



**VILLAGE & SMALL INDUSTRIES SECTOR
FRAMEWORK
POLICY ISSUES & PERSPECTIVE**

**PLANNING COMMISSION
GOVERNMENT OF INDIA
NEW DELHI
JULY 1988**

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FOREWORD

The attached 'Paper on Village and Small Industries' has been prepared in the Planning Commission mainly with a view to generating some thoughts and seeking guidance of the Consultative Committee of Parliament on the issues raised. The suggestions/ recommendations contained in the paper are not the conclusive decisions or recommendations of the Planning Commission. The various issues incorporated therein have emanated from different quarters and the views expressed at different fora. A discussion on these by this Committee would help the Planning Commission in formulating its Strategy for the growth of Village and Small Industries during the Eighth Plan period.



(MADHAVSINH SOLANKI)
DEPUTY CHAIRMAN
&
MINISTER OF PLANNING
NEW DELHI
JULY 1988.

PROFILE OF VILLAGE AND SMALL INDUSTRIES (V&SI) SECTOR

A variegated structure consisting of industrial units with different sizes, technology and organisational mode has been an essential feature of the Indian industrial scene. Even with the emergence and rapid growth of the modern large scale industries, the small, traditional and decentralised industries continue to play very important role in the economy. While part of the reason for the sustenance of the importance of this sector lies in the fact that the large scale modern industry has not been able to absorb workers to an extent good enough to effect a shift from the traditional and small sector; a more important reason for this phenomenon lies in the emphasis laid on co-existence of different sectors and promotion of small and village industries in the industrial policy followed in the post-independent India.

- 1.2 Small scale industries have been defined mainly in terms of the upper ceiling of fixed investment in manufacturing and repairing units. This ceiling has been revised from time to time primarily to compensate for the increase in the cost of capital goods and equipment and to keep pace with upgradation of technology. According to the present definition, small scale industries include those manufacturing and repairing units as have investment in plant and machinery upto Rs. 35 lakhs (and in the case of ancillary units upto Rs. 45 lakhs). With this as the upper limit, the village and small industries (VSI) sector consists broadly of: (i) modern small scale industries including tiny units and powerlooms and (ii) traditional industries, namely handlooms, Khadi and village industries, sericulture, handicrafts and coir industry. While the modern small scale industries and powerlooms use mostly power-operated appliances and machinery, have some technological sophistication and are generally located close to or in the urban areas including the large industrial centres, the traditional industries are generally artisan-based, located mostly in rural and semi-urban areas, involve lower levels of investment in machinery and provide largely part-time employment.

VILLAGE AND SMALL INDUSTRIES

Modern Small Scale Industries (Small Industries and Powerlooms)	Traditional Industries (Handlooms, Khadi, Village Industries, Sericulture, Handicrafts, and Coir Industry.)
(1) Mostly use power-operated appliances and machinery	(1) Generally artisan based.
(2) Have some technological sophistication.	(2) Lower levels of investment in machinery.
(3) Located close to or in the urban areas including the large industrial centres.	(3) Located mostly in rural and semi-urban areas.
(4) Mostly full-time employment employment.	(4) Largely part-time

1.3 Artisan units use locally available raw materials, work on them with simple tools and sell their products in a local market. However, the scenario is different in the case of modern small scale industries which depend not only on large industries for raw material inputs but also require industrial infrastructure (power, transport, communications, banking, post office, water, etc.), and social infrastructure (educational institutions, health services) to carry on manufacturing activities. They also depend on the marketing outlets provided by large manufacturing/marketing companies. Such industrial and social infrastructure exists in metropolitan cities/large cities. The VSI sector is unable to influence the creation of necessary infrastructure for its efficient functioning and has to depend upon already created infrastructure. Further it has been observed that the dependence of the modern small scale industries on this infrastructure is more than large industries. This also explains the phenomenon of agglomeration of industries in large cities/towns. To a great extent the interdependence between large and small industries is a mutually beneficial relationship.

1.4 In the absence of some regular census, no reliable and adequate time-series data on number of establishments, capital employed, value of output, persons employed, etc. in the VSI sector are available. The first census of small scale industrial units registered with Directorate of Industries falling under the purview of Small Industries Development Organisation (SIDO) was carried out in 1973-74. Data were collected from 1.4 lakh units. The number of registered

units has gone up to 7.89 lakhs by the end of December, 1984 giving an average annual growth rate of 38.6%. In the case of unorganised manufacturing industries, data is collected periodically through household multipurpose surveys known as rounds of the National Sample Survey conducted by the National Sample Survey Organisation (NSSO). In addition to these the two Economic Censuses were undertaken, the first in 1977 and the second in 1980. As per NSS rounds, the number of non-factory manufacturing enterprises was 85.74 lakhs in 1968-69 which increased to 90.05 lakhs in 1978-79. Based on the observed growth rate of 1978-79/1968-69 (0.5%) the number of these establishments would be 93 lakhs in 1984-85. Thus, the present number of units in the VSI sector may be assumed to be about 100 lakhs.

- 1.5 The substantial growth achieved by the VSI sector in terms of value of output, employment coverage and exports is indicated in the table below. (Annex 1.1 :)

Item	1979-80*	1986-87**	Average Annual growth rate
(1) Value of output (Rs. crores)	33510	76727	18.4%
(2) Employment coverage (lakh persons)	235.84	353.15	7.1%
(3) Exports (Rs. cr.)	2225	5627	22%

Sixth Five Year Plan (1980-85)

*** Annual Plan 1987-88.*

- 1.6 Not only are the growth rates in this sector impressive, its relative contribution to the economy is no less significant. The contribution of this sector to the Net Domestic Product is estimated at about 10 per cent as will be evident from the following figures :

**NET DOMESTIC PRODUCT AT FACTOR COST
(1980-81 prices)**

Percentage to total NDP	1982-83	1984-85
(1) Unregistered Sector	7.97	7.70
(2) Registered Small Scale Sector	1.61	1.89
Total	9.58	9.59

The contribution of VSI sector excluding sericulture in terms of value added with in the manufacturing sector in 1981-82 is 49.26 per cent as per following calculations:

**VALUE ADDED SHARE OF THE VSI WITHIN
MANUFACTURING INDUSTRY : 1981-82**

Sector	Share (per cent)
(1) Small Scale Sector (SSI share out of ASI Survey)	13.58
(2) Unregistered Manufacturing sector (CSO estimates)	35.68
(3) Total VSI	49.26
(4) Large Scale Industry	50.74

1.7 In terms of employment, this sector comes next to agriculture sector. Employment is both full time and part-time. The share of VSI sector within the employment provided in the manufacturing sector comes to about 80 percent when part-time employment in traditional industries is converted into full-time as will be evident from the following figures:

**EMPLOYMENT SHARES OF VSI SECTOR AND
LARGE SCALE SECTOR : 1984-85**

Sector	Employment (Lakh persons)	As per cent to total manufacturing
I. VSI Sector		
(1) Traditional Industries	164.95(55.00)	44.95 (21.40)
(2) Modern Industries (including powerlooms)	122.19	33.29 (47.54)
(3) Others	27.86	7.59 (10.84)
Total (VSI):	315.00(205.05)	85.84 (79.78)
II Large Scale Sector (ASI total exclusive of SSI according to capital criterion)		
Total Manufacturing :	366.96 (257.01)	100.00 (100.00)

Note : Figures in parenthesis exclude those engaged in manufacturing activities only on part-time basis

1.8 The share of exports from VSI sector in total export from the country has gone up noticeably over years as will be seen from the figures below :

	(Rs. crores)	
	1979-80	1986-87
(1) Total Exports,	6418	12567 (100.00)
(2) Of this, VSI's share	2225 (34.66)	5627 (44.78)

Note : Figures within brackets represent percentages.

1.9 Industrial units in this sector are set up by private entrepreneurs and artisans. Public sector outlay is catalytic in nature. It is provided for financial assistance, entrepreneurship development, construction of industrial sheds, procurement and supply of raw materials, marketing assistance, training, 'R&D', tool rooms, technology upgradation centres, capital subsidy, etc. Outlay for village and small Industries in percentage was highest in the Second Plan (1956-61), when it was 4 per cent. In the Seventh Plan (1985-90) outlay for this sector is Rs. 2753 crores (1.5 per cent) out of the total outlay Rs. 180000 crores.

1.10 It was, indeed, logical for the planners and policy makers to lay emphasis on the small and village industries in the pattern of industrial development, given a large wide spread base of small and decentralised industrial units that already existed in the country. The Industrial Policy Resolution of 1956 stated that while the policy of supporting cottage and village and small scale industries by restricting the volume of production in the large scale sector, by differential taxation or by direct subsidies would be continued, the aim of state policy will be to ensure that the decentralised sector acquires sufficient vitality to be self-supporting and its development is integrated with that of large-scale industry. The Mahalanobis model which formed the theoretical basis for India's second and subsequent Five Year Plans, while focussing on the development of the highly capital intensive large scale basic and heavy industries underlined the development of small scale and village industries as a means of promoting large scale employment and also meeting the increasing demand for consumer goods. The industrial Policy Statement of 1980, inter alia, states that "The Government is determined to promote such a form of industrialisation in the country as can generate economic viability in the villages.

Promotion of suitable industries in rural areas will be accelerated to generate higher employment and higher per capital income for the villages in the country without disturbing the ecological balance. Handlooms, handicrafts, Khadi and other village industries will receive greater attention to achieve a faster rate of growth in the villages". These principles have guided the formulation of policies and plan programmes for the development of village and small industries.

1.11 In pursuance of the policies of the Government, the following important measures have been taken for the promotion of village and small industries:

MEASURES TAKEN FOR THE PROMOTION OF VILLAGE AND SMALL INDUSTRIES.

ORGANISATIONS

- All India Small Scale Industries Board
- Khadi & Village Industries Commission
- All India Handlooms & Handicrafts Board
- Central Silk Board
- Coir Board
- All India Powerloom Board
- Development Commissioners for Small Scale Industries, Handlooms and Handicrafts.

ADMINISTRATIVE MEASURES

- Reservation of items for exclusive production in the Small Scale sector
- Handloom Act, 1985
- Price Preference in purchases
- Single Tender System for purchase of handloom products

FISCAL MEASURES

- Differential Excise Duty and graduated excise duty to facilitate growth
- Concession on import duty on certain capital goods
- Subsidies
- Sales Rebate
- Concessional finance

OTHER MEASURES

- Common Facility Centres - Tool Rooms, Testing Centres, etc.
- Construction of Worksheds
- Welfare measures - Housing, Thrift Funds, Medicare

Sectoral programmes have been discussed at length in the concerned chapters.

- 1.12 Notwithstanding the substantial contribution made by the VSI sector in terms of production, generation of employment and exports, it has been argued in certain quarters that, inter alia, the labour force engaged in this sector is not productively employed and the sector does not make efficient use of capital. In the VSI sector while labour productivity in traditional industry is often very low, the modern small industry has a reasonably high labour productivity, significantly higher than the average productivity in the economy. In this connection, it is instructive to summarise here the estimates of relative efficiency of the small scale units in different industry groups in comparison to the large sector, worked out by Dr. Bishavanath Golder. Using ASI (1976-77) data for large scale and RBI survey data (1977) for small scale sector, he calculated the labour and capital productivities and relative efficiency (total factor productivity) of the small sector relative to the large sector (taken as 1). The exercise was carried out for 37 industry groups at three digit level. It was revealed that in a few product groups (edible oils, printing, dyeing and bleaching of cotton textiles and powerlooms) the overall efficiency of factor use is higher in the small than the large sector. But in another eight groups it is only marginally lower (about 0.3) than the large sector and in another seven higher than 0.7. Capital productivity is higher in 22 product groups in the small sector and only marginally lower in other cases. Labour productivity is lower in the small sector in all cases (except edible oils), but over half that in the large sector in about 50 per cent cases. Relative capital productivity exceeds relative labour productivity that is capital per employee is higher in large than in the small units, in almost all the cases.
- 1.13 Ours is a capital scarce economy. In such an economy it will be more appropriate to use the ratio of gross output per rupee of employment in order to find out the cost efficiency of production rather than to apply the ratio of labour productivity per employee, a ratio which is more weighted in favour of industrial units using capital intensive method of production. Given the objective of adopting a cost efficient method of producing a given output, one may also alternatively use the ratio of productive capital/output. Both these ratios have been estimated in columns 8 and 9 of Annex. 1.2. It will be observed that these ratios are much more favourable in the case of small scale industrial units (capital sizes upto Rs. 7.5 lakhs in 1973-74 and capital sizes upto Rs. 20 lakhs in 1981-82 and 1984-85).
- 1.14 Over the plan period, the allocations for the development of village and small industries have increased. During the Second Plan (1951-56), the public

sector outlay spent for this sector was Rs. 187 crores whereas the outlay provided in the Seventh Plan (1985-90) is Rs. 2753 crores. A vast infrastructure has been created. Technologically, this sector has advanced. There has been extensive diversification. This sector has played a significant role in generating employment, supplementing household incomes and contributed to exports. The growth and performance of this sector has justified, by and large, the special role and treatment given to it. However, the growth rate of the modern small scale industries and the traditional industries has been disparate. The former has shown significant dynamism. It has potential to provide opportunities for productive employment. A proper development strategy for this segment can lead to higher rate of growth and reduction in inequality. In the case of traditional industries, the future strategy should attempt to raise the productivity and income levels of artisans engaged in these industries rather than to get more people employed. The strategy should also lay greater emphasis on promotional measures and on improving the access of small industrial units to infrastructure, inputs and services rather than on making 'reservation' permanent. There is also a need for a periodic review of the fiscal, administrative and legal concessions to small industries.

- 1.15 There has been a sharp rise in the number of persons in the working age groups. The backlog of unemployment would become unmanageable unless the rate of productive employment generation is accelerated substantially to around 10 million new work opportunities per year during the VIIIth Plan. Employment elasticities of output are estimated to have declined from 1.0 and 0.5 to 0.5 and 0.25 in agriculture and large industry respectively. Further, given the high wages in the organised sector, superfluous employment can not be encouraged. Hence new work opportunities have to be generated in agriculture and related activities and in village and small industries. This will require a massive effort at skill formation and technological upgradation in rural areas and small towns, in artisan households and small manufacturing units. Demographic considerations are equally important as economic for adopting a policy of promotion of village and small industries in the coming decades.
- 1.16 Any analysis would be incomplete without a reference to constraints and problems of the village and small industries. Constraints are mostly in the sphere of access to information, technology, materials, credit and markets. The problems and failings of this sector are numerous. It has been argued that despite increased outlays, priority and concessional finance, sickness in this sector has grown. The plan objective of industrial dispersal is as distant now

as it was in the fifties. There is a feeling that protection granted by reservation has engendered inefficiency and production of articles of indifferent quality. Sales of traditional industries depend on sales rebate offered periodically. There is technological and skill obsolescence. Mortality rate of industrial units is high. There are leakages in assistance. There are also problems of financing (dealt with in subsequent chapters in detail) and generation of surpluses for investment. However, the future of this sector is not bleak. It can develop into a healthy, vibrant and efficient sector which could stand on its own without any subsidy etc. Far greater growth in production and employment is possible provided the difficulties plaguing this sector are removed in a systematic manner, through a number of policy initiatives. *The Planning Commission is feeling for some time the need for constituting a National Commission of Village and Small Industries to examine comprehensively the progress made by this sector and to make recommendations for improvement and modernisation with a view to promoting welfare and prosperity of the people.* The Commission may go into the current status of the sector, modernisation, human resources development, entrepreneurial motivation, research, education, training, employment, organisation, support measures and come out with an action programme which would serve as our guideline for this sector, by the dawn of the 21st century.

- 1.17 Growth and performance of the small scale sector have by and large, justified the special role and treatment given to it during the last over three decades. The sector, as a whole, has grown in terms of number of units, output and employment at a significantly high rate and has also made increasingly large contribution to exports. In all these respects, the small sector now accounts for a much larger share in the manufacturing sector and the national economy than a decade back.
- 1.18 The modern segment of the small sector has emerged as a highly suitable candidate for a central place in the strategy of industrialisation in the next decade. For, it seems to have good potential for offering increase in productive employment, which has now become a crucial issue in planning for economic development, and reduction in poverty and inequality.
- 1.19 To the extent the ceiling on size for recognition as a small unit and eligibility for preferential treatment is found to discourage growth of small units, the gradual tapering off of incentives beyond the ceiling may be considered, instead of frequently revising the ceiling itself.

- 1.20 In order to ensure that small industry sector services the objective of industrial dispersal it must be recognised that infrastructure and a degree of industrial agglomeration are more important than incentives, in the entrepreneurs' decisions on locations. Therefore, the growth centre approach should be extended to smaller towns in rural hinterland, where a tendency for the rural agro-processing units to shift to such centres is already observed. An approach which emphasises economies of infrastructure, agglomeration and inter-industry linkages would prove more effective than the present approach which often tends to over-emphasise the conflict between small and large and rural and urban industries.
- 1.21 The lack of regular flow of data has been coming in the way of monitoring the progress of this sector.

POINTS FOR CONSIDERATION

- Setting up of a National Commission on Village and Small Scale Industries
- Speeding up the census of small scale industries.
- Early completion of census of handlooms.
- Compulsory registration of all powerlooms.
- Need for gradual tapering off of incentives rather than raising ceiling for small scale industries.
- Emphasis on growth centres approach.

Village and Small Industries - Targets and Achievements

Contd. Annex I.1

Industry	Production (Value in Rs. crores at current prices - Targets for 1989-90 at 1984-85 prices)				Employment Coverage (Lakh persons)				Exports (Rs. in crores)			
	1984 Actual	1989-90 Target	1985-86 Actual	1986-87 Actual	1984-85 Actual	1989-90 Target	1985-86 Actual	1986-87 Actual	1984-85 Actual	1989-90 Target	1985-86 Actual	1986-87 Actual
A. Traditional Industries												
1. Handi												
Billion sq. Mtrs	102.98	108.00	100.50	106.42								
Value in Rs. crores	157.62	300.00e	186.30	201.95	13.05	20.00	15.00	13.66	2.10	5.00		
2. Village Industries												
Value in Rs. crores	807.06	1700.00e	800.30	1034.00	24.84	30.00	25.55	26.00				
3. Handlooms												
Billion Mtrs.	3600.00	4600.00	3092.00	3084.00								
Value in Rs. Crores	2800.00	3600.00e	2953.60e	3107.00e	76.00	80.13	70.77	82.86	340.06	485.00	350.00	360.00
4. Sericulture												
Lakh Egs. of Raw Silk	76.70	100.00	76.97	87.07								
Value in Rs. crores	345.69	510.00e	310.14e	411.00e	20.43	62.85 ee	53.64 ee	55.00 ee	120.06	100.00	150.82	201.40
5. Handicrafts												
Value in Rs. crores	3500.00	5400.00	3000.00	4940.00	27.40	35.00	20.00	32.05	1698.67	2501.00	1070.97	2511.00
6. Coir												
Lakh tonnes of fibre	1.49	2.23	1.83	1.85								
Value in Rs. crores	100.50	170.00e	130.51	141.00e	5.89	9.23	0.20	0.30	26.41	32.00	32.85	31.44
Sub total A (value in Rs. crores)	7790.67	11760.00	6280.93	9034.95	166.41	256.11	240.84	217.87	2206.10	3303.00	2422.64	3133.93

Village and Small Industries - Targets and Achievements

Contd Annex I.1 (contd.)

Industry	Production (Value in Rs. crores at current prices - Targets for 1989-90 at 1984-85 prices)		Employment Coverage (lakh persons)		Exports (Rs. in crores)								
	1984 Actual	1989-90 Target	1985-86 Actual	1989-90 Target	1985-86 Actual	1989-90 Target							
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.

B. Modern Industries

12 1. Small Scale Industries Value in Rs. crores

Powerloom	4038.00	5490.00	5885.00	6222.00									
Value in Rs. crores	6423.00	7629.00	7658.51	8186.04	32.19	35.32	35.32	35.32					

Sub-total (B)	58943.00	87240.00	64788.51	72686.04	122.18	154.32	131.32	136.72	2378.04	2384.00	2785.35	2850.00	see
Value in Rs. crores													

C. Others relating to units not covered by the specified groups

Total (B+C)	65785.24	100100.00	73958.44	82521.78	318.46	438.78	341.36	354.59	4786.12	5453.00	5287.00	6083.03	
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* 1984-86 prices

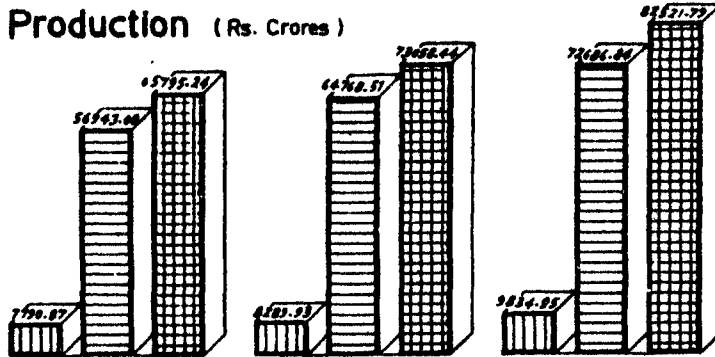
** Including employment in agricultural operations

see Anticipated

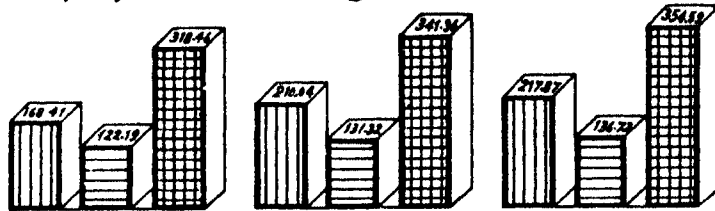
VILLAGE AND SMALL INDUSTRIES

 TRADITION INDUSTRIES
  MODERN INDUSTRIES
  TOTAL (VIL. SM. IND.)

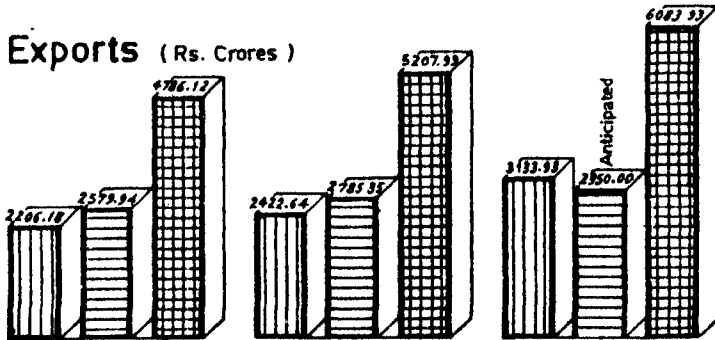
Production (Rs. Crores)



Employment Coverage (Lakh Persons)



Exports (Rs. Crores)



1984-85

1985-86

1986-87

Gross output and Net value added of Indian factories in
different capital ranges.

Capital Size (Rs. Lakhs)	Productive Capital (Fixed Capital & working Capital) (Rs. Lakhs)	Emoluments (Rs. Lakhs)	Net value Added (Rs. in Lakhs)	Net value Added/ emolument ratio	Net value Added/ Productive Capital ratio (Rs)	Gross Output (Rs. in Lakhs)	Gross Output/ emoluments ratio	Productive Capital/gross Output ratio	Net value added/gross output ratio
1	2	3	4	5	6	7	8	9	10
1973-74*									
Below 0.5	50505	13430	23710	1.77	0.40	140040	11.15	0.30	0.10
0.5 to 2.5	53337	15030	20002	1.04	0.54	107501	12.03	0.27	0.15
2.5 to 5.0	30000	0097	17040	2.20	0.40	04032	11.72	0.41	0.10
5.0 to 7.5	10100	5130	0012	1.51	0.51	56000	11.07	0.34	0.17
7.5 to 25.0	112413	21100	40346	1.01	0.30	106245	0.02	0.00	0.22
above 25.00	1262540	105377	341304	1.04	0.27	1205009	0.02	1.00	0.27
1981-82									
Below 1.0	70000	27017	51032	1.00	0.07	302307	13.03	0.21	0.14
1.0 to 2.5	71100	22900	42206	1.04	0.50	321104	13.00	0.22	0.13
2.5 to 5.0	70310	10774	41054	2.00	0.54	303037	15.37	0.25	0.14
5.0 to 7.5	00643	13256	20496	2.00	0.30	203015	15.31	0.34	0.13
7.5 to 10.0	43365	10561	21706	2.06	0.50	170015	10.10	0.25	0.13
10.0 to 20.0	04107	24702	53032	2.10	0.57	307797	14.00	0.20	0.15
20.0 to 50.0	49655	10303	22700	2.10	0.40	155300	14.07	0.32	0.15
above 50.0	4403011	537000	1101707	2.20	0.26	5425103	10.00	0.03	0.22
1984-85									
Below 1.0	74010	30705	02404	1.75	0.03	275340	7.00	0.27	0.23
1.0 to 2.5	02340	27010	51246	1.04	0.02	300105	10.70	0.27	0.17
2.5 to 5.0	94440	25004	54204	2.00	0.57	304357	11.72	0.31	0.10
5.0 to 7.5	00400	17070	30370	2.31	0.57	205300	12.02	0.33	0.10
7.5 to 10.0	50740	13170	20200	2.22	0.50	100042	12.21	0.32	0.10
10.0 to 20.0	142030	35030	70060	2.20	0.50	405454	11.57	0.35	0.20
20.0 to 25.0	51220	12170	20040	2.14	0.51	137500	11.30	0.37	0.19
above 25.0	7103965	004011	1710073	1.04	0.24	0102702	0.07	1.15	0.20

* For 1973-74 Col. 4 indicates value added.

Chapter 2

CREDIT FACILITIES FOR VILLAGE AND SMALL INDUSTRIES

Credit in the form of term loan as well as working capital is one of the crucial factors for the development of village and small industries. The institutional structure for the flow of credit to the sector comprises two institutions at the apex level viz., Industrial Development Bank of India (IDBI) and National Bank for Agriculture and Rural Development (NABARD). Small Industries Development Fund (SIDF) was set up in 1986 to step up flow of assistance to the sector. In 1988-89 Budget, establishment of a Small Industries Development Bank of India was announced. The Bank is to function as a separate apex bank as a subsidiary of the IDBI for meeting financial need of the sector. The primary credit institutions are commercial banks and State Financial Corporations (SFCs). They all work under the overall guidance of the Reserve Bank of India.

- 2.2* Generally the dispersed sector of industries which is a free sector depended upon the informal credit institutions and money lenders in the country till recently. With the nationalisation of commercial banks in 1969, the banking system was used for promoting priority areas in development which included village and small industries. Since then the total outstanding credit of scheduled commercial banks to small scale industries has somewhat increased from Rs. 211 crores at the end of March, 1968 to Rs. 9098 crores at the end of December, 1986 as follows:

Year ending	No. of Accounts	(No. in '000)
		(Rs. in crores)
		Balance outstanding (Rs.)
December, 1974	224	1017
1975	269	1147
1976	397	1421
1977	477	1703
1978	558	2156

contd.

Year ending	No. of Accounts	Balance outstanding (Rs.)
1979	681	2633
1980	794	3136
1981	960	3953
1982	1050	4464
1983	1238	5064
1984	1455	6537
1985	1642	7829
1986	1876	9098

Source: Reserve Bank of India.

Besides, national level and state level corporations also assist the small units. The statewise assistance sanctioned by State Financial Corporations (SFC), State Industrial Development Corporations (SIDC) and National Small Industries Corporation (NSIC) is given at Annex.- 2(1), 2(2) and 2(3).

- 2.3. Precise data in respect of credit requirements of the industrial units in the village and small industries sector is not available. However, NABARD has stipulated a norm of 40 per cent of the value of output as the requirement of working capital for handlooms. In order to avail of this finance, the borrowing institution has to have a margin of 25 per cent. Assuming that this norm also holds good in the case of modern small scale industries and traditional industries, the working capital requirement of the village and small industries sector can be estimated to be Rs.23,000 crores in 1986-87 when the value of output in this sector was Rs.77, 556 crores. From the table under para 2.2 above, it is seen that the loans outstanding from the banking structure to this sector amounted to Rs.9098 crores in 1986. Supposing that about Rs.600-1000 crores had flown from the cooperative banks, the small entrepreneurs have no alternative but to meet their remaining credit requirements from the informal credit structure where finance is available at exorbitant rates of interest. Availability of institutional finance to this sector has not been commensurate with their needs or in proportion to the value added in the manufacturing sector, for instance, their contribution to value added is almost as high as large and medium industries but outstanding credit as on 31.12.1986 is only 38 per cent of that of large and medium industries.
- 2.4 Industrial sickness has emerged as a serious problem. The number of sick small scale units increased from about 1.18 lakhs at the end of December 1985 to

around 1.46 lakhs at the end of December 1986. The outstanding bank dues of these units increased from Rs. 1071 crores as at the end of December 1985 to Rs. 1306 crores at the end of December 1986 as shown in the table below.

INDUSTRIAL SICKNESS

No. of sick units as at the end of	(Number)			
	large units	Medium units	SSI units	Total sick units
December, 1980	409	992	23, 149	24550
December, 1981	422	994	25, 342	26758
December, 1982	444	1178	58, 551*	60173*
December, 1983	491	1256	78363	80110
December, 1984	545	1287	91450	93282
December, 1985	637	1186	117783	119606
June, 1986	689	1230	128687	130605
December, 1986	714	1250	145776	147740
Amount outstanding as at the end of	(Rs.Crores)			
December, 1980	1324.47	178.42	305.77	1808.66
December, 1981	1478.84	187.63	359.07	2025.54
December, 1982	1790.60	225.76	568.97	2585.33*
December, 1983	2014.33	357.97	728.99	3101.29
December, 1984	2330.12	428.58	879.69	3638.39
December, 1985	2980.24	220.02	1070.67	4270.93
June, 1986	3238.64	242.37	1184.22	4665.23
December, 1986	3287.02	281.37	1306.10	4874.49

**Not comparable with the data for earlier years as the State Bank of India has included the small scale units in protested bills/recalled accounts in its list of sick units, which were not included in the data furnished earlier.*

In the small sector, 18, 76, 655 (Prov.) units have been provided with bank credit amounting to Rs.9098 crores at the end of December 1986. Of these 145776 units (7.8 per cent) have been found to be sick with outstanding bank credit of Rs.1306 crores (14.4 per cent). Of the total sick units, 16946 units (11.6%) with outstanding credit of Rs.303 crores (23.3 per cent) were considered by banks as potentially viable. A total of 2761 units with outstanding credit amounting to Rs.210 crores were reported to be put under nursing programme by the financing banks as at the end of December, 1986.

2.5. A diagnostic study conducted by the Office of the D.C.(SSI) on the basis of

two stage stratified random sample survey of 2% of total number of units under their purview as registered on 31st March, 1981 brings but level of sickness prevailing in small scale industries at a point of time as identified on the basis of multiple criteria of erosion of net worth, closure of units for more than six months as well as defaults in loan installment. Of the 7890 units surveyed, the data relating to 589 units was found to be defective and incomplete while 1211 units were found to be permanently closed. As such the data tabulated under the diagnostic survey related to 6090 units. Capacity utilisation of less than 50% of the maximum achieved during preceding five years has been adopted as the criteria for the determination of incipient sickness. In all 7.4% of the units covered under the survey were found to be suffering from incipient sickness due to following reasons.

CAUSES OF INCIPIENT SICKNESS

Sl No	Reasons for under-utilisation of capacity	% of units suffering from incipient sickness
1.	Marketing problems	14.3
2.	Non-availability of raw-materials	18.1
3.	Shortage of working capital	14.9
4.	Shortage of power and other sources of energy	14.9
5.	Labour trouble	6.8
6.	Faulty/obsolete technology	3.1
7.	High rate of taxes	3.1
8.	Transport bottlenecks	0.0
9.	Personal factors	5.0
10.	Others	19.8
TOTAL		100.0

Source: Diagnostic Survey (DCSSI)

- 2.6. The number of sick small units and outstanding credit against them Statewise (as on December, 1986) is given in Annex.2.4. Concentration of sick units are found in the States of West Bengal, Tamil Nadu, Uttar Pradesh and Maharashtra and these five States account for 58.3% of the total number of sick units.
- 2.7 Delayed payment leads to erosion of working capital resulting in sickness.

Though RBI guidelines in this regard stipulate that non-payment to small units beyond 120 days should have a first charge on bank lending. This is not happening and still by and large ancillary units suffer from delayed payments. RBI should re-examine the need for discount houses and factoring enterprises to tackle this problem. Or, the need for bringing a legislation on delayed payments stipulating penal action on defaulting large units should be considered. The legislations already in vogue in U.K., USA and Japan are given below in the box.

UNITED KINGDOM

"The Right to Interest Act, 1986"—

Purpose: To help the small man/firm against oppression by the large firm for provision of statutory interest on overdue debts.

U.S.A.

"Public Law 97-117 effective 1.10.82

"The Prompt Payment Act 1982"—

Applies to federal agencies in regard to property or services acquired from a business concern. Interest at specified rates gets accrued after 30 days in a compounded manner or as specified in the contract.

JAPAN

"The Law on the prevention of delay in the payment of sub contracting charges and other related matters"—

Under this law payment has to be made not later than 60 days from the date of delivery and implemented by small and Medium Enterprises Agency and Fair Trades Commission.

- 2.8 Ways and means would need to be found to meet fund requirements of small scale units from private sources thus reducing burden for credit from financial institutions /banks. While large companies have recourse to market, the small scale units because of their size and organisational structure cannot borrow. If a small scale industry takes to corporate form for the purpose of raising risk capital, the advantages are off-set by disproportionate expenses in the engagement of professional staff to conform to the company law, filling up of innumerable returns, etc. The rigours of this Act are worse in the case of young and new entrepreneurs. It is, therefore, necessary to bring in the concept of

Limited Partnership Act (LPA) which envisages the creation of partnership firms consisting of one or more general partners and one or more restricted partners. Under this while the liability of the general partners will be unlimited as in the case of existing partnership Act, the restricted partners liability shall be limited to the extent of capital he contributes to the venture. The restricted partners will have no authority to wind up the firm or to take part in its management. The introduction of LPA will limit the financial liability of small entrepreneurs and thereby reduce their risk. With this measure the flow of capital to this sector from private resources could be stepped up.

