President, SSIA, Proposing Vote of Thanks

Heads of departments of Central & State Govts. and others, Participating at the Conference

Sri R. Venkatraman & Sri A. R. Bhat with Members of Reception Committee

D1-B

Sri K. Kamaraj, Chief Minister, Madras unveiling Sri T. T. K's Portrait

Sri R. Venkataraman, Minister, speaking on the occasion

Sri Kamaraj, Chief Minister speaking on the occasion

At the Tea Party (L to R) Messrs. A.R. Bhat, Simons (American Consul), Chief Minister, Sri R. Venkataraman, R. Ganesan, B. K. Shanker, V. V. Nathan & S. Natarajan

## PARTICIPATION OF DELEGATES AT THE CONFERENCE

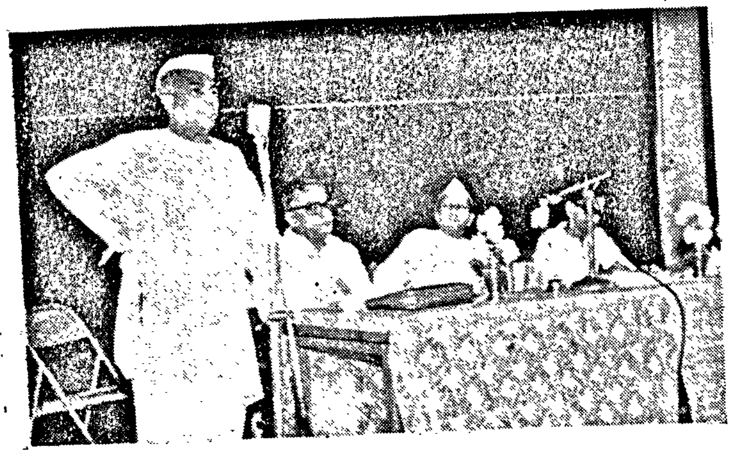
Sri K. A. Ramachar, Vice President, SSIA
(Speaking on Engineering Industry)

Sri S. Ramakrishna Rao, Vijayavada
(Speaking on Credit facilities)

Sri K. Subramaniam, Treasurer SSIA
(Speaking on State Aid)

Sri S. Sundaram, Salem
(Speaking on Industrial minerals)

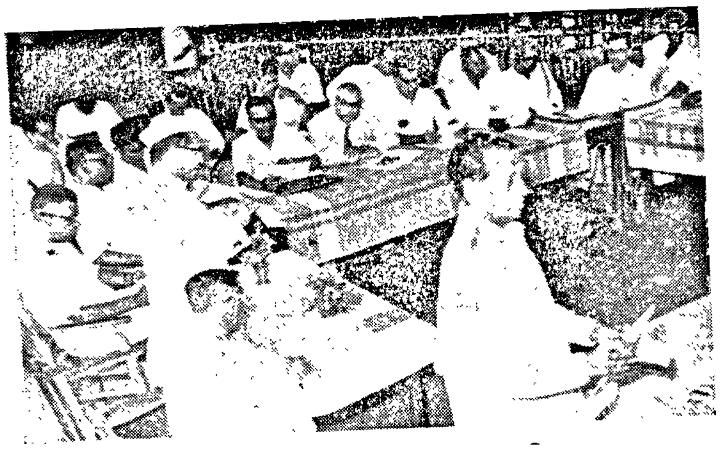
21-C



Sri R. S. Aradhya, Mysore (Speaking on Loans)

Sri Vaitheeswaran, Madras (Speaking on Plastics)

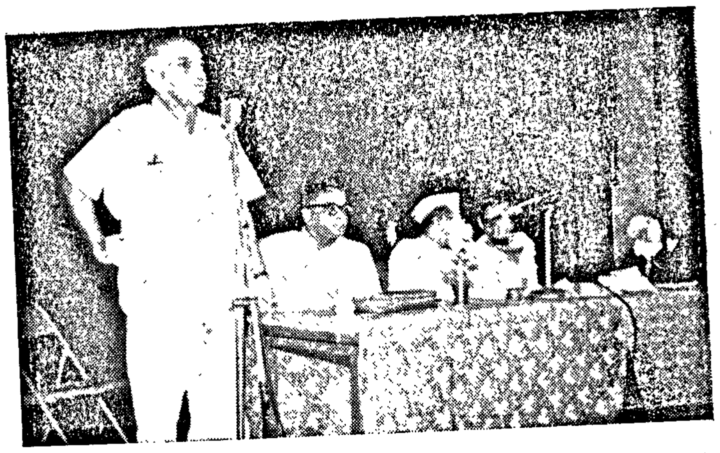
A Section of the Delegates



Subjects Committee Meeting

## OFFICIALS ADDRESSING THE DELEGATES AT THE CONFERENCE

Sri C. R. Krishnaswami Rao Sahib, I. A. S.,
Jt. Chief Controller of Imports & Exports, Madras

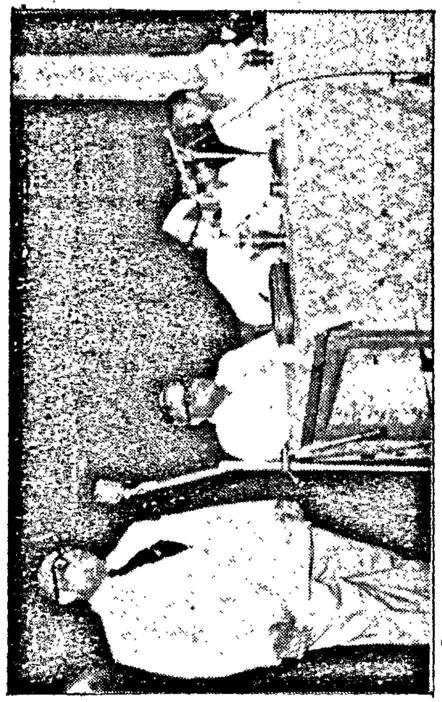


Sri Lt. Col. E. P. Raju, Director, Small Industries Service Institute, Madras

Sri T. R. Krishnaswamy, Jt. Director of Industries & Commerce, Madras

Sri Krishan Singh, Manager, National Small Industries Corporation, Madras

21-D



Mr. E. C. Ellicot, (Controller of Stores, Southern Rly.)

Distinguished Visitors, Officials & Delegates

Sri Chandrasekaran (Directorate of Supplies & Disposals)

Sri Vijayaraghavan, State Bank of India



### Liberalized Categories of Indigenous Steel

17. There has been improvement in the supply position of some twelve categories of indigenous steel but they are not very much needed by small units. It has been stated that in respect of liberalized categories, the Iron and Steel Controller would accept indents from all actual users including the small scale sector for planning on the producers with a proviso that he would do so if the Indents do not appear inflated. This proviso robs the liberalization of its merit. It has been my experience that the office of the Iron and Steel Controller judges whether the indent is inflated or otherwise in the context of the so called assessed capacities, which are generally out of date.

### Weak Sector to Use Costlier Raw Material

18. With a view to ease the shortages, Government has decided to import from rupee payment countries 50,000 tons of steel in scarce categories for the benefit of small scale industries but the price will not be subsidized! Thus the small scale industry using this imported steel will be at a disadvantage in respect of the price of its raw material as compared to scheduled units. What does this connote? Is this to be called solicitude for small scale industry? It is really a strange logic that prompts Government to put burden on the weak sector of industry. Normally one would expect sale at a concessional rate to the weak sector and dearer supplies to those who have capacity to bear it.

