CHAPTER - IV

ROLE OF GOVERNMENT, BANKS AND OTHER AGENCIES IN FINANCING SMALL-SCALE UNITS.

This part of the study examines the role of Government banks and financing agencies in promoting and financing Small-Scale Industries in North Bengal. For this purpose various financial assistance schemes offered to Small-Scale Units by these agencies from time to time and their actual performance has been analysed.

In the present set up, Government assistance under BSAI Act has been extended to Small-Scale Units in the districts through District Industries Centres/Rural Industries Project Offices. Bank credits are offered to Small-Scale Units by way of 'Working Capital Loan' and 'Term Loan' in selective processes. West Bengal Financial Corporation is assisting Small-Scale Units by 'Term Loan'. West Bengal Small Industries Corporation is also assisting Units by advancing term loan for purchase of machinery and equipment on 'Hire-purchase Agreement'. In addition to these, Central Government and State Government have introduced various incentives for promoting and developing small industries in backward districts. How far Small-Scale Units of North Bengal have been actually benefited by these assistance schemes, is a matter of survey of this part. Data pertaining to this analysis have been obtained from various sources like; District Industries Centres, Banks, West Bengal Financial Corporation etc. as far as practicable.

ROLE OF DISTRICT INDUSTRIES CENTRE:

To start with examining the role of Government, banks

and financing agencies for the promotion of Cottage & Small-Scale Industries Sector, mention must be made first of District Industries Centres (DIC) set up by the State Government for this purpose in every districts of West Bengal Since 1978.

Small entrepreneurs require various types of assistance starting from selection of an item of manufacture to provision for inputs like credit, Raw Material, Power and also land and Building etc. DICs provide all these facilities to the entrepreneurs under one roof at the district level. Prior to the opening of these centres, an entrepreneur had to run to several agencies, many of them were away from the district. But after the opening of District Industries Centres entrepreneurs get all these assistances from one agency. For this purpose appropriate powers have been delegated to the District Industries Centres by several departments of the State Government. Functions of the DICs have been identified as under:

(i) To survey existing, traditional and new industries raw materials and human resources. To identify schemes and give a market forecast for different items and to prepare sample techno-economic feasibility reports and to offer investment advice to entrepreneurs.

(ii) To assess the requirement of machinery and equipment for various types of Small-Scale, tiny and village industries, to assess sources of availabi-

lity of machinery and equipment, to liaise with research institutions regarding R & D, arrange machinery on hire purchase basis etc.

(iii) To arrange for training courses for entrepreneurs of small and tiny units and liaise with Small Industries Service Institute, SIET Institute and other institutions. To keep abreast with research and development in selected product lines and quality control methods.

(iv) To ascertain raw - material requirement of various units, their sources and prices and to arrange bulk purchase of raw materials and their distribution to the entrepreneurs.

(v) To liaise with Lead Banks and other financial Institutions, apprise applications, monitor flow of industrial credit in the districts and to arrange for financial assistance to the entrepreneurs.

(vi) To organise marketing outlets, to liaise with Government procurement agencies, convey market intelligence to the entrepreneurs, organise market surveys, market development programmes etc. and

(vii) To give particular attention to the development of Khadi and Village Industries and other cottage industries, to liaise with Khadi and Village Indus-

tries Commission, State Khadi Board, organise rural artisans programme of training.

ORGANISATIONAL STRUCTURE OF DIC:

Each DIC is headed by a General Manager who hold a key position and remain responsible for overall co-ordination and development of industries in the district. General Manager is assisted by seven functional managers and other supporting staff. These seven functional managers are to deal with seven specific functions, viz.

1. Manager (Economic Investigations)
2. Manager (Machinery & Equipment)
3. Manager (Research, Extension & training)
4. Manager (Raw Materials)
5. Manager (Marketing)
6. Manager (Credit)
7. Manager (Cottage Industries including Khadi & REP)

Organisational structure of District Industries Centres is given below (Fig. 1)[1]