- 2.9. Schemes may be formulated under which both the lending Bank and borrower become partners in the same enterprise. Under this system the lending Bank and borrower become partners in the venture, they share in the profits on pre-agreed basis. In other words emphasis shifts from interest to growth of capital. Such system, in a modified form, is already in vogue like UTI, Master Shares etc. A separate scheme for this would need to be formulated to assist the village and small industries sector.
- 2.10. Recently it has been observed that small firms enter high technology and high risk areas elsewhere in the world. They are being assisted by venture capital companies. Even in our country, there is great potential for such industries based on bio-technology, solar energy, electronics etc. The risk involved and mortality rate is very high in such industries. However, such high tech. projects involving high risks have also a strong potential for high profitability. A suitable climate may be created in the country for promotion of venture capital companies through the extension of adequate financial assistance, incentives, relaxation of constraints on large units to invest and disinvest in such companies.
- 2.11 Since most of the units in the sector are set up by entrepreneurs on proprietary/partnership basis and their needs of risk capital are so large and diverse, perhaps it could be considered to set up an Investment Company (IC) in the joint sector in which private sector, State Governments and IDBI could contribute equity on matching basis. Such IC in the joint sector could provide venture capital/risk capital to small scale industries and small business establishment.
- 2.12. A high power committee on credit facilities for the village and small industries sector chaired by a former Member of the Planning Commission had made several recommendations for increasing the flow of credit to the dispersed sector of industries. While some measures have been taken already, for

example, the establishment of Small Industries Development Fund which has become National Small Industry Development Bank and National Equity Fund, a large number of other recommendations would need to be operationalised.

- 2.13. Other measures are needed to increase the flow of finance and tackle the problems of capital non-availability such as fixing norms for working capital, inter-institutional coordination, coordinated lending of term loans and working capital, new innovative methods of financing etc.

POINTS FOR CONSIDERATION:

- Need for Legislation on delayed payments to small industries;
- Need for enacting Limited Partnership Act;
- Need for setting up an Investment Company in the joint sector for high risk industries;
- A new scheme from Banks with emphasis on growth of capital, rather than on interest for promotion of new enterprises;
- Training and reorientation of bank staff and
- Single window bank service for term loans and working capital.

SFCs : State-wise : Assistance sanctioned to Small Sector

Sl. No.	SFC	1984-85			1985-86			1986-87			Cumulative up to end-March 1987						
		Total SSI (2)	SFCs (3)	Sub-Total (3)×(4)	Total SSI (6)	SFCs (7)	Sub-Total (7)×(8)	Total SSI (10)	SFCs (11)	Sub-Total (11)×(12)	Total SSI (14)	SFCs (15)	Sub-Total (15)×(16)				
1.	Andhra Pradesh	99.74	59.53	6.43	98.96	109.51	67.45	11.63	79.67	138.84	72.79	10.76	88.46	639.19	362.82	58.43	436.46
2.	Assam	2.06	1.83	1.06	1.06	3.09	1.39	0.40	1.06	7.53	4.07	1.63	4.07	35.69	16.39	4.08	29.87
3.	Bihar	68.54	49.84	49.54	49.54	68.48	62.88	0.40	63.40	109.29	88.68	1.63	109.29	439.25	437.13	2.22	439.25
4.	Delhi	7.96	7.55	7.55	7.55	10.88	10.82	10.22	10.87	17.12	10.87	1.38	15.10	84.72	72.96	1.38	74.38
5.	Gujarat	65.42	51.74	6.57	54.71	74.67	68.61	1.00	61.89	98.91	68.97	0.54	68.34	525.64	387.97	6.73	382.50
6.	Karnataka	18.77	9.10	1.41	18.59	18.68	18.36	0.61	14.39	20.35	14.88	1.82	18.93	168.58	115.09	5.74	129.74
7.	Madhya Pradesh	18.53	8.10	0.66	9.76	20.81	18.29	0.54	18.37	10.89	12.29	1.82	18.77	95.43	46.80	5.90	52.79
8.	Jammu & Kashmir	16.06	16.06	5.13	15.19	18.17	18.32	4.91	15.23	28.97	17.41	6.17	25.50	125.59	57.11	68.41	186.52
9.	Kerala	74.71	51.72	6.83	58.61	106.54	72.44	7.73	68.17	113.68	88.54	7.24	94.00	512.25	398.26	36.17	377.43
10.	Madhya Pradesh	10.74	11.32	2.06	14.61	55.99	17.75	5.81	23.54	44.47	39.88	7.99	37.79	183.27	112.43	21.09	133.43
11.	Madhya Pradesh	41.83	28.81	28.81	28.81	68.75	47.81	0.71	47.81	87.43	58.84	0.96	68.34	281.61	188.86	0.26	188.50
12.	Madhya Pradesh	57.83	47.62	1.97	49.59	78.48	57.16	1.91	59.67	62.87	61.29	0.94	62.34	657.57	488.73	39.74	609.47
13.	Madhya Pradesh	52.74	31.66	16.00	46.00	64.00	53.36	0.64	42.22	51.63	43.17	9.84	42.83	362.30	284.30	64.84	289.29
14.	Punjab	-2.96	0.51	0.27	0.78	25.64	18.33	0.86	18.79	48.18	28.53	3.58	32.09	184.98	127.76	6.62	133.79
15.	Rajasthan	52.83	34.83	11.97	45.90	62.59	58.83	4.71	46.50	73.38	54.79	7.35	68.14	398.66	398.29	60.84	329.12
16.	Tamil Nadu	84.88	48.83	12.42	59.34	89.83	67.19	17.32	64.51	97.88	61.59	24.58	88.15	574.42	398.88	114.12	329.10
17.	Uttar Pradesh	92.48	79.59	0.31	79.90	151.49	133.83	0.36	133.79	188.43	182.24	0.19	182.31	644.79	538.94	3.96	638.92
18.	West Bengal	27.53	24.06	0.64	24.90	35.15	24.06	0.68	24.82	48.38	33.88	0.13	33.91	199.98	139.84	0.84	139.84
	Total	743.12	553.15	65.44	618.59	1049.87	941.66	66.83	827.71	1286.28	982.82	85.29	968.11	6092.95	4228.18	601.82	4717.12

Source :- Report on development bank in India 1981-1986-87

SITCO state-wise - assistance sanctioned and disbursed.

Sl. No.	SITCO	Disbursements												cum. upto and Mar 1967												
		1962-63		1963-64		1964-65		1965-66		1966-67		1966-67														
		B	T	B	T	B	T	B	T	B	T	B	T													
1.	Andhra Pradesh	13.90	33.54	25.96	31.54	6.52	55.44	34.12	30.41	36.41	31.21	221.13	203.77	9.26	10.55	14.98	22.85	6.97	25.42	9.30	10.83	7.11	24.64	102.22	100.30	
2.	Assam	0.96	0.96	1.00	1.00	1.63	1.63	0.10	0.10	0.50	0.50	4.52	4.52	0.04	0.04	0.04	0.04	0.70	0.70	0.70	0.70	0.06	0.07	0.47	3.13	3.10
3.	Bihar	1.11	4.61	4.61	16.11	10.11	4.10	6.29	6.29	6.29	40.46	44.46	6.53	6.53	3.70	3.70	0.21	6.67	6.67	6.67	6.67	0.07	0.03	64.87	64.97	
4.	Bihar	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
5.	Bihar	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
6.	Bihar	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
7.	Goa	5.24	5.18	5.44	5.44	5.09	5.09	11.94	11.94	17.81	17.81	55.87	55.87	3.37	3.37	3.79	3.79	4.00	4.00	4.00	4.00	5.23	6.38	33.47	33.47	
8.	Goa	19.88	20.42	21.75	20.80	44.52	31.39	54.60	20.47	57.46	191.32	364.70	10.13	22.62	11.00	22.40	17.77	25.30	21.48	35.10	22.20	40.49	110.00	228.50		
9.	Goa	3.16	4.83	2.09	5.71	2.91	4.20	2.04	6.40	4.65	9.28	17.55	16.36	0.90	2.21	2.48	3.93	2.95	3.53	2.21	3.66	2.00	5.29	13.41	24.50	
10.	Goa	4.60	4.60	5.55	11.00	11.50	13.54	13.34	6.37	6.37	54.70	54.70	3.96	3.96	4.09	4.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
11.	Goa	0.88	0.88	18.55	18.55	7.35	7.35	1.12	1.10	0.41	0.41	66.61	66.61	1.27	1.27	2.25	2.25	3.20	3.20	5.82	5.82	3.93	3.93	13.00	18.90	
12.	Karnataka	10.87	31.27	24.42	41.62	16.84	30.41	13.14	30.87	29.52	35.70	107.16	203.50	5.81	13.63	3.10	12.40	16.26	10.31	9.31	27.27	14.03	29.41	69.80	146.89	
13.	Kerala	4.10	7.35	4.47	9.82	16.32	16.32	10.34	8.57	16.00	45.57	96.15	2.79	5.90	1.50	6.31	2.00	7.36	5.50	16.25	7.95	14.16	30.63	73.07		
14.	Kerala	10.87	19.71	27.11	27.11	41.63	44.44	64.23	60.87	37.64	42.80	192.70	207.06	15.92	16.59	10.43	16.86	10.27	23.48	28.82	18.90	19.97	118.00	188.10		
15.	Mizoram	0.00	36.00	13.17	34.84	13.97	42.94	14.17	40.00	26.81	60.26	162.10	300.60	10.47	28.33	9.80	32.00	10.00	30.19	13.60	44.11	16.04	51.37	124.00	334.60	
16.	Mizoram	1.90	1.30	0.56	0.30	1.44	1.04	0.67	4.81	4.41	4.41	15.00	15.00	1.43	1.63	0.43	0.46	1.14	1.84	4.89	4.49	-	-	3.41	3.41	
17.	Mizoram	0.54	0.54	0.50	2.00	2.94	3.05	3.05	5.52	5.52	11.60	11.00	0.54	0.54	0.50	0.80	0.80	1.30	1.30	2.83	2.83	3.30	3.30	3.30	3.30	
18.	Mizoram	0.26	0.26	1.30	1.00	2.82	2.82	1.02	1.02	1.02	11.87	11.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
19.	Mizoram	0.00	20.00	0.00	22.01	0.00	22.11	7.15	10.00	0.00	15.00	73.50	143.16	6.04	10.96	5.31	11.13	8.82	14.10	7.20	11.11	5.89	13.62	30.54	45.21	
20.	Mizoram	7.15	7.13	11.37	12.82	12.82	12.82	12.37	12.37	12.37	55.54	55.84	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	
21.	Mizoram	2.74	0.81	1.53	15.32	4.01	7.89	2.15	12.82	13.44	29.48	69.70	137.19	1.65	3.31	3.00	11.40	6.91	11.70	3.21	0.41	10.23	18.87	64.10	128.15	
22.	Mizoram	0.30	14.00	0.54	10.14	16.06	17.89	17.81	18.00	17.76	22.76	106.46	133.27	12.00	14.03	7.88	9.30	9.64	10.25	10.89	12.47	12.35	13.30	72.68	96.36	
23.	Mizoram	0.82	0.42	1.37	1.32	1.75	1.75	3.41	3.41	3.91	11.94	11.94	0.00	0.43	0.87	0.87	0.07	1.04	1.04	1.82	1.82	2.86	2.86	7.33	7.33	
24.	Mizoram	19.10	20.55	15.00	30.83	24.31	40.00	25.71	30.24	10.72	46.54	136.63	247.12	10.73	15.77	11.33	24.37	17.30	31.11	15.82	32.23	17.21	35.24	66.60	94.20	
25.	Mizoram	7.13	17.36	15.87	23.20	23.72	42.89	75.20	52.13	50.34	82.34	221.54	315.10	0.05	10.70	11.06	10.83	16.00	22.40	34.00	41.30	48.19	67.40	157.63	213.00	
26.	Mizoram	15.83	19.76	14.96	22.77	19.00	25.50	22.90	25.34	20.90	150.70	202.14	14.73	17.03	10.00	10.00	14.00	14.00	14.00	12.60	10.10	17.34	24.00	102.00	154.26	
Total		169.70	286.84	233.33	364.50	297.90	477.94	347.31	549.96	463.81	971.26	3250.26	126.21	200.00	124.20	236.46	171.77	277.57	219.54	364.00	251.23	433.56	3193.33	3193.33		
											2041.00												1280.00			

Source - Report on Development Banking in India 1961 - 1966-67
B. INCDR/28/8
1966

Annex 2.3

NSIC: STATE--WISE ASSISTANCE (SALE VALUE)
(Rs Crore)

SI No	State	1984-85	1985-86	1986-87	UPTO MARCH 1988
1	Andhra pradesh	0.25	0.32	0.75	6.00
2	Asaam	0.41	0.50	0.89	3.59
3	Bihar	0.46	0.42	0.65	4.76
4	Goa	0.03	0.06	0.14	1.04
5	Gujarat	0.55	0.61	1.19	10.60
6	Haryana	0.59	0.36	0.34	7.96
7	Himachal Pradesh	-	-	-	0.39
8	Jammu & Kashmir	-	-	-	0.52
9	Karnataka	0.15	0.26	0.44	7.60
10	Kerala	0.88	1.28	1.77	10.47
11	Madhya Pradesh	0.56	0.38	0.49	5.67
12	Maharashtra	0.86	1.30	1.88	17.84
13	Manipur	0.12	0.07	0.04	0.46
14	Meghalaya			0.01	0.02
15	Misoram	0.05	0.02	0.04	0.22
16	Nagaland	0.02	0.02		0.06
17	Orissa		0.18	0.04	1.04
18	Punjab (including Chandigarh)	0.41	0.64	1.22	6.87
19	Rajasthan	0.11	0.39	0.58	4.64
20	Tamil Nadu	1.41	1.87	1.89	22.08
21	Tripura	0.02	0.04	0.05	0.22
22	Uttar Pradesh	1.41	1.26	1.05	18.02
23	West Bengal	0.61	0.64	1.37	10.98
24	Andaman&Nichoba	0.01	0.01	-	0.05
25	Delhi	1.54	2.18	1.77	17.90
26	Pondicherry	0.01	0.03	0.15	0.40
	Total	10.48	12.84	16.76	160.00

Source - Report on Development Banking
in India-IDBI-1986-87

Annex 2.4

STATE-WISE DATA RELATING TO SICK S.S. I. UNITS
AS AT THE END OF DECEMBER, 1986.

Sl No	Name of the State/ Union Territory	No. of Units	Among outstanding (Rs. crores)
1	Andhra Pradesh	13004	84.17
2	Assam	4485	10.22
3	Bihar	9649	55.23
4	Gujarat	4523	97.14
5	Haryana	1747	30.23
6	Himachal Pradesh	802	4.74
7	Jammu & Kashmir	2229	8.63
8	Karnataka	3277	79.68
9	Kerala	4046	56.01
10	Madhya Pradesh	9895	37.58
11	Maharashtra	10605	245.24
12	Manipur	908	0.80
13	Meghalaya	110	0.36
14	Nagaland	8	0.07
15	Orissa	6489	26.14
16	Punjab	1830	27.50
17	Rajasthan	6222	32.57
18	Tamil Nadu	17024	127.24
19	Tripura	284	0.40
20	Uttar Pradesh	15815	101.38
21	West Bengal	28777	184.24
22	Andaman & Nicobar Islands	1	0.01
23	Arunachal Pradesh	16	0.02
24	Chandigarh	207	5.87
25	Dadra & Nagar Haveli	9	0.19
26	Delhi	2716	78.25
27	Goa, Daman & Diu	1074	9.12
28	Mizoram	-	-
29	Sikkim	1	0.01
30	Pondicherry	223	2.79
	Total	145776	1306.10

Source: SIDO

MARKETING AND EXPORT PROMOTION

Marketing is an entrepreneurial function. Due to inadequate financial and managerial resources quite often small units find it difficult to market their products. Marketing net-work in several cases is more expensive than the production outfit. Quite often small units find it difficult to produce quality goods at economic costs. If marketing aspect is taken care of by large marketing organisations, it will enable the small industries to concentrate on product development, standardisation, productivity increase and reduction of cost. In several consumer items like domestic electric equipments, refrigerators, footwear, etc. small units have been able to expand production and improve quality due to the technical assistance and financial support from the large marketing companies. There is vast scope for promoting such marketing companies. The standardisation and continuous improvement of quality of products reserved for the small scale sector poses several problems. In order to improve the quality and as a measure of consumer protection few items (food colours, domestic electrical equipments) have been brought under the purview of Bureau of Indian Standards.

3.2. Small industries also cater to the purchase requirements of the Government. A number of items are reserved for exclusive purchases from small scale sector which stood at 409 in 1988 besides 13 items have been reserved for purchases upto 75% and 28 items upto 50% of the total requirements. The share of the SSI products in the total purchases for the past six years is given below:

Year	Total value of indigenous purchases (Rs. crs.)	Value of purchases from small scale sector (Rs. crs.)	Percent age of 3 to 2
(1)	(2)	(3)	(4)
1980-81	1432.58	197.35	13.77
1981-82	1768.56	221.50	12.52
1982-83	1802.11	218.04	12.09
1983-84	2212.74	270.42	12.22
1984-85	2409.97	258.08	10.70
1985-86	2557.98	280.96	10.98
1986-87	3077.21	284.19	9.25

Although the value of purchases have increased, in percentage terms to the total purchases it has gradually gone down.

- 3.3. The modern small industries have substantially contributed to the export effort as could be seen in the Annex.3.1 and 3.2. Their export performance could be further improved if initiatives are taken in terms of exclusive market study teams to promote the products of small scale sector, earmarking of proportionate funds from Market Development Fund (MDF) for the products of small units, etc.or a separate Market Development Fund may be established.**
- 3.4 India has a natural advantage in exports of such items where labour inputs are considerable like, gem and jewellery, garments, carpets, leather, footwear uppers, footwear, leather goods, silk, handlooms, handicrafts, etc. The exports of handicrafts, handloom, silk and coir for the recent three years as available can be seen at Annex. 1.2. In the aggregate, the exports from V&SI sector constituted 47.29% of the total exports in the year 1985-86. The export efforts are assisted by several export promotion councils industry-wise, like Apparel, Handlooms, Handicrafts, Gem & Jewellery, Leather, Silk, etc.**
- 3.5. For internal marketing there are a large number of State Corporations, Cooperative Societies, Apex Cooperative Societies and emporia and sales outlets of various organisations. At the Centre also there are marketing outlets like Central Cottage Industries Emporium, sales outlets of Khadi and Village Industries Commission and Coir Board. Even with all these outlets they cater only to a fraction of production. Quite often they are faced with large inventories.

Functioning of these Corporations would need to be improved through market intelligence, design and development, new methods and channels like consignment sales etc. Almost all Corporations seem to depend upon government funds and rarely they take recourse to borrowing from financial institutions. Their operations need to be made viable. Composite marketing of goods emanating from the V&SI sector may be attempted as a means to effectively utilise the sales outlets of individual commodity and make such outlets viable.**
- 3.6. Rural markets is one of the areas which has not received significant attention. Rural markets have great potential. Though opening of sales outlets in towns has become quite costly yet penetration of consumer products manufactured by the V&SI sector in the rural areas has not picked up.**

3.7. The evaluation of IRDP programme has shown that the secondary sector's performance has increased from 2.32% in 1980-81 to 7.95% during Jan-Sep', 1987. The growth of this sector is constrained for two reasons, viz., (i) Investment levels have been very low and (ii) the products manufactured in this sector need better marketing efforts. Unless the inputs and marketing for such rural industries are properly planned, there is little scope for increasing the secondary sector.

POINTS FOR CONSIDERATION

- Purchases by Governments from V & SI sector.
- Better linkage between small industry and marketing network in private and public sectors and need for corporate marketing;
- A separate market Development Fund for small & village industries; and
- Need for hire purchase scheme of products of small industry.

**PERCENTAGE SHARE OF SMALL SCALE SECTOR IN THE
TOTAL EXPORTS OF THE COUNTRY**

(Value in Rs. crores)

	YEARS		
	1983-84	1984-85	1985-86
1. Total Exports	9872.10	11493.72	11011.96
2. Exports from small scale sector	2163.98	2540.78	2785.33
3. Percentage share of small scale sector	21.92	22.11	25.29
4. Exports of Traditional Products from small scale sector.	166.05	225.94	256.16
5. Exports of Non-Traditional Products from small scale sector	1997.99	2314.84	2529.17
6. Percentage share of Non-traditional products to total small scale sector exports.	92.33	91.11	90.80

1983-84]
 1984-85] Revised figures
 1985-86 Provisional

Source : Development Commissioner (Small Scale Industries)

EXPORT OF MAJOR PRODUCT GROUPS OF SMALL SCALE INDUSTRIES

S No.	Product Group	1983-84	1984-85	1985-86
1.	Engineering Goods	309.41	343.10	311.00
2.	Basic Chemical, Pharmaceuticals & Cosmetics	112.50	141.33	133.52
3.	Chemicals & Allied Products	13.82	25.58	26.19
4.	Plastic Products	33.93	35.90	36.00
5.	Finished leather & leather products	337.54	324.72	453.94
6.	Semi-finished leather	42.67	39.33	39.26
7.	Marine Products	342.55	355.37	355.84
8.	Cashew Kernels & Cashewnut shall liquid	104.55	148.17	164.65
9.	Processed foods	88.45	127.60	128.79
10.	Woollen garments & knitwears	45.14	56.16	55.85
11.	Sports Goods	27.55	28.00	27.90
12.	Readymade garments	581.16	853.47	986.53
13.	Rayon & Synthetic products	5.96	6.94	4.12
14.	Processed tobacco snuff & Biddi	14.92	11.68	9.49
15.	Other			
	i) Spices, oils & oleoresins, curry powder & paste	5.22	8.71	13.39
	ii) Lac	13.61	29.73	38.86
	TOTAL	2163.98	2540.78	2785.33
Source.	i) Export Promotion Councils			
	ii) Marine Products Export Development Authority			
	iii) Tobacco Board.			

RURAL INDUSTRIALISATION AND ORGANISATIONAL STRUCTURE

The term 'Rural industries' generally connotes such type of industries as khadi, village industries, handloom, handicraft, sericulture, coir and tiny and service industries situated in rural areas. The sectoral chapters have dealt with the problems of the industries in detail. In this chapter we are dealing with the problem of coordination at the field level, the absence of which has led to our not reaping commensurate results. The promotion of rural industries bristles with various problems including coordination both at the grassroot and at the national level as it is looked after by different departments/organisations. It has been noticed that in spite of the various coordinating agencies that already exist at the State and the Central level, the programmes of the dispersed sector of industries have suffered due to the inter-departmental and inter-Ministerial perceptions.

- 4.2 Several measures have been introduced to make the rural industries seek commercial borrowing like the differential interest rates for artisans, composite loan schemes and term loans and working capital being made available through a single window, equity capital at low rates of interest etc. The Khadi and Village Industries (under the purview of KVIC) were also required to mobilise bank finance for running their establishments. During the Sixth Five Year Plan they were expected to mobilise Rs. 550 crores for khadi, village industries, gober gas and for the ISB Component of the IRDP. However, upto the end of the year 1984-85 they were able to mobilise only Rs. 270 crores. There was shortfall of 47.6 per cent. Taking these into consideration it has been suggested elsewhere that the funding mechanism of KVIC should be so changed that they are in a position to borrow/mobilise resources from banks, financing institutions, etc. to make them more and more commercially viable and also expand their activities.

4.3 The beneficiaries of the IRDP have changed over a period of time as given below:-

	Primary	Secondary	Tertiary
	%	%	%
1980-81	93.56	2.32	4.12
1986-87	46.10	18.42	35.48

- 4.4 It could be seen that the primary sector beneficiaries have halved over a period of 6 years while the secondary and tertiary sector beneficiaries have multiplied many times. There is certain amount of commercialisation of the ventures under IRDP as bank finance is being mobilised for the purpose. During the 6th Plan, KVIC was assigned with the job of assisting 50 persons per block per year in village industries but their performance has been rather inadequate. Necessary coordination has been not there between the KVIC and IRDP which must be ensured.
- 4.5 The declining trend in generating employment in the primary sector clearly indicates that there is very little further hope in the future years in this sector. The Department of Rural Development, therefore, feels that at least four million people would need to be rehabilitated each year in rural industries with the help of IRDP. For this an action plan would need to be prepared with backward and forward linkages to avoid the problems of training and marketing etc. A higher order of training is needed for self employment ventures since all the soft lines have already been foreclosed. To promote industries to be located in rural areas a new generation of products has to be manufactured in the rural areas and the fiscal/monetary incentives extended to them. A beginning has already been made for a number of village industries and tiny industries during the current budget, like footwear, radios cassette players, recorders, fruit vegetable preparations, jams, jellies, fruit juices, pickles etc. Which have been exempted from excise duty altogether.
- 4.6 The seminar on rural industrialisation conducted by the Planning Commission has recommended an urgent need to have a special coordination mechanism for promotion of rural industries. The Seventh Five year Plan document has also stated that there should be a separate Commission for village industries and handicrafts. The Govts of West Bengal and Uttar Pradesh already have a separate Directorate/Ministry for village and small industries. We have to think

of suitable coordination mechanism at the Centre and the State which should deal with the coordination problems of khadi, village industries, handlooms, handicrafts, sericulture, coir, service industries and tiny sector of small industries.

POINTS FOR CONSIDERATION

- Setting up a separate commission/statutory authority for promotion of village and small industries;
- Greater incentives to units situated in rural areas; and
- Better coordination between the Central and State organisations for rural industrialisation.

MODERN SMALL SCALE INDUSTRIES

By far the most important segment in the V&SI sector is the modern small scale industries. (i) it constitutes 77% of the total production in the VSI Sector (ii) manufactures more than 5000 products and provides employment to about 10.2 million people (iii) the products of this sector have been accepted on an increasing scale in the foreign markets and as ancillary items to the large scale units in the country (iv) more and more sophisticated items of consumption are being produced by this segment and some of the electronic units in the sector are exporting more than 50% of their output (v) while there is a lack of flow of reliable data on a regular basis, trends of production, employment and investments in this sector are projected on the basis of 2% sample survey of 1.4 lakh units covered in the 1973-74 census of small scale units. Estimates of production, employment, investment and export from 1973-74 to 1985-86 are given in the Annex. 5.1. During the period investment has increased from Rs.2296 crores to Rs.9585 crores and production from Rs.7200 crores to Rs. 61228 crores. The important programmes are analysed below.

- 5.2. The growth in the sector though impressive has not been uniform in all the areas and has suffered several snags including poor quality and technological obsolescence, inadequate linkages with medium and large industries and ancillary development etc. Effective dispersal of entrepreneurship through infrastructural facilities at district and sub-district level is yet to be achieved.

Problems of controls, regulation, reservation etc. are affecting the organic growth of units in the sector. In the light of above some of the major programmes are analysed below.

DISTRICT INDUSTRIES CENTRES (DICs)

- 5.3. In 1978 a major Centrally sponsored programme of setting up District Industries Centres (DICs) was taken up to provide pre-investment, investment and post-investment assistance under one roof to entrepreneurs in the dispersed rural

area and small towns. The number of new units (State-wise) registered/ established and additional employment generated in the last three years are shown in the Annex.5.2. The ranking of the States in the establishment of small units in the year 1985-86 are Uttar Pradesh, Andhra Pradesh, Karnataka and Tamil Nadu and in 1986-87 it is Uttar Pradesh, Maharashtra, West Bengal, Andhra Pradesh. Significant progress has also been made by Madhya Pradesh, which is considered to be industrially backward.

- 5.4. The pattern of staffing in the DICs including technical personnel was identified in 1981 and the type of powers and responsibilities these centres should have was also spelt-out in detail. A model delegation of powers to the DICs was also proposed. The deficiencies in the DICs are (i) the technical wings are not properly staffed. (ii) proper delegation of powers has also not been effected. (iii) There is lack of proper ideas/projects/project profiles and the existing ones also need updating. (iv) District Action Plans for industry need to be updated from time to time and dovetailed with District Credit Plans. (v) An evaluation done by the I.I.M., Bangalore for IDBI on small industry under District Credit Plan has indicated several drawbacks like the lack of functional coordination among banks, promotional agencies and government departments, deficiency in the methodology followed for the formulation of industrial component of the DCP and non-achievement of credit targets by banks.
- 5.5. The programme of the DICs came in for criticism in the report of the Comptroller and Auditor General of India for the year 1981-82. Public Accounts Committee in its 219th Report (1984-85) on DICs has also observed that programme has been inhibited by lack of direction and coordination in as much as the institutional and other infrastructure needed are not yet fully available. The main functions of the DICs include economic investigation of the potential for development of the District, supply of machinery and equipment, provision of raw materials, marketing assistance and quality control, promotion of educated unemployed etc.
- 5.6. The DICs at present are mostly functioning as an extension of the Directorate of Industries at the district level and most of the State Governments delegated substantial powers relating to the general administrative matters.

The State level corporations concerned with development of decentralised sector have still not delegated their powers pertaining to registration, raw materials, allotment of sheds, sanction of loans and margin money, incentives, power connections etc. to the DICs which is only working at present as

recommending body in these spheres. The KVIC, Handloom Board etc. have their own separate organisations in many districts. The DICs do not have adequate powers delegated by respective Deptts./Agencies. Still much more is required to be done to achieve the desirable coordination between DICs and DRDAS as well as other agencies like KVIC/KVIB, Handlooms/Handicrafts Boards etc. In order to give an adequate technical edge to the DICs for projectisation and aiding entrepreneurs in all technical matters, the process of restructuring of DICs would need to be completed with some inbuilt flexibility in the scheme so that technical staff could be appointed according to the needs of the concerned States. However, most of the States have not appointed Project Managers (Technical Officers). This is one of the basic lacuna in implementing the DIC programme. In the Sixth Plan some States could not recruit staff of the desired calibre on permanent basis because the scheme itself is not of permanent nature. Since the concept of the DICs has been found useful to the extent it fills gap by providing necessary information/guidance as well as other assistance in respect of administrative matters to entrepreneurs at district level, it could be considered to give it a permanent status so that the required staff could be appointed on permanent basis and in the Eighth Plan, part of the recurring expenditure or entire expenditure could be met by the State Governments under non-Plan head.

- 5.7. Since full structuring of all the DICs with appointment of highly motivated and technically trained personnel for providing consultancy services to entrepreneurs in diverse fields would take time, it would be considered to adopt selective approach. In the beginning those of the districts which hold promise for rapid growth could be selected for building up of adequate infrastructure in terms of entrepreneurial motivation, technical personnel as well as common service facilities like mini tool rooms and workshops, marketing services etc. As a matter of fact such selected districts could become nodal points to assist adjacent districts in the region in providing expert services of consultancy and tool rooms. Currently the D.I.C programmes are under evaluation in the P.E.O Division of the Planning Commission. SIDO has also remitted for independent evaluation to five institutions on a selective basis.