### No representation to Small Industry on Mudaliar Committee

19. It is now more than ten years that the last inquiry into the import control was made by a Committee under the Chairmanship of Shri G. L. Mehta. Since then as a result of working of two Five Year Plans the basic condition of the economy of the country has changed and the Government of India has appointed a committee under the Chairmanship of Shri A. Ramaswami Mudaliar (1) to enquire into the working of Import Trade Control; (2) to examine questions relating to allocations for import of raw materials and capital goods with special reference to require ments of the Third Five Year Plan, and (3) to review the efficacy of the existing export promotion measures and to make recommendations with regard to measures necessary to step up exports in the Third Five Year Plan. In this Committee of nine members there are representatives of big industry and business, importers and Government Departments but there is no representative of Small Scale Industry in spite of the fact that it is this sector that has suffered considerably under the existing import control policy and procedure. The Mudaliar Committee has issued its questionaire which contains only a few questions about the small scale industry. In spite of this stepmotherly treatment to the small scale industry in the constitution of the committee, the former should not fail to put forward its case before the latter. A fear is lurking in the minds of small scale industrialists that their grievances would not receive the same attention as the difficulties of the large scale sector and established importers. It is for the Mudaliar Committee to belie it.

### Institutional Set up for Financial Aid

20. Another handicap from which the small scale industrial units suffer is about the non-availability of adequate credit facilities both in respect of working capital and medium and long term funds. The commercial bank have refrained from advancing medium term loans to industry. With its drive for rapid industrialization, Government has set up more than one institution to look after the needs of industry for medium and long term finance, Thus for the small industry there is a chain of agencies to help it to meet its needs for term finance. There is the National Small Industries Corporation which has been supplying machines under a scheme of hire-purchase. The State Financial Corporations and the State Directorates of Industries together advance medium

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term loans to small industries for building up block assets. The State Bank of India and the Co-operative banks make available working capital to small industrial units and industrial co-operatives on easy terms. Further, in order to enable commercial banks to lend liberally to small industrial units, the credit guarantee scheme has been introduced, and 43 banks, 14 State Financial Corporations and 3 State Co-operative Banks approved for the purpose would now be able to obtain reimbursement of the loans advanced by them under the credit guarantee scheme. There is hardly any overlapping of functions and they are rendering complimentary services.

**Inadequacy of Credit Facilities**

21. While there is no denying the fact that Government has taken steps to provide the necessary institutional set up to meet the medium and short term financial needs of small scale industry, the difficulties of a very large number of small scale units in getting the needed finance for their day to day working and medium term needs continue as before. Again to refer to the recent speech of Shri Manubhai Shah at Rajkot, he said "during the last few years as many as 48,000 new small industrial units have been established and we hope that during the next few years 5 to 10 lakhs such entrepreneurs should come forward to help in the industrialization of the country". In the context of the total number of small industrial units in the country, the number of units to which the institutional and Governmental finance has been made available is lamentably small. In 1960 the State Bank of India had been able to help only 2451 units, the limits for financial accommodation sanctioned to them being Rs. 7.8 crores. So far as the commercial banks are coneerned the survey of commercial bank advances to small scale industries as on October 28, 1960, showed that the outstanding scheduled bank advances to small scale units amounted to Rs. 35.02 crores. While the number of accounts was 19,673, the balance per account being about Rs. 18,000/. So far as non-scheduled banks are concerned the survey brought out their outstanding advances and the number of accounts of small industrial units amounted Rs. 1.73 crores and 4,378 respectively, the balance per account being about Rs. 4,000/-. Although consolidated definite figure for total advances to small scale units from all the institutional sources outstanding at the end of 1960 is not available, even on a liberal computation it would not exceed Rs. 65 crores. As against this the Working Group on Small Scale Industries for the Third Five Year Plan puts the figure of credit needs of the small industry sector between Rs. 300 and 350 crores. In my view unless there is a radical change in the outlook of banks and other institutions including Governmental agencies regarding the financing of small industrial units, they would be starved and their progress thwarted.

**Lack of Enthusiasm Among Big Banks**

22. In the Seminar on "Financing of Small Scale Industries in India" which the Reserve Bank of India had organized at Hydrabad in July 1959, it became clear that the principal difficulty experienced by the Scheduled Banks and the State Banks of India in entertaining applications of small units for accommodation was that the latter's own capital and consequently the security which they would offer was considered insufficient and that the information about the quality and marketability of their products was not available. It was also, pointed out that the big banks which could lend their funds with the necessary safety and less cost of management to big parties were not inclined to entertain applications of small units because of the risks of slow moving accounts. petty defaults and greater office work in follow ups. It was felt that bank lending to small units could be enlarged if there was some agency to insure or share losses. Accordingly the Government of India in consultation with the Reserve Bank and the Small Scale Industries Board formulated a scheme foe guarantee of advances to



small scale industries. The scheme now has been made applicable to 52 districts and would cover most of the small scale industry centres. But even after making due allowance for the fact that initially it was made applicable to only 22 districts. the response to it from banks other than the State Bank of India has not been encouraging.

**Need for Reorientation of Policy**

23. The principal reason for this lack of enthusiasm is that the scheduled banks under existing conditions of tight money market, do not want to accommodate the small industry man. The dearth of loanable funds is bound to continue during the Third Five Year Plan period and there is no hope of the small scale sector being served by the big scheduled banks to any appreciable extent. I would, therefore, suggest that now that the credit guarantee scheme has been introduced, Government through the Reserve Bank should direct the banks to advance at least 15 per cent of the deposit amount with them to small scale industry. The total amount of deposits with the scheduled banks as at the end of 1960 was more than Rs. 1,900 crores and it should not be difficult for them to provide adequate accommodation to the small scale sector. The credit guarantee scheme should enable banks to liberalize their terms of advance in respect of small scale units. So far as the State Financial Corporations are concerned it is necessary that they reduce the margin required for their loans from 50% to 25%. The Small Scale Industries Board has been urging for the reorientation of the policies adopted by these Corporations but hardly they have moved in that direction. The delays in dealing with applications for long accommodation in the State Directorate of Industries are a normal feature. Unless the stages through which a loan application passes are minimized the delays would not be overcome.

**Disappearance of Small Banks: A Calamity**

24. There is one more aspect of this question with which I should like to dcal. The information provided in the latest report of the Reserve Bank of India on the 'Trend and Progress of Banking in India during the year 1960' clearly shows that the non-scheduled banks have been considerably helpful to small scale units whose requirements of accommodation are less than Rs. 5,000/-. The non-scheduled banks have a better assessment of the local small scale entreprenuer and are interested in the regional economic development. Their place, therefore, in the regional economy is strategic. Unfortunately their continuance seems to be problematic. Although no authoritative statement has been made to that effect, it appears that the Finance Ministry of the Government of India on the advice of the Reserve Bank of India has been swiftly bringing about conditions in which the banking activity in the country would be concentrated in the hands of a few big institutions. Amalgamations of small banks with big banks are being brought about on the plea of protecting the credit structure of the country. It seems that smallness is being considered to be synonymous with weakness, which I humbly submit is a wrong approach. What the economy of the country needs to-day is a banking structure consisting of national, regional and local banking institutions by defining in a general way their respective functions. If the present tendency towards elimination of small banks from the credit organization of the country is continued, the small industry will be further starved of financial accommodation needed by it. The small scale industry is vitally interested in the developments in the banking field. particularly in the future of local banks the disappearance of which means a calamity to it.

Friends, I have spoken at greater length than I had intended. I am grateful to you for the patience that you have shown. I now request my friend Shri Venkataraman to inaugurate our proceedings.