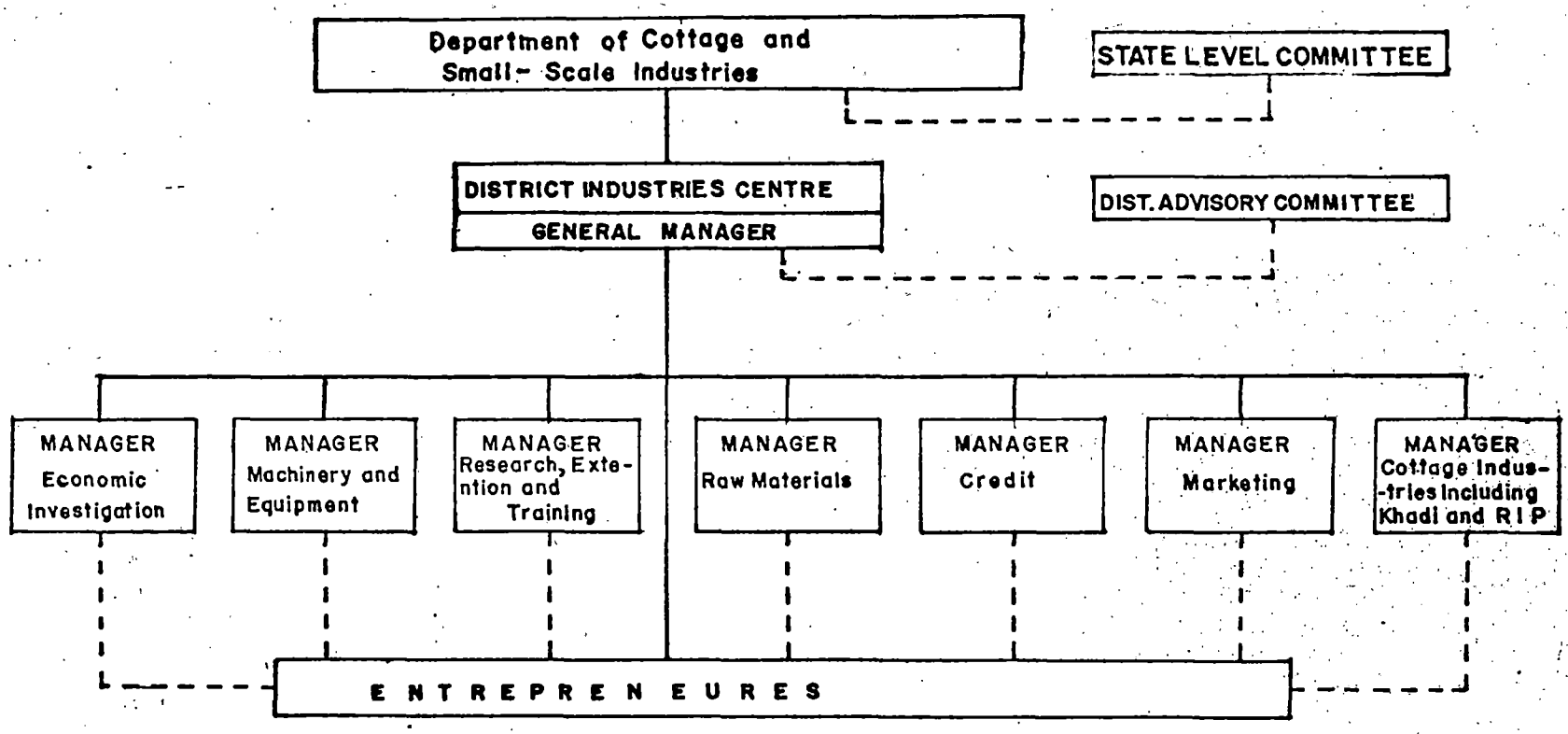

FIG: 4·A Organisational Structure of DICs

DICs look after the need of industries in the districts as a whole and provide all inputs and act as a promotional as well as implementing agency. The loan components of Rural Industries Project and Rural Artisan Programme are being merged into DICs and towns whose population is below 25000 get through the DICs all the assistances which are at present available under the RIP/RAP. Besides, under the DIC set up, adequate authority has been delegated to the General Manager/Managers so that all the inputs are provided to the entrepreneurs on the spot without referring the matter to the state level or to the Central level.

All the DIC programmes are monitored at the District level, State level, Regional level and at the Central level in order to ensure that the DIC, work effectively to meet the objectives for which they have been set up. A Central Co-ordination Committee has been set up with the Minister of Industry as its Chairman and the Development Commissioner, Small-Scale Industries, Ministry of Industry as its Member-Secretary. Similarly, State Level Committees have been set up with the Chief Minister (or Minister of Industries) as the Chairman. The District Advisory Committees have been set up with District Magistrate as the Chairman and provide guidance to the DICs on various aspects of development.