ESTIMATES OF PRODUCTION, EMPLOYMENT AND INVESTMENT OF
SMALL SCALE SECTOR

YEAR	PRODUCTION* (Rs. IN CRO- RES) AT CURRENT PRI- CES	AT 70-71 PRICES	EMPLOYMENT* (LAKH NOS.)	INVESTMENT* (Rs IN CRO- RES)	EXPORTS (Rs IN CRO- RES)
1973-74	7200	5161	39.70	2296	393
1974-75	9200	5450	40.00	2697	541
1975-76	11000	6425	45.90	3204	532
1976-77	12400	7078	49.80	3553	766
1977-78	14300	7980	54.00	3959	845
1978-79	15790	8797	63.80	4431	1069
1979-80	21635	10025	67.00	5540	1226
1980-81	28060	10906	71.00	5850	1643
1981-82	32600	11837	75.00	6280	2091
1982-83	35000	12800	79.00	6800	2097
1983-84	41620	14120	84.20	7360	2159
1984-85	50520	15810	90.00	8380	2580
1985-86	61228	17840	96.00	9585	2785

* Includes contribution of unregistered units.
Source : SIDO

DISTRICT INDUSTRIES CENTRES PROGRAMME
PHYSICAL ACHIEVEMENTS FOR THE YEAR 1984-1985

S.NO.	S.NO.	NAME OF STATE /U.T.	NEW ARTISAN UNITS ESTABLISHED	NEW S.S.I. UNITS ESTABLISHED	TOTAL UNIT ESTABLISHED	TOTAL GENERAT
1	1	ANDHRA PRADESH	25092	7242	32334	101669
2	2	ASSAM	879	1330	2209	14111
3	3	BIHAR	11656	1986	16642	59746
4	4	GUJARAT	9776	5695	15471	76498
5	5	HARYANA	3264	4819	8083	42116
6	6	HIMACHAL PRADESH	2308	943	3251	7976
7	7	JAMMU & KASHMIR	160	473	633	4881
8	8	KARNATAKA	7948	5850	13798	70013
9	9	KERALA	11332	3475	14807	55756
10	10	MADHYA PRADESH	11029	7604	18633	55926
11	11	MAHARASHTRA	36524	7352	43876	107899
12	12	MANIPUR	618	453	1071	3969
13	13	MEGHALAYA	101	136	237	1260
14	14	NAGALAND	479	634	1113	5081
15	15	ORISSA	93264	3202	96466	159978
16	16	PUNJAB	4658	7177	11835	46645
17	17	RAJASTHAN	3086	4110	7196	27148
18	18	SIKKIM	73	12	85	123
19	19	TAMILNADU	5662	6223	11885	75682
20	20	TRIPURA	564	358	922	15935
21	21	UTTAR PRADESH	83354	94807	178161	176161
22	22	WEST BENGAL	13606	17751	31357	31357
23	23	A & N ISLAND	227	859	1086	1086
24	24	ARUNACHAL PRADESH	331	980	1311	1311
25	25	CHANDIGARH	22	1010	1032	1032
26	26	D & N HAVELI	44	607	651	651
27	27	GOA DAMAN & DIU				
28	28	MIZORAM	622	26	648	648
29	29	PONDICHERY	294	1306	1600	1600
		TOTAL	285838	189420	377389	1148258

DISTRICT INDUSTRIES CENTRES PROGRAMME

PHYSICAL ACHIEVEMENTS FOR THE YEAR 1985-1986

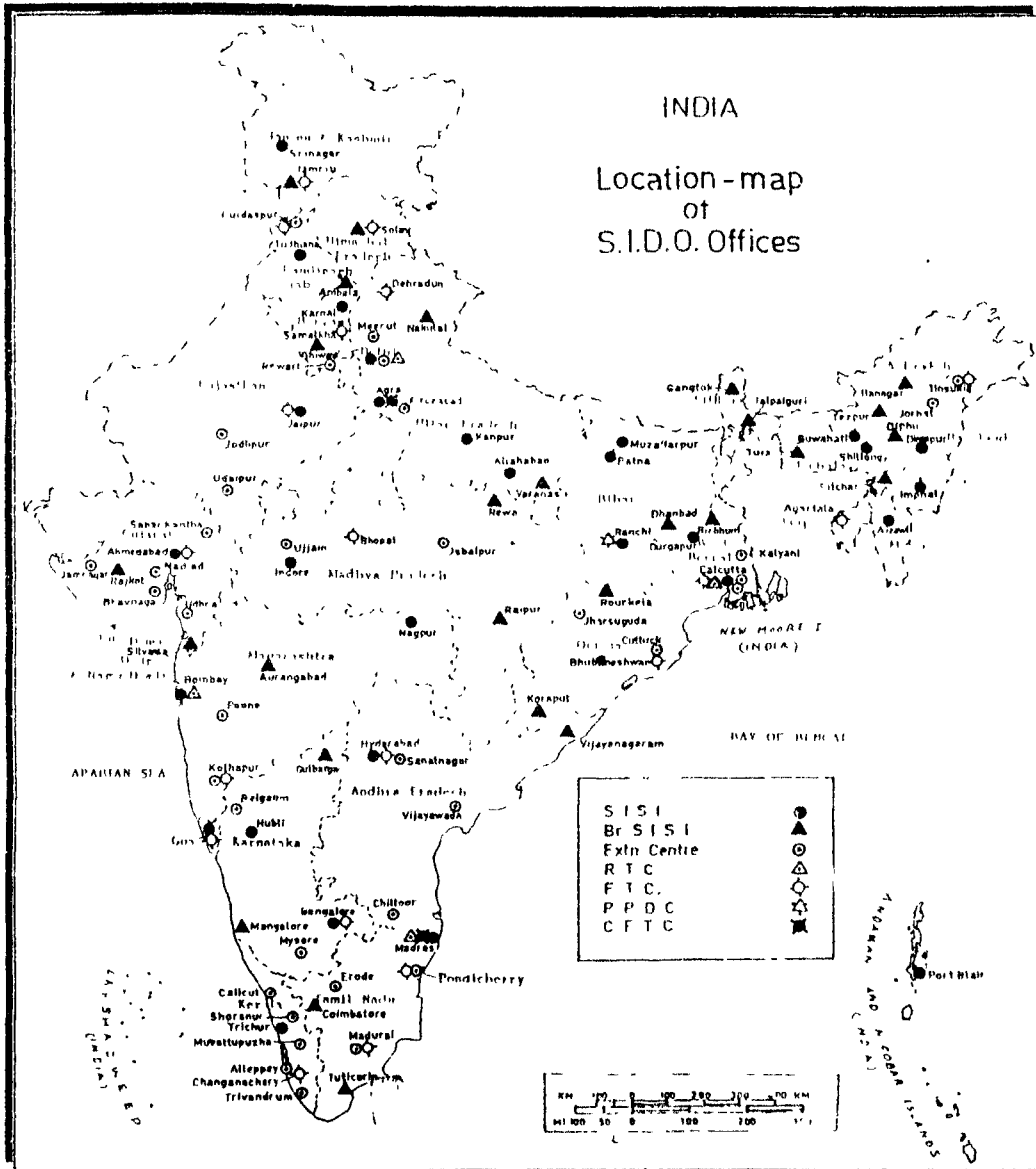
S. NO.	NAME OF STATE / U. T.	ARTISAN UNITS ESTABLISHED	S. S. I. UNITS ESTABLISHED	TOTAL UNIT ESTABLISHED	TOTAL GENERATED
1	ANDHRA PRADESH	25352	8111	33463	103742
2	ASSAM	734	1304	2038	14222
3	BIHAR	5091	5428	10519	56519
4	GUJARAT	9077	6240	15317	86581
5	HARYANA	3438	4906	8344	45210
6	BIHAR PRADESH	2280	872	3252	7548
7	JAMMU & KASHMIR	88	475	563	5115
8	KARNATAKA	2795	7732	10527	71740
9	KERALA	7555	4109	11664	46579
10	MADHYA PRADESH	14323	7300	21623	65059
11	MAHARASHTRA	26404	6522	32926	110386
12	MAHARIPUR	262	436	698	7149
13	MIZORAM	318	377	695	2085
14	NAGALAND	625	421	1046	7461
15	ORISSA	94568	3482	98050	181780
16	PUNJAB	3225	5523	8748	36782
17	RAJASTHAN	2043	3223	5266	27856
18	SIKKIM	24	44	68	120
19	TAMILNADU	794	441	1235	17948
20	TRIPURA	6164	7571	13735	84662
21	UTTAR PRADESH	32588	16062	48650	168963
22	WEST BENGAL	26752	5782	32534	66416
23	A & N ISLAND	28	74	102	510
24	ANDHRA PRADESH	134	135	269	1930
25	CHANDIGARH		211	211	1267
26	D & N HAVELI	1	29	30	551
27	GOA DAMAN & DIU	22	311	333	1600
28	MIZORAM	317	43	360	1895
29	PODICHERRY	96	155	251	1771
	TOTAL	265098	97419	362517	1223447

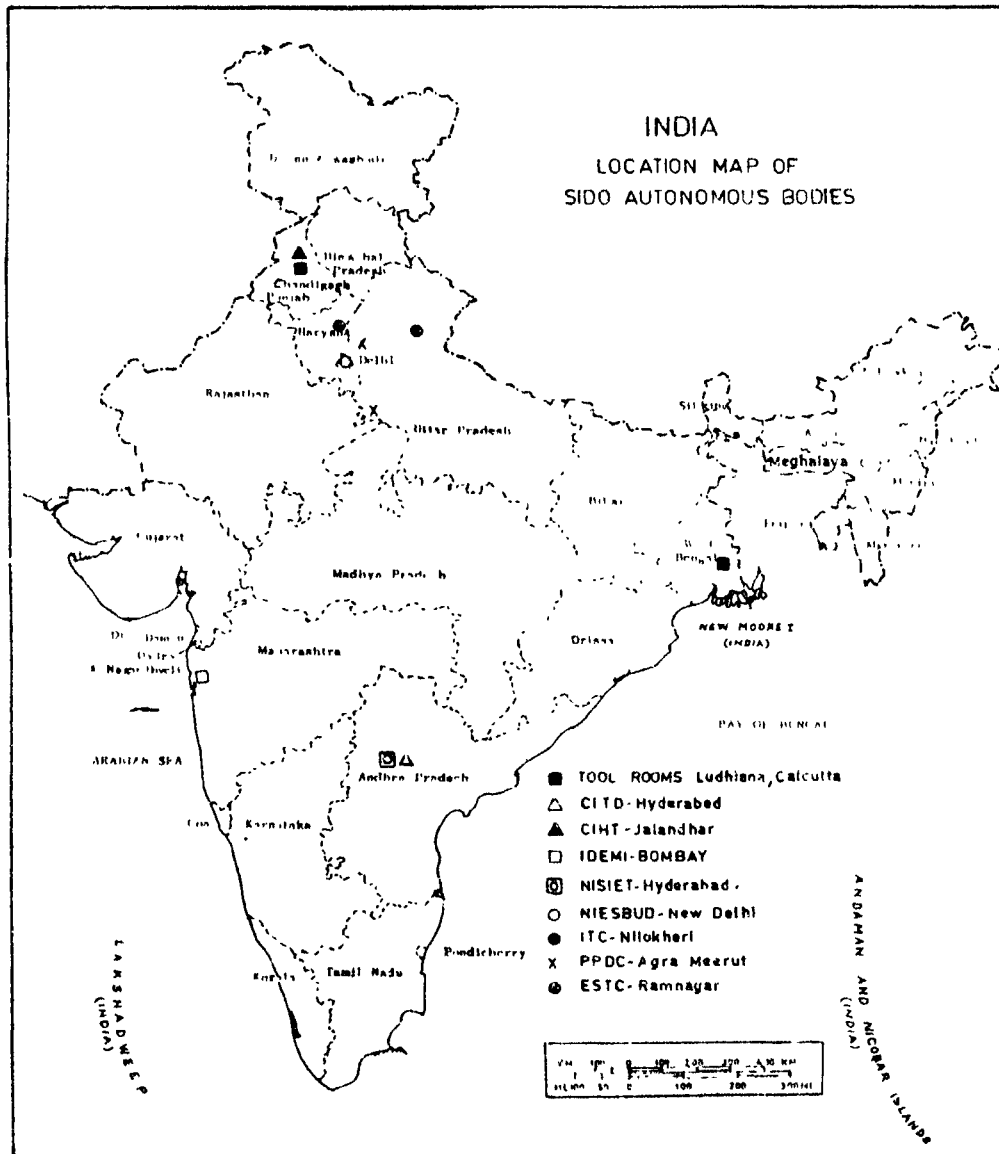
ANNEX-5.2

DISTRICT INDUSTRIES CENTRES PROGRAMME

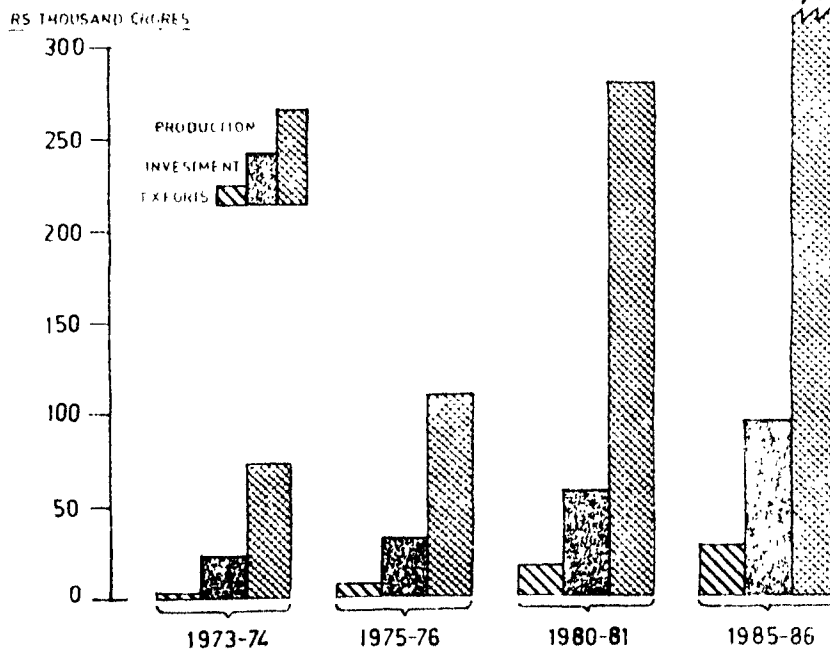
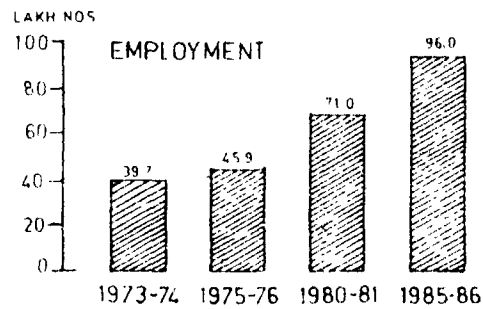
PHYSICAL ACHIEVEMENTS FOR THE YEAR 1986-1987

S. NO.	NAME OF STATE /U. T.	ARTISAN UNITS ESTABLISHED	S. S. I. UNITS ESTABLISHED	TOTAL UNIT ESTABLISHED	TOTAL EMPLT. GENERATED
1	ANDHRA PRADESH	26652	8787	34934	114591
2	ASSAM	1670	3618	3288	18816
3	BIHAR	5141	4800	9941	48755
4	GUJARAT	11120	6683	17803	92776
5	HARYANA	3978	4998	8976	40518
6	HIMACHAL PRADESH	2904	1041	3945	7738
7	JAMMU & KASHMIR	165	747	912	5108
8	KARNATAKA	6473	7751	14224	93800
9	KERALA	10082	6775	17607	54210
10	MADHYA PRADESH	14845	7442	22287	74201
11	MAHARASHTRA	23266	9088	32354	99235
12	MANIPUR	230	493	723	8076
13	MEGHALAYA	394	199	593	2488
14	NAGALAND	1110	1135	2245	12915
15	ORISSA	133236	2513	135749	238938
16	PUNJAB	3289	6006	9275	40789
17	RAJASTHAN	1670	2167	3837	19886
18	SIKKIM	48	42	91	594
19	TAMILNADU	4436	5343	9779	66658
20	TRIPURA	1017	538	1555	21528
21	UTTAR PRADESH	33125	19193	52318	167195
22	WEST BENGAL	29870	8426	38296	94764
23	A & N ISLAND	5	78	83	415
24	ARUNACHAL PRADESH	98	127	220	1266
25	CHANDIGARH		202	202	1271
26	D & D HAVELI		33	33	682
27	GOA DAMAN & DIU	48	342	390	2001
28	MIZORAM	407	40	447	2054
29	PONDICHERRY	89	164	253	1835
	TOTAL	315369	108771	422360	1333024





ESTIMATES OF EMPLOYMENT PRODUCTION EXPORTS AND INVESTMENT OF SMALL SCALE SECTOR



POINTS FOR CONSIDERATION

- Strengthening and restructuring of DICs for entrepreneurial development, etc;
- DICs to play a leading role in District INDUSTRIAL PLANNING; and
- G.M./DIC to supervise and assist the functioning of KVI units.

II RESERVATION OF ITEMS FOR EXCLUSIVE MANUFACTURE IN THE SMALL SCALE SECTOR

Present Policy:

5.1.1 Reservation of specific items for exclusive production in small industries is one of the promotional measures adopted since 1967.

No. of Items reserved in 1967-	47
No. of Items as on 31.3.1988 -	846

Exceptions

- i) Large units may produce such items if they export 75% of production.
- ii) Production in excess of licensed capacity permitted if 100% excess production is exported.
- iii) 100% Export oriented units permitted.
- iv) Capacity of large units is frozen at the point when items get reserved.
- v) Small units when they grow to medium sector will obtain COB licence from DGTD.

Monitoring :

Statutory backing for reservation under IDR Act was given in March, 1984. A high powered/Advisory Committee monitors the progress and recommends addition or deletion of items.

Criteria for Reservation :

- i) Can be produced economically.
- ii) Employment Potential.
- iii) Diffusion of entrepreneurship
- iv) Prevention of concentration of economic power etc.

Criteria for dereservation :

- i) Large scale smuggling is allegedly taking place and there are imports.
- ii) High technology areas or need greater impetus for promoting exports.
- iii) Constraint of size imposes restriction on quality consciousness, R&D efforts and induction of modern technology.
- iv) Energy savings.

Progress of Reservation

Based on the above criteria, since May 1980, 92 items have been added to the reserve list and 52 items have been deserved. Details are given at Annex 5.1(i).

Impact of Reservation

The study made by SIDO on the growth of reserved industries could not include Madhya Pradesh, Maharashtra and West Bengal. According to the study, the number of units as on their respective dates of reservation has increased as follows :-

By the end of	Increase in No. of units	Capacity increase
1981	133.2%	152.1%
1982	159.9%	192.9%
1983	186.2%	244.1%

5.1.2. There are conflicting opinions about the impact of the policy of reservation on the growth of small scale industries and the quality of products.

It is claimed (DC(SS) study quoted above) that significant growth in a number of product lines has been achieved after they were put on the reserved list. On the other hand, the rationale of reservation as a measure of protection has also been questioned. It has been argued that the permanent protection granted by reservation has engendered inefficiency in these products and the quality has particularly suffered. The performance of SSI units in the reserved product

lines has in, no way, been found to be better than these in unreserved lines. While reservation has protected small units from competition from the large sector, because of the protected market there has been a mushrooming growth of SSI units in these product lines resulting into a lot of wasteful competition, which has led to high rate of mortality and sickness.

- 5.1.3. Economic Administration Reforms Commission in its report on Small Scale Industries has observed that too much of emphasis is currently being placed on the reservation of certain items for the small-scale sector, without a proper examination of the suitability of the reserved items in terms of the nature of the products, the process and the market and sometimes without checking the capability of the small scale sector to produce such items. The list of the reserved items has lengthened from time to time, and an erroneous impression appears to be gaining ground that the larger the number of items in the reserved list, the faster will be the development of the small-scale sector. Such an approach will not be very productive for the development of the small scale sector. What is worse, it could result in restrictions on growth and production in the medium sector and lead to a wastage of resources and even shortages.
- 5.1.4 In purely economic terms, the theoretical basis for protection arises if production as such is not inefficient in the protected sector, but the producers face a disadvantage in costs other than production. Protection to smaller units could be justified in production lines where there are no economies of scale in production, but there are economies in marketing and procurement of material because of which the large scale units can push them out of the market. It is presumed that the selection of items for reservation, particularly, in the modern SSI sector, is based on such a premise. but, then it could be argued that the disadvantages of small units in marketing and procurement of material could be compensated for, through others measures - subsidies and promotional efforts - than reservation. For, it could be argued, protection on a permanent basis, in any form, is likely to lead to inefficient way of production. While it may not be possible to do away with reservation, and in the traditional sectors, it may be worthwhile to persist with it till the large number of people employed there could be enabled to shift to modern vocations, it seems essential to review the reservation policy and atleast the list of reserved items in the modern sector closely, in terms of the basic economic criteria. Idea of permanent protection needs to be shed off; and since most items have been on reserved list for a reasonably long time, it may now be necessary to do away with reservation in the interest of efficiency and quality improvement, which

are vital both for meeting domestic demand and exports. Greater reliance should instead be laid on promotional measures and incentives directed to the objectives of efficient growth and productive employment.

- 5.1.5 Since it is a free sector, it is argued that there is intensive competition among the units leading to quality improvement and expansion of production to meet the demands. In a large number of items the medium and large scale sector is simply not interested in its manufacture even if reservation is removed. It is only in some items that there is some ambiguity about the capability and in fact, after examination a number of items have been deleted from the reserved items recently e.g. (i) all metallic zip fasteners (ii) diesel engines of lower fuel consumption (iii) auto-components, etc. There is a case for dereservation if there is stagnation of technology, less energy consuming items are possible, quantum jumps in technology and quality is possible etc. While in the beginning and in the nascent stage small units would need support, it should ultimately compete on its own inherent strength. The capital ceiling on small scale units does not take into consideration the other important factor inputs needed for making the enterprise successful, like technical, managerial and marketing abilities. Under this context every item presently reserved would need to be reviewed and considered for de-reservation based upon the progress achieved in qualitative and quantitative terms.

POINTS FOR CONSIDERATION

- Need for reviewing the entire list of items reserved for small scale sector;
- Need for a time horizon of say five (5) years for reservation of new items for small scale industries;
- Consideration of a new strategy for promotion of small scale industries based on cheaper finance, cheaper inputs and free access to new technology, rather than through reservation of items for it.

Annex 5.1 (1)

STATEMENT SHOWING PROGRESSIVE RESERVATION OF ITEMS FOR EXCLUSIVE MANUFACTURE IN THE SMALL SCALE SECTOR

Date	* Number of Items	
	Reserved	Dereserved
Phase-I		
1st April, 1967	47	-
19th Feb., 1970	8	-
24th Feb., 1971	73	-
11th Nov., 1971		4
26th Feb., 1974	53	-
5th June, 1976	3	-
26th April, 1978	324	-
	<u>504</u>	
Phase-II		
*26th April, 1978	807	-
30th Dec., 1978	-	1
12th May, 1980	27	-
19th Feb., 1981	1	1
3rd August, 1981	9	-
23rd Dec., 1981	2	13
14th Oct., 1982	-	3
19th Oct., 1982	9	-
3rd September, 83	35	-
18th Oct., 1984	1	-
30th May 1986	7	14 **
30th Oct., 1986	1	7
13th Feb., 1986	-	13
20th July, 1987	-	3
18th March, 1988	-	1
(Total as on date)	<u>846</u>	

In 1978 it was decided to recast the reserved list by following codes adopted in the NIC and in the process the list of reserved items expanded from 504 to 807 items.

** Since it includes three sub-items the effective number come to 11 only.

Source : SIDO

III SELF EMPLOYMENT SCHEME FOR EDUCATED UNEMPLOYED YOUTH

A scheme for providing self-employment opportunities to educated unemployed youth of the country was initiated in August, 1983 with the objective of mitigating the problem of unemployment among the educated youth by providing opportunities for self-employment through industry business and service routes. The salient features of the scheme are as under :-

- 1. It covers educated unemployed youth who are matriculate and above, including ITI passed within the age group of 18-35 years.**
- 2. The scheme aims at providing self-employment to 2.5 lakh beneficiaries in a year through industry, service and business routes. Generally (i.e. except in hilly states) the proportion of industrial units to be sanctioned by the banks shall not be less than 30% and that of business ventures not more than 30% of the loans sanctioned. In the case of hill States, industrial units will not be less than 30% and there would be no upper ceiling of 30% in the case of business ventures.**
- 3. The banks would provide a composite loan not exceeding Rs. 35,000/- for industry, Rs. 25,000/- for service and Rs. 15,000/- for business ventures and collateral security will not be insisted upon.**
- 4. The rate of interest would be 10% per annum in backward areas and 12% per annum in other areas. The repayment schedule would range from 3-7 years after initial moratorium of 6-18 months.**
- 5. Government assistance would be in the shape of outright capital subsidy to each individual entrepreneur to the extent of 25% of the loan contracted which would be released by Government to the banks after disbursement of loan. The subsidy portion will be kept as a fixed deposit in banks in favour of the borrower, would earn interest at the rate prevalent from time to time. After 3/4th of the loan amount is recovered from the borrower and the balance of 1/4th will be adjusted by the banks against the fixed deposit held in the name of the borrower. Assets created shall be mortgaged to the bank till full repayment of the loan.**
- 6. A ceiling of income of Rs. 10,000/- per family per annum has been fixed as criteria for determining the eligibility of the beneficiaries.**
- 7. A minimum of 30 per cent of the beneficiary shall be from amongst the Scheduled Castes/Scheduled Tribes beneficiaries.**

- 5.2 .2 District Industries Centres (DICs) were assigned operational responsibility of the scheme at the district level, in consultation with the lead banks of the respective areas, function of nodal agencies for formulation of self-employment plans, their implementation and monitoring. The concerned SISIs assist the DICs in carrying out surveys, assessment of potentials and preparation of projects, etc. Entrepreneurs who require some basic training are given advice about selection of equipment, their use etc. by the State Governments through the ITIs, Polytechnics, etc. DICs and SISIs coordinate all training courses wherever necessary. Machinery and equipment wherever required are made available by NSIC and State agencies concerned on Hire-Purchase basis.
- 5.2 .3 The progress of the scheme since its inception in 1983, in terms of number of application received, applications recommended, cases sanctioned by banks and amount disbursed is given in the Annex. 5.2 (1) (Source SIDO).
- 5.2.4 The scheme is co-terminus with the 7th Plan by which time we would have covered around 1.5 million people. it is obvious the softlines will be foreclosed. A time has come to reorient the programme, if it will be continued in the 8th Plan. Since they belong to educated/technical entrepreneurs we should channel them into higher technological/newer types of industries/.Service/ Business. In order to assure continuous success of the programme the potential entrepreneurs will have to be more rigorously identified and possibly exposed to entrepreneurial motivation courses. A time has come to examine these issues and it is suggested that we may establish a Task Force to review the scheme and indicate what newer initiative may be taken.

POINTS FOR CONSIDERATION

- An early evaluation of the scheme; and
- Emphasis on newer areas like computer software, technologies for rural areas like rice husk ash cement, potable water, application of plastics to agriculture, low cost housing, etc.

PROGRESS REPORT - 1983-84

SCHEME FOR PROVIDING SELF-EMPLOYMENT

TO

EDUCATED UNEMPLOYED YOUTH

S. NO	NAME OF THE STATE U.T.	TARGETS FIXED	NO. OF APPLI-CATIONS RECEIVED	NO OF APPLI-CATIONS RECOMMEN-DED	SANCY- IONED NUMBERS	BY BANKS AMOUNT RS. LAKHS
1	2	3	4	5	6	7
1.	Andhra Pradesh	20,000	107792	25401	14781	2936.00
2.	Assam	6,700	22021	10944	8021	1540.44
3.	Bihar	29,000	135095	36766	14230	2278.64
4.	Gujarat	11,200	112879	19585	10497	1538.88
5.	Haryana	5,300	23412	9682	6189	998.99
6.	Himachal Pradesh	2,000	13181	6126	2465	449.69
7.	Jammu & Kashmir	1,800	6239	2399	1416	287.95
8.	Karnataka	12,100	81446	27667	12307	1960.00
9.	Kerala	15,100	62997	20967	13091	2110.00
10.	Madhya Pradesh	17,500	58321	39243	18786	2857.80
11.	Maharashtra	20,800	67497	52009	24579	4024.28
12.	Manipur	1,000	5136	1462	991	179.82
13.	Meghalaya	400	849	632	353	75.09
14.	Nagaland	250	322	253	189	39.25
15.	Orissa	8,600	28168	9722	6823	1368.62
16.	Punjab	6,700	37310	15856	9047	1689.60
17.	Rajasthan	10,000	113878	23414	15054	2365.30
18.	Sikkim	100	65	28	15	3.65
19.	Tamil Nadu	17,500	201656	33472	21247	3316.00
20.	Tripura	800	1742	962	696	97.33
21.	Uttar Pradesh	36,000	172238	47585	36857	5382.85
22.	West Bengal	25,500	113420	41967	23680	4481.92
23.	And Islands	100	256	112	66	15.22
24.	Arunachal Pradesh	200	103	62	36	6.91
25.	Chandigarh	500	1246	599	325	56.50
26.	Dadra & Nagar Haveli	100	190	74	54	10.71
27.	Goa, Daman & Diu		DIC was not in operation			
28.	Mizoram	200	1373	179	196	42.61
29.	Pondicherry	450	2458	470	414	40.00
	Grand Total	2,50,000	1371290	427738	242405	40154.05

Note: 96.96% of the total targets set for the country was achieved during the year 1983-84.

PROGRESS REPORT 1984-85

SCHEME FOR PROVIDING SELF-EMPLOYMENT

TO

EDUCATED UNEMPLOYED YOUTH

S. NO	NAME OF THE STATE U.T.	TARGETS FIXED	NO. OF APPLI-CATIONS RECEIVED	NO OF APPLI-CATIONS RECOMMEN-DED	SANCT-IONED NUMBERS	BY BANKS AMOUNT RS. LAKHE
1	2	3	4	5	6	7
1.	Andhra Pradesh	15100	82447	28401	13084	2733.92
2.	Assam	8200	13252	10271	7642	1629.91
3.	Bihar	14500	93635	26307	14806	2674.97
4.	Gujarat	10700	95058	6146	4072	665.96
5.	Haryana	6300	19171	8258	5478	957.45
6.	Himachal Pradesh	2500	9711	2897	2156	448.49
7.	Jammu & Kashmir	1400	NR	1668	1119	244.10
8.	Karnataka	12500	51310	13087	12810	2379.00
9.	Kerala	13300	52949	16049	11907	2129.70
10.	Madhya Pradesh	19100	42714	31966	18065	3404.38
11.	Maharashtra	25000	47456	40432	18667	3109.28
12.	Manipur	1200	6055	1013	894	227.50
13.	Meghalaya	400	557	313	313	62.92
14.	Nagaland	200	NR	NR	269	58.60
15.	Orissa	7000	40510	8320	7599	1703.65
16.	Punjab	12000	50981	24549	12212	2443.00
17.	Rajasthan	15000	104502	22178	15382	2898.57
18.	Sikkim	50	77	77	49	10.30
19.	Tamil Nadu	21700	NR	28602	22500	4248.86
20.	Tripura	700	NR	775	707	131.72
21.	Uttar Pradesh	37600	107328	56248	34400	5981.21
22.	West Bengal	21100	71453	38256	23101	4523.21
23.	A&N Islands	100	128	NR	101	23.68
24.	Arunachal Pradesh	50	138	82	60	12.50
25.	Chandigarh	300	1481	468	300	62.00
26.	Dadra & Nagar Haveli	100	78	72	68	13.42
27.	Goa, Daman & Diu	300	1233	431	337	81.62
28.	Mizoram	200	805	709	202	32.12
29.	Pondicherry	400	3603	639	400	50.68
Total		250000	896632	368214	228800	42952.72

91.52% of the total targets set for the country was achieved during the year 1984-85.

PROGRESS REPORT - 1985-86

SCHEME FOR PROVIDING SELF-EMPLOYMENT

 TO

EDUCATED UNEMPLOYED YOUTH

S. NO	NAME OF THE STATE U.T.	TARGETS FIXED	NO. OF APPLI- CATIONS RECEIVED	NO OF APPLI- CATIONS RECOMMEN- DED	SANCT- IONED NUMBERS	BY BANKS AMOUNT RS. LAKHS
1	2	3	4	5	6	7
1.	Andhra Pradesh	17300	76930	20815	16518	3474.22
2.	Assam	6200	15594	7399	4629	1026.55
3.	Bihar	29600	40591	40591	26376	5055.03
4.	Gujarat	10700	60042	16088	6522	898.42
5.	Haryana	4600	13241	6900	4782	908.68
6.	Himachal Pradesh	1600	5531	2168	1591	353.25
7.	Jammu & Kashmir	1400	4303	1720	1095	254.52
8.	Kerala	13000	46145	16153	13033	2452.37
9.	M. P.	17600	37664	29286	17224	3368.20
10.	Karnataka	12400	57003	16548	12837	2506.40
11.	Maharashtra	15500	31129	29219	13848	2631.12
12.	Manipur	1500	5068	1508	1491	363.10
13.	Meghalaya	300	584	282	111	13.58
14.	Nagaland	200	404	166	166	33.40
15.	Orissa	9300	29771	11354	8757	2039.64
16.	Punjab	15000	32689	23250	11677	2373.65
17.	Rajasthan	10300	72389	14874	10986	2162.46
18.	Sikkim	100	83	76	49	12.17
19.	Tamil Nadu	18100	107758	26439	18722	3744.64
20.	U. P.	31300	97706	38798	26264	4569.05
21.	West Bengal	24300	115888	36239	21885	4349.14
22.	A & N Islands	100	218	154	101	24.56
23.	Tripura	900	1028	1028	912	175.12
24.	Arunachal Pradesh	100	120	91	61	15.31
25.	Chandigarh	500	989	603	394	82.74
26.	Dadra & Nagar Haveli	100	90	57	40	7.76
27.	Goa, Daman & Diu	350	731	368	84	16.22
28.	Mizoram	200	622	230	104	14.86
29.	Pondicherry	450	1541	520	465	73.06
Total		243000	857810	342924	220724	42999.22
Undistributed		7000				
Grand Total		250000				

Note : 88.29% of the total targets set for the country
was achieved during the year 1985-86.

SELF EMPLOYMENT SCHEME FOR EDUCATED UNEMPLOYED YOUTH PROGRESS
DURING 1986-87 AS ON 31.3.87 COMPLETED ON 3.2.88.

S. NO	NAME OF THE STATE U. T.	TARGETS FOR 1986-87	NO. OF APPLI- CATIONS RECEIVED	NO OF APPLI- CATIONS RECOMMEN- DED BY DIC TASK FORCE TO BANKS	NO. OF APPLNS. BY BANKS NUMBERS	SANCTIONED AMOUNT (RS. IN- LAKHS)
1	2	3	4	5	6	7
1.	Andhra Pradesh	17300	106577	21404	14919	3225.60
2.	Assam	6200	17114	7840	5837	1494.87
3.	Bihar	29600	86650	32597	28560	5460.78
4.	Gujarat	10700	37945	12016	4924	696.45
5.	Haryana	4600	15022	7243	4808	939.85
6.	Himachal Pradesh	1600	4775	2156	1406	285.92
7.	Jammu & Kashmir	1400	4019	1512	708	157.16
8.	Karnataka	12400	62871	19311	12100	2395.00
9.	Kerala	20000	87156	27069	19015	3805.65
10.	Madhya Pradesh	17600	33800	26429	16679	3540.52
11.	Maharashtra	15500	26203	24684	13466	2428.63
12.	Manipur	1500	7496	1514	1493	378.41
13.	Meghalaya	300	405	242	80	18.79
14.	Nagaland	200	280	137	129	28.43
15.	Orissa	9300	42004	14148	8620	2145.11
16.	Punjab	15000	41997	24390	15037	3428.00
17.	Rajasthan	10300	35849	13296	10736	2399.48
18.	Sikkim	100	51	51	33	8.10
19.	Tamil Nadu	18100	101667	27112	18362	3787.38
20.	Tripura	900	2069	952	909	179.84
21.	Uttar Pradesh	31300	108068	36514	23187	5002.38
22.	West Bengal	2430	82673	30397	20468	4845.48
23.	A&N Islands	100	268	99	80	17.57
24.	Arunachal Pradesh	100	107	72	22	5.30
25.	Chandigarh	500	975	610	416	94.20
26.	Dadra & Nagar Haveli	100	54	30	19	4.46
27.	Goa, Daman & Diu	350	465	369	220	80.20
28.	Mizoram	250	670	250	233	45.16
29.	Pondicherry	450	1719	564	480	91.26
Grand Total		250000	909949	331013	216956	46990.78

PROGRESS REPORT 1987-88

SCHEME FOR PROVIDING SELF EMPLOYMENT TO EDUCATED UNEMPLOYED YOUTH

AS ON 31.1.1988 COMPILED ON 3.3.1988

S. NO.	NAME OF STATE \ UT	TARGETS FOR 1987-88	NO OF APPLICATIONS RECEIVED	NO. OF APPLS.		NO. OF APPLS. SECTIONED BY BANKS	
				RECOMMENDED BY DIC TASK FORCE TO BANKS	NOT RECOMMENDED BY DIC TASK FORCE TO BANKS	NOS.	AMOUNT (Rs. IN LAKHS)
1	2	3	4	5	6	7	
1	ANDHRA PRADESH	8650	58813	8932	1521	333.39	
2	ASSAM	3100	9644	2466	189	N.H.	
3	BIHAR	14800	81363	11731	216	53.00	
4	GUJARAT	5350	16240	10933	2511	375.14	
5	HARYANA	2300	8392	4082	1327	267.74	
6	JHARKHAND PRADESH	800	2691	927	406	80.65	
7	JAMMU & KASHMIR	700	2324	640	37	7.86	
8	KARNATAKA	6200	53929	7732	554	193.69	
9	KERALA	10000	71654	13990	3255	586.14	
10	MADHYA PRADESH	8800	18525	7060	1300	273.48	
11	MAHARASHTRA	7750	18804	13855	5040	906.01	
12	MANIPUR	750	883	607	88	28.10	
13	MEGHALAYA	150					NOT REPORTED
14	NAGALAND	100					NOT REPORTED
15	ORISSA	4650	24966				
16	PUNJAB	7500	27183	11601	2293	591.72	
17	RAJASTHAN	5150	28429	10124	2997	653.51	
18	SIKKIM	50	25	22	19	5.00	
19	TAMILNADU	9050	70192	14580	3581	899.06	
20	TRIPURA	450	1572	416			
21	UTTAR PRADESH	15650	78265	14394	887	238.88	
22	WEST BENGAL	12150	69073	18510	1214	154.67	
23	A & N ISLAND	50	171	59	30	5.90	
24	ARUNACHAL PRADESH	50	61	35	7	1.54	
25	CHHATTISGARH	175	182	182	82	20.04	
26	D & N HAVELI	50	34	17	3	N.H.	
27	GOA DAMAN & DIU	175	272	272	132	31.29	
28	MIZORAM	125	418	116	7	0.65	
29	PONDICHERRY	225	1179	276	150	25.71	
30	LAKSHADWEEP	50	20	13			
GRAND TOTAL		124950	636284	153569	27856	5352.28	

IV ANCILLARY DEVELOPMENT

Ancillarisation has the advantages of :

- i) Preventing over capitalisation.
- ii) Promoting entrepreneur-ship.
- iii) Dispersal/dissemination of technology.
- iv) Assured market for small units.
- v) Concentration of large units on high technology areas.
- vi) Saving in-inventory costs.
- vii) Flexibility in production and rapid increase in production.