*Bande Mataram — Jai Hind!*

# Inaugural Address by Sri R. Venkataraman

Minister for Industries & Labour, Madras State

Friends,

I should congratulate Mr. Ganesan and the Madras Small Scale Industries Association for having arranged this Conference of the Federation of Associations of Small Industries here at Madras. To have been able to organise this conference is really a tribute to the enthusiasm of the Small Scale Industrialists of this State. There has been progress only by exchange of thoughts and experience. This gives an opportunity to share the experience of different people in the different States and I am very happy that this conference is being held for the purpose of discussing your problems and sharing your experiences and formulating your future programmes.

I shall be brief in my reference to Mr. Bhat; otherwise it may appear that we are indulging in the hobby of mutual compliments. Mr. Bhat is an old friend of mine. We had worked together years ago. He is one of those who has devoted his full attention to any work taken up by him. It is really fortunate that Mr. Bhat has taken this great responsibility of guiding the deliberations of this conference. I am sure that, with his very great experience, he will be able to solve your many problems.

Now, the Small Scale Industry is like an infant who has got to be nourished and nurtured properly. It was all right when people are in the initial stages of an industrial revolution to say that these persons may do what they want to do and then in the struggle that will ensue, the fittest would survive. This is a statement which would have applied with considerable force during the last part of the 18th century and perhaps during the first part of the 19th century. But today when other countries are making tremendous progress and are marching ahead industrially, it becomes necessary to give assistance to our industries in order to face the struggle for survival. Unless we appreciate this basic fact, it will be very difficult to appreciate the preferential treatment that States want to give even to large scale industries. In our country, we have to give to even large scale industries preferential treatment vis-a-vis large scale industries of other countries and other States.

### Promotion of Industries

It is very necessary that the same principle should be extended to the promotion of the Small Scale Industries. Persons interested in the work will have to sit together and discuss and formulate plans. Unless the Small Scale Industries formulate their plans and put forward their programme, it would be very difficult for Government to formulate the plans. May be, the Government's plans may go awry because they are not aware of the difficulties and the problems of the Small Scale Industry. I am sure the All India Federation is in constant touch with the Commerce & Industry Dept. and is having frequent meetings, bringing to the notice and attention of the Govt. their difficulties and their problems. By way of help to Small Industries, a programme of Industrial Estates, Rural Industrial Estates and Rural Workshops have been embodied in the Third Five Year Plan. The difficulties of the Small Scale Industries have been very well listed both by Mr. Ganesan and more elaborately by Mr. Bhat. The main difficulty which the Small Scale Industries face today is the difficulty of obtaining raw materials. Materials are either not available, or they are not available in time, or, if they are available, they are available at a high cost.



This Govt. will do its best to give all the assistance that is required in the matter of raw materials.

Then, there is the question of power supply. We have been suffering from an acute shortage of electric power and energy. The State Govt. is making efforts to extend power production. Even though power production has been doubled, the demand for power has trebled with the result that the shortage has become more acute. We are proposing to increase the production from the present 5.71 lakhs K. V. to 14 lakhs K. V. during the Third Five Year Plan.

### Finance

It is an old axiom that however good you may be, if you don't have money, you can't do anything in business. You can be an author and may be a poor man, you may be an artist and may be a poor man; yet your work will shine. But if you are a poor man and you are in an industry, neither you nor your industry will thrive. Surely, if you do not give adequate attention to the problem of finance for the Small Scale Industries, any amount of propaganda will go to waste.

The possibilities of establishing Co-operative Industrial Banks are being examined. The idea is to finance about 320 industrial units through these Co-op. Banks. We have addressed the Govt. of India to give us a subsidy and even to guarantee the losses.

Then the second thing is to set apart a certain percentage of the loans given by the State Industrial Financing Corporations for financing the Small Scale Industries. I must confess that Madras has not taken any steps in this direction because we did not feel the urge so far, to set apart a small percentage for financing the Small Scale Industries.

Then, we have delays in payment of loans. In Madras, we find that the real delay occurs at the point at which title deeds have to be passed. The Industries Director has been asked to help in getting the clearance from the Legal Dept. without delay. We have now decided to appoint a separate Legal Adviser only to scrutinise all these applications. I have the assurance of the Legal Adviser that clearance to loan papers will be given in less than two weeks provided all the information called for is furnished. I assure you that we shall get the clearance of titles in not more than four weeks.

### Survey

If expansion of Small Scale Industries is to take place, there should be a survey of the potentialities. There are persons and groups prepared to invest small sums of money up to say Rs. 1 lakh. We would like some effort to be taken and a survey to be made of each district about the possible Small Scale Industries that can be started and the potential marketing facilities available, so that the survey could give to the enterpreneur a certain variety of ideas from which he could choose. A survey will be made in the Third Five Year Plan.

### Marketing

Lastly, I wish to deal with the problem of marketing. In fact, Western Countries spend nearly 80% of the cost as promotion cost, that is propaganda, publications and so on. I give this as an extreme example of what promotion means.

### Research

Then, there is research. Unless you do research in a particular field, you cannot improve your product. On the other hand, you should try to improve not only the technological and mechanical equipment for the production and thereby reduce cost, but try to do research to see if indigenous raw materials cannot be utilised against raw materials which have got to be imported.

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Marketing is an important factor. There is a programme to open an Emporium in each District Headquarters. The construction of these emporia will be completed in the course of this year. These emporia can be utilised for marketing the Small Scale Industries products.

I am indebted to the Federation for having afforded us the opportunity to be present and to hear the valuable suggestions made by Mr. Bhat. I wish your Conference every success. I hope that, when your deliberations conclude, you will formulate your plans for the future.

I thank you very much.

## Hon'ble Sri R. Venkataraman's Speech Unveiling Portrait of Dr. Sir M. Visweswarayya

Sri Ganesan and friends.

It is indeed a great privilege to be called upon to unveil the portrait of one who is ever remembered by all our countrymen on the occasion of the Centenary Celebration of Sri M. Visvesarayya. It is superfluous for me to dwell at any great length on the great contribution he has made to the progress and welfare of our country. Sri M. Visvesarayya was a distinguished Engineer and the great work which he had been doing in this field will continue to last for quite a long time. There is a saying that a good administrator does not make a good technician and a good technician does not make a good administrator. But this would apply only to humbler people. Sir Visvesarayya really transcends all this. For he was not only one of the greatest of our Engineers, he was one of the best administrators our country has ever produced. From the early years of this century, he had been advocating that India should take to build up her industries and he laid great emphasis on industrialisation as a means to progress. He also felt that perseverance was the only way to progress. It is only by facing and overcoming difficulties that one could make appreciable progress in any field and we have evidence of this both in his own life and in the many institutions he had created.

I am quite sure that this portrait of Sir M. Visveswarayya will be a source of inspiration to the Small Scale Industrialists and others.

I thank you very much for having given me the opportunity to do honour to such a distinguished son of India.





## Unveiling of T. T. K's Portrait

**Sri R. Ganesan, requesting the Chief Minister to Unveil the Portrait of T. T. K., enlogised the services rendered by him as follows:**

The work of the Planning Commission has been arduous and heavy. The Two Five Plans of development were drawn up by them taking into consideration the resources of the country, the raw materials available, the foreign imports necessary and the foreign help that could be depended upon. The Planning Commisssion reports were no doubt integrated documents intended to be implemented.