DICs have a very close link with other State level organisations like West Bengal State Financial Corporation, West

Bengal Small Industries Corporation, Handicrafts Corporation, Handloom Corporation, Leather Development Corporation etc. These State level organisations work in close co-operation with the DICs and provide the necessary assistance to the General Managers/Managers of the DICs so that all the inputs of these organisations are also made available to the entrepreneurs. Prior to the establishment of DICs, various facilities under the development of small industries programme have benefited mainly the well-to-do entrepreneurs who have set up manufacturing units of sophisticated items. But after the establishment of DICs large number of Small-Scale and rural artisan units have been generated even in backward areas.

At present DICs are functioning in all the five districts of North Bengal including other districts of the State. As regards progress of SSI Units in North Bengal, the data reveal that the total number of units registered upto Dec. 1975 were 8088 which, however, rose to 8268 at the end of 1979 showing a growth rate of 2.22% only. Number of Small-Scale Units registered in various districts of North Bengal was 1537 in 1980-81 and 1781 in 1981-82. Whereas, in West Bengal, the total number of units set up in the cottage and small-scale sector during 1982-83 was 5677 as against 4519 during 1981-82. Employment had been generated 20,170 and 17,628 persons respectively.(2)

On the basis of such performance the State Government planned to set up 5020 new units in the Cottage & Small-Scale Industries Sector during 1983-84 with an expected employment for around

30,000 persons. Along with this, the programme for setting up nucleus plants in the no-industry districts like, Malda, Cooch Behar, Jalpaiguri, Darjeeling and Bankura had been taken up with the Centre. Despite such poor performance, DICs aiding role in the Small-Scale Sector can not be denied. But their actual performances should be properly evaluated due to the following reasons:

(i) Some DICs are not adequately staffed with functional managers.

(ii) Schemes veted for implementation by the DICs are not always based on proper market survey/economic investigation. As a result of this, such units have to face troubles at subsequent stages.

(iii) Entrepreneurs very often complain that they have to complete a lot of forms at the formation stage which result delay in project implementation.

(iv) Facilities offered by the DICs to units, viz. Training, marketing, supply of raw materials and other inputs etc. are inadequate and irregular.

(v) Entrepreneurs are not properly informed with various incentives and assistance schemes offered by the Central and State Governments.

In order to improve the performance of DICs the State Government had decided to restructure its pattern of functioning by abolishing the posts of managers for Raw material, Machinery & Equipment and Research, Extention & Training. The posts would be filled in by project managers. Besides, the Government was creating 15 new posts of entrepreneurship and development to follow up approval of projects. On this score, the State Government had received permission from the centre.

In order to review the performance of DICs during 1982-83 and also to discuss the programme for 1983-84, a meeting of the State level Co-ordination Committee for DICs was held after a year in 1983. The meeting was attended by representatives of the Reserve Bank of India, financial Institutions, Chairman, West Bengal State Electricity Board and Director, Small Industries Service Institute, Government of India. Reserve Bank representative though suggested that such meeting should be held at least four times a year, but the State Government agreed to hold the meeting thrice in a year.

After the establishment of DICs, the State Directorate of Cottage and Small-Scale Industries in collaboration with banks and financial Institutions have been implementing a number of assistance programmes and incentive schemes for Cottage and Small-Scale Units. Types of assistance and incentives rendered from the very starting point of the Unit to the optimum point of activity are as follows:

I. PREPERATION OF SCHEMES/PROJECT REPORTS:

Before starting a new unit, feasibility and viability study of the scheme and preperation of Project Report is very essential. After opening of DICs, this service is rendered by the manager (Economic Investigation) to the entrepreneurs of different districts. The Central Government's Small Industries Service Institute of Calcutta with its two branches at Durgapur and Siliguri guides the new entrepreneurs in selecting items to be manufactured and in drawing up schemes. In addition to these, there are empanelled consultants of the Cottage Small-Scale Industry Directorate who render consultancy services to the small entrepreneurs.

II. APPROVAL OF SCHEMES/TECHNICAL GUIDANCE:

After preperation of schemes, they must be approved by the Cottage & Small-Scale Industries Department of the State Government. Schemes of different districts are approved by the General Managers of DICs. At this stage entrepreneurs need technical guidance services which are provided to units for leather, Handicrafts and Electronic goods.

III. REGISTRATION OF SSI UNIT:

After approval of schemes, entrepreneurs are asked to get their units registered at the DICs. Registration of Small-Scale Units is done in two stages, viz. (a) Provisional registration and (b) Registration.

Provisional registration:

Provisional registration is done to enable a party to take necessary steps to bring the unit into existence. It is valid