Bureau of Public Enterprises has laid down guidelines for public sector enterprises embracing:

- i) Establishment of separate division for ancillaries.
- ii) Monitoring of progress.
- iii) Vacating existing lines.
- iv) Large term purchase contracts.
- v) Principles of pricing.

The value of purchases made by the public sector enterprises from small scale/ ancillary units has increased from Rs. 96.44 crores in 1978-79 to Rs. 448 crores in 1985-86 as shown in the following table.

Year	No of units of Public sector enter-prises reporting	No. of units Supplying parts & components			Total Purchases made from Anc./small scale units (Rs.crores)
		Anc.	S.S	Total	
1978-79	73	805	4267	5072	96.44
1979-80	79	888	3841	4729	119.96
1980-81	80	984	4340	5324	151.90
1981-82	102	1078	7143	8221	233.26
1982-83	113	1176	12861	14037	283.84
1983-84	132	1412	13492	14904	319.43
1984-85	151	1648	13391	15039	363.04
1985-86	153	1693	14473	16166	448.00

Source : SIDO.

5.3 . 2 Ancillarisation has not picked up to the desired extent. Many ancillaries have become sick due to delayed payment by large units. Promotion of ancillaries, instead of being merely a voluntary social obligation, need to be increasingly developed as an economic necessity. Instead of laying emphasis on rules and regulations, it may be considered to make ancillarisation more attractive and economically viable

POINTS FOR CONSIDERATION

- Need to prevent over capitalisation of parent units;
- Stronger linkage between large units and their ancillaries for transfer of technology for testing and standardisation etc;
- Incentives to large units for ancillarisation including relating capacity expansion to ancillarization effected';
- Ancillarization to be an integral part of the Annual Report of manufacturing companies; and
- Rationalization of investment ceiling for ancillary and small scale industries.

V TECHNOLOGY UPGRADATION & MODERNISATION

5.4.1. The overall performance of units in various capital ranges covering small, medium and large sectors of industry measured in terms of net value added-gross output ratio as indicated by the data thrown up by Annual Survey of Industries (Table below) is showing a declining trend.

NET VALUE ADDED GROSS OUTPUT RATIO

Capital size (Rs. lakh)	1973-74	1979-80	1984-85
Upto 2.5	0.15	0.14	0.16
2.5 to 5.0	0.19	0.16	0.15
5.0 to 7.5	0.17	0.15	0.16
7.5 to 25.0	0.22	0.15*	0.16
above 25.0	0.27	0.23**	0.21
	0.24	0.21	0.20

* relates to cap. range 7.5 to 20 lakhs

** relates to cap. range above Rs.20 lakhs

5.4.2. A study made by the NSSO in respect of the non-manufacturing sector revealed that output-input ratio declined from 1.92 in 1968-69 to 1.78 in 1978-79 in rural areas and from 1.66 to 1.46 in urban areas during the period. This declining trend needs to be reversed. Performance of units in various sectors of industry would require to be increased by improving efficiency and profitability. The focus of industrial development will have to be on upgradation of technology, modernisation, better utilisation of assets and promotion of efficiency and quality.

5.4.3. The approach of qualitative improvement towards SSIs would in effect mean more toolrooms, conversion of workshops into mini tool rooms and extension of network of testing centres. Capabilities of DICs and DRDAs would need to be strengthened for detailed micro level planning of projects. Technological upgradation and modernisation either in the entire sector or on a selective basis would need to be examined and thrust areas identified for ushering in a development programme. There should be an institutional mechanism for technological intelligence, unpackaging of technology and

reverse engineering. A new perception is needed for the village industries which should modernise their production process. While the obsolescent industries may be de-emphasised, new ones to be taken up and backed up by adequate infrastructure. For instance, food processing and agro-based industries like agricultural implements, pump-sets, diesel engines, dairy products, machine tools, packaging industries, food processing, service industries etc. be given special emphasis and non-engineering workshops and mini tool rooms would require to be established at the district level.

- 5.4.4 SIDO have taken up the programme of modernisation envisaging upgradation of obsolete technology through identification of input needs of small scale industries, in rural, urban and backward areas and guiding them to get optimum inputs from various organisations to the maximum possible extent. The main objectives of the modernisation programme are:-**
- i) Improvement in production technology**
 - ii) Product Development and Design**
 - iii) Testing, and quality control**
 - iv) Machinery and equipment**
 - v) Selection of proper raw material**
 - vi) Application of imported management technology**
- 5.4.5 Since the approval of the programme of modernisation, 20 industries have been selected on All-India basis and 38 industries on the basis of concentration in different States, for intensive programme of modernisation (list enclosed Annex 7.3.1 and 7.3.2). The IDBI has introduced a new scheme for providing concessional finance to units studied under modernisation scheme.**
- 5.4.6. Industrial Finance Corporation of India also operate a scheme of subsidy for encouraging the modernisation of tiny, small scale and ancillary units.**
- 5.4.7. Wide publicity is given through different media inviting applications from the units interested in opting for modernisation. The units opting for modernisation have to register with the DC (SSI) on payment of nominal Registration fee (Rs. 750/-) which involves 50% concession for units located in backward areas. On Registering the units, quick and detailed studies are conducted to assess the modernisation needs of the individual units by the SIDO officers and/or the consultants. The units are then assisted to implement the recommendations made by the experts in the field.**

IN PLANT STUDIES

5.4.8. As on 31st December, 1987, 680 small scale units have registered themselves under the modernisation programme. Most of the in-plant studies have already been completed by outside consultants or SIDO officers. Implementation of recommendations of these quick in-plant studies by various SISIs in the units are being pursued for modernisation of small-scale units. Another 60 units are likely to be studied by 31st March, 1988, under the modernisation programme of current year.

INDUSTRY STATUS REPORTS/ MODERNISATION GUIDES

5.4.9. A total of 282 State-wise industry status reports were prepared. In these reports, problems of industry relating to product design technology, machinery and equipment, finance, marketing, raw material imports etc. are reflected. Action for implementation of the recommendations highlighted in these reports are initiated for removing the difficulties faced by the small scale units. In addition to this All India Industry Reports of 30 industries and modernisation guide of 27 industries have also been prepared. One more All India Industries Status Report is under preparation.

EDUCATION & MOTIVATIONAL PROGRAMME

5.4.10. For effective implementation of the Modernisation programme various activities for motivation and education of small scale units about the needs of modernisation have been conducted. Total number of different programmes completed are given below:-

i) Industry clinics	..	203
ii) Industry Workshops	...	189
iii) Seminars	...	216
iv) Modernisation Course	...	71

In addition to the above activities, study visits are being encouraged to help small scale industries for their modernisation.

WORKING GROUP ON UPGRADATION OF TECHNOLOGY

5.4.11. Recognising the need for upgradation of technology in the small scale sector, the Ministry of Industry constituted a Working Group under the

Chairmanship of Shri S.M. Patil, former Chairman & Managing Director, Hindustan Machine Tools Ltd, to identify the Status of Technology prevailing in selected products groups in the small scale sector and to suggest appropriate measures to bridge the technological gap. The Committee's report submitted to the government in April, 1985 has been examined in detail by a small Committee set up by the Ministry of Industry. As a follow-up for implementation of the recommendations of this Working Group a Technology Development Division is being set up in SIDO for upgradation of technology in the small scale sector. This Technology Development Division is expected to function as an effective outlet for transfer of improved technology to the small scale units

- 5.4.12. A standing committee of All India Small Scale Industries Board on Modernisation, Technology upgradation and Environmental Safety has been constituted by the Union Minister for Industry.**

APPROACH TO TECHNOLOGY UPGRADATION AND MODERNISATION

- 5.4.13. The global approach across the board would hardly achieve any results. It is necessary to identify thrust industries, thrust areas and thrust people, and work with them on the basis of set targets for achievement in medium and long term. One could suggest for this purpose the following industries:-**

- (i) Bicycle**
- (ii) Agricultural pump sets**
- (iii) Diesel engines**
- (iv) Machine tools**
- (v) Footwear**
- (vi) Packaging**
- (vii) Domestic electric equipments**
- (viii) Electronics including software**
- (ix) Plastics etc.**
- (x) Jute board industries**
- (xi) Auto-parts.**

- 5.4.14. In order to give the necessary momentum for modernisation, we should create consumer consciousness in terms of quality, competition and consumer pressure. The vast expertise available with retired engineers and**

scientists should be mobilised. The technical upgradation of several industries would need the help of sophisticated tool rooms. Since many a tool rooms and other facilities established by the Government get out-dated over a period of time, it may be necessary to establish such tool rooms in conjunction with large industries and such organisations as Association of Engineers etc.

POINTS FOR CONSIDERATION

- **Predefine the role of public sector undertakings/large firms/CSIR/SIDO and banking institutions for establishing suitable linkages among them; and**
- **Listing of industries where computer assisted designs could play a greater part in future such as machine tools, footwear, carpets, garments, gem and jewellery, etc.**

**INDUSTRIES SELECTED UNDER THE MODERNISATION PROGRAMME
(ALL INDIA BASIS) BY SIDO**

- 1. MACHINE TOOLS**
- 2. AUTOMOBILE COMPONENTS & ACCESSORIES**
- 3. CASTING**
- 4. DOMESTIC ELECTRICAL APPLIANCES**
- 5. HOSIERY AND KNITWEAR**
- 6. BICYCLES & BICYCLES PARTS**
- 7. HAND TOOLS**
- 8. LEATHER AND LEATHER GOODS**
- 9. SCIENTIFIC INSTRUMENTS**
- 10. STORAGE BATTERIES AND COMPONENTS**
- 11. STEEL FURNITURE**
- 12. PLASTIC MOULDINGS AND EXTRUSIONS**
- 13. AGRICULTURAL IMPLEMENTS INCLUDING TOOLS**
- 14. READYMADE GARMENTS**
- 15. DOMESTIC UTENSILS**
- 16. WIRES AND CABLES**
- 17. INDUSTRIAL FASTNERS**
- 18. PAINTS, VARNISHES AND ENAMELS**
- 19. PACKING INDUSTRY**
- 20. BUILDERS HARDWARE**

Annex 5.4.2**INDUSTRIES SELECTED UNDER THE MODERNISATION PROGRAMME
(STATE CONCENTRATION BASIS)**

Sl. No.	Industry	Place/State
1.	Castings	Howrah (W.B), Maharashtra
2.	Domestic Electrical appliances	Delhi, Bombay
3.	Hand Tools (Rajasthan)	Jullunder, Nagaur
4.	Locks	Aligarh (U.P)
5.	Leather Footwear Calcutta, Bombay	Agra, Kanpur (U.P),
6.	Sports Goods (Punjab), Delhi.	Meerut (U.P), Jullunder,
7.	Leather Goods, Tanning Calcutta	Kanpur (UP), Tamil Nadu,
8.	Leather & Leather Goods Madras (T.N.) Kanpur,	Darvi (Maharashtra), Bombay.
9.	Fur Tanning	Jammu & Kashmir
10.	Leather & Leather Footwear	Kolhapur (Maharashtra)
11.	Tiles	Kerala
12.	Agarbathi	Bangalore (Karnataka)
13.	Graphite Crucibles	Rajamundry (A.P)
14.	Glass & Ceramics including Refractories	Khurja (U.P), Bihar
15.	Scientific Instruments	Ambala (Haryana)
16.	Woollen Hosiery	Ludhiana (Punjab)
17.	Cotton Hosiery T.N	Calcutta, Delhi, Tripura
18.	Fruit Processing Industry	Kerala & Himachal Pradesh
19.	Brass parts	Rajkot & Jamnagar (Gujarat)
20.	Machine Tools Batala (Punjab)	Ahmedabad (Gujarat),
21.	Safety Matches	Sivakasi (Tamil Nadu)
22.	Bicycles & Parts	Ludhiana (Punjab)

23.	Diesel Engines & parts		Kolhapur, Agra, Ghaziabad.
24.	Bakery products	}	
25.	Scientific Glass Apparatus		
26.	Files		Maharashtra
27.	Industrial Fasteners		
28.	Steel Furniture		
29.	Fruit Canning		
30.	Hosiery Industry		
31.	Forging		Punjab
32.	Re-rolling Mills		Andhra Pradesh, Punjab
33.	Sewing Machines		Punjab
34.	Wood Industry	J&K	
35.	Marine Products processing Industry	Kerala	
36.	A.C.Non. pressure Pipes and R.C.C.Cement Pipes Industries		Madhya Pradesh
37.	Clay, Roofing Tiles Industries (Manalore Type)		Madhya Pradesh
38.	Rubber Based Industries		Kerala, Delhi

VI DEREGULATION OF SMALL INDUSTRIES

- 5.5.1 Small industries are overwhelmed by the number of returns (according to one estimate there are over 60 returns per month) which they have to send to Govt. Departments and others and the great elaborations in which the various clauses have to be filled which considerably reduce the time available with the entrepreneurs to attend to the production and marketing functions. There is a need to rationalise and simplify the forms so as to reduce their periodicity and avoid duplication of clauses in the various forms. The Ministry of Labour has already done some work on this issue. A bill has also been introduced in the Parliament. From return numbering over 20, it has been reduced to 3 with minimum number of clauses and for really very small units, only one register need to be kept. Similar work would need to be done by other Ministries/State Governments/Statutory authorities etc.
- 5.5.2 At present a limit on employment is used to define factories under Factory Act. According to NSS estimate there were about 9 million non-factory industrial units in 1977-78 in the country whereas number of factories in this sector hardly amounted to 80,000. The tiny and village industry which provide seasonal/part time or subsidiary employment to work force, suffer from the rigours of the Factory Act. Therefore, in many cases units in the sector deliberately keep the employment below the set limit so as to avoid coming under the Factories Act. Due to this reason employment potential in this sector is not fully realised.
- 5.5.3 To enforce the various laws, obtain regular returns etc., too many functionaries visit the small units, who are forced to spend considerable time in such non production matters. A time has come to try voluntary regulations at least in selected areas where small units are found in clusters or in industrial estate. Voluntary associations, representing these units may be entrusted with the task of self regulation and provide the authorities with information/returns/compliance with laws etc., under such Acts as Employees Provident Fund Act, 1952; Employees States Insurance Act, 1940; Factories Act, 1948, Industrial Disputes Act, 1947, Minimum Wages Act, 1948 Payment of Bonus Act, 1965 and Trade Union Act, 1926. Similarly, as a matter of administrative decentralisation, DICs may be made the nodal point or agency to monitor the units in all respects.

POINTS FOR CONSIDERATION

- Need for improving the information system and reducing the number of forms/statements; and
- DICs to act as nodal agencies to oversee compliance of regulations by small units.

KHADI & VILLAGE INDUSTRIES

Khadi & Village Industries Commission (KVIC) was set up under Khadi & Village Industries Act 1956 (as amended in 1987) and it started functioning from 1st April, 1957. The broad objective of KVIC are : (i) the social objectives of providing employment (ii) the economic objective of producing saleable articles and (iii) the wider objective of creating self-reliance among the people and building up of strong rural community spirit.

- 6.2. The KVIC is charged with the planning, promotion, organisation and implementation of programmes for the development of Khadi and other village industries in rural areas in coordination with agencies engaged in rural development wherever necessary. Its functions also comprise building up a reserve of raw materials and implements for supply to producers, creation of common service facilities for processing of raw materials as semi-finished goods and provision of facilities for marketing of KVI products apart from organising of training of artisans engaged in these industries and encouragement of cooperative efforts amongst them. To promote the sale and marketing of khadi or products of village industries or handicrafts, the KVIC may forge links with established marketing agencies wherever necessary and feasible. The KVIC is also charged with the responsibility of encouraging and promoting research in the production techniques employed in the khadi and village industries sector and providing facilities for the study of the problems relating to it, including the use of non conventional energy and electric power with a view to increasing productivity, eliminating durdgery and otherwise enhancing their competitive capacity and to arrange for dissemination of salient results obtained from such research. Further the KVIC is entrusted with the task of providing financial assistance to institutions or persons engaged in the development and operation of khadi and village industries and guiding them through supply of designs, prototypes and other technical information. In implementing KVI activities, the KVIC may take such steps as to ensure genuineness of the products and to set up standards of quality and ensure that the products of khadi and village industries do conform to the standards, including issue of certificates or letter of recognition to the concerned. The KVIC may also undertake directly or

through other agencies studies concerning the problems of khadi or village industries besides experiments or pilot projects for the development of khadi and village industries. The KVIC is authorised to establish and maintain separate organisations for the purpose of carrying out any or all of the above matters beside carrying out any other matters incidental to its activities

6.3 Training courses of KVIC are executed through :

- (i) Departmental Establishments.
- (ii) Sponsored Institutions
- (iii) Administrative Staff College, Nasik.
- (iv) Central Training Institute of Management, Trivandrum.

The programmes of KVIC are implemented through 28 Khadi & Village Industries Board (KVIB)

1138 Registered Institutions.

31,000 Industrial Cooperatives.

147 Departmental Units.

13,000 Sales Outlets.

It is an unique organisation which has roots in villages and its activities cover 1.5 lakh villages. 29.81 per cent of beneficiaries belong to SC/ST and women's participation is as high as 46%.

6.4 The KVIC provides financial assistance for the activities coming under its purview. The amount of assistance differs from industry to industry, one scheme to another for each industry. Generally the village industries programmes are executed by KVIB at the state level. The capital assistance for normal areas is given for purchase of land, construction of godown, construction of work sheds, construction of building, supply of tools, equipments, machinery, working capital, share capital, loan to cooperatives and capital formation loans to institutions. Liberalised pattern of assistance for the above purpose is applicable to identified hill, border, tribal and weaker section areas. Besides this financial assistance is also made available as management grant for promotional schemes such as exhibitions, conferences, seminars, symposia etc., rebate and subsidy on cotton, wollen and silk khadi, training, research grant, marketing etc. A comprehensive interest subsidy scheme is applicable to KVIC registered institutions, cooperatives and State KVIBs under which financial assistance is extended by the banks on the basis of eligibility certificate issued by the KVIC. The implementing agencies have to bear interest @ 4% per annum and the

balance interest is borne by KVIC which is paid to the banks in the form of interest subsidy. The loans advanced for khadi by the KVIC (obtained from budgetary support) are free of interest and the loans given for various village industries carry interest @ 4% per annum.

- 6.5. The KVIC had under its care, besides khadi (cotton, woolen and silk) 26 village industries (Annex 6.1) as on 31.3.1988. It has identified 33 new industries (Annex 6.2) for promotion to be taken up from the year 1988-89, depending on the experience gained and resources available. The Commission has further identified 41 industries (Annex 6.3) to be taken up for development in future in a phased manner.

PLAIN OUTLAY AND ALLOCATION

- 6.6 The funds for development and promotion of khadi and village industries are allocated to KVIC by Central Government both on non-plan and plan side. The non-plan allocations are made for khadi rebate, administrative expenditure, subsidy in lieu of interest on government loans etc. The plan funds are allocated for the remaining programmes. The public sector outlays and plan provisions for khadi and village industries from first to seventh Plan are as under :-

PUBLIC SECTOR OUTLAYS & PLAN PROVISIONS FOR KVIC

(Rs. crores)						
S. No.	Plan period	Total Plan Outlay	Allocation for KVI	Actual release for KVI	Col.4 as % of Col.3	Col. 5 as % of
1	2	3	4	5	6	7
1.	First Plan (1951-56)	1,960	15.00	11.58	0.8	0.6
2.	Second Plan (1956-61)	4,672	83.78	78.71	1.8	1.7
3.	Third Plan (1961-66)	8,577	92.40	86.90	1.1	1.0
4.	Annual Plans (1966-67 to 1968-69)	6,757	53.05	53.05	0.8	0.8
5.	Fourth Plan (1969-74)	16,160	111.00	97.73	0.7	0.6
6.	Fifth Plan (1974-79)	37,350	180.00**	118.26*	0.5	0.3
7.	Annual Plan (1978-79 to 1979-80)	24,192	154.20	154.20	0.6	0.6
8.	Sixth Plan (1980-85)	97,500	480.00	521.72	0.5	0.5
9.	Seventh Plan (1985-90)	180.00	540.00	—	0.3	—

* For four years

Source : KAVIRC Report 1987

** Does not include provision for S & T.

6.7. It will be seen from the above table that allocation of funds for khadi and village industries was stepped up in absolute terms, from Rs. 15 crores in the First Plan (1951-56) to Rs. 540 crores in Seventh Plan (1985-90). However, in relative terms, the allocation of funds for khadi and village industries, as percentage to total plan outlay, came down from 0.8% in the First Plan to 0.3% in the Seventh Plan even though it had gone up to 1.8% in the Second Plan. This is a cause for concern especially when Govt. intends to give priority to rural development and creation of employment opportunities. The actual release of funds for K.V.I. has been even slightly less than the plan allocation through out except during Sixth Plan when it was slightly more. The general problem in the country is not poverty per se but poverty born out of unemployment. KVI Sector is one of the least cost option for generation of employment as it requires only Rs. 5000 for khadi and around Rs. 10000 in village industrie per employment.

6.8 During Seventh Plan, the year-wise expenditure/outlay for khadi and village industries is as under :-

	(Rs. crores)
1. Seventh Plan outlay	540.00
2. 1985-86 (Actual Expenditure)	89.17
3. 1986-87 (Actual Expenditure)	101.20
4. 1987-88 (Revised Estimates)	124.50
5. 1988-89 (Approved outlay)	124.40

6.9. The targets and physical achievements regarding production and employment under KVIC programme during Seventh Plan is given below:

Sub-Sector	7th Plan Target (Terminal year 1989-90)	1985-86 Achievement	1986-87 Achievement	1987-88 Anticipated Achievement	1988-89 Target
A. Khadi					
1. Production (Qty. M.metres)	180.00	108.58	106.42	115.00	120.00
2. Value (Rs. crores)	300.00	186.30	201.95	222.00	234.00
3. Employment (lakh persons)	20.00	15.00	13.66	14.10	14.51

Sub-Sector	7th Plan Target (Terminal year)	1985-86 Achievement	1986-87 Achievement	1987-88 Anticipated Achievement	1988-89 Target
B. Village Industries					
1. Production Value (Rs. crores)	1700.00	900.38	1034.00	1200.00	1350.00
2. Employment (lakh persons)	30.00	25.55	26.00	26.54	27.00

The above represents a growth rate of 7.1% for khadi & 17.5% for village industries in production and 7.4% for khadi and 6.8% for village industries in employment. It can be seen that there will be sizeable shortfall in achieving the target.

- 6.10 The detailed industry-wise production figures of khadi and village industries for 1979-80, 1984-85, 1985-86, 1987-88 and targets for 1989-90 may be seen in Annex 6.4 & 6.4-A. State-wise production of khadi and village industries can be seen at Annex - 6.5. The most important states in general, for production of khadi and village industries are U.P., Tamil Nadu, Maharashtra, Rajasthan, Andhra Pradesh, Karnataka, Bihar and Kerala. The most important five states for production of khadi and each of the village industries are given in Annex. 6.6 and 6.6-A.

PERSPECTIVE FOR FUTURE DEVELOPMENT

- 6.11 At the instance of Planning Commission Khadi and Village Industries Review Committee (KAVIRC) was established under the Chairmanship of Shri M. Ramakrishnayya, former Deputy Governor of RBI and Chairman, NABARD, which submitted its report in 1987. A summary of important recommendations are given below:-
- i) Restructuring of Khadi and Village Industries Commission widening of KVIC's coverage to include more activities, creation of independent marketing corporation under KVIC with a capital of Rs. 10 crores and earmarking of priority credit for the Khadi and Village Industries.
 - ii) Coverage of all viable clusters of village in the country by 2000 A.D. through programmes of Khadi and Village Industries. By coverage, the Committee meant bringing 20 to 30 per cent of the artisans under the developmental fold

with the income level at least equal to that of the non-peak season in agriculture through adoption of improved technology. Stressing the need to differentiate the "KVI Sector" from the "Small Industry Sector" for the purpose of differential treatment in package of assistance, the Committee defined the term "Village Industry" with positive rural bias and certain limit of per capita Investment thereby widening the scope of activities of KVIC and providing a distinctive character to Village Industries.

- iii) In consonance with the vastly increased activities, the Committee has emphasised the need for adoption of the "market approach" for the development of KVI sector. The market approach as a sine-qua-non covers measures for quality control as also for ensuring product-mix to suit the consumer preference. To be equal to the challenge, the Committee has strongly recommended setting up of an independent Marketing Corporation under the aegis of KVIC, which would be charged with the responsibility of setting up of infrastructural facilities for sales outlets, managing sales outlets at important places, providing facilities for processing and finishing, arranging supply of raw material evolving standards of quality for various products, promoting exports etc., besides organising market research and preparing market plans. The committee has stressed the role of KVI in the anti-poverty programme and recommended closer coordination with their State Government's programmes such as IRDP, Special Component Plan, Tribal Sub-Plan, DPAP, etc. and emphasised the need for effective coordination at national, state, district and Block levels.
- iv) The Committee also recommended that much more has to be done in research and development arrangements for training and monitoring in the field, which would be conducive for proper implementation of the programme and the healthy growth of the KVI sector.
- v) Taking note of the fact that the scale of operations of the KVIC has increased manifold and the task before it is stupendous the Committee felt that it is imperative to make structural improvements in the KVI sector by transforming KVIC into a national apex body for policy planning, sponsoring and promoting activities in the field. KVIC should be freed from routine work and direct involvement in production. KVIC should emerge as a truly development body overseeing the implementation of KVI programmes in the country and above all, act as spokesman for rural industrial sector. Since the task is complex and requires induction of several disciplines such as technical research, marketing, economics, training etc. for providing exper-

tise and leadership to the programme, the Committee felt imperative inclusion of the concerned experts in the KVIC as members. It also felt necessary to give representation to various regions in the country.

- vi) While examining the policy aspects, the Committee endorsed the recommendations made by the All India KVI Board that the KVI sector should be separately demarcated within the small industries sector and the Government should provide concessional package of policy support of the KVI sector vis-a-vis the small industries sector.
- vii) The Committee also invited the attention of the Government to the problems arising out of the rigid application of labour laws, meant for the organised urban labour, to the KVI sector which has resulted in considerable hardships and proposed a new approach. The Committee recommended development of handspinning as an independent industry on its own right and increasing the work opportunities in the countryside by encouraging hand-spinning activity and to explore possibilities of supply of handspun yarn to the handloom sector which is in the realm of possibility. The Committee has also asked the Government to study the techno economic feasibility of powerised charkha for manufacture of yarn for "lokvastra" scheme.
- viii) With the envisaged reorganisation, the Committee felt that the KVI sector would be an integral part of the mainstream of the rural economy. The Committee has visualised a more dynamic role for institutional financing agencies in meeting the credit requirement of the sector. The Committee "suo moto" recommended structural improvements in the State level statutory KVI Boards to make them more effective instruments. Similarly it has made several recommendations for revamping the KVI cooperatives and to make the registered institutions more effective. The Committee appreciated the role played by the voluntary organisations, especially the registered institutions. It suggested a new system for meeting the financial needs of the implementing agencies, reducing the time gap and simplification of the procedure. The Committee has made suggestions for improvement in the administrative structure of the KVIC with the scheme of greater delegation of powers and functions at lower levels.
- ix) KAVIRC has recommended the restructure of lending operations on the analogy of financial institutions and KVIC provided with reasonable equity base so that it could be supplemented with debt resources either from Government or from banking sector on yearly basis. KAVIRC also envisaged the creation of KVI Development Fund.

RESTRUCTURING OF KVIC

6.12 The KVIC has been restructured, professionalised and reconstituted on 9th May, 1988. The reconstituted 10 member KVIC has been set up for a period of 5 years. One member each has been taken from the six zones i.e. north, south, east, west, centre, and north east. There are 2 technical members. Besides this the Chief Executive Officer and Financial Adviser of KVIC are also ex-officio members. The chairman is full time and other members are part time. The present team is compact, representative, experienced and it is hoped that they will make concerted efforts to bring about all around improvement in the activities of the khadi and village industries. KVIC should henceforth divert the energy from routine work to the much more important task of planning and organising developmental activities, training facilities and functions like marketing and research. It should see its role as one of infusing modernity, diversification and promotion of entrepreneurship.

DEFINITION

6.13 The definition of village industry has been recently changed as a result of amendment to KVIC Act in 1987. Village Industry now means any industry located in a rural area (population of which does not exceed 10,000 or such other figures which may be specified) which produces any goods or renders any services with or without use of power and in which the fixed capital investment (in plant, machinery, land and building) per head of an artisan or a worker does not exceed Rs. 15,000/- To encourage village industries fiscal concessions have been given for such industries as footwear, processed food products like jams, jellies, pickles etc.

COORDINATION WITH OTHER ORGANISATIONS WORKING IN THE FIELD OF RURAL DEVELOPMENT

6.14 Besides KVIC there are a number of other organisations which are working in the field of rural development. Some of these organisations are (i) Department of Rural Development (ii) Handicrafts/handloom Corporations (iii) Small Industries Corporations (iv) Coir Corporations (v) IRDP Production Groups (vi) Development Commissioner for Handicrafts and Handlooms (vii) Central Silk Board etc. It is essential that the work of various organisation working in the field of rural development is properly coordinated so as to obtain optimum results from the funds spent and efforts made for rural industrialisation. KVIC which is one of the important organisations working in the field of Rural

Development may have to more effectively coordinate its activities with all other organisations working in the rural development.

MARKETING ORGANISATION

- 6.15** At present the outlets of KVIC merely sell the products. KaVIRC has recommended that a separate corporation for taking care of all aspects of marketing of khadi & village industries products may be set up with a capital of Rs. 10 crores because the Committee found that the existing marketing set up of KVIC was not adequate to the expanded task envisaged. The functions of the corporation will be (i) to organise market research (ii) to supply market intelligence to all selling and producing organisations in the KVI sector (iii) to set up infrastructural facilities for sales outlets, (iv) to manage sales outlets at selected important centres (v) to establish and manage common facilities for processing and finishing wherever necessary (vi) to prepare marketing plans (vii) to arrange supply of raw material in accordance with the marketing plans (viii) to establish standards of quality and enforce compliance there with and (ix) to take all steps necessary for promoting exports of KVI product.
- 6.16** The products of khadi & village industries should be sold in terms of its functional superiority in some types of application, nutritional value etc., than on mere emotional appeal. The village industries should be organised and developed in a manner as that they become economically viable and self-reliant and do not need subsidies or budgetary support for production and sales.

REORGANISATION OF STATE KHADI AND VILLAGE INDUSTRIES BOARDS (KVIB)

- 6.17** There is urgent need to revitalise the KVIB at the state level similar to KVIC. The states have to review the working of their KVIB and take remedial measures. The recommendations made by KAVIRC may be kept in view by the States. The functioning of the State KVIBs should be periodically reviewed by the state legislatures or the Committee on Public Enterprises. There should be statutory fixed tenure of members of the board. Frequent transfer of Chief Executive Officer and Financial Adviser of the State Boards should be avoided. In the interest of development of rural industries in the states, there should be close cooperation and coordination between the KVIC and the KVIBs on one hand and between the States Boards and the State Govts. on the other.

RESEARCH AND DEVELOPMENT

6.18 Research and Development are very essential to impart benefits of science and technology to the decentralised sector for bringing about all round improvement. This aspect has not received adequate attention at the hands of KVIC. KVIC should devote its energy resources to revamp existing research institutions. There is urgent need to develop new types of tools, equipments and machines and adequate arrangements have to be made for their supply to the beneficiaries. The artisans should be encouraged to conduct experiments with the new equipments. The new technology to be developed through research and development should be capable of producing marketable goods. Research must, therefore, pay attention to production process but also to the finishing, packaging, quality and other marketing aspects of the products. The recommendations of Tilak Committee and KAVIRC should be implemented. Annex 6.7 depicts the existing R & D centres and sponsored projects. The existing training centres may be seen at Annex 6.8.

COMMERCIAL CREDIT AND LOANS

6.19 KVIC should make all activities economically viable and self-sustaining in due course of time. Besides the finances available from the Government, KVIC should utilise commercial credit and loans to expand the activities in KVI sector. Government resources being limited, more and more reliance should be placed on institutional finances either in production or in marketing.