But key-man in charge of implementing the plan should be not only a man of boldness and vision, but should be a man capable of integrated thinking. He should, while sanctioning the development projects in the different fields, anticipate the demands and pressures all along the line and provide for them. This needs a tremendous capacity to understand the needs of the developing economy of the country and of the evolving economic set up. Only men of such calibre could handle difficult questions that are posed every day by the needs, the demands and pressures of the developing plan economy. Sri T.T.Krishnamachari, who, fortunately for the country, took over as Commerce and Industries Minister in 1952 and who was the Finance Minister till practically the close of the second Plan, was a man of such vision, such boldness and such integrated thinking. I will not be exaggerating even a bit I say that he was largely responsible for the industrialisation that has changed the map of India during the last decade.

Sri T. T. Krishnamamchari was mainly responsible for the starting of the three steel plants. He gave the country the slogan "Socialism is Steel" even as Lenin in the early Twenties said that "Communism is Electricity. He clearly foresaw that the developmental needs of the country would require the production of millions of tons of steel and boldly went ahead with the plan of erecting the steel plants at Bhilai, Roorkela and Dhurgapur. They are today the monuments of his vision.

Sri T. T. Krishnamachari was not merely responsible for the starting of the steel plants and of the big industrial projects that have come up all over the country. He felt that the rapidly increasing man power could be properly used exploiting the industrial potential of the country both in big and small industries sector. He was the man who gave a new direction to the industrial policy of the country by providing all facilities and all encouragement for the starting of small industrial units all over the land. He was the Father of the Industrial Estates Project which are today a great boon and which today have brought us all here together. The industrial projects idea has caught on and industrial estates, big and small, are growing up in cities, towns and even in big Panchayats. The decentralisation of industry was being talked about all these years. But here is a man who achieved it silently and without any beating of the big drum.

Another aspect of Sri Krishnamachari's personality deserves mention here. I do this deliberately because often times we feel that some of our problems which have arisen as a result of the implementation of certain of the policies and programmes which he chalked out, would have been solved much quicker if he had been at the helm of affairs. I am saying this in connection with the question of shortage of raw materials, non-availability of certain essential import items etc. I had occasions to go to Delhi during the time when Sri T. T. Krishnamachari was Finance Minister. I had occasion to talk to officials and others who were working at top-gear during his regime. From all these I say that Sri T. T. Krishnamachari had evolved a method and a machinery to keep him informed about the progress of production in different industries in the country. He received monthly reports of the production trends of the different industrial units in the country. Wherever he found that the output had fallen, he immediately got into telegraphic or telephonic touch with the units concerned, found out the difficulties and the handicaps that were responsible for the fall in production and hastened to help the units to secure all assistance to get over the difficulties. He thus kept the industries working at top-gear.

Rarely during his regime we come across cases of under-utilisation of the capacity of the established industrial units, of industrialists and others failing to get raw materials, semi-manufactures and spare parts required for continuing their production at top-gear.

I am only mentioning a few of the salient points that marked Sri T. T. Krishnamachari as a giant among men. If today we want to have a portrait of his put up in our Association, it is merely to express our admiration and out humble tribute to the man who not only put struggling industries on their feet, but also helped to establish new industries.

## Speech of Sri Kamaraj

Shri K. Kamaraj, Chief Minister of Madras, while unveiling the portrait of Shri T. T. Krishnamachari said:
Friends,

I am happy to have been given the opportunity to open the portrait of Shri T. T. Krishnamachari today. Our great problem in this country is the problem of unemployment and to solve this problem the whole country should get industrialised. Shri T.T.K. has been responsable, to a large measure, for bringing into existence a number of industries, large and small in this country.

He has been mainly responsible for bringing relief to the large number of handloom weavers in our country. He knew their difficulties very well, and by imposing a cess on millmade goods, afforded protection to handloom weavers. Again, most of the handloom weavers had no accommodation of their own even to keep their looms. And Shri T. T. K. planned for the provision of houses to these weavers. Many of these people are today in their own houses, carrying on their work under more congenial conditions.

Shri T. T. K. has been responsible for bringing into being a number of Co-operative Organizations to assist the handloom weavers.

I am indeed very happy to unveil the portrait of such a man.

## Speech of Sri Venkataraman

Friends,

I feel somewhat embarrassed in speaking after Shri Kamraj, our Chief Minister.

I find it very difficult to give expression to all the feelings which rush to my mind at this moment. Shri T.T.K. was one of the ablest of our members of Parliment, having achieved considerable renown as a Parlimentarian.

When I came out of Parliment House after having made my maiden speech, many members of Parliment went up to Shri T.T.K. and congratulated him on the good speech made by me. They had thought that we were brothers because of the similarity in voice and



## Proceedings of the open Session

### The Following Gentlemen Participated in the discussion

Shri B. K. Shankar while moving the resolution on the problems of small scale industries in Madras State complained against the inferior quality of raw materials. He also asked for the increase of quota of non-ferrous metals.

Shri A. Muthuswami (Handloom, Dyes, Iron & Steel etc.) said that the handloom industry is one of the main manufteturing industry in Madras State. Imported Yarn was the most important raw material required to run this industry but due to drastic cuts in the import licences, the normal growth of this industry in the small scale sector hampered. He furthur requested that the J. C. C. I. should respect the Essentiality Certificate issued by the State Director of Industries. He also pleaded for licences to import art silk yarn.

Shri M. L. Goel (Transistors, Radios etc.) complained against the drastic reduction of import licence of the transister radio set manufacturers. He also demanded that the J. C. C. I. should respect the E. C.

Shri Sambasiva Rao (Fountain Pen Inks etc.) complained about the difficulties in getting raw materials specially tanic acid and gallic acid. He also requested the J. C. C. I. to respect the E. C.

Shri N. S. Phadke (Retreading tyres etc.) complained that the Government was allowing imports of tyres from the East European countries only and whose qualities were inferier. So he requested the Government to consider and allow the import of tyres from U. K. & U. S. A.

Shri Vadivelu (Hosiery Industry) said that there were 250 small scale hosiery manufacturing units in his district and these units were experiencing difficulties with regard to supply of their required yarn. He complained that the indigenous spinning mills had practicaly ceased production of yarns between 18 to 34 counts and to run this industry imported yarns were required. He also complained that as the mills were not prepared to supply art silk yarn to them direct, they were compelled to purchase it from the open market at very high rates.

Shri J.K. Mullick (Processing & Servicing) requested the Government to consider the servicing units as small scale processing units. Otherwise they were helpless in getting replacement by import through the agencies like NSIC.

Shri R. S. Vaideeswaran (Plastic Industry) complained that tht plastic manufacturers were experiencing lot of difficulties with regard to their raw material mainly polysterene. He also asked the J. C. C. I. to respect the E. C.

Shri Sundaresan (Mirrors) complained that the import of plate glass was allowed only on ad-hoc basis. He also said that the J. C. C. I. should respect the E. C.

Shri V. P. Lokiah Naidu (Engineering) said that the Government has failed to give proper attention towards assessment of the Small Scale Industries and as such the recommendations of the sponsoring authorities were much lower than the actual need. He complained against the delay in granting licences.

Shri Sundaram, Salem (Industrial Minerals) requested the Government to help the Mineral industry for development as this industry might earn the much needed foreign exchange.

Sri K. A. Ramachar (Engg. Industry) complained against the delay in getting the raw materials. He also requested the Government to revalidate the quota of coke and coal which were cancelled due to wagon shortage.

Sri Sayal (Ice cream) said that this industry was now in a position to export ice cream to neighbouring countries. The latest machineries for manufacture of ice cream were required to be imported. He also requested the J. C. C I. to respect the E. C. for the import of spares and compenents for the maintenance of ice cream plant.

Sri K. Subramaniam (Paints) complained against the import policy. Regarding the finance he said that the State Aid to Industries Act should be amended to the benefit of the smal scale industries.

Sri Parthasarathy Naidu (Survey Instruments) spoke against the difficulties in getting proper raw materials. He also requested the J. C. C. I. to respect the E. C.

Sri S. Ramakrishna, Vijayawada (Soap Industry) complained against the improper working of the credit facilities schemes. He suggested that the State Aid to Industries Act should follow the policy of the State Financial Corporation. He also said that the Government should liberalise the terms and conditions while granting loans to small scale units.

R. S. Aradhya (Mysore) complained against the present rules for granting loans to the Small Scale Industries as very rigid and the same should be amended accordingly. He advised the small scale industries associations to come forward in the interest of their own small scale units.

The following Government Officials who were present by special invitation participated in the discussion and explained the Governments' policy to the gathering:

**Sri C. R. Krishnaswami Rao Sahib**
**(J. C. C. I. & E., Madras)**

Sri Krishnaswami Rao Sahib addressed the Conference and explained in detail about the licensing policy for small scale industries. He said that the policy was actually liberal specially for small scale industries to the extent of Rs. 50,000/- He further stated that with a view to help the small industries the Government had already set up small industries Licensing Committees in each State under the Chairmanships of the respective State Directors of industries. In conclusion, he summed up the grievances of the small industries in two broad divisions: (1) Delays & (2) Cuts.

(1) DELAYS: Regarding delays he said, that in most cases the import licence applications were not properly filled in by the applicants and unnecessary correspondence took time. He advised the Associations of small industries to depute a clerk to the Offices of J. C. C. I. & E for a few months for training in the proper filling of import applications and who in turn would help and advise small units in the matter.

He further agreed that delays occured either in the case of new items of applications of higher value as then it was necessary for the J. C. C, I, & E. to refer the case to the C. C. I. & E. Delhi for clarification and advice. The items exclusively under the Central Licensing Authority also require time for finalisation.

(2) CUTS: Regarding cuts he said that in very rare occasions the J. C. C. I. & Es had no other alternative than to reduce the recommendations of the Sponsoring Authorities following a basis by which to keep the licences within the limits. He agreed about the difficulties of the small manufacturers but until & unless they had proper assessing arrangements, nothing could be done in this respect.

**Sri T. R. Krishnaswami, Jt. Director**
**of Industries & Commerce, Madras State**

Sri Krishnaswami in reply to the grievances made by the small manufacturers said that the State Government was doing its best to help the small industrialists of the State, They were trying hard to impress upon the Centre for larger allocations, but the manufacturers







must appreciate the difficulties of the Government with regard to foreign exchange.

He further requested the manufacturers to submit their import applications as early as possible after the publication of the Policy as this would help the directorate to expedite their cases within a reasonable period. He also agreed that until the position of raw materials improved the new comers should not be provided with quotas.

**Lt. Col. E. P. Raju, Director,**
**Small Industries Service Institute:**

Sri Raju said that the S. I. S. I. carried out regular economic surveys in the small industries in order to find out real position with regard to productions, availability of raw materials and the market. He further said that the future of the small industries depended on the ancillary industries. The S. I. S.I. was also enlisting small units under their Stores Purchase Scheme. He assured the industrialists of the services of the Small Industries Service Institute with regard to technical difficulties, drawings and testing etc.

**Sri Vijaya Raghavan, State Bank of India**

Sri Vijaya Raghavan said that unless the State Bank of India Act was properly amended nothing could be done at present with regard to advances against existing lands and buildings or other similar collateral securities. The State Bank of India was gradually coming forward to the aid of small industries by providing working capital against pledge of raw materials or finished products.

Regarding advances against bills, at present these were accepted for a margin of three months. But the State Bank of India fully appreciated the difficulties of small industries vis-a-vis government bills and the matter had already been taken up with the Government so that within a stipulated period their bills must be paid to the manufacturers. The S. B. I. were already giving medium term loans for improvement of the existing plants, he disclosed.

**Sardar Krishan Singh**
**(Regional Manager, N. S. I. C )**

Shri Sardar Krishan Singh replied against the complaint of delay in delivery of machineries through the Hire Purchase Scheme. He said that N. S. I. appreciated the difficulties of the small industrialists but so long the present procedure of processing applications through various agencies remained it would not be possible for them to expedite applications as they had no control over those various processing agencies.

**Sri E. C. Ellicot (Controller of Stores, Southern Railways)**

Sri E.C.Ellicot said that the Railway authorities were making necessary arrangements for early release of wagons for transporting raw materials includiing coke & coal for small scale industries of the State. He further referred that the Railways had already made out a list of railway components to be manufactured only through the small scale industries of the country. He also advised the manufacturers to produce the items according to specifications.

**Sri Chandrasekharan (Directorate of Supplies & Disposals) Madras:**

Sri Chandrasekharan said that the D. G. S. & D. had already earmarked items to be manufactured through the small scale industries. He also referred about the price preference in favour of the small scale industries, He appealed to the manufacturers to produce quality goods.

**Text of Resolutions Unanimously Passed**

Resolution-1. Problems of Small Scale Industries in Madras State

Resolution-2. Resolution on Raw Materials

Resolution-3. Resolution on Credit facilities.

All these resolutions were duly proposed seconded and passed unanimously.

Sri A. R. Bhat, President of the Federation, while winding up the deliberations expressed his gratitude to the President and other office bearers of the Madras Small Scale Industries Association for organising the 2nd Ordinary General Conference of the Federation in Madras and making excellent arrangements for its success. He also thanked the various Government Officials who participated in the open session of the Conference on the second day and explained the Government point of view in connection with the difficulties expressed by members while speaking on the Resolutions adopted by the Conference.

He hoped that the Conference would pave a better way to build up cordial relations between the officials both of the Central and State Governments and Small Industrialists and their Associations in Madras.

The Second day of the Conference ended with the pleasant function of the Unveiling the portrait of Sri T. T. Krishnamachari, by Sri K. Kamaraj, Chief Minister, Madras State.

# Full Text of Resolutions

## I. Problems of Small Scale Industries in Mdras State

The Second Ordinary General Conference of the Federation of Associations of Small Scale Industries of India draws the attention of the Government both Central and State to the serious problems faced by the Small Scale Industry in the State of Madras.

The total allotment for the Third Five Year Plan for Small Scale Sector has been reduced, and as such the Madras quota is proportionated. Taking lessons from the many handicaps that had to be undergone by the Small Scale Industries during the second Five Year Plan, it is hoped that the during the Third Plan, though with reduced quota, the State Government will accelerate the pace and see that there is an alround progress in the growth of the Small Scale Industries. The progress of Small Scale Sector during the second plan on an All India Scale has been quite impressive but the same appreciation could not be given to Madras State, and the progress that has been done, is more due to the efforts of the Small Industrialists rather than the assistance received through Government.

This problem viz. development of Small Scale Industries in Madras State is an urgent one, in view of the fact that it is one of the solutions for relieving the unemployment of educated class, particularly in technical fields. It is more felt in urban areas than in the rural. This aspect of unemployment has been highlighted by the Planning Commission in the draft outline of the Third Plan, and hence deserves special attention.

Though there has been good progress during the Second Five Year Plan, it is not a little due to the individual efforts of a large number of enterpreneurs and others who worked with determination for the success of their ventures. But these efforts have not been sufficiently supplemented by the State resulting in comparatively less growth than in other States like Punjab and Bombay (Maharashtra).

It is but proper that we point the attention of the Government Central and State





the various steps that are absolutely necessary and urgent to make the Small Scale Sector reach the required target during the Third Five Year Plan.