POINTS FOR CONSIDERATION

- Need for setting up a separate Commission for village Industries;
- Creation of a separate Marketing Corporation under the aegis of KVIC;
- Can KVIC manage the modern agro-food processing industry in the country? If yes, it will have to shed some of its old inhibitions and take on some new characteristics. The challenge is rather attractive.
- Need for reorganising R&D centres for KVIC;
- Reorganisation of the Khadi & Village Industries Boards in the States;
- Creating an equity base for KVIC;
- KVIC to play a greater role in Area Development Programme including IRDP; and
- Increasing Plan allocations for KVI.

INDUSTRIES UNDER THE PURVIEW OF KVIC AS ON 31.3.1988

- I. **Khadi (Cotton, Woolen and Silk)**
- II. **Village Industries**
 1. **Beekeeping**
 2. **Cottage Match, manufacture of fireworks & agarbattis**
 3. **Cottage Pottery**
 4. **Cottage soap**
 5. **Flaying, curing and tanning of hides and skins and ancillary industries connected with the same cottage leather industry**
 6. **Ghani oil**
 7. **Handmade Paper**
 8. **Manufacture of canegur and khandsari**
 9. **Palmgur making and other palm products**
 10. **Processing, packaging and marketing of cereals, pulses, spices, condiments, masalas etc.**
 11. **Manufacture and use of manure and methane gas from cowdung and other waste products (such as flesh of dead animals, night soil, etc.)**
 12. **Lime stone, lime shell and other lime products**
 13. **Manufacture of shellac**
 14. **Collection of forest plants and fruits for medicinal purposes**
 15. **Fruit and vegetable processing, preservation and canning including pickles.**
 16. **Bamboo and Canework**
 17. **Blacksmithy**
 18. **Carpentry**
 19. **Fibre other than coir**
 20. **Manufacture of household utensils in Aluminium**
 21. **Manufacture of Katha**
 22. **Manufacture of Gum Resins**
 23. **Manufacture of Lok Vastre**
 24. **Manufacture of Poly Vastre**
 25. **Processing of Maize and Ragi**
 26. **Manufacture of Rubber goods (Dipped latex products)**

NEW INDUSTRIES IDENTIFIED FOR BEING TAKEN UP BY KVIC FROM 1988-89

Group-I : Mineral Based Industry

1. Stone cutting, crushing, carving and engraving for temples and buildings
2. Utility articles made out of stone.

Group-II: Forest Based Industry

3. Manufacture of paper cups, plates, bags and other paper containers
4. Manufacture of exercise books, book-binding, envelop making, register making including all other stationery items made out of paper.
5. Khus tattis and broom making
6. Collection, processing and packing of forest produce
7. Photo framing.

Group-III: Agro-based and Food Industry

8. Pithwork, manufacture of pith, mats and garlands etc.
9. Cashew processing
10. Leaf cup making

Group-IV : Polymer and Chemical Based Industry

11. Products out of rexin, PVC etc.
12. Horn and bone including ivory products
13. Candle, camphor and sealing wax making

Group-V : Engineering and Non-Conventional Energy

14. Manufacture of paper pins, clips, safety pins, stove pins etc.
15. Manufacture of decorative bulbs, bottles, glass etc.
16. Umbrella assembling
17. Solar and wind energy implements
18. Manufacture of handmade utensils out of brass
19. Manufacture of handmade utensils out of copper
20. Manufacture of handmade utensils out of bell-metal.
21. Other articles made out of brass, copper and bell metal
22. Production of radios
23. Production of cassette players whether or not fitted with radios
24. Production of cassette recorders whether or not fitted with radios
25. Production of voltage stabilisers.

Group-VI : Textile Industry (Excluding Khadi)

26. Hosiery
27. Tailoring and preparation of readymade garments
28. Fishing nets out of nylon/cotton by hand

Group-VII : Service Industry

29. Laundry
30. Barber
31. Plumbing
32. Servicing of electrical wiring and electronic domestic appliances and equipments.
33. Repairs of diesel engines, pump sets, etc.

ANNEXURE-4.3

INDUSTRIES IDENTIFIED FOR BEING TAKEN UP BY KVIC IN FUTURE

Group-I Mineral Based Industry

1. Manufacture of stone jars, bowls, Kundi etc.
2. Crayons manufacture (Writing chalk)
3. Slate and Slate Pencil making
4. Manufacture of Plaster of Paris
5. Sand Quarrying either from river beds or field
6. Manufacture of simple glazed red clay Laterite Pans and other Accessories.

Group-II Forest Based Industry

-NIL-

Group-III Agro Based and Food Industry

7. Fish canning
8. Vermicelli and Macaroni
9. Wall hangings and decorative articles from Jute
10. Carpet making of different fibres including jute
11. Ice creams making
12. Supari Processing
13. Cocoa Products

Group-IV : Polymer and Chemical based Industry

14. Tooth Powder
15. Talcum Powder
16. Household items of plastics including toys etc.
17. Manufacture of Bindi
18. Manufacture of Mohandi
19. Utensil washing powder
20. Ink Making
21. Geuring Powder

Group-V : Engineering and Non-conventional Energy

22. Manufacture of fountain pen, ball pens, refills
23. Manufacture of Nibs
24. Wood carving and Artistic wood wares
25. Plastic/Nylon/Rubber/Shell washers, buttons etc.
26. Fuel Briquettes
27. Mirror manufacture/Electroplating
28. Motor windings
29. Tin smithy
30. Wire nets making
31. Iron grills making
32. Manufacture of electronic watches
33. Small Printing units

Group-VI : Textile Industry (Excluding Khadi)

34. Batic work
35. Toys and Doll making
36. Thread balls and wollen balling, lacchi making
37. Embroidery
38. Manufacture of surgical bandages
39. Stove wicks
40. Kari and Kardesi
41. Cotton Frilling.

ANNEX 6.4

KHADI AND VILLAGE INDUSTRIES PRODUCTION

(Rs. Crores)

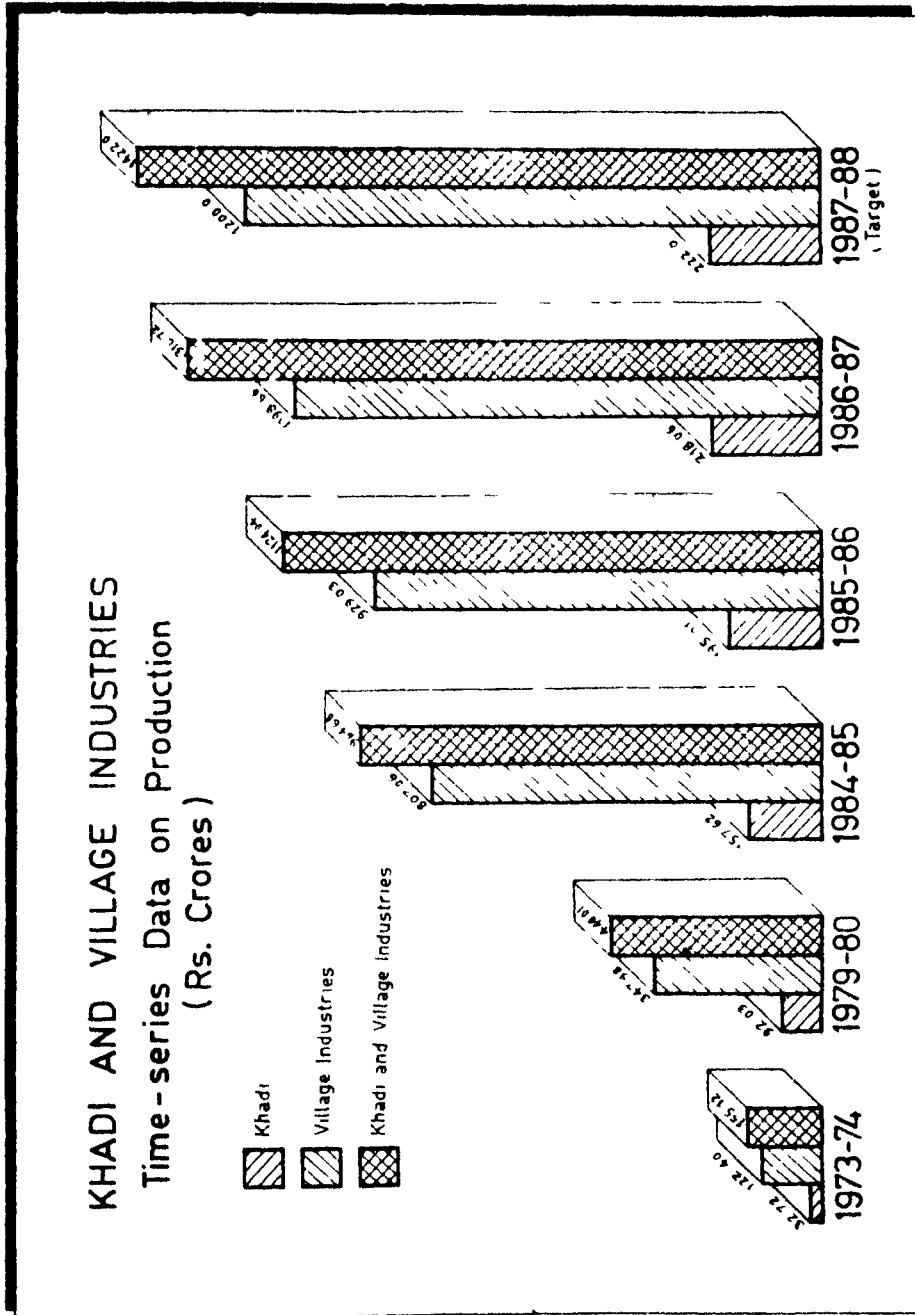
Sl. No.	INDUSTRY	1979-80	1984-85	1985-86	1986-87	1987-88 Target	1989-90 Target
1	2	3	4	5	6	7	8
I KHADI							
1.	COTTON	59.87	102.76	126.87	135.75	NA	NA
2.	WUSLIF	-	4.86	7.10	8.84	NA	NA
3.	WOOLLEN	22.23	20.39	16.36	44.29	88	NA
4.	SILK	9.23	19.82	24.58	29.88	NA	NA
	TOTAL - I	91.33	157.82	195.01	218.86	222.00	300.00
II VILLAGE INDUSTRIES							
1.	P. C. P. I.	21.12	83.28	72.70	85.86	86.00	122.63
2.	GRAH OIL	81.07	181.57	188.54	241.87	240.40	312.15
3.	VILLAGE LEATHER	34.98	123.13	136.85	168.26	174.23	219.82
4.	COTTAGE WATCH	29.82	17.47	16.55	15.87	16.95	20.57
5.	COB & HANDSARI	71.80	77.79	83.74	87.19	82.69	180.80
6.	PALMCOB	19.85	48.53	45.12	57.10	70.24	94.17
7.	BOB & SOAPS	11.73	31.41	33.89	38.42	44.97	56.45
8.	DEE PURPINE &	5.75	3.79	4.38	5.05	6.52	8.82
9.	HANDMADE PAPER	2.75	9.42	12.48	14.22	15.38	18.75
10.	VILLAGE POTTERY	18.37	58.20	72.88	89.65	96.88	123.18
11.	PIDDI	10.21	21.86	28.27	31.33	34.70	43.33
12.	CARPENTRY & BLACK WITBY	23.52	99.79	116.12	136.59	156.68	191.75
13.	LING HANDMADE P. RING	7.68	24.20	28.89	31.29	37.38	46.86
14.	COBBI GAS	21.01	35.24	38.85	45.82	48.86	60.76
15.	COLLECTION OF FOREST PLANT	1.28	2.86	2.81	3.89	3.43	4.36
16.	SHELLAC	0.84	0.84	0.84	0.83	0.86	0.88
17.	G.M. RESINS	2.28	4.79	3.84	4.55	5.36	6.78
18.	KATRA	1.83	2.15	3.41	4.21	4.74	5.83
19.	TREBY PROCESSING	0.58	3.50	4.92	7.28	7.78	10.93
20.	BAMBOO & CANE	2.82	14.87	20.48	22.12	25.88	31.49
21.	HOUSEHOLD ALUMINIUM	0.20	0.80	1.86	1.84	2.85	4.55
22.	POLYPLASTA	-	2.17	3.12	5.83	8.88	11.45
23.	HANVVA* (HE OF HUBBO GOOD)	-	-	-	-	0.86	-
24.	HEM V. I.	-	-	-	-	0.32	1.36
	TOTAL - II	347.89	887.86	928.83	1086.86	1288.88	1585.88
	TOTAL - I + II	439.32	964.88	1124.84	1314.72	1422.88	1885.88

* SOUP PRODUCTION ONLY

0. HONEY AND SEE WAX

NOTE: KHADI FIGURES FOR 1988-89 REVISED DUE TO ANTICIPATED INCREASE IN PRICE.

SOURCE: I. V. I. C.



ANNEX-6.3

STATE WISE PRODUCTION OF KHADI & VILLAGE INDUSTRIES FOR 1986-87

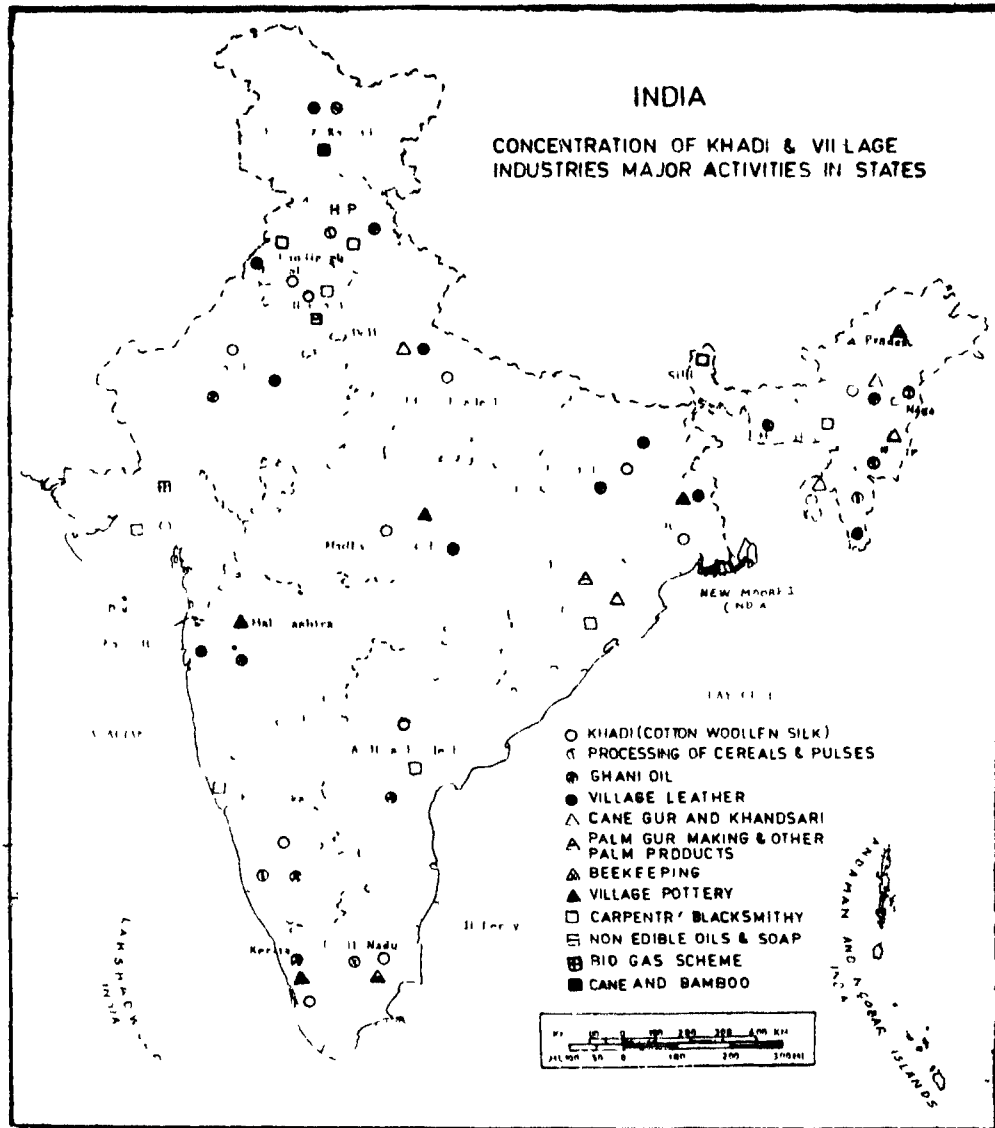
(VALUE IN Rs. LAKHS)				
SI. NO.	STATE/U. T.	KHADI	VILLAGE INDUSTRIES	TOTAL KVI
1	ANDHRA PRADESH	1060.09	8692.30	9752.39
2	ARUNACHAL PRADESH		0.27	0.27
3	ASSAM	175.38	876.86	1052.24
4	BIHAR	1378.34	6204.58	7582.92
5	GUJARAT	1342.05	3732.15	5074.20
6	HARYANA	400.31	3292.19	3692.50
7	HIMACHAL PRADESH	408.38	2197.02	2405.40
8	JAMMU & KASHMIR	264.17	2416.56	2680.73
9	KARNATAKA	1181.90	6713.11	7895.01
10	KERALA	506.88	4996.38	5503.26
11	MADHYA PRADESH	402.25	2299.79	2702.04
12	MAHARASHTRA	539.80	15626.18	16165.98
13	MANIPUR	5.60	1016.43	1022.12
14	MEGHALAYA	0.36	265.87	266.23
15	MIZORAM		20.12	
16	NAGALAND	5.67	159.02	164.69
17	ORISSA	72.59	1297.09	1369.68
18	PUNJAB	983.13	3771.17	4754.30
19	RAJASTHAN	2455.54	8655.95	11111.49
20	SIKKIM	5.01	15.34	20.35
21	TAMIL NADU	3530.57	16749.92	20280.49
22	TRIPURA	23.37	949.24	972.61
23	UPPER PRADESH	5233.47	16385.41	21618.88
24	WEST BENGAL	1771.81	2121.07	3892.68
TOTAL-I		21446.67	108454.02	129980.66
1	ANDAMAN & NICOBAR ISLANDS			
2	CHANDIGARH		207.14	207.14
3	DADRA & NAGAR HAVELI		0.61	0.61
4	DELHI	351.24	701.89	1053.13
5	GOA, DAMAN & DIU		248.65	248.65
6	PONDICHERRY	8.78	69.59	78.37
TOTAL-II		360.02	1228.08	1566.10
III. MISCELLANEOUS				
1	DEPARTMENTAL		62.49	62.49
2	OTHER SCHEMES			
TOTAL I+II+III		21806.69	109764.59	131651.25

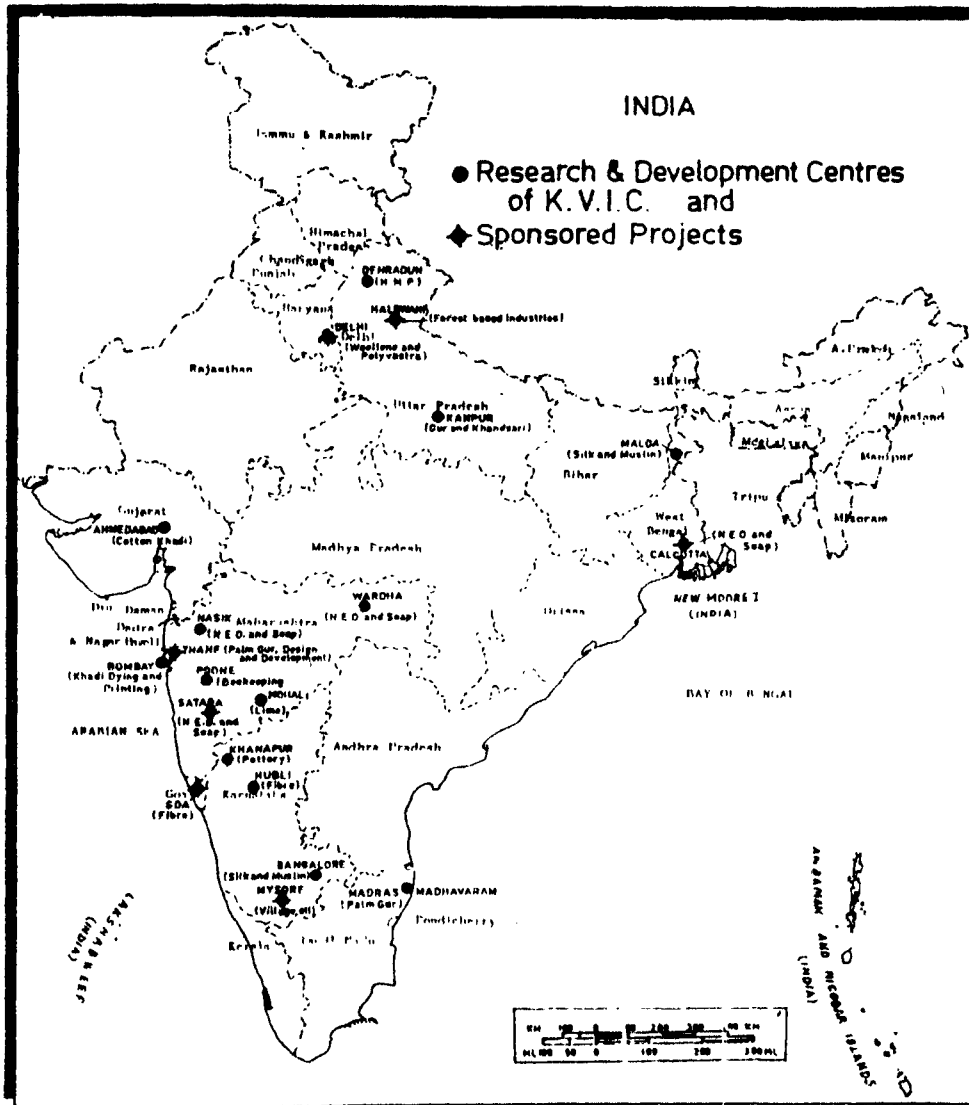
SOURCE: KVIC ANNUAL REPORT FOR 1986-87

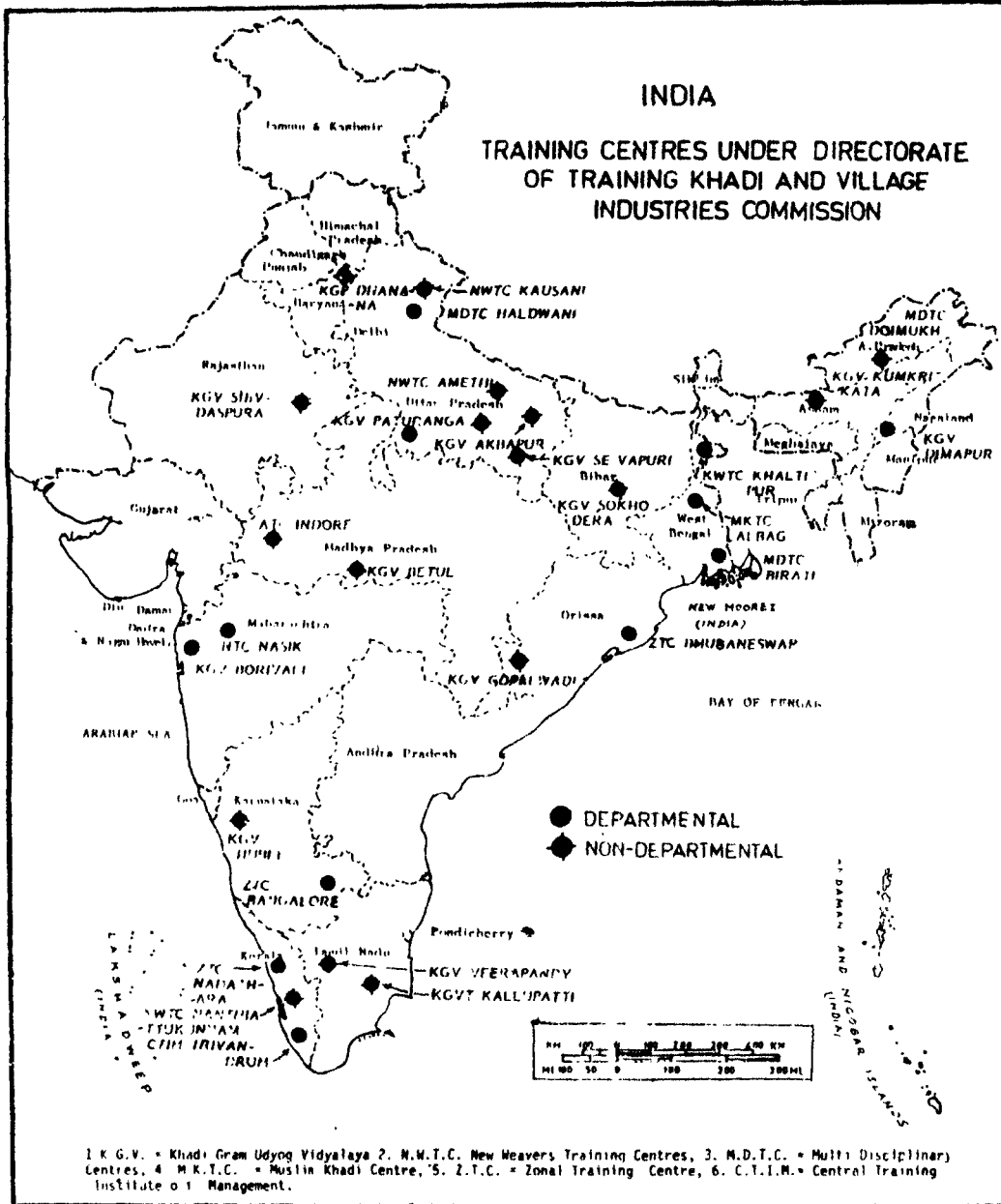
ANNEX-6.1

IMPORTANT STATES FOR PRODUCTION OF KANDI & VILLAGE INDUSTRIES PRODUCTS UNDER E.V.I.C. IN 1966-67

SI. No.	INDUSTRY	FIRST	SECOND	THIRD	FOURTH	FIFTH
	KHADI	U. P.	TAMIL NADU	RAJASTHAN	WEST BENGAL	BIHAR
II. VILLAGE INDUSTRIES						
1	PCPI	KARNATAKA	MHARASHTRA	MANIPUR	U. P.	BIHAR
2	GHANI OIL	TAMIL NADU	MHARASHTRA	RAJASTHAN	BIHAR	KARNATAKA
3	VILLAGE LEATHER	U. P.	MHARASHTRA	RAJASTHAN	TAMIL NADU	PUNJAB
4	COTTAGE WAX	TAMIL NADU	KERALA	U. P.	ANDHRA PRADESH	MHARASHTRA
5	GUR & BHANDSARI	U. P.	ANDHRA PRADESH	ORISSA	BIHAR	KARNATAKA
6	PALM OIL	TAMIL NADU	WEST BENGAL	ANDHRA PRADESH	ORISSA	KERALA
7	WEO & SOAP	TAMIL NADU	U. P.	GUJARAT	MADHYA	RAJASTHAN
8	HANDBADE PAPER	U. P.	MHARASHTRA	TAMIL NADU	RAJASTHAN	GUJARAT
9	BEE-KEEPING	KERALA	TAMIL NADU	KARNATAKA	ORISSA	WEST BENGAL
10	VILLAGE POTTERY	MHARASHTRA	U. P.	RAJASTHAN	KERALA	BIHAR
11	FIBRE	U. P.	KERALA	MHARASHTRA	RAJASTHAN	TAMIL NADU
12	CARPENTRY & BLACKSMITH	MHARASHTRA	U. P.	TAMIL NADU	ANDHRA PRADESH	PUNJAB
13	LIME	RAJASTHAN	ANDHRA PRADESH	TAMIL NADU	U. P.	KERALA
14	GOBAR GAS	GUJARAT	MHARASHTRA	BIHAR	U. P.	MADHYA
15	COLLECTION OF FOREST PLANTS	ANDHRA PRADESH	BHARUCHAL PRD.	MHARASHTRA	ORISSA	TAMIL NADU
16	SHELLAC	U. P.	ORISSA	WEST BENGAL	-	-
17	GUMS & RESINS	ANDHRA PRADESH	U. P.	BHARUCHAL PRD.	ORISSA	-
18	KATHA	BHARUCHAL PRD.	MADHYA PRADESH	U. P.	WEST BENGAL	-
19	FRUIT PROCESSING	ANDHRA PRADESH	KERALA	U. P.	BHARUCHAL PRD.	MHARASHTRA
20	BAMBOO & CANE	MHARASHTRA	J&K	U. P.	RAJASTHAN	PUNJAB
21	ALUMINIUM UTENSILS	KERALA	U. P.	MHARASHTRA	GUJARAT	MADHYA
22	POLYVASTRA	TAMIL NADU	GUJARAT	U. P.	KARNATAKA	MADHYA PRADESH







COIR INDUSTRY

Coir fibre obtained from coconut husk has some special qualities like toughness, durability, resistance to dampness and salt water etc. and traditionally this fibre is used for making products like ropes, mats, rugs carpets, etc. Annual production of coconut in the world in coastal areas within the tropical belt is estimated to be about 33700 million nuts including output of about 6620 million nuts in India. A statement showing statewise area under cultivation and production of coconut in India during 1984-85 and 1985-86 is at Annex. 7.1. (source: Coir Board)

- 7.2. The coir industry is export oriented and labour intensive mostly providing part time occupation to weaker sections of the population and women in rural areas in the country.
- 7.3. The Coir Board, a statutory body was set up by the Government of India under the Coir Industry Act 1953 for the overall development of the industry in India.
- 7.4. The Central Coir Research Institute at Kalavoor, Alleppey and the Central Institute of Coir Technology at Bangalore are two research institutions set up by the Coir Board to carry out fundamental and technological research in various aspects of importance to the Coir Industry. Coir Board has a number of other establishments like Regional training cum-Development Centres, show rooms and sales depots, Coir mark schemes etc; the location of these Centres may be seen at Annex.7.9.
- 7.5. Position in respect of production of white fibre and brown fibre coir as well as the export of coir and coir products is shown at Annex.7.2. to 7.8. (Source: Coir Board)
- 7.6. In value terms coir production has stagnated at around Rs.100 crores during the last several years. 80% of this comes from Kerala which produces white fibre obtained by prolonged ratting in backwater. White fibre is superior to brown fibre produced in Tamil Nadu, Karnataka, Andhra Pradesh etc. Production of white fibre has declined by about 18% during the Sixth Plan. i.e. from 1.52 lakh tonnes to 1.25 lakh tonnes due to drought and coconut disease. It is not expected

to go up during the 7th Plan while brown fibre production has increased from 32300 tonnes in 1979-80 to 50000 tonnes (provisional) in 1986-87.

- 7.7. Exports have also declined from 47224 tonnes in 1979-80 to 25788 tonnes in 1985-86 (predominantly white fibre). In value terms the exports have decreased from Rs.37.21 crores to Rs.26.40 crores during the period.

The decline in exports has been attributed to:-

- (i) the fall in demand for coir floor coverings;
 - (ii) fall in demand for coir yarn by manufacturers of coir floor coverings in Europe;
 - (iii) increasing competition from synthetics and natural substitutes; and
 - (iv) increasing competition from coir products originating from Sri Lanka.
- 7.8. Export of coir and coir products from the coir producing countries during 1984-85 is given below:-

Country/Item	Qty/Metric Tonnes	
	1984	1985
Sri Lanka	72567	76852
Mattress Fibre	35972	36734
Bristle Fibre	8381	7822
Coir Yarn	1119	2594
Twisted Fibre	25583	27721
Coir Twine	1512	1981
India	26563	23871
Coir Fibre	2	4
Coir Yarn	13652	13612
Coir Mats	7477	6582
Coir Mattings	5366	3394
Coir rugs and Carpets	33	227
Coir Ropes	21	32
Curled Coir	—	—
Coir Other Sorts	12	16
Rubberised Coir	—	4
Thailand	6485	4397
African Countries	300	300
Other Countries	1000	1000
TOTAL:	106915	106420

Source: A.P.C.C. Statistical Year Book 1985.

- 7.9. It would be seen that the share of Sri Lanka in exports has increased from 68 per cent in 1984 to 72.2 per cent in 1985 while share of India has declined from 25 per cent to 22 per cent during the period.
- 7.10. The coir industry in the country has been experiencing difficulty for a number of years in the collection of raw materials, fluctuations in production of coconut (and therefore of husk), obsolete methods of production, diversification of end uses and failure to go in for modernisation, competition between the private sector and the cooperative sector etc.
- 7.11. Cooperativisation is the strategy of development in the traditional industries and this has been tried in the coir industry also. Assistance is given to the cooperative societies towards share capital, as well as for setting up of the godowns and showrooms, purchase of ratts and looms, managerial subsidy and interest subsidy. Still the cooperative infrastructure for coir industry remains weak as could be seen from the position of primary cooperatives both in spinning and manufacturing sector in major coir producing States as at the end of cooperative year 1980-81, shown below:-

NUMBER OF COIR COOPERATIVES

	Viable	Potentially viable.	Dormant	Total
Kerala	112	368	—	480
Karnataka	6	10	21	37
Andhra Pradesh	—	—	—	5
Tamil Nadu	17	—	29	46
Total:	135	383	50	568

- 7.12. As many as 383 potentially viable societies and 50 dormant societies out of 568 primary cooperatives would require a comprehensive programme of activation. Suitable measures and time bound programmes would need to be drawn to rehabilitate such cooperative societies.
- 7.13. The cooperative sector of the industry is facing several problems, such as shortage of raw material, accumulation of stocks, problem of marketing and shortage of funds for modernisation. The collection of husk in the cooperative sector of Kerala during the past four years is as under:-

Years	Nos.	
1984	10.31	crores
1985	23.29 "	
1986	17.15 "	
1987	11.53 "	
1988	1.06 "	

(Jan-March)

7.14. The requirement of husk for the cooperative sector is estimated at 90 crores of husk, whereas the actual collection is only as indicated above. The three point levy system now introduced is expected to improve the availability of raw material to the cooperative sector.

7.15. All natural fibres cotton, jute, hemp, flax, sisal, etc. face severe competition from synthetics. Coir is no exception. The survival of coir industry would depend upon lessening the cost of production, improvement in quality, new uses, diversification of end uses etc. In the short run, the mechanisation of coir from crushing of coir, separation of fibres, spinning and weaving will lead to unemployment; on the other hand, unless we are able to mechanise, we will be priced out of the market and other nations will improve their export performance as it has already happened.