1) Raw Materials:

The greatest handicap of the Small Scale Industry is the shortage of the required raw materials in sufficient quantities imported and indigenous. The following come under this head:

(a) Iron & Steel.
(b) Non-Ferrous Metals.
(c) Chemicals.
(d) Yarn.

(a) Iron & Steel: The distribution of Iron and Steel to Small Scale Industries in Madras is so unsatisfactory that inspite of repeated protects more than 9 to 13 months elapse between the application and the actual allotment. Further it takes more than 18 to 24 months, or even more. to get the materials, if at all received. In fact the quota allotted to the State of Madras is so low that the industries in the Small Scale Sector are half-starved.

The non-receipt of quota induces the Small Scale Industries to go to the market for purchase of this item at higher price and more than 50% of the Industries utilise this item for running their concerns without break. This fact clearly speaks to the availability of the material in the market.

(b) Non-Ferrous Metal: The quota allotted to Madras is very low and is sufficient only to feed 15 to 20 per cent of requirements of the entire State. It is urgent that the quota is increased sufficiently without any delay such preferences should be given to foundaries, and drawing materials, and if there is any surplus then only to other industries.

(c) Chemicals: The inadequate supply of chemicals to Industries like essense manufacturers, rubber manufacturers etc. does not permit these industries to work full time. It is understood that one or two large factories with foreign collaboration have been licensed to manufacture essences, the ultimate result of which, will be the extinction of this industry by the Small Scale Sector. It has become imperative and urgent whether essence Industry should remain in Small Scale Sector, and if so steps should be taken to provide them with their full requirements of chemicals.

Even any industry, which uses indigenous material, the supply of chemicals is meagre with the result that such industry is put to work only part of year.

(d) Yarn: Due to the Export Promotion Policy and higher prices of high counts of yarn, yarn of the counts of 18, 20 and 30 is not manufactured by the Industries. (The above three counts are used by Hosiery Industries). Methods should be formulated to induce the mills to manufacture these counts, as otherwise the future of 300 industries belonging to this class might be dark. Besides this industry has employment potency of nearly, 10,000.

In case of art silk yarn the manufacture of 450 D and 500 B cone yarn by the National Rayon Corporation has made this industry suffer.

In as much as one third of country's total handlooms is in Madras State and a large percentage of the looms use the art silk yarn, it is requested of the Central Government to issue actual users' import licence for art silk yarn for Oct. March 1961 period and to continue to issue for the current period also.

If the raw material question is analysed, it falls in two classes viz. imported and indigenous. It is a fact that the indigenous material is gradually used more than the imported ones rightly too. It is not known whether there is correct data of the raw materials manufactured indigenously and the allotment of quota to each sector.

Imported items like cold rods, stops, and wires that are not manufactured in India should be imported in full, and the required quota to each Small Scale Industry should be given. The Licensing Authority (J. C. C. I.) should be permitted to issue licences without reference to the Development Wing for the raw materials required by the Small Scale Industries.

Suggestions: It is understood that at the instance of the Small Scale Industries Board, a Development Wing under Development Commissioner for Small Scale Industries has to be created. It is necessary that this wing is created as early as possible to do the same kind of work as the Development Wing under the Ministry of Commerce and Industry.

Finance:- State Aid: Government should restrict only the schedule of the mortgage deed. Working capital should be granted to one and all. The procedures to give loan over Rs. 25,000/- to be simplified, and the limit of State Aid Loan to be increased to Rs. 2,00,000/- and the interest should also be reduced to 3% up to one lakh and thereafter in sliding scales. Delay in sanctioning loan should be eliminated. Applications for second loan should be considered.

State Bank: State Bank should give loan on existing buildings and land Mono type loan should be given by State Bank of India with some relax rules, i. e., Surity should not be insisted but buildings and land may be taken as a mortgage or a collateral security.

Legislation: Factories Act should be suitably amended and relaxations allowed in case of factories employing upto ten workers may be made applicable to factories with 50 workers with power and 100 workers without power.

Outside labour union should not be recognised in case of dispute in Small Scale Industries.

Government Stores Purchase & Railways: 15% price preference over the large and medium industries should be strictly adhered to and made compulsory. Wherever I. S. I. specifications are available Government should not purchase branded goods as they do not conorm to specification.

Test Laboratories: Very often the raw materials are given test certificates that they conform to standards. Test certificates should contain the kind of Industries that can use the raw material for which reports are given. The laboratory in Madras State has got necessary equipment and facilities, but it has not been included in the list of Director General of Supplies and Disposals for the purpose of test reports. Steps should be taken to see that the Madras State is included in the list.

Plant, equipment and Machineries are supplied by National Small Industries Corporation under Hire Purchase System. The delay in supply, which is nearly one year, gives scope for the suppliers to enhance the prices, with the result that the Industrialist is put to a payment of higher prices, and that too at the end of one or two years.

Trade discount allotted by the Supplier to the N. S. I. C. should be given to the Purchaser. The servicing charges of 5% should be reduced to 2% which is a normal one. The handling and clearing charges should be reduced to 1%.

As intimated already by the Ministry of Commerce, the allocation of Sales Tax for electrical and non-electrical part of combined machinery should be taken effect without delay. Single point sales tax should be withdrawn and multi-point to be brought on paints and varnish.

Moved: B. K. Shankar.

Seconded: J. K. Mullick.



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## 2. Raw Materials

This Second Ordinary General Conference of the Federation of Associations of Small Industries of India notes with regret that the Government have not included any representative of Small Industry in the Mudaliar committee appointed to make a comprehensive enquiry into the question of the import and export control particularly when the Small Sector has suffered seriously due to short comings in the existing policy and procedure. The Conference feels deeply concerned about the continuance of the serious shortage of certain raw materials and components needed by the small scale industries particularly those using non-ferrous metals, steel plates and sheets, rods and wires tool steel and alloy steels, copra, mutton tallow, graded pig iron, hard foundary coke, Dyes and Chemicals required for the fountain-pen industry viz., tanic acid, gallic acid, dyes namely analyne dyes Plastic materials like Polystyrene & etc. It is disgusting to find that in the matter of supply of essential raw materials, throughly unjustifiable differentiation continues to be made against the Small Scale Units and favoured treatment is continued to units borne on the records of the Development Wing. It has been an almost unfailing experience of small units that where the import of their raw materials and stores is banned from the indigenous angle, there being no system of quota certificates or essentiality certificates they do not get them in adequate quantities, in time and ex-factory prices. Instances are not wanting where, although an item is shown licensable to actual users, the essentiality certificates issued by the State Directorates of Industries are not respected by the Import Control Authorities at the ports or the Central Office at Delhi. Further instances have been noticed that while there is an idle capacity in the small scale sector for the manufacture of components and goods due to inadequate supplies of raw materials new units are sanctioned and the scarce raw materials continue to be supplied to large scale existing units instead of asking them to get the finished components from small scale units and supplying the latter with the required raw materials by curtailing their supply to units which do not fabricate them. It has also been found that there being no standard basis for assessing the requirements of small industrial units by the State Directorates of Industries, the quotas and import licences for the same products issued to units of similar size in different States differ with the result that there is dissatisfaction in the small sector.

Although these and other defects in the system of allocation of raw materials and stores to the small sector were pointed out and action to remedy them was suggested in detail in the comprehensive resolution passed by the First Ordinary General Conferenee of the Federation held at Calcutta in September last which was duly forwarded to Government; it is to be regretted hardly any appropriate action was taken on it. This Conference, therefore, deems it necessary to reiterate some of them taking due note of the changed circumstances in respect of them.

1. This Conference urges very strongly that the differenciation made between the industrial units borne on the list of the Development Wing of the Committee and Industry Ministry of the Government of India and others in the matter of allotment of scarce raw materials should be immediately done away with. So far as the assessment of the requirements of the units in both the sectors are concerned, the basis adopted be the same in all units and in all States.

2. As for the distribution of non-ferrous metals, this Conference is of the view that the non-ferrous metals Control Order 1958 which governs the distribution of virgin copper, and zinc is thoroughly defective and has worked to the advantage of large scale units and to the detriment of the Small Scale Units. It is ab-

solutely necessary that the Control is extended to the distribution of the sheets and circles manufactured by the rollers.

As a matter of fact, not only in the case of non-ferrous rollers who manufacture sheets and circles for sale but in the case of all manu facturers who produce goods used in the manufacture of other articles should be statutorily directed to release material in favour of the units on the basis of the recommendation of the Development Wing or the State Directorates of Industries and be made to accept the responsibility for the mal-practices of their distributing agents.

The Conference is also of the opinion that virgin copper and zinc should be allotted to only such parties who have got their own arrangements of processing i. e., foundry and rolling mill etc. As the material allotted to parties who have not got such arrangements will ultimately go in the open market or to the processing units indirectly.

As regards Alluminium E.C. rods required for the manufacture of ACSR cum AAC conductors, it should also be included in the Non-Ferrous Metals Control Order 1958 and distribution made accordingly.

3. So far as zinc is concerned, the Conference wishes to emphasize that its use is not restricted to the manufacture of alloys but has other industrial uses like pigments and chemicals and galvanizing etc. The requirements of zinc, therefore should be properly assessed according to its uses item-wise and the quota should also be allotted accordingly.

4. The Conference understands that it is proposed to augment the imports of copper to relieve shortages. It appeals to the Government, that in allotting it to different sectors, the very much starved small scale units whose valuable machinery has been lying idle should be given a preferential treatment.

5. As regards the imported steel, the Conference emphatically demands that the steel with a subsidised price should be preferentially allotted to the small scale sector. So far as the varieties of steel the distribution of which is liberalised the indents of the small scale units should be planned in full and priority on the producers without being subjected to unnecessary cuts on the plea that their assessed capacity on record is less.

6. In order to reduce the demand for virgin copper and in order to give fillip to the growth of various industries using stainles steel as material, this Conference is of the emphatic view that Government should encourage the setting up of units for the manufacture of stainless steel without delay.

7. As regards the general procedure of issuing licences, in view of the delay involved it is urged that small scale units permitted to build a buffer stock equivalent to their yearly needs or alternately in computing the import requirements, the stock should not be construed to include the issued licences on hand against which shipments have not been made. Further where the Directors of Industries are satisfied that a small unit has been unable to get its raw materials, stores or components from an indigenous source at a reasonable price in adequate quantities and within reasonable periods, the import licences by the JCCI be issued on the basis of essentiality certificates issued to them by the Directors of Industries.

The requirements of raw materials mentioned in the E. C. by the State Director for Import should be respected in full by the JCCI. For the purposes of the issue of licences, there should be complete decentralisation and for no items, it be necessary for the JCCI to forward them to the CCI & E.

This Conference further suggests that licence should be issued on the basis of E. C. as per original assessment and not on the basis of 20% increase on the reducement assessment due to limited consumption consequent on the late issue of licences.

8. This Conference urges that the State Government and the Central Government issue





instructions to manufacturers of scarce raw materials and components, indigenously made, like Diesel oil engines, steel wheels, etc. to make their products available to small scale industries either directly or through their first distributors on the basis of quantities recommended by the respective State Directors of Industries and Commerce, against applications preferred by small scale industries, which will reduce the manufacturing cost cf small scaie industrial products.

9. In order that the distribution of imported scarce raw material is equitable among the small scale units, this Conference earnestly urges that procedure for the calculation of quotas for the purposes of the issue of Essentiality Certificates by the State Dieectorates of Industries should be centrally prescribed.

10. This Conference urges the Central Government to issue instructions to Controller of Movements to give top priority for wagon movements for scarce raw materials like Foundry coke, coal, etc., against applications for wagon movements by small scale industries.

11. So far as the import of Fractional House Power Motors are concerned this Conference requests the Central Government to ban their Imports at present allowed through the State Trading Corporation as these motors are manufactured in sufficient numbers in the small scale sector to satisfy the demand in the country.

12. Wherever the small scale units are capable of meeting the requirements of large scale units in respect of components, large scale units should not be permitted to embark on their production.

1) Moved by R. Ganesan.

2) Seconded by S. K. Chowdry.

## 3. Credit Facilities

This Second Ordinary General Conference of the Federation of Associations of Small Industries of India has noted with appreciation the steps taken and the institutions set up by the Central and State Government to meet the long term, medium term and working capital needs of small industries units but feels concerned that the number of units helped by these credit institutions is small and very substantial section of the small industries sector is starved of financial resources and that in the absence of availability of credit from organized institutions it has to borrow funds from the private money lenders on uneconomic terms. This could be easily found from the fact that the number of small scale industrial enterprises served by Commercial Banks in entire country is less than 30,000 when the number of units in the country are many times higher. The number of units to which the State Financial Corporations and the Directorates of Industries have advanced medium and ong term loans is again very much smaller than the one helped by commercial banks. The steady disappearance of local and regional banks through mergers and amalgamations threatens to dry up that source of working funds available to small entrepreneurs. The greatest lacunae in the schemes formulated to afford credit facilities and funds to small scale industries sector is that there is at present no agency either governmental or institutional to help the small scale industrial units to strengthen the equity capital base. The conference feels convinced that unless immediate steps are taken to augment the funds loanable to small units, to liberalise the terms of advance and to help them in raising equity capital the tempo of growth of small scale units which are helping the balanced economic development of the country would suffer a set back. In order to remedy the situation the Conference makes the following suggestions:

1. The terms and conditions in respect of the margin of security demanded and the period of repayment of loans under the State

Aid to Industries Rules are liberal but the Small Scale Units are unable to take proper advantage of the facilities offered because the procedure laid down for the examination of title deeds of landed property and the number of stages involved in the examination of loan applications. Further the information about the loan facilities offered by the Directorates of Industries and the State Finanial Corporation is not known to the entrepreneurs in the moffusil areas. It is, therefore, urged that the District Industries Officers be directed to do promotional work by educating the small scale industrial units in the facilities offered and helping them in filing the applications. For wherever the number of Industries Officers is inadequate the same be increased.

2. The margin of security demanded by the State Financial Corporations be reduced to 25% and the period of the loans be increased to 15 years and under certain conditions to 20 years. The amount of instalments for the repayments of the loan instead of being equal should be so worked that the same is less in the first three years from the date of commencement of repayment and goes on gradually increasing by stages during the remaining period of the loan. Further the first instalment should fall due for repayment only at the end of 36 months, in case of new concerns and 18 months where the loan sanctioned is for expansion of an existing concern. As for interest, its collection should commence at the expiry of 24 months in the case of new concerns and 12 months in other cases. The same procedure in respect of repayment be followed in respect of the loans granted under the State Aid to Industries Rules. As regards the securities against which the corporation grant loans, it is urged that where an applicant unit has no industrial assets to offer, it should be permitted to render other adequate securities. Then again the Corporation should liberalise their attitude in respect of rented premises and not reject applications on that account.

It is also requested that the Corporation should sanction the use of the 50% of the loan advanced by it for working capital for repayment of the previous loan.