POINTS FOR CONSIDERATION

- Need for mechanisation and modernisation of the coir industry; and
- Strengthening of cooperative units and improvement of their management.

Annex 7.1

AREA UNDER CULTIVATION AND PRODUCTION OF COCONUTS IN INDIA

State	Area under cultivation in 000 Hectares		Production of Coconuts in million nuts	
	1984-85	1985-86	1984-85	1985-86
Kerala	689.3	687.5	3395.0	3149.6
Karnataka	193.9	202.8	1011.1	1050.0
Tamilnadu	152.8	159.4	1627.5	1518.1
Andhra Pradesh	47.0	47.4	194.5	196.1
Goa Daman & Diu	22.3	22.9	106.0	106.3
Andaman & Nicobar Islands	20.8	20.8	96.6	96.6
Orissa	26.2	27.6	98.3	134.9
Maharashtra	10.6	10.6	99.3	99.3
West Bengal	15.3	15.3	169.7	169.7
Assam	7.5	8.0	47.9	57.4
Lakshadweep	2.8	2.8	23.5	24.2
Pondicherry	1.6	1.6	15.7	16.7
Tripura	2.7	2.7	2.1	2.1
Total:	1192.8	1209.4	6887.2	6620.0

Annex 7.2

PRODUCTION OF COIR IN INDIA

Year	Quantity in Tonnes		
	White Fibre	Brown Fibre	Total
1973-74	1,51,000	4,000	1,55,000
1979-80	1,51,600	32,300	1,83,900
1984-85	1,24,800	39,600	1,64,400
1985-86	1,22,880	43,700	1,66,580
1986-87*	1,35,000	50,000	1,85,000

1987-88**

*Provisional

** Not estimated

Annex 7.3

**PRODUCTION OF COIR IN INDIA
(ITEM WISE)**

Items	Quantity in Tonnes					
	1973-74	1979-80	1984-85	1985-86	1986-87*	1987-88**
Coir Fibre:						
White	151000	151600	124800	122880	135000	
Brown	4000	32300	39600	43700	50000	
Coir Yarn	134000	132700	102360	101990		
Coir products	27000	28000	20350	19920		
Coir Rope	20000					
White		23000	18370	18790		
Brown		13200	17260	18860		
Curled coir	2000	2500	5900	5200		
Rubberised coir	1300	1500	3200	4500		

*Provisional

**Not estimated.

Annex 7.4

EXPORT OF COIR AND COIR PRODUCTS FROM INDIA

Year	Quantity in Tonnes	Value in Rs.000's
	Quantity	Value
1973-74	46759	155818
1979-80	47224	372101
1984-85	25788	264083
1985-86	24673	328467
1986-87	23214	314446
1987-88*	24641	317036

*Provisional

Annex - 7.5

EXPORT OF WHITE FIBRE PRODUCTS FROM INDIA

Qty. in Tonnes		Value in Rs. 000's
Year	Quantity	Value
1973-74	45551	154269
1979-80	46981	371500
1984-85	25788	264083
1985-86	24664	328307
1986-87	23209	314325
1987-88*	24639	316991

*Provisional

Annex - 7.6

EXPORT OF MAJOR ITEMS FROM THE WHITE FIBRE SECTOR

Q : Qty. in Tonnes	V : Value in Rs.000's			
Year		Coir yarn	Coir Mats	Coir Mattings, Rugs & Carpets
1973-74	Q	29373	12302	3365
	V	82200	57328	13540
1979-80	Q	25873	11715	9261
	V	155547	119126	96028
1984-85	Q	12775	7756	5208
	V	98441	94528	70719
1985-86	Q	13398	7433	3764
	V	151962	111820	63601
1986-87	Q	12105	7924	3128
	V	120773	135470	57429
1987-88*	Q	13640	6251	4683
	V	122513	106133	87613

*Provisional

Annex 7.7

EXPORT OF BROWN FIBRE COIR SECTOR **

Year	Quantity	Value
1973-74	1208	1549
1979-80	243	601
1984-85	-	-
1985-86	9	160
1986-87	5	121
1987-88*	2	45

* Provisional

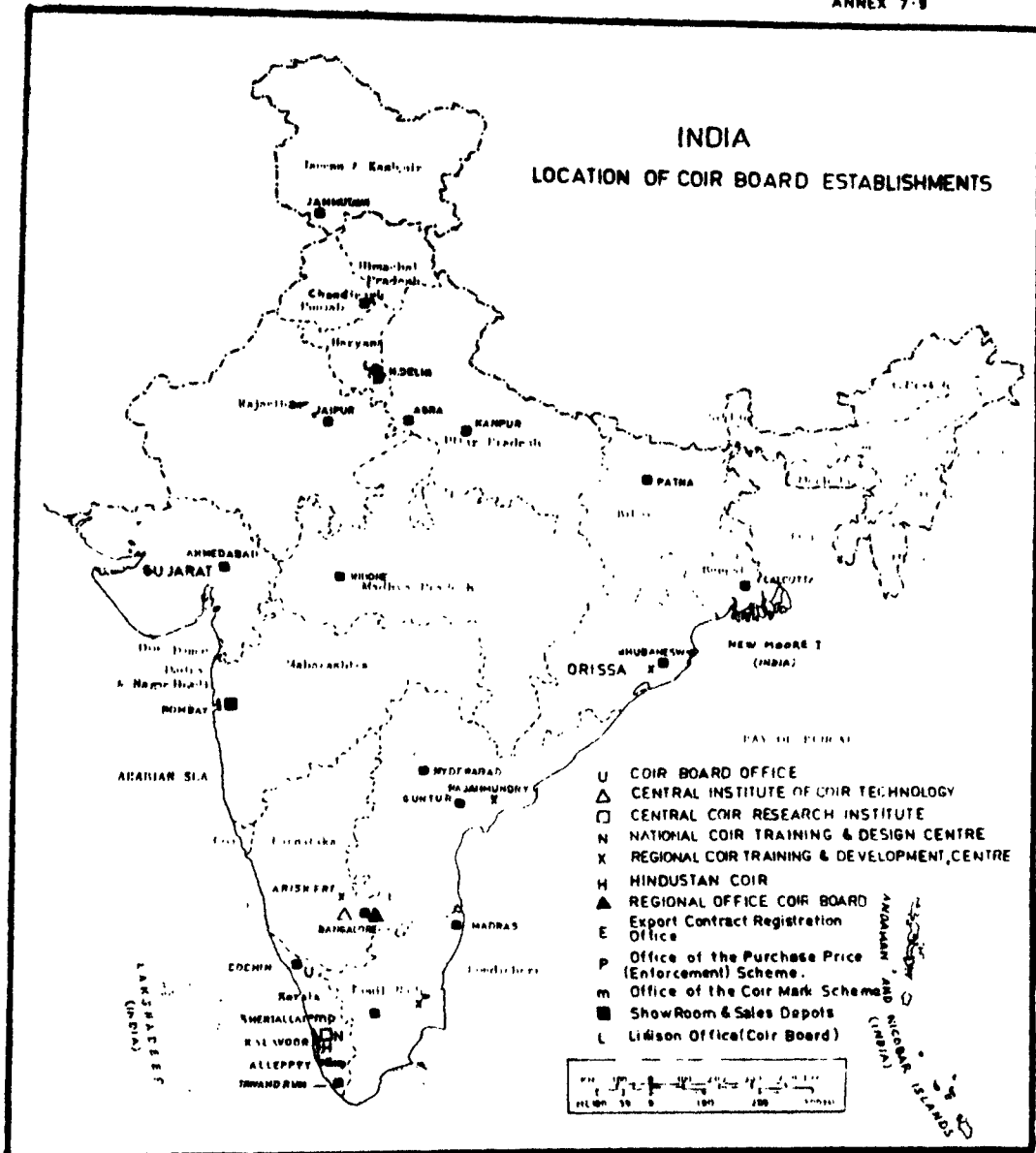
** Curled Coir & Rubberised Coir

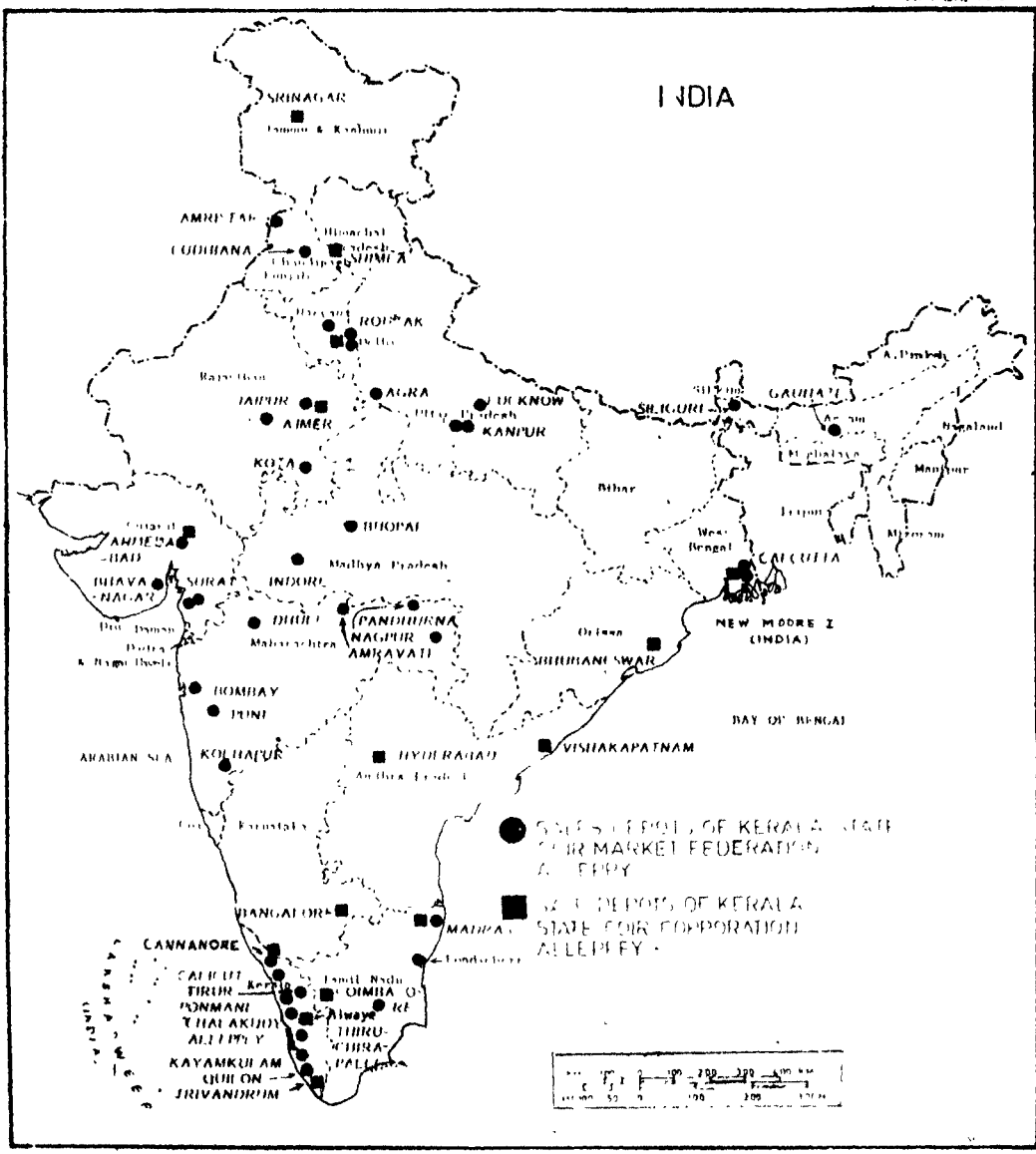
Annex 7.8

EXPORT FROM BROWN FIBRE SECTOR
(ITEMWISE)

Year	Curled coir		Rubberised coir	
	Q	V	Q	V
1973-74	1208	1549	31	39
1979-80	240	546	2	54
1984-85	-	-	-	-
1985-86	-	-	9	160
1986-87	-	-	5	121
1987-88*	-	-	2	45

* Provisional





HANDLOOMS

PROFILE

HANDLOOM SECTOR

- i) Has 30.65 lakh looms plus 8 lakh domestic looms. Please see Annex 8.1 (A recent survey (incomplete) indicates lesser looms in some states).
- ii) Employs 7.36 million people both part time and full time.
- iii) Produced 3449 million metres, including 480 million metres of Janata Cloth, in 1986-87 which is 26.6% of the total cloth production.
- iv) Exports Rs. 184.41 crores (1986-87).
- v) Statewise distribution of looms given at Annex.8.1.
- vi) Weavers' Cooperative Spinning Mills-56
(Total Mills 1027) Annex.8.2.
- vii) Total sales of handloom cloth from Apex Societies and State Corporations amount to Rs.372 crores in 1986-87 Annex.8.3.

CURRENT POLICY

- i) Hank Yarn obligation of 50% (85% in counts 40s and below)-see Annex. 8.4.
- ii) Reservation of 22 varieties and sorts of cloth.
- iii) Cooperativisation
- iv) Promotion of Handloom Development Corporations for private handlooms.
- v) Special Rebate.
- vi) Janata cloth production with a subsidy of Rs.2.75/sq. mt. (see Annex.8.5).
- vii) Susman cloth (Blended cloth).
- viii) Infrastructural facilities by Centre And States.

TEXTILE POLICY

- i) Industry will be viewed in terms of stages of manufacturing process. viz. spinning, weaving, and processing and not in terms of segments.
- ii) Fuller flexibility in the use of various fibres.
- iii) Creation and contraction of capacity to increase competition.

- iv) Powerlooms in mill sector and decentralised powerlooms sector will compete on the basis of their strengths and weaknesses.
- v) Distinct and unique role of the handlooms will be preserved and the growth and development of this sector shall receive priority.
- vi) Measures to realise full potential include strengthening of cooperatives/State Corporations, modernisation, availability of yarn at reasonable prices, production of mixed and blended fabrics to increase earnings, reservation, removal of cost handicaps through fiscal measures, improving the marketing of handlooms, strengthening of data base, and welfare measures like contributory thrift funds and workshed cum housing scheme.
- vii) Entire production of controlled cloth to be in handloom sector.

INFRASTRUCTURE CREATED

i) Institutes of Handloom Technology Annex 8.6	3 Nos.
ii) Weavers Service Centres Annex 8.6.	23
iii) Post-loom & Pre-loom facilities Annex 8.2	37
iv) National Institute of Design	1
v) National Institute of Fashion Technology	1
vi) National Handloom Development Corporation and its offices. Annex 8.5	1
vii) Handloom Export Promotion Council	1

8.1. The All India Handlooms and Handicrafts Board under the Chairmanship of Minister of Textiles with Development Commissioner (Handlooms) and Development Commissioner (Handicrafts) as Member-Secretaries was constituted in July, 1981. The Board is an advisory body for the formulation of the development programmes in the handlooms and handicrafts sectors keeping their socio-economic, cultural and artistic perspectives in view. The Board was reconstituted in December 1985. At the State level, the programmes for the development of this industry are implemented through Handloom Development Corporations, Apex Cooperative Societies and Directorate of Industries where Corporations/ Apex Societies do not exist.

8.2. Data on the production of handloom cloth separately is not available for plan periods earlier than the Fourth Plan (1969-74). Civil deliveries or hank yarn form the basis of estimation of handloom cloth production. The production of handloom cloth in 1973-74 was 2100 million metres which rose to 2900 million metres in 1979-80. This further increased from 3137 million metres in 1984-85 to

3449 million metres in 1986-87. Public Sector outlays have gone up particularly from Fifth Plan. The outlay for these programmes had been increased from Rs. 100.00 crores for 1974-79 to Rs. 512.26 crores in the Seventh Plan (1985-90).

- 8.3. The employment in handloom industry is estimated to be 73.58 lakh persons. The methodology of estimation of employment in the handloom industry was gone into by a Study Group. It came to the conclusion that an effective loom (working for 273 days in a year and 8 hours per day) generally produces 1350 metres of cloth on an average. Pre-loom operations like winding of yarn from hanks to bobbins, warping, sizing, designing, mounting on looms, etc., require 0.9 person per loom. Weaving operations require 1.5 persons per loom. Further, post-loom operations like bleaching, dyeing, finishing, transportation and trading in yarn and cloth, manufacturing of accessories account for 20 percent of the employment in pre-weaving and weaving operations taken together. Employment in post-loom operations is part-time. Based on these norms, employment coverage in handlooms comes to 73.58 lakh persons.
- 8.4 Development-programmes for the handloom industry received greater emphasis from 1976-77, with the implementation of the recommendations of the High Powered Committee which was set up under the Chairmanship of Shri B.Sivaraman, the then Member, Planning Commission. A number of Centrally sponsored schemes funded on matching basis between the Centre and State Governments and other Central schemes were initiated. Since cooperation as a form of organisation is non-exploitative in character, the major thrust of the programme has been on extending and strengthening handloom cooperatives. The Centrally Sponsored schemes launched include share capital loan assistance to primary weavers' cooperative societies, share capital assistance to state apex societies, share capital assistance to handloom development corporations, managerial subsidy to handloom weavers' cooperative societies, assistance for modernisation/renovation/purchase of handlooms, etc. A total of 18.26 lakh weavers were covered under the cooperativisation programme by the end of December, 1986. Intensive Handloom Development Projects and Export Oriented Projects were started. A Central scheme for creation of pre and post-loom processing facilities was taken up. The Centrally sponsored scheme of Special Rebate of 20% to provide marketing assistance was started in 1975-76. With an objective to provide sustained employment to weavers and providing cheap cloth to the weaker sections of the society, the scheme of production of controlled cloth was extended under the name of 'Janata' Cloth to the handloom sector in 1976-77. The subsidy on production and delivery of Janata Cloth, which

was Rs.1.00/Sq.mtr has now been raised to Rs.2.75/sq mtr. The scheme is being implemented in 17 States and Union Territories. The production of this cloth (dhotis, sarees, lungis, shirtings, long cloth) was 480 million sq.mtrs. in 1986-87. In addition to continuing the earlier schemes and new schemes taken up in 1976-77, welfare schemes like thrift fund scheme and Workshed-cum-Housing scheme have been initiated in the Seventh Plan. Special projects for weavers in hill areas and desert areas have also been/ are being taken up in the 7th Plan.

- 8.5. Like other traditional pursuits, handloom weaving is also a victim of the structural changes in the economy following industrial revolution. Most of the handloom weavers are poor. His skill to weave fine cloth is neither adequate to provide him regular employment nor a decent living. The reasons are not far to seek when we take into consideration the setting in which he works. Even the fabrics reserved for handlooms are being encroached upon by the powerlooms right through the plan periods although there were restrictions on their establishment. Currently powerlooms can be established except in urban areas. Powerloom cloth is cheaper at least by one rupee per sq. metre. The handloom weaver obtains his yarn from the market which is more often costlier as compared to cone yarn and its timely supply is not assured. Thus hank yarn is costly and irregular in supply. The weavers output is small which puts him at disadvantage when processing is to be done. He has to sell his products in the market in competition with the products of powerlooms and mills which being mechanised and having access to better processing facilities are able to outprice the handloom products. His survival through his own efforts in a large segment of the market is not possible. This is a major reason forcing the children of weavers to look for other occupations or jobs. The recent census of handlooms is indicating a decline in the number of handlooms. This is a human problem. If weavers are not able to remain employed in the rural areas, they would be forced to migrate to cities in search of jobs. Cities are congested and civic services are already under great strain. If employment of weavers is to be sustained then appropriate State intervention has necessarily to take place. The survival of handlooms in the future will depend upon weaving of high value cloth with adequate design input and producing myriad designs at frequent intervals. He will need the assistance of dedicated low-cost computer integrated designing and sample making system. Currently, a Committee chaired by Shri Abid Hussain, Member, Planning Commission is reviewing the Textile Policy of 1985.
- 8.6. There has been an increase in the price of hank yarn between 32% and 67% during 1987-88 and many handloom weavers have been thrown out of employ-

ment. In drought affected areas, the problem has been compounded by low purchasing power. A relief programme has been launched from 1.4.1988 to give employment for 150 days through apex cooperatives and State Handloom Corporations through margin money assistance.

- 8.7. Handlooms which manufacture high value cloth with adequate design input would survive on its own. Handlooms which manufacture 'Janata' cloth or assisted by cooperatives and Corporations may continue. However, a large number of middle type of handlooms will find it very difficult to survive against the competition of powerlooms. A time has, therefore, come to work on a rehabilitation package for handloom weavers similar to what is being done for mill workers.
- 8.8. Hank yarn is the principal raw material for this sector. Source of supply is mills. The yarn trade is in private hands. Yarn prices are also subject to fluctuations. A recent study by Institute of Rural Management, Anand has come to the conclusion that on an average hanks are more expensive than cones in the market for the same counts. Apart from its cost, regular and timely supply are of equal importance. Though the mills are obliged to pack at least 50% of the total yarn packed for civil consumption in hank form, the hank yarn as a percentage of total spun yarn is 40% in 1984-85 and 40.1% in 1985-86 and 1986-87. The spinning mills owned by weavers' cooperatives and under the State Sector have better performance in this regard. Whereas supplies are effected somewhat regularly, quality and price parameters need to be improved. The supply position of hank yarn is better in States like Tamil Nadu, Orissa and Andhra Pradesh where a yarn price fixation committee under the Director of Handlooms meets regularly to decide the price at which the yarn will be sold to the organisations in the handloom sector. The National Handloom Development Corporation has started supplying hank yarn and dyes and chemicals since the latter half of 1984-85. Nevertheless, the problem of hank yarn supply continues to remain complex and difficult. Thus, the handloom weavers start with a cost handicap. In the case of dyes and chemicals, supplies are also not available at reasonable prices.
- 8.9. Credit is available to the handloom cooperative sector under the scheme of refinance of working capital requirements to weavers cooperatives by the National Bank for Agriculture and Rural Development (NABARD) (at an effective rate of 7%), to state level corporations from commercial banks and to individual weavers from master weavers. The credit from NABARD is pro-

vided for procurement and marketing of cloth by Apex/Regional Weavers Societies and for financing the production and marketing activities of primary weavers societies. The finance obtained from NABARD in 1986-87 was Rs.254.01 crores. Estimates of supply of finance from other sources are not available. Despite the fact that handlooms is a priority sector, it does not receive adequate finance. The Central Cooperative Banks which finance handlooms also has a preponderance of membership of farmers' cooperatives. Quite often it defaults payment to NABARD which vitally affects handlooms. Further, many banks do not have representatives of handlooms in their managing committee. Even the major portion of NABARD refinance is accounted for by 2-3 States. It may be pointed out that credit is not only required for production and marketing but also for establishment/expansion of weavers spinning mills, modernisation of handlooms, opening of sales outlets, etc. Thus, this sector is under-financed and availability of credit is not timely.

- 8.10. Sales effected through apex cooperative societies and sales emporia of State/Central level corporations have risen from Rs.295.56 crores in 1984-85 to Rs.371.93 crores in 1986-87. Sales for a period of 30 days in a year effected through apex cooperative societies, state level corporations, etc. are eligible for a special rebate of 20% which is equally shared by the Centre and State. Sales turnover are in Annex-8.3. Though this scheme has helped in improving the sales in the organised handloom sector yet it is weak in its direct benefit to primary cooperative societies. Primaries are the backbone of cooperativisation in the sector and unless these are strenghtened and made viable the movement will not be self-sustaining. The apex level cooperatives lack marketing strategy. Rebate is a kind of subsidy; a more positive programme for the development of this sector is needed in place of rebate.
- 8.11 There are other numerous problems afflicting this sector. To improve productivity, a programme of modernisation has been undertaken. The amount spent on this programme in 1984-85 was Rs.1.78 crores (on 20,104 handlooms);this increased to Rs.3.61 crores (on 38, 103 looms) in 1986-87. The programme has had not much impact. The primary cooperatives face the problem of delayed payments from apex societies. The handloom weaver weaving 'Janata' cloth gets only meagre wage (State-wise production shown in Annex 8.5). There is need to improve the quality of these fabrics and their acceptability. The scheme for the production of 'susman'cloth (which is presently operated by the States of Tamil Nadu, Andhra Pradesh, West Bengal and Uttar Pradesh) has a target of production of only 30-36 lakh metres of cloth in 1988-89. In the case of

cooperativisation, the effectiveness of the programme measured in terms of production is not commensurate with outlay.

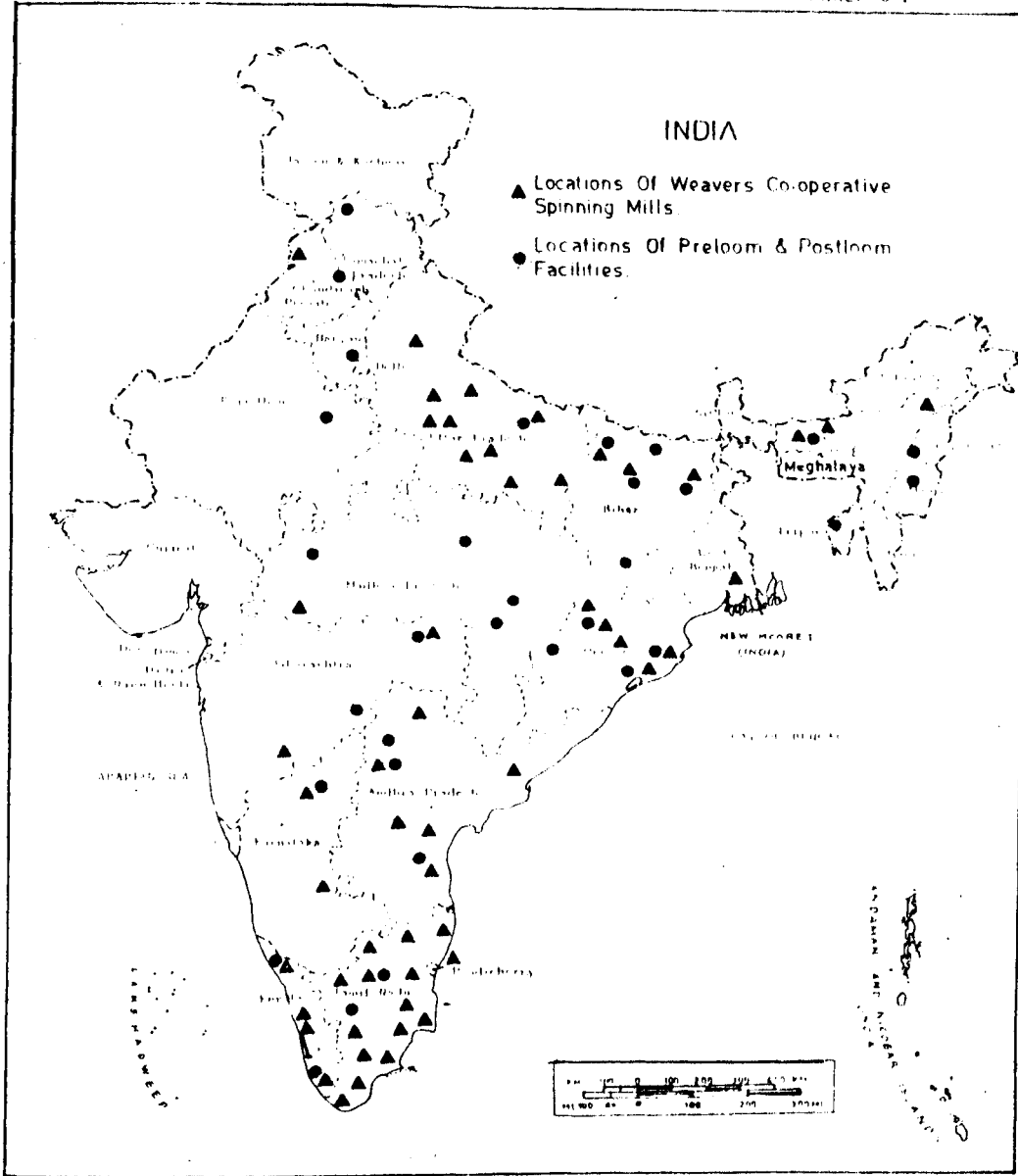
POINTS FOR CONSIDERATION

- Reconciliation of conflicting interest in the textile sector;
- Rehabilitation package for handloom workers;
- Adequate supply of hank yarn to handloom sector;
- Need to reconcile trade policy of exporting yarn and cotton while ensuring adequate supply of yarn to the handloom weavers;
- Availability of adequate funds for handloom sector;
- Need for a dedicated low cost computer integrated textile designing and sample making system; and
- Need for a new approach to reservation for handloom sector.

Annex 8.1

Statewise distribution of looms (excluding 8 Lakhs Domestic looms)

STATE	No. of Looms (in 000s)
1 Andhra Pradesh	529
2 Assam	200
3 Bihar	100
4 Gujerat	20
5 Haryana	41
6 Himachal Pradesh	1
7 Jammu & Kashmir	37
8 Karnataka	103
9 Kerala	95
10 Madhya Pradesh	33
11 Maharashtra	80
12 Manipur	100
13 Maghalaya	5
14 Nagaland	20
15 Orissa	105
16 Punjab	21
17 Rajasthan	144
18 Sikkim	N.A.
19 Tamil Nadu	556
20 Tripura	100
21 Uttar Pradesh	509
22 West Bengal	256
23 Union Territories	10
	3065



Annex 8.3

STATEMENT REGARDING TURNOVER/SALES OF HANDLOOM
DEVELOPMENT CORPORATIONS AND APEX SOCIETIES.

(Rs /lakhs)

Sl. No.	Name of the Organisation	Sales made during			Remarks
		1986-87	1985-86	1984-85	
1	2	3	4	5	6
1	Andhra Pradesh State Handloom Weavers Co-op. Society Ltd.	2483.00	2199.37	2206.31	
2	Assam Apex Weavers and Artisans Co-op. Society Ltd.	310.05	212.57	237.13	
3	Bihar State Handloom Weavers Coop. Union Ltd.	225.00	229.00	282.00	
4	Gujarat Rajya Handloom & Audyogic Sakhari Federation Ltd.	294.00	250.00	135.00	
5	The Haryana State Co-op. Handloom Weavers Apex Society Ltd.	132.27	108.54	67.45	
6	Karnatha State Silk Handloom Weavers Coop. Apex Society Ltd.	107.01	166.54	161.00	
7	Kerala State Handloom Weavers Coop. Society Ltd.	862.30	814.99	890.14	
8	M.P. State Handloom Weavers Coop. Society Ltd.	457.10	391.10	369.40	
9	Maharashtra State Handloom Coperative Federation Ltd.	15.99	20.61	36.44	
10	The Western Maharashtra Weavers Central Coop Association Ltd.	493.72	491.75	404.06	
11	The Orissa State Handloom Weavers Coop. Society Ltd.	1420.22	1452.55	1580.04	
12	Pondicherry Cooperative Department (Govt of Pondicherry)	234.48	225.00	221.00	
13	Pondicherry Coop Handloom Export Development Project Ltd.	150.74	131.57	164.03	
14	Punjab State Handloom Weavers Apex Coop. Society Ltd., Chandigarh	7.25	5.13	2.87	
15	Tamil Nadu Handloom Weavers Coop Society (CO-optax)	9392.00	10214.00	9071.00	
16	Tripura Apex Weavers Cooperative Society Ltd.	44.00	63.45	45.34	
17	The West Bengal State Handloom Weavers Coop. Society Ltd.	2820.00	2458.85	1993.45	
18	Andhra Pradesh State Textile Development Corpn. Ltd.	645.39	103.57	33.51	
19	Assam Government Marketing Corporation	136.03	146.02	130.02	
20	The Gujarat State Handloom Development Corporation Ltd.	325.00	310.00	221.00	

Annex 8.3 (contd.)

1.	3	4	5
21. Haryana Handloom and Handicrafts Corpn. Ltd.	272.19	59.98	78.15
22. H.P. State Handicrafts and Handlooms Corpn. Ltd.	60.56	52.27	56.10
23. J&K State Handloom Developments Corpn. Ltd., Jammu.	320.00	276.00	255.00
24. The Karnataka Handloom Development Corporation Ltd.	3126.82	2376.97	1376.44
25. Madhya Pradesh State Textile Corporation Ltd.	720.62	648.90	385.51
26. Maharashtra State Handloom Corporation Ltd.	868.82	1123.81	1016.85
27. The Orissa State Handloom Development Copn., Bhubaneswar	795.18	759.97	634.33
28. Punjab State Handloom & Handicrafts Development Corporation Ltd.	132.30	104.45	71.12
29. Rajasthan State Handloom Development Corpn. Ltd.	367.68	428.36	284.00
30. Tripura Handloom and Handicrafts Development Corpn. Ltd.	90.00	98.55	75.00
31. Uttar Pradesh State Handloom Development Corporation Ltd.	6454.50	5435.79	3991.53
32. West Bengal Handloom & Powerloom Development Corporation Ltd.	960.00	898.00	728.00
33. All India Handloom Fabrics Marketing Coop. Society Ltd.	2000.00	2249.00	2030.00
34. Rehabilitation Industries Corporation Ltd.	115.83	144.31	149.16
35. Central Cottage Industries Corporation of India Ltd.	304.87	284.57	233.94
36. North Eastern Handicrafts and Handlooms Development Corpn. Ltd.	47.97	33.65	49.11
	37192.80	34869.21	29656.33

P.S. The sales figures of handloom goods by Apex Bodies, etc. for the years 1979-80 and 1974-75 are not available.

Annex 8.4

CIVIL DELIVERIES OF YARN

(Million Kgs.)

	1986-87	1985-86	1984-85	July 79 To March 80	1974-75
a) Total Spun Yarn	983.50	938.18	891.37	514.09	N.A.
b) Hank Yarn	394.53	375.83	356.76	240.13	N.A.
c) Percentage 2/1	40.10	40.10	40.00	46.70	N.A.

CIVIL DELIVERIES OF YARN

(Million Kgs.)