3. The application form prescribed for loans for the Directorates of Industries and State Financial Corporations should be simplified.

4. The State Financial Corporations should begin underwriting issue of stocks, shares, bonds or debentures of small industrial units which they have not so far done and consequently have failed to fulfil one of the principal object with which they have been promoted.

5. The scheme of the Government participation in equity capital of small scale units should be modified by fixing the redemption period of non-cumulative preference shares held by Government to 15 years and the same be implemented without delay.

6. Commercial banks including the State Bank of India should be directed to increase their advances to small scale industrial units at least to the extent of 15 per cent of the total amount of deposit held by them by liberalising their conditions for the grant of loans in view of the operations of the credit guarantee scheme.

7. Instead of bringing about the amalgamation or merger of the Small Banks which have been helping the small enterepreneurs to meet their requirements and needs of working capital the Reserve Bank of India should take steps to reform their working by formulating model rules of business for them.

Mover: Sri S. Natarajan.

Seconder: Sri Jay Rajeshirke.



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## GIST OF DISCUSSION HELD WITH SHRI SATARWALA, I.A.S. CHIEF CONTROLLER OF IMPORTS AND EXPORTS, ON 7-8-1961 DURING HIS MADRAS VISIT, BY THE MEMBERS OF SSI ASSOCIATION.

At the outset Shri Ganesan, requested Shri Satarwala to see that his Delhi Office sends a reply to the letters received from Small Industrialists. The Delhi Office should clarify the point issued by the Small Industrialists and whether favourable or unfavourable. replies should reach at least within a month.

The Memorandum sent on 4th was discussed in full and the following points were clarified:

(1) Instructions have been given to the JCCI to take decisions here and not refer to Delhi. In future JCCI and the State Director of Industries will have all the powers to deal with the matters of that particular State. The items which are dealt by Delhi will be dealt here in future.

(2) He conceded that he will issue instructions that value alone should be taken into consideration unless the DI of any state specifies quantity also.

(3) It was explained to him in detail that the Development Wing is not at all helpfull to the Small Scale Sector, but they were quite helpful to the large and medium industries. Equally so, the big banks, except State Bank. He replied that these matters have been gone into in detail by the Raw Materials Committee, headed by Shri Bhansali (Members: Shri A. R. Bhat, Shri Kapoor, M. P. and Shri Ramayya, Department of Commerce), the Report of which is ready. It is his desire to take the Report of the Committee in full with some variations. He requested the Association to go through the Report as and when received and send him their suggestions.

(4) Sri R. Ganesan suggested to him that within the Development Wing, a section could be started for small scale sector, which will deal with the technical points raised by the Small Industrialists. The suggestion was commended.

(5) Sri Sirkar also informed that he has recommended to the Ministry of Commerce to compile a detailed book containing the names of all the items manufactured in India, the name of the manufacturer, the stated capacity and the actual production. This book will show the availability of indigenous materials and will guide the Ministry of Commerce as well as the CCI DI for working out the value for imports of the available quantity of indigenous materials.

(6) He requested the Association Members to have an over-all picture of the supply of raw materials for the entire nationand also the difficulties placed by the States' DIs in recommending large quantities of raw materials, either by import or to be taken from indigenous sources without actually ascertaining the capacity of the applicants or the availability of the items here or abroad. It was suggested to him that it is desirable that a machinary for advising the DIs the actual quantity available within the country, as also the foreign exchange to enable them to recommend quantities consistant with such information. Though the Iron & Steel Controller is positively hostile to the Small Scale Sector, that Dept. informs the State DIS two months in advance the actual allotment to large medium industries and small industries regarding Iron & Steel, stainless steel, and non-ferrous items like zinc, brass and copper. The suggestion was commended.

(7) Regarding the issue of licences on adhoc basis he felt it would not be possible now.

(8) He assured that raw materials which are not available in the country and which cannot be manufactured here will certainly get licences provided the Industry is included in the provious list.

(9) Sri R. Ganesan informed him that the State DI has recommended to the Ministry of Industries suggesting an assessment of the capacity of all the small industries as also their equipment manufacturing in this State as on 31—12—60 to enable the Department to recommend the proper quantity to those industries in the Essentiality Certificates. The needed staff is being requested. The idea was commended.

(10) Regarding reference to Delhi for licences in excess by a small amount to the limit proposed to this office the CCI informed that he had informed

JCCI that discretion should be exercised at this end and no reference need be made to Delhi.

(11) Regarding classification, he said that except refering the matter to the concerned Department it will not be possible for him to issue an exhaustive list.

(12) It was suggested to him that the licences should be issued on the strength of preceding half-yearly quantity for actual users who are in the industry and getting licences for 2 years and more. The present condition that licences should have been issued during the 2 previous continuous half years to get future licence should be done away with.

The CCI agreed with the view and assured that he will do the needful in the matter.

(13) Problems regarding the following industries were discussed:

(i) Radio and Transistor; (ii) Spectacle frames; (iii) Laundry equipment; (iv) Brass for nipples for petro-max; (v) Special steel, etc.

With a vote of thanks by Shri R. Ganesan, President of the Association. the meeting came to a close. Throughout the discussion, the CCI was helpful, informative and heard with attention the points raised by the Memebers and the President.

The meeting lasted one hour.

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the not altogether dissimilarity in our appearance. T.T.K., as he is very familiarly known to all of us, is one of the most intelligent statesmen I have come across in my life. It has been my privilege to meet not only the statesmen of our country but also the statesmen from several other countries, and I can say without exaggeration that he is one of the most intelligent statesmen I have come across.

As the Chief Minister said, he never accepted the common place and never took the line of least resistance. He dealt with each problem in a very thorough manner and then came to conclusions, and once he came to a conclusion. God Almighty cannot change him. He stuck to his point with a tenacity which is really very admirable. On several occasions, there were serious controversies and one such was the controversy regarding handlooms.

The Madras Assembly had passed a resolution that, in order to protect the Handloom Induttry in this State, certain types of manufactures should be reserved for the Handloom Weavers, such as bordered dhotees, coloured sarees etc. I happened to be in Parliment at that time. T. T. K. put me one question. Suppose, I reserve the coloured sarees and bordered dhotees to the Handloom Weavers and ban their production in the Mills. Textile Mills are located all over the country and where am I to find the Policemen to enforce the ban and to see that these are not produced!

I could not think there was a more effective argument against that proposal.

He never thought that the handloom industry cannot thrive against the competition of the Textile Mills. He conceived the idea of levying a tax on textile goods and giving help to the handloom from the Cess funds. He wanted great steel plants to grow side by side with Small Scale Industries, just as he wanted the handloom to thrive side by side with the large textile mills.

He conceived of these Industrial Estates after his visit to the U. S. A. and the U. K. Almost immediately on his return, he decided that we should have Industrial Estates here in India. He was convinced that the Small Scale Industry had a very definite place in our country. They could exist side by side with large industries. Industrial Estates are a standing monument to T. T. K's ability and foresight. We can erect many memorials, we can open many tablets, but the institutions one starts continue to live as the best testimony to the greatness of those who started them. These institutions will continue to live long after the would has forgotten the present generation of leaders and great men.

I am quite sure that Shri T. T. K. will be very happy that his ideas have now taken shape, although they are yet to bear fruit.

I have very great pleasure in associating myself with this function.

Printed by C. G. Kurup for the Janatha Press, 66, Bells Road, Triplicane, Madras-5 and Published by Sri V. V. Nathan of the Small Scale Industries Association, Mount Road, Madras. Editor: Sri. R. Ganesan.