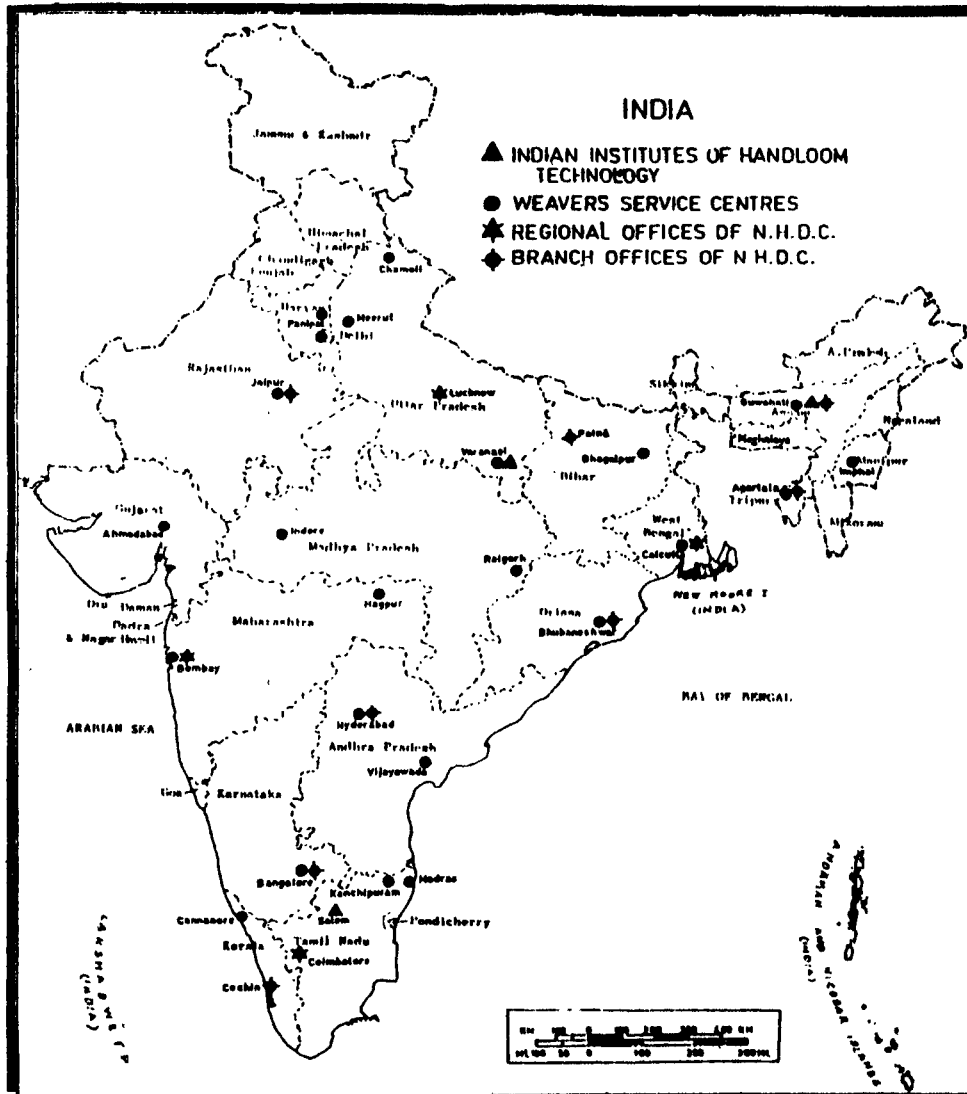
	1986-87	1985-86	1984-85	July 79 To March 80	1974-75
a) Total Spun Yarn	963.50	938.18	891.37	514.09	N.A.
b) Hank Yarn	394.53	375.83	356.76	240.13	N.A.
c) Percentage 2/1	40.1	40.1	40.0	46.7	N.A.

Annex 0.5

Statement showing the State-wise Jnata Cloth production
in the Handloom Sector since October, 1976 to 1986-87.

(in million sq. mts.)

Sl. No. of the State/O.T.	Since inception (Oct. '76-March '78)	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	
1	2	3	4	5	6	7	8	9	10	11	12
1. Andhra Pradesh	19.36	25.64	30.51	32.67	29.60	22.88	22.85	28.25	40.19	60.82	
2. Karnataka	3.61	3.77	4.91	11.49	9.40	10.80	9.74	10.94	16.17	27.32	
3. Kerala	1.13	1.30	1.52	1.44	1.65	1.72	1.39	1.90	0.08	2.50	
4. Pondicherry	0.13	0.16	0.03	0.03	0.03	0.05	0.02	0.20	0.03	0.06	
5. Tamil Nadu	9.06	3.32	11.16	14.98	34.33	35.00	40.18	42.48	39.23	32.29	
6. Madhya Pradesh	8.63	4.32	8.50	12.67	13.56	15.00	14.55	27.16	18.31	20.00	
7. Uttar Pradesh	23.28	36.68	66.68	101.60	98.48	95.00	94.95	85.85	105.83	119.05	
8. Bihar	2.01	5.00	18.94	20.96	22.70	26.15	40.17	45.50	42.82	50.00	
9. Orissa	1.52	6.16	12.85	15.48	20.71	29.19	27.79	28.00	28.85	33.00	
10. West Bengal	6.05	9.62	17.10	23.91	29.09	31.50	30.97	30.85	36.83	46.94	
11. Gujarat	0.04	1.22	2.50	2.94	4.44	4.50	7.55	5.30	8.00	12.00	
12. Maharashtra	12.89	18.60	28.34	46.69	53.63	49.00	53.92	42.34	51.09	53.97	
13. Tripura	0.18	0.32	1.60	2.05	2.27	2.50	1.96	1.50	1.94	3.00	
14. Assam	-	-	0.20	0.11	0.59	1.05	1.59	4.50	5.71	18.00	
15. Rajasthan	-	-	0.04	0.32	0.27	0.10	0.71	2.00	2.00	3.00	
16. Haryana	-	-	-	-	-	-	-	-	Nil	Nil	
17. Himachal Pradesh	-	-	-	-	-	-	-	-	Nil	Nil	
18. Manipur	-	-	-	-	-	-	-	-	Nil	Nil	
19. Punjab	-	-	-	-	-	-	-	-	Nil	Nil	
Total	87.89	116.11	204.88	287.34	320.75	323.64	348.34	356.77	387.12	482.05	
Target	-	-	-	-	325.00	340.00	350.00	360.00	420.00	500.00	



POWERLOOMS

Profile

i) Number of authorised Powerlooms (31.8. 1987)	8, 74, 199
ii) production of powerloom cloth in 1986-87 (See Annex. 9.1)	6222 million sq. metres
iii) Employment (whole time and part-time)	35 lakh persons
iv) Areas having concentration of powerlooms	
Maharashtra	2,75,000 powerlooms
(a) Bhiwandi	
(b) Ichal-Karanji	
(c) Malegaon	
(d) Sholapur	
Gujarat	1,60,000 powerlooms
(a) Surat	
(b) Ahmedabad	
Tamil Nadu	63,000 powerlooms
(a) Salem	
(b) Erode	
(c) Coimbatore and other towns	
v) Powerloom Service Centres under the Textile Commissioner	12
vi) Powerloom Service Centres established by Textile Research Associations	4

9.1 The powerloom industry plays a significant role in the economy by catering to the clothing needs of the masses. Particularly this industry manufactures cheaper variety of cloth. At present powerloom accounts for a little less than 50% of the total cloth production. In 1986-87, powerlooms in decentralised sector produced 6222 million metres amounting to 48% of total cloth production in mill sector, powerloom sector and handloom sector put together. The table below gives the production and relative share of all the three sectors from 1980-81 to 1986-87 (Bar chart at Annex-9.1).

Production of cloth			(In million metres)	
Year	Powerloom Sector	Mill	Handloom Sector	Total Sector
1981-82	4547 (41%)	3808 (35%)	2626 (24%)	10981 (100)
1982-83	4694 (44%)	3132 (30%)	2788 (26%)	10614 (100)
1983-84	5315 (45%)	3487 (30%)	2956 (25%)	11758 (100)
1984-85	5445 (45%)	3432 (29%)	3137 (26%)	12014 (100)
1985-86	5886 (47%)	3376 (27%)	3236 (26%)	12498 (100)
1986-87	6222 (48%)	3317 (26%)	3449 (26%)	12988 (100)

Note : Figures in brackets are the percentage share of each sector in total cloth production. It is evident that the share of powerloom cloth in total textile output is increasing over time.

9.2 The number of powerlooms working in the decentralised sector has grown rapidly during the last three decades. The number of powerlooms has risen from 45,000 in 1959 to 8,74,199 in 1987 (Annex. 11.2).

NUMBER OF POWERLOOMS IN DIFFERENT YEARS

Years	No. of Powerlooms
1942	15,000
1956	27,000
1959	45,000
1964	1,45,843
1977	3,47,000
1981	6,38,000
1987	8,74,199

Most of the looms were set up unauthorisedly and were being regularised by the Government from time to time. Although the industry has grown up in the vicinity of important centres of the textile industry like Bombay, Surat and Coimbatore to get advantage of availability of infrastructural and raw material facilities, it has maintained its decentralised character. The powerlooms have mostly concentrated, in the areas like Bhiwandi, Ichalkaranji, Malegaon and Sholapur in Maharashtra, Surat in Gujarat and Salem in Tamil Nadu.

- 9.3 The powerloom sector enjoys certain advantages vis-a-vis the composite mill, such as (i) low wages (ii) low fiscal levies on yarn, (iii) absence of levy on grey fabrics, (iv) low over heads (v) low requirement of working capital and (vi) flexibility in changing the product - mix to suit market demand, etc. The composite mills have the advantage of higher technologies capabilities, marketing strength and better quality control. But on balance, the advantage is distinctly with the powerloom sector. Powerlooms not only enjoy the benefits of low wages, low overheads and flexibility in changing the product-mix at par with the handlooms but they have the further advantage of working with power. Thus in the matter of production of simple cloth and grey cloth they are able to outprice handloom products. Powerlooms have also encroached into the product lines reserved for the handlooms.
- 9.4 No authentic data on employment on powerlooms in the decentralised sector is available. However, it is estimated that 1.25 persons per powerloom are engaged in pre-weaving operations and an equal number on weaving operations upto grey folding stage. Estimated on this basis, operations upto grey-folding stage employ 21.85 lakh persons. When account is taken of the persons employed in post-loom operations like processing of cloth, repair of powerlooms, marketing of cloth, etc. which is part-time, employment in powerlooms is assumed to be around 35 lakh persons. This, however, appears to be an over

estimate because post-loom services are utilised also by the mill sector and the handloom sector.

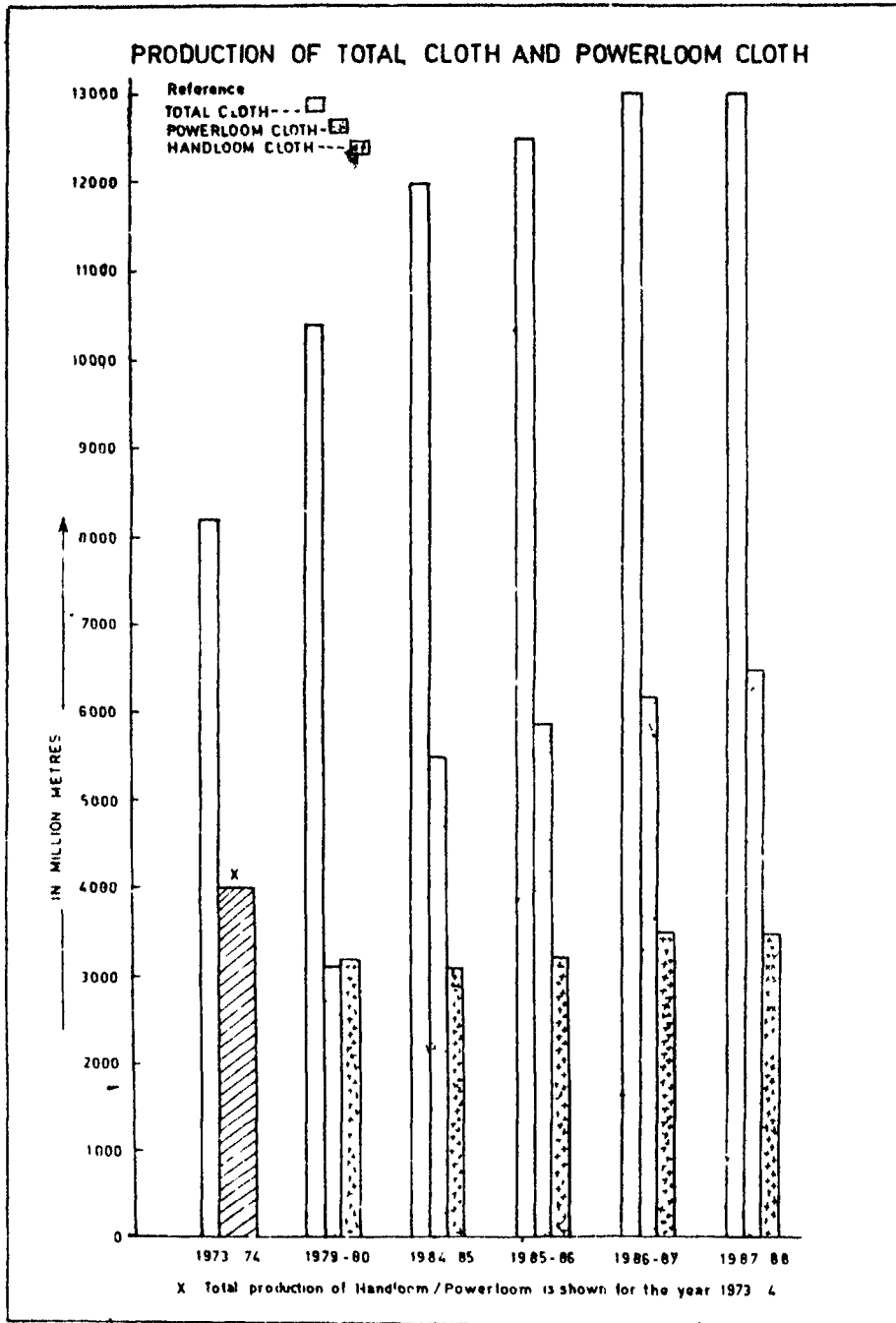
- 9.5 The working pattern in this sector is varied in nature. Statistics show that 75% of cotton powerlooms and 30% of powerlooms in man made textile sector work on job basis. Only 2 to 3 percent of the powerlooms come under cooperative fold and a few powerlooms are managed by family members. About 25% of the powerlooms are working independently.**
- 9.6 The powerloom cloth is processed mostly in the independent process houses. Because very few powerloom units possess own resources to procure yarn, manufacture their own product and get them processed and market them in their own trade name, the actual weaver does not get a major share in the profit. Small powerloom owners are often forced to operate their looms on conversion charge basis at the mercy of middlemen and financiers.**
- 9.7 The Government of India has set up 12 powerloom Service Centres functioning under control of Textile Commissioner for assisting powerloom weavers in achieving better method of production, diversification of product and making production of cloth on powerlooms more remunerative. The map indicating concentration of powerlooms and locations of powerlooms service centres is at Annex-9.3 These Centres conduct training programmes, develop new designs, provide free testing facilities for yarn and fabrics, survey powerloom industry, assist the industry by giving technical information, diversify powerloom products and co-ordinate with powerloom associations/cooperatives and State Government in their projects/plan for development of this industry. As a follow up to the Textile Policy 1985, Government sanctioned four new power-looms Service Centres to be opened under the control of Textile Research Associations such as SITRA, NITRA, ATIRA, and BTRA. These Centres are already established during 1987-88.**
- 9.8 The powerlooms in the decentralised sector require both working capital for operational requirements and also term loans for modernisation of looms. Powerloom units are entitled to avail of financial assistance under Refinancing Scheme of NABARD and IDBI through Cooperative/Commercial Banks/SFCs. In view of excess capacity in the weaving sector IDBI has taken a stand of not financing new powerloom units, while modernisation of existing powerloom units would be financed. NABARD would be extending block capital for purchase of powerlooms to the member of primary powerlooms weavers society. However, the flow of finance in the decentralised powerloom sector has**

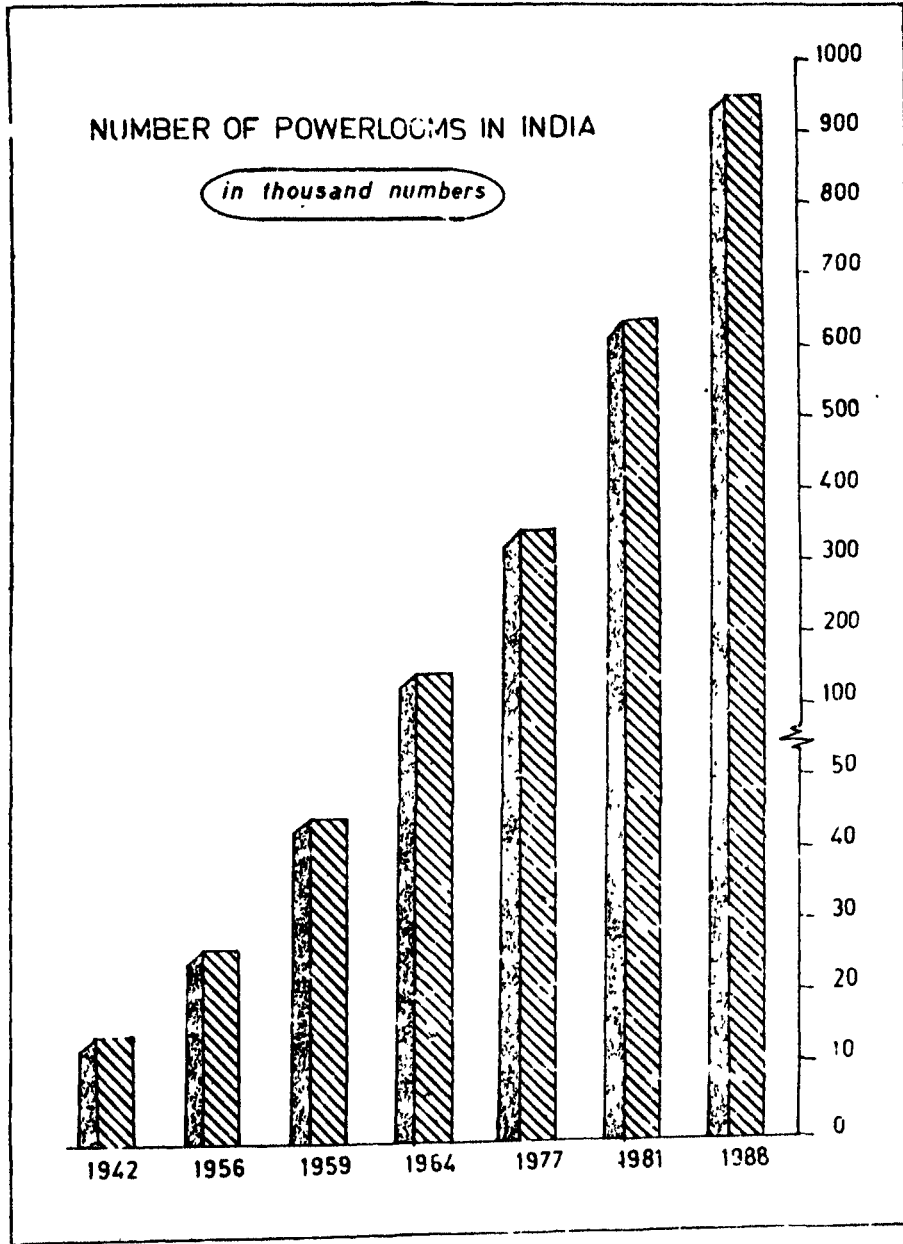
not yet been adequately monitored. The amount sanctioned to powerloom under cooperatives for working capital by Central Cooperative Banks is inadequate and also the interest rates are very high (13-14%). Individual entrepreneurs of powerloom sector also face the same difficulties when financed by commercial Banks. Secondly, the Cooperative Societies are burdened with huge debts due to default of borrowers in payment of loan and interest. These defaults at times exceed the paid up capital and as such the societies are unable to obtain assistance under NABARD scheme. Further, the powerloom sector does not get adequate loan for modernisation programme.

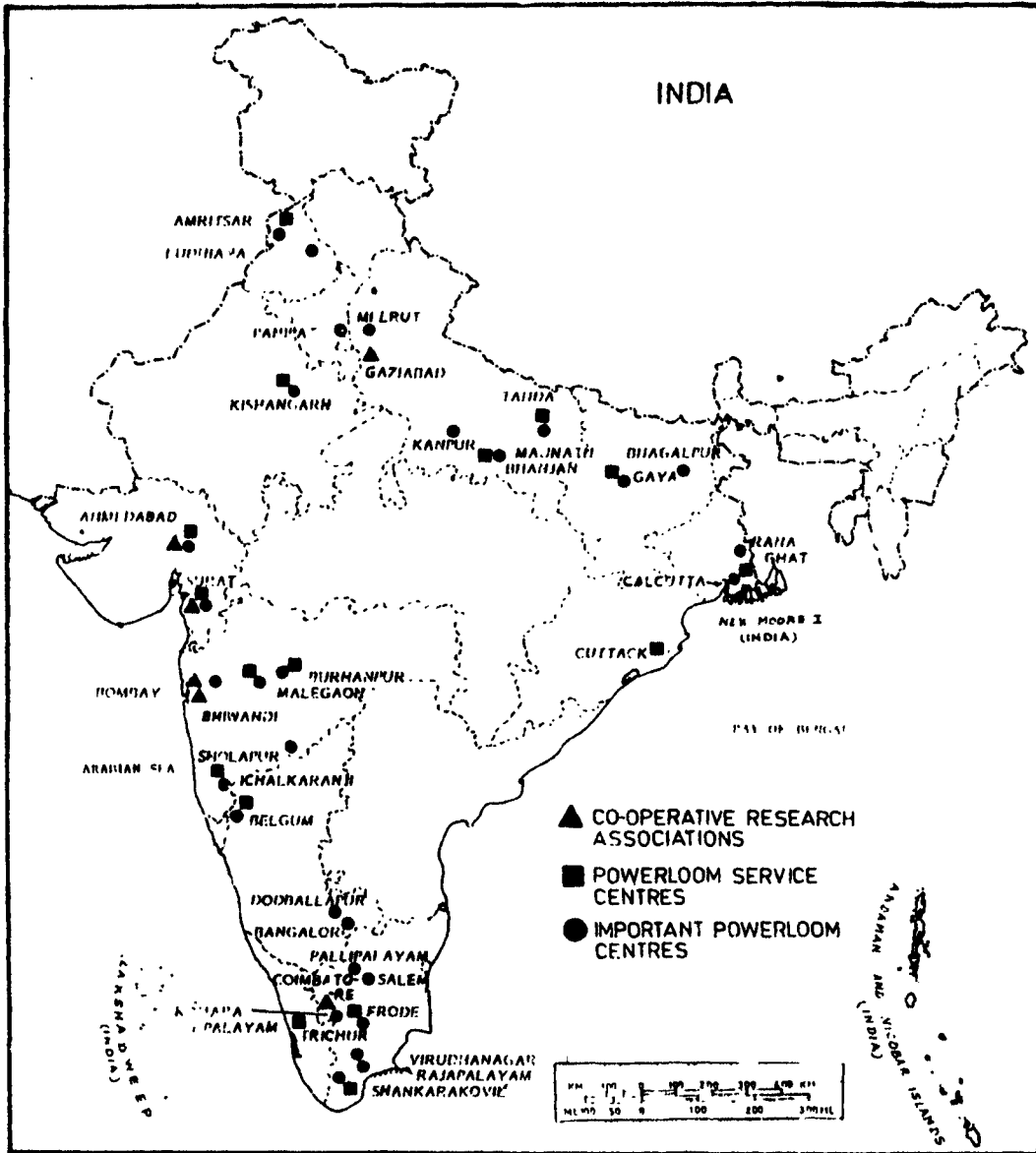
- 9.9 The task Force on Credit Requirements of Powerlooms, constituted by the Government of India which submitted its report in December, 1987 has estimated the requirements of funds for working capital and modernisation to be Rs. 500 crores and Rs. 200 crores respectively in the first year. As more and more powerlooms come out of the strong hold of master weavers/merchants/middlemen, the annual requirements of funds will go up.
- 9.10 In view of the importance and present position of powerloom sector, and position of the weavers in particular, it is necessary that more and more powerlooms are brought under the cooperative sector so as to establish a structure that would facilitate availability of institutional credit and creation of necessary pre-loom and post-loom facilities. Marketing can also be taken care of by the cooperatives. Cooperativisation is also recommended because it is non-exploitative form of organisation. It will also facilitate the enforcement of Handloom Act under which certain product lines are reserved for the handlooms and are being produced on the powerlooms in the decentralised sector.
- 9.11 In the face of the demand for indigenous textile products not showing a high growth rate priority is to be given to modernisation. Hence, it is required to provide adequate credit to powerloom units not only to fulfill their working capital needs but also for modernisation.
- 9.12 The unplanned growth of powerlooms in the unorganised sector which has already tended to concentrate in few areas, is to be checked.

POINTS FOR CONSIDERATION

- **What areas of fabrics should the powerlooms produce?**
- **Improvement in the working conditions of powerlooms;**
- **Need for modernising powerlooms; and**
- **Need for harmonising the areas of operation of textile mills, power looms and handlooms.**







Chapter-10

HANDICRAFTS

Handicrafts besides representing great cultural heritage of our country, occupy an important position in the Indian economy especially from the point of view of employment and exports. The definition of handicrafts varies from country to country but in India artistic hand-made goods, which have attractive designs and fine workmanship, are generally referred to as handicrafts. An illustrative list of handicrafts is given at Annex -10(1). Handicrafts, with their wide variety form a major labour intensive decentralised industry where the production is mainly done by hand with the help of small tools and equipments, mostly in artisan's own house. This sector provides employment to weaker sections of the society.

PRODUCTION AND EMPLOYMENT

10.2 The handicrafts industry provides employment to over 3 million craftsmen and produce goods worth more than Rs. 5000 crores per annum. The growth of production and employment in this sector since 1980-81 is given below :

S. No.	Year	Estimated Production (Rs. crores)	Estimated Employment (Lac persons)
1.	1980-81	2300	22.64
2.	1981-82	2800	23.90
3.	1982-83	3050	25.04
4.	1983-84	3250	26.10
5.	1984-85	3500	27.40
6.	1985-86	3800	28.80
7.	1986-87	4940	32.05
8.	1987-88	5360	33.65
9.	1989-90 (Target)	5400	35.80

Source: Plan documents and Office of DC (Handicrafts).

10.3. The growth of production and employment during First three years of the Seventh Plan indicates that the targets fixed for the terminal year of the 7th plan will be appreciably exceeded.

EXPORTS

10.4. Handicrafts have been making valuable contribution to foreign exchange earnings for the country. The exports of handicrafts from India from 1980-81 onwards is as under:

S. No.	Year	Exports of Gems & Jewellery (Rs. crores)	Exports of other handi- crafts (Rs. crores)	Total Exports (Rs. crores)
1.	1980-81	614.70	351.67	966.37
2.	1981-82	807.11	412.14	1219.25
3.	1982-83	1011.28	381.08	1392.36
4.	1983-84	1291.36	428.12	1719.49
5.	1984-85	1232.30	536.46	1767.74
6.	1985-86	1498.31	503.25	2001.56
7.	1986-87	2127.04	415.47	2547.51
8.	1987-88	2367.36	625.00	3262.36
	(Provisional)			
9.	1988-89 (Partial)	3200.00	720.00	3920.00

Source: Office of DC (Handicrafts) and Gem & Jewellery Export Promotion Council.

Notes : Revised targets for 1989-90 are not available. During the years 1985-86, handicrafts accounted for 18.19% of the total exports.

10.5 The exports of handicrafts are normally classified into two groups of 'Gem & Jewellery' and 'other handicrafts'. India has been making substantial progress in the exports of Gems & Jewellery and is now one of the leading exporters in the world market. Among various items of gems & jewellery, diamonds occupy a very prominent position. As is well known the diamonds are by and large imported by India and re-exported after cutting, finishing and polishing etc. The value added is between 25% to 35%. The exports of gems & jewellery from India increased from Rs. 1232.30 crores in 1984-85 (the base year of the Seventh Plan) to Rs. 2637.36 crores (provisional) in 1987-88 (third year of the Seventh Plan) showing a step up of about 114%. There is a separate Gem & Jewellery Export Promotion Council to take care of all aspects of exports.

10.6 The exports of 'other handicrafts' which include traditional items, such as woollen carpets, art metalware, wood ware, handprinted textiles, ivory products, embroidered goods, declined from Rs. 536.46 crores in 1984-85 to Rs. 503.25 crores in 1985-86 and to Rs. 415.47 crores (provisional) in 1986-87. The export of traditional handicrafts have declined during the first two years of the 7th Plan but these are expected to pick up during the third year, 1987-88 of the Seventh Plan. The export of 'other handicrafts' for April-December, 1987 was about Rs. 430.0 crores but during the year 1987-88 these are expected to reach the target of Rs. 625.00 crores. While the exports of gems & jewellery have been doing very well, the exports of traditional handicrafts have been rather stagnant and even declining. Some of the factors that have been hampering the growth of exports of traditional handicrafts are like non-availability of raw materials, such as woollen yarn, ivory etc. lack of marketing intelligence in terms of consumer acceptance needs and blending of art with functional requirements, lack of quality products, non-compliance of delivery schedules, CUMBERSOME procedure for exports and lack of appropriate efforts in promoting exports. The import of raw materials required for production of handicrafts especially wool and ivory and import of tools and equipment have been liberalised and import duty substantially reduced. There is a great need for modernisation of production, design, tools, upgradation of artisans skills, and simplification of export procedures. Concerted efforts are required to be made to enhance exports of traditional handicrafts by removing all the bottlenecks and taking positive measures for their growth. Separate export promotion councils have been set up for carpets, handicrafts and they should take dynamic and vigorous measures to ensure reasonable growth in exports of traditional handicrafts.

TRAINING

10.7	Total numbers of training centres Artisan trained annually Trades	652 (over 500 are for carpet weaving) Over 16,000 Carpet wearing, metalware, handprinted textiles, cane & bamboo etc.
	Other types of Training	Attached to recognised master craftsmen approximately 126.

To increase the absorption of trainees, there is a need to reorient the training programme. Many lower knottage carpet centres need to be closed. Newer concept of training making use of computer assisted designing need to be evolved. Post carpet weaving centres in terms of washing, clipping, embossing, finishing, etc. are needed.

RESEARCH, DESIGN AND TECHNICAL DEVELOPMENT

10.8 1) Composite design & Technical development centres	Delhi, Bombay, Calcutta & Bangalore
2) National Training & Development Institutes.	
i) Hand Printed textiles	-Jaipur
ii) Art Metalware	-Moradabad.
iii) Carpet	-Badhoi. (Yet to be established though it is a VIth plan scheme.)
iv) Cane & Bamboo	-Agarthala.

These centres are engaged in development of new designs, documentations, design of improved tools implements, upgradation of technology and training of personnel. There is a wide gap between development of designs it's dissemination and commercial utilisation. Arts and crafts require a free atmosphere for their expression and with this end in view an independent society 'Rangtantra' was formed to take over the work of these centres but for various reasons it has not become operational. There is no regular monitoring and evaluation mechanism to improve the performance of these centres. The location of R&D centres are given in the map at Annex 10(2) We must try to promote computer assisted designs in selected numbers of a amenable handicrafts.

MARKETING (INTERNAL)

10.9 The estimated production and sales of handicrafts through public sector emporia from 1980-81 to 1986-87 is given below :

S.No.	Year	Estimated Production (Excl. Gems & Jewellery) for domestic market (Rs. Crores)	Sales through Public sector emporia (Rs. Crores)
1.	1980-81	534.00	19.08 (3.57)
2.	1981-82	632.00	22.50 (3.56)
3.	1982-83	663.00	25.84 (3.90)
4.	1983-84	617.00	29.13 (4.72)
5.	1984-85	732.00	32.97 (4.50)
6.	1985-86	774.00	41.86 (5.41)
7.	1986-87	825.00	47.81 (5.80)

Source : Bose-Mullik Committee Report & Office of DC (Handicrafts).

Notes : Figure within brackets are percentage of total.

During the course of last 2 decades about 30 Central/State Handicrafts/ Handlooms Corporation and Handicrafts Apex Cooperative Societies have been set up with about 350 public sector emporia/sales outlets. Most of the states have their own handicrafts/handloom corporation and the emporia. The sale of handicrafts through public sector emporia increased from Rs. 19.08 crores (3.57%) in 19780-81 to Rs. 47.81 crores (5.80% in 1986-87. A recent study revealed that the total borrowings (5.5% to 17.5% of equity) worked out to a mere Rs. 7.80 crores against the paid up capital of Rs. 37.31 in 1985-86. The following table gives the paid up capital, borrowing, equity, debt and equity sales ratios over the recent 6 years period.

**PAID-UP CAPITAL BORROWINGS AND EQUITY-DEBT AND
EQUITY SALES RATIOS**

Year	Paid up Capital (Rs. crores)	Borrowings from Financial Institutions (Rs. in crores)	Equity Debt Ratio	Equity Sales Ratio
1980-81	25.27	6.00	1:0.24	1:0.76
1981-82	28.87	6.35	1:0.22	1:0.78
1982-83	31.61	5.71	1:0.18	1:0.81
1983-84	33.93	7.92	1:0.23	1:0.85
1984-85	37.31	9.10	1:0.24	1:0.87
1985-86	37.31	7.80	1:0.21	1:1.12

Source : Bose Mullik Committee Report.

The craftsmen continue to suffer from the operations of middlemen/financiers. If the corporations have to make an impact, their total turn over must increase considerably. They should also become commercially viable. However, most of the corporations borrow very little from financial institutions and their turn over is poor. Marketing service extension centres (46) (the locations are indicated in Annex 10(3)), product promotion programmes, marketing meets, exhibitions, fairs and festivals through which we try to promote spot sales and also bring craftsmen directly in contact with buying agencies and dealers for future requirements, would need to pay greater attention for promotion of new designs, test marketing and market intelligence. An appropriate strategy for promotion of marketing of handicrafts within the country, especially through private channels which accounts for about 94% of market share, needs to be evolved. The public sector corporation have not been able to make any significant in the sale of handicrafts in the country nor they have been able to run their commercial activities/emporia in an economically viable manner. Almost all the handicrafts corporations are incurring losses in their commercial activities/emporia. In order to increase the role and effectiveness of the corporations in marketing handicrafts, a time has come to professionalise the corporations. Suitable personnel/managers have to be systematically trained in marketing of handicrafts and posted to these corporations. The DC (Handicrafts) with the help of Institute of Rural Management or similar rural institutes should chalk out a suitable programme for this.

PLAN OUTLAYS

10.10 The public sector outlays for handicrafts sector alongwith total plan outlay and the plan outlay for VSI sector are given below:

PUBLIC SECTOR OUTLAYS-TOTAL, VSI SECTOR AND HANDI-CRAFTS DURING SIXTH AND SEVENTH FIVE YEAR PLANS.

	(Rs. crores)	
	Sixth Plan (1980-85)	Seventh Plan (1985-90)
A. Centre		
1. Total Plan outlay	47,250.00	95,534.00
2. Outlay on VSI sector	923.40	1,284.84
3. Outlay on Handicrafts	56.40	66.00
4. Outlay on Handicrafts as per percentage of total outlay	0.11	0.07
5. Outlay on handicrafts as percentage of outlay on VSI sector	6.11	5.14
B. States/U.Ts.		
1. Total Plan outlay	50,250.00	84,466.00
2. Outlay on VSI sector	857.05	1,467.90
3. Outlay on handicrafts	54.50	62.86
4. Outlay on handicrafts as per percentage of total outlay	0.11	0.07
5. Outlay on handicrafts as percentage of outlay on VSI sector	6.36	4.28
C. Total Centre & States/UTs		
1. Total Plan outlay	97,500.00	1,80,000.00
2. Outlay on VSI sector	1,780.45	2,752.74
3. Outlay on handicrafts	110.90	128.86
4. Outlay on handicrafts as percentage of total outlay	0.11	0.07
5. Outlay on handicrafts as percentage of outlay on VSI sector	6.23	4.68

Source : Vith & VIIth Plan documents.

10.11 It will be seen from the above that plan outlay on handicrafts in centre and States/UTs, as percentage of total plan outlay, was reduced from 0.11 to 0.07 in Seventh Plan. The plan outlay on handicrafts in Centre and States/U.Ts. as percentage of plan outlay for VSI sector, was 6.23 in Sixth Five Year Plan which was reduced to 4.46% in Seventh Plan. The play outlay on handicrafts as percentage of both total plan outlay and plan outlay on VSI sector, was reduced in Seventh Plan, even though in absolute terms the figures had gone up.

10.12 The expenditure/outlay on handicrafts at the centre and in State during the base year of Seventh Plan (1984-85), the Seventh Plan (1985-90) and the first three years of 7th Plan i.e. 1985-86, 1986-87 1987-88 is as under :

	(Rs crores)		
	Centre	State/U.T.	Total
1. 1984-85 (Actual Exp.)	10.16	9.21	19.37
2. 1985-86(7th Plan Outlay)	66.00	62.86	122.86
3. 1985-86 (Actual Exp.)	10.39	10.76	21.15
4. 1986-87 (Ant. Exp.)	10.70	9.97	20.67
5. 1987-88 (Approved outlay)	10.60	12.66	23.26

10.13. The trend of expenditure/outlay so far in the 7th Plan indicates that both at the centre and in states the total plan expenditure during Seventh Plan may fall short of the outlay approved. Taking into consideration their contribution to export efforts and employment potential the allocation of funds for handicrafts both at the centre and in the states needs to be stepped up besides reorienting various schemes for development of handicrafts so as to make optimum utilisation of the available plan funds.

CREDIT

10.14 The craftsmen require credit for fixed capital (tools, implements, etc.) and working capital (raw materials, stocking of finished goods, etc.) Added to this is also the credit requirement of corporations, organisations, cooperatives, etc. for promotional support and infrastructural development. The credit requirements for fixed capital are generally of a low order but for working capital the requirement is comparatively of over-whelming dimensions. Taking this into account, credit is being made available under Differential Interest Rates (DIR)

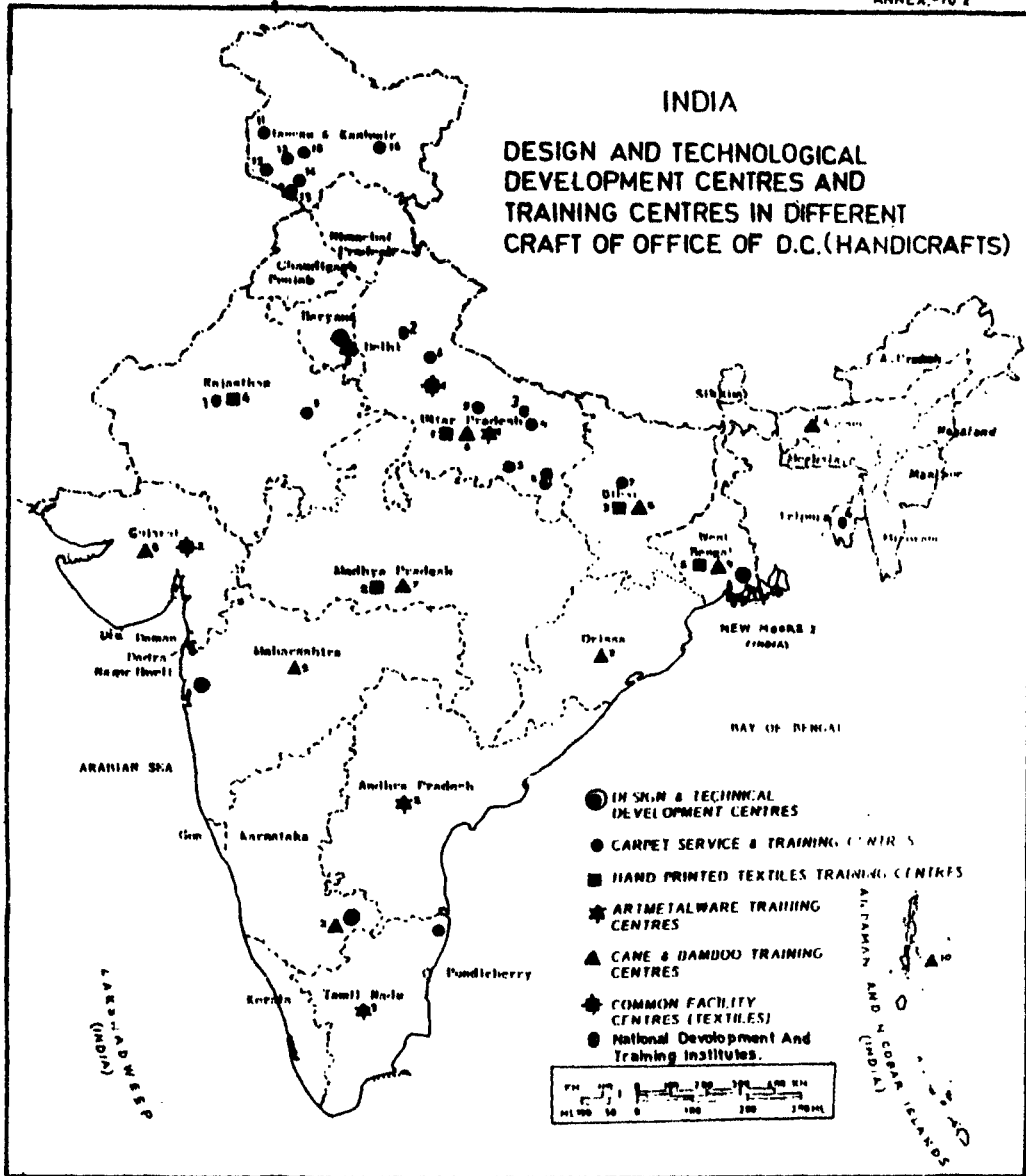
and composite loans which includes the element of working capital without any Collateral Security Credit alone is not sufficient for the success of the enterprise without proper linkage with marketing of goods produced. The question of laying down sub targets for lending to this sector should be considered.

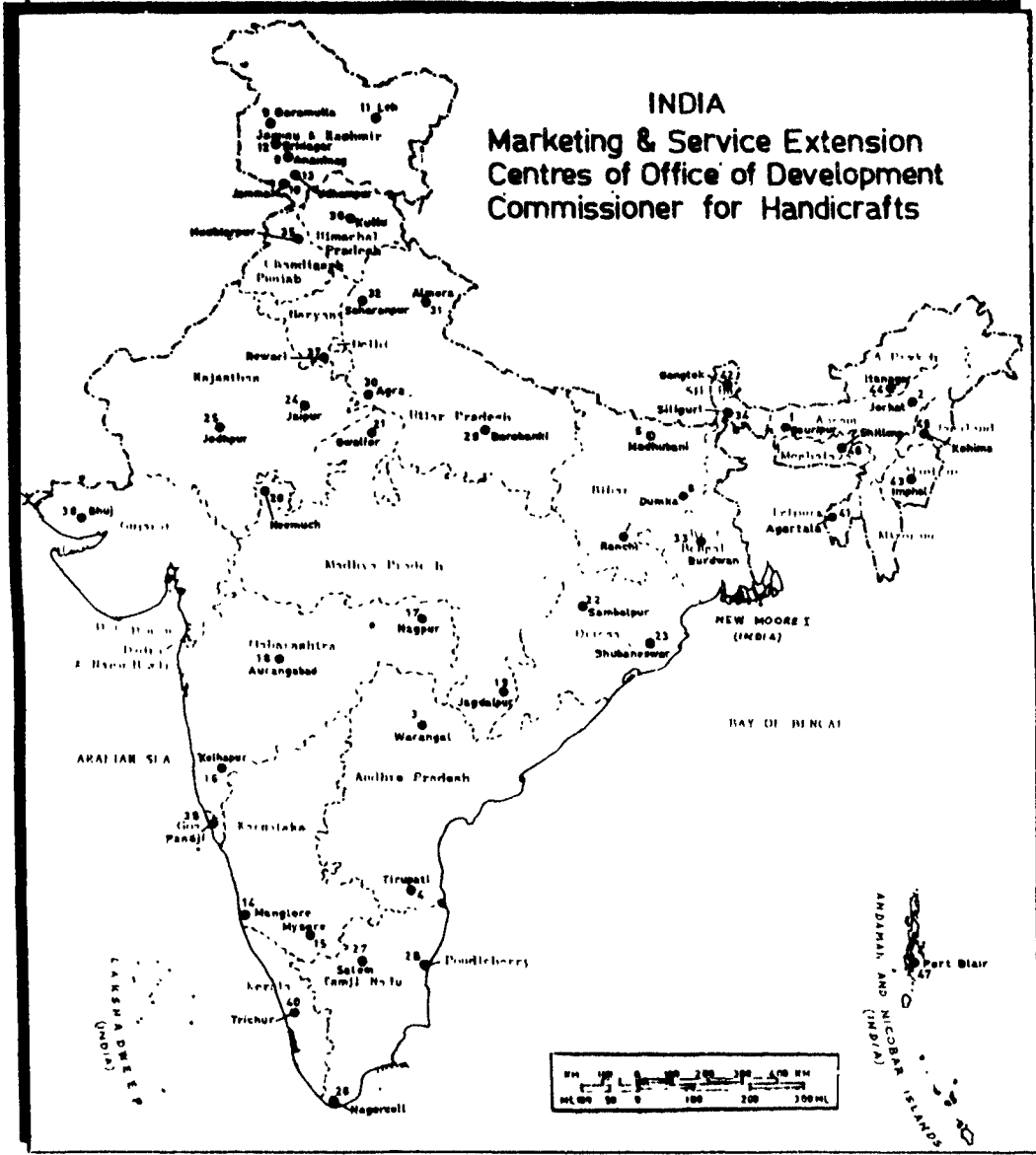
POINTS FOR CONSIDERATION

- **Need for greater thrust to marketing of handicrafts;**
- **Setting up a dedicated low cost computer integrated design and sample making system;**
- **Greater push to R&D efforts; and**
- **Increasing plan outlays for the handicrafts sector.**

ILLUSTRATIVE LIST OF HANDICRAFTS

- | | | |
|-----|---------------------------|--|
| 1. | Carpets | Wollen carpets, rugs and druggets including namdahs, gabbas and durries |
| 2. | Hand printing | Hand printing and traditional dyeing of textiles including Kalamkari. |
| 3. | Artistic textiles | Brocades, Mircoos and shawls. |
| 4. | Embroidered and Zari Work | Embroidery (cotton, silk, wool), lace work including nakki and gotta, sari and sardosi. |
| 5. | Metalware | Silverwares, bidri, filigree, brassware and copperware, bronze castings |
| 6. | Jewellery | Precious, semi-precious and synthetic stones, jewellery of precious metals (platinum etc.), gold jewellery and imitation jewellery, conch shell jewellery. |
| 7. | Bangles and beads | Other than glass beads transferred to SSI |
| 8. | Conch Shell | Articles of conch shell. |
| 9. | Wood work | Wood carving and inlay, wood turning and eaguware including normal work, decorative furniture. |
| 10. | Ceramics | Pottery and earthenwares. |
| 11. | Stone work | Stone carving and inlay including marble work and elebester. |
| 12. | Cane, bamboo straw, etc. | Articles made of cane, bamboo, willow, straw and including mats and pithcrafts. |
| 13. | Flax and Fibre | Handicrafts articles made of flax and fibre. |
| 14. | Toys and Dolls | In various materials. |
| 15. | Papier machine | Papier Machie articles of different types. |
| 16. | Ivory, horn and bone | Artistic articles made of ivory, horn and bone. |
| 17. | Leather | Leather goods (artistic work) |
| 18. | Musical instruments | Traditional ones including improved types. |
| 19. | Incense and perfumery | Handmade and typically Indian. |
| 20. | Miscellaneous | Miscellaneous traditional art objects such as Orissa, Mysore, Tanjore paintings and handicrafts products specially made for ceremonies, article of worship and the articial requisition such as costumes, masks, puppets, etc. |





SERICULTURE

India ranks second next to the People's Republic of China in the production of silk in the world. China has about 4 lakh hectares of land under mulberry and produced 35,000 MTs of raw silk against a production of 8785 MTs of raw silk (both mulberry and non-mulberry varieties) in India in 1986-87. The land under mulberry was 2.296 lakh hectares. India produces all the four varieties of silk, namely mulberry, tasar, eri and muga. Sericulture map of the country may be seen at Annex 11.1. The worm producing mulberry silk feeds on mulberry leaves. Tasar silk has two varieties, that is tropical tasar and temperate tasar; the host plant for the former is 'arjun' and 'Asan' trees and that for the latter is oak tree. Eri worm mainly feeds on castor leaves and the muga worm on the leaves of 'som' or 'sualu' trees. The rearing of worms producing non-mulberry silk is generally carried on by the tribals. Sericulture is an agro-industry. Activities from raising of plant to harvesting of cocoons are agricultural in nature and the next stage of reeling is an industrial activity. The profile of the industry is given below:

SERICULTURE IN INDIA

Silks produced	:	Mulberry, Tasar, Eri and Muga.
Production in 1986-87	:	8785 MTs
Area under mulberry plants in 1986-87	:	2.296 lakh hectares
Exports in 1986-87	:	Rs. 201.49 crores.
Reeling:		
Charkhas	:	21927
Cottage basins	:	6529
Filature basins	:	7186
Silk Handlooms	:	1,82,500
Silk powerlooms	:	31,050

Employment coverage	:	55 lakh persons
Sericultural Villages	:	45462
Quality of Raw Silk Produced	:	Grade 'H'
Quality of Raw Silk imported	:	Grade '2A'

- 11.2 Sericulture is a land and water based industry. Countries like Japan and South Korea where either arable land is scarce or labour is costly are slowly moving out of this industry. Ecologically and in terms of socio-economic considerations sericulture suits us well. For the tribals, it not only provides a source of living but also food. It is a way of life. Further, mulberry is not a water-intensive plant and also drought resistant. Silkworm rearing does not involve much investment and can be carried on by small and marginal farmers. A farmer can either raise plants in his farm, backyard or can purchase leaves. In the north-eastern region, silkworm rearers not only raise cocoons but the same family reels and weaves cloth out of it. In the Southern States where mainly mulberry silk is produced and the industry is better organised, a silkworm rearer generally purchases silkworm eggs (disease free laying-DFLs) from some Government agency, rears worms and sells cocoons in some regulated cocoon market. These cocoons are purchased by private reelers or Government filatures which reel silk known as raw silk. Raw silk is sold in 'Silk Exchanges' and in turn purchased by weavers who produce silk goods.
- 11.3. The industry has made good progress over plan periods. The production of raw silk was 1512 MTs in 1960-61; it has risen to 8785 MTs in 1986-87. State-wise production is given in Annex 11.2. Andhra Pradesh and Tamil Nadu have made remarkable progress in sericulture. Further with the improvement of technology, sericulture has spread to many States. The Plan outlay for sericulture has gone up from Rs.5.00 crores in the Second Five Year Plan (1956-61) to Rs.309.96 crores in the Seventh Five Year Plan (1985-90).
- 11.4 The development of sericulture is primarily the responsibility of State Governments. However, the Central organisations have a vital role in the sphere of production of basic seed, maintaining of germ plasm of plants and silkworms, undertaking of basic research and matters relating to import and export of silk. Recognising this need, Central Silk Board, a statutory body was constituted in April, 1949. It has headquarters at Bangalore. Its members include MPs, Central and State Government officers and the representatives of silk worm

rearers and the industry. The above Board is functioning under the administrative control of the Ministry of Textiles. It has been entrusted with the responsibility of planning for systematic development of sericulture in the country and also to perform the above functions. In addition to the above functions, it also produces and distributes silkworm seed, undertakes some marketing and price stabilisation measures in respect of cocoons and raw silk and initiates measures of standardisation and quality control of silk and silk fabrics. In the States, the programmes are implemented by Directorate of Sericulture/Directorate of Industry. A voluntary organisation known as 'The Asian Institute for Rural Development' is active in the field of providing layings, materials and instructions for rearing and training courses.

- 11.5 The Central Silk Board has set up a vast infrastructure for developing this industry and extending assistance to State Governments and sericulturists. The present infrastructure is shown in the table below:

Type of Infrastructure	Number
Total Personnel	3898
-Of this, Research & Technical	3200
Regional Offices	75
Regional Development Offices	7
Central Research Institutes for Mulberry Sericulture	2
Central Research Institute for Tasar Culture	1
Central Research Station for Eri Culture	1
Regional Research Station for Muga Culture	1
Central Technological Research Institute (Post-cocoon Technology)	1
Silk Conditioning & Testing House	1
Certification Centres	8
Regional Research Stations	22
Research Extension Centres	63
Basic Seed Multiplication & Training Centres	19
Raw Material Banks- Oak Tasar Grainages	2
Under National Silkworm Seed Project	7
Silkworm Seed Production Centres	22
Basic Farms	19
Cold Storages	7
Chawki Rearing Centres	249

The Research Institutes run Post Graduate Diploma Courses in Sericulture, Short Term and Refresher Courses and Farmers' Training Courses. The Central Silk Board also set up an International Centre for Training and Research in Tropical Sericulture at Mysore in 1980 which conducts two training courses, viz. Diploma in Tropical Sericulture and Specialisation in Tropical Sericulture for training of candidates from developing countries as well as from Indian States. The State Governments, particularly of Karnataka, Tamil Nadu, Andhra Pradesh, West Bengal and Assam have created adequate infrastructure in their respective areas. The State Governments have organised farms, seed areas, production of industrial seed, cold storages, training, extension services, cocoon markets, reeling and silk exchanges.

- 11.6. In addition to the work being done in the Research Institutes and other agencies of the Central Silk Board, some important projects have been undertaken/are under implementation by the Board or with its support. One of the earliest programmes started in the mid-1970s related to introduction of bivoltiné silk-an improved variety of mulberry silk of international quality. An Inter State Tasar Project for the tribal rearers was undertaken in 1980 in the States of Bihar, Orissa, Madhya Pradesh, Andhra Pradesh, West Bengal, Uttar Pradesh, Maharashtra and Rajasthan. The Central silk Board also provided 'R&D' support in the implementation of Karnataka State Government's Sericulture Development Project (1980-85) undertaken with World Bank assistance. Muga Seed Development Project was taken up in the north-eastern region in 1983-84. At present, the Central Silk Board is providing support for one Intensive Sericulture Development project each in West Bengal (started in 1985-86) and Orissa (started in 1987-88) being implemented by the respective State governments. Financial support is also being provided to the State Governments of Orissa and Maharashtra for implementing the follow-up phase of Inter State Tasar Project there. For this, assistance is also coming from Swiss Development Cooperation. Similar assistance is also being availed of in respect of Mulberry Sericulture Development Projects in Andhra Pradesh and Tamil Nadu. The Central Silk Board has established about 250 Chawkie Rearing Centres where rearing upto one/two instars is done and farmers are given worms. Supply of two in-star worms reduces mortality to some extent. The Board also supplies mulberry cuttings from traditional areas to the State Governments for raising mulberry plantation and develop sericulture industry in new areas. The Board bears 50% cost of cuttings and its transportation charges and the remaining 50% is borne by the State Governments concerned.

- 11.7. The sericulture industry has made good strides in the last two decades. The production of raw silk has tripled from 2914 MTs in 1970-71 to 8785 MTs in 1986-87. The hybrid race evolved by crossing multivoltine female moth with bivoltine male moth has paid dividends. Productivity per hectare has gone up. The performance of this hybrid when measured in terms of the parameters of cocoon yield, shell ratio, filament length, denier etc. is superior to multivoltine mulberry silkworm races reared earlier in the country. Renditta (silk content) has improved. Farmers are now planting improved mulberry like Kanva-2. The farmers have benefitted substantially from the research work done by the Institutes and the building up of infrastructure. In the southern States, mulberry silkworm rearing provides farmers with steady income. A farmer takes 5-6 crops of cocoons. However, silkworm rearing is quite labour-intensive. But the work is remunerative. Further, over the years the production of silk and renditta have improved; the former from about 20 kgs. to 30-35 kgs. per hectare and the latter from 16-18 to 11. As already pointed out above, sericulture industry in India has comparative advantages. It is ecologically sustainable, economically viable and can generate jobs in rural areas; 8 persons/hectare in rainfed areas and 13 in irrigated areas which is higher than any other agricultural operation.
- 11.8. In the case of mulberry sericulture, the problem that has proved difficult so far is the production of good bivoltine reeling cocoons. The bivoltine sericulture was introduced in the country in mid-1970s. The significant success achieved so far is that the farmers rear bivoltine silkworms for the purpose of seed. The bivoltine male parent is better and is used in the preparation of multi x bivoltine seed. The hybrid layings so obtained have better productivity and renditta. However, the efforts to produce bivoltine cocoons for reeling purposes have not met with success. Reasons for this are many. Bivoltine rearing requires proper temperature, humidity, hygienic conditions and preferably a separate rearing house. The worm consumes more leaf and the overall yield of cocoons from bivoltine seed per unit area of mulberry plantation will not be significantly higher than multi x bivoltine hybrid seed. These silkworms require better quality and more nutritive leaf. Their rearing requires greater care. Harvests are not stable. Bivoltine silkworms cannot be reared throughout the year; higher altitude and cooler climate is necessary for their rearing. The traditional reeling devices used in the country not being suitable for bivoltine reeling lead to more wastage affecting the overall profitability. The reeler does not offer better price for bivoltine reeling cocoons. Thus, it has not proved

profitable for the farmer to go in for production of bivoltine reeling coccons. If we are to achieve better results we have to approach selected farmers in cooler climate. Since bivoltine silk is superior, has an international demand and our powerlooms working on silk need it for warp, it is imperative that research efforts are directed towards evolving a bivoltine race suitable for our agro-climatic conditions. Simultaneously, reeling technology has to be upgraded.

11.9 Even though research in mulberry sericulture in India has been commendable yet this industry continues to be characterised by low productivity and poor quality of silk. The quality and productivity levels in India, Japan and China are given below:

	India	Japan/China
(a) Leaf Production per hectare	(1) Rainfed 34 MTs (ii) Irrigated 10-15 MTs.	30-40 MTs (China)
(2) Raw Silk production per hectare (Kgs)	30-35	120 (Japan)
(3) Renditta	11	5-6 (Japan)
(4) Quality of Raw silk produced	Grade H	Grade 2A (China)

11.10 Notwithstanding the good work done by the research institutes and extension staff, the farmers practising non-mulberry sericulture have not benefitted much. So far, emphasis of research activities has been on mulberry sericulture. Non-mulberry sericulture mainly practised by the tribals still abounds in technical and technological problems. Muga race is wild. There are no identified races or germ plasm of proven merit. While food plants exist, sufficient disease free layings are not available to exploit them. In the case of eri which is a sturdy crop, its economics seems to depend on the supply of zero cost castor leaves. Oak tasar is wild and the generation of adequate seed itself is a basic problem apart from its preservation and a very poor second crop. The non-mulberry sericulture sector is more or less stagnant and in a state of low level equilibrium of production and sale.

11.11 Seed is the sheet anchor of sericulture industry. Productivity depends on the quality of seed. It should also be free from disease. Seed is being prepared by government agencies and private seed preparers. In the case of mulberry seed, their contribution is almost equal. Production of mulberry silkworm seed for

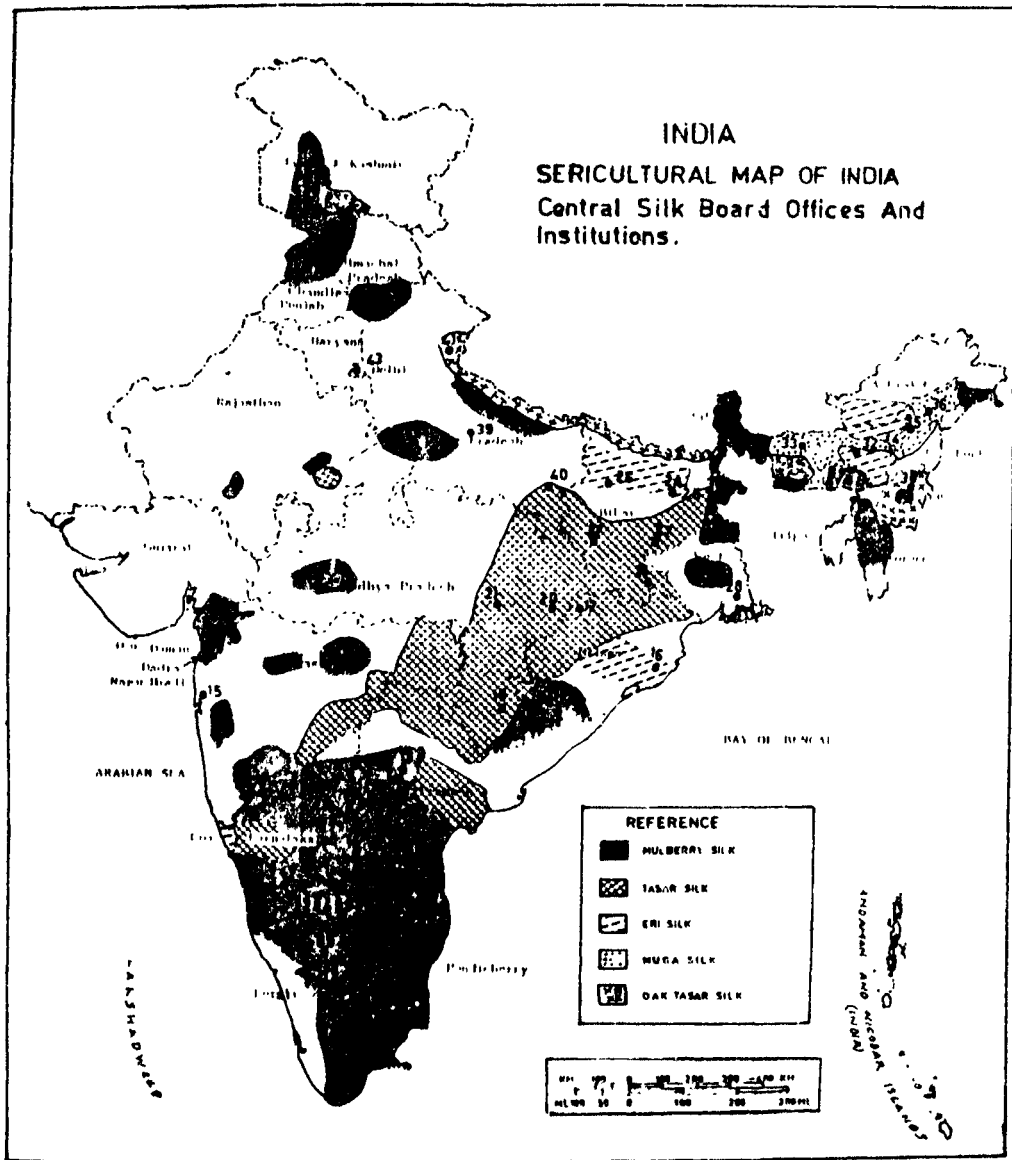
the last three years can be seen in Annex. 11.3 The seed prepared by the Asian Institute for Rural Development - a voluntary agency - is considered to be one of the best. It is not possible for the Government sector to produce the entire quantity of seed that is required. Considerable improvement is needed in DFLs production both by the private and government sectors.

- 11.12 An institute for post-cocoon technology was set up in 1983 only. A number of reeling devices are used, the widely prevalent being the charkha. The quality of cocoons produced now is also different from what it used to be some years back. Work has, therefore, to be done on developing efficient reeling devices/ modifying existing devices for the four varieties of silk produced in the country.**
- 11.13 The Central Silk board is engaged in basic research, maintenance of basic seed, production of industrial seed and providing extension services. State Government have also built up infrastructure to produce seed and provision of extension services. In the early years, the Board had to take initiative in promoting the industry in traditional and new areas. Now that the agencies of State Governments have attained enough experience and maturity, it is necessary that the role of central organisations, State agencies and the private sector is well defined and their activities coordinated with a view to systematically develop the industry.**
- 11.14 Apart from the problems relating to productivity and quality of raw silk, realisation of value from products made of silk will depend on the processing and finishing of silk products. This has relevance both for silk products used domestically and marketed abroad. However, this is an area where it is doubtful if we have some comparable technology. Though there are several research institutes for textiles yet no project relating to processing and finishing of natural silk fabrics has been taken up by anyone. Endeavour would be necessary either to get such technology from abroad or to develop indigenously.**
- 11.15 Silkworm rearing is mainly carried on in rural areas. Rearing of non-mulberry silkworms is generally practised by the tribals. In the rearing of mulberry silkworms weaker sections of the society are also engaged. Small and marginal farmers also undertake silkworm rearing. Inadequacy of resources has been experienced. This has been remedied to quite an extent by supplementing funds available for the development of this sector with finance and facilities available for programmes like OPAP and IRDP in the States of Karnataka,**

Andhra Pradesh and Tamil Nadu. Such coordination of programmes needs to be replicated in other sericultural States.

POINTS FOR CONSIDERATION

- **Need for assessing supply of quality seed;**
- **Greater stress on production of bivoltine silk;**
- **Quicker build up of silk production in the country;**
- **Need for improvement in mulberry leaf production and adequate linkages with afforestation, IRDP, RLEGP, NREP and tribal welfare programmes; and**
- **Need for improvement in the post cocoon technology like reeling and processing.**



Production of raw silk

Annex. 11.2

Sl. No.	States	1960-61	1970-71	1980-81	1984-85	1985-86	1986-87
1.	Andhra Pradesh	151	230	798	1254	1031	1462
2.	Assam			165	258	288	292
3.	Arunchal Pradesh				6	6	6
4.	Bihar	85	199	177	305	348	348
5.	Himachal Pradesh		1	2	4	4	4
6.	Jammu & Kashmir	88	49	76	53	34	46
7.	Karnataka	843	1936	2878	4059	4300	4671
8.	Madhya Pradesh	77	151	65	43	36	39
9.	Maharashtra	1	1		2	2	3
10.	Manipur	1	1	34	45	63	67
11.	Mizoram						26
12.	Meghalaya				45	69	60
13.	Nagaland				7	12	1
14.	Orissa				79	73	65
15.	Punjab	7	1		4	4	5
16.	Tamil Nadu	2	2	467	750	833	850
17.	Tripura			1			1
18.	Uttar Pradesh	1	4	5	22	24	28
19.	West Bengal	239	329	371	737	770	811
	Total	1512	2914	5041	7673	7897	8785
	Average Annual Growth Rate		9.27%	7.29%	13.05%	2.92%	11.24%

Annex. 11.3

A CHART SHOWING THE MILKERY SILKORM SEED PRODUCTION IN KARNATAKA, ANDHRA PRADESH, TAMIL NADU, WEST BENGAL, JAMMU AND KASHMIR AND OTHER STATES DURING THE YEARS 1965-66, 1966-67 AND 1967-68

Sl. No. of the State	PRODUCTION OF SILKORM SEED (In lakh lbs)											
	1965-66			1966-67			1967-68					
	M.S.P. CSM	State Govt.	Private seed preparers	Total	M.S.P. CSM	State Govt.	Private seed preparers	Total	M.S.P. CSM	State Govt.	Private seed preparers	Total
1. Karnataka	74.46	750.22	844.00	1668.68	104.73	750.43	834.43	1689.59	117.34	825.00	978.44	2000.78
2. Andhra Pradesh	20.23	114.58	-	134.81	40.53	157.78	-	198.31	32.62	148.70	-	201.32
3. Tamil Nadu	24.34	95.60	10.06	130.00	43.99	97.58	10.43	152.00	42.32	88.00	10.56	134.88
4. West Bengal	9.72	110.00	500.28	620.00*	28.39	125.00	427.91*	581.30	43.83	125.00	412.67	581.50*
5. Jammu & Kashmir	0.83	39.17	-	40.00	4.97	34.00	-	40.97	3.40	24.68	-	28.08
6. Others	9.06	26.26	-	35.32	13.83	28.81	-	42.64	12.30	33.36	-	45.66
TOTAL	130.64 (5.27) (43.21)	1135.81 (31.21)	1354.34 (51.21)	2628.79 (68.11)	236.44 (8.74)	1198.80 (44.49)	1272.77 (47.6)	3704.61 (100.0)	251.85 (8.36)	1348.76 (45.11)	1909.47 (56.53)	2012.08 (57.0)

* Unauthorised production by farmers & traders.

+ 1966-67 figures re-vised.

Note: In figures in brackets represent the percentages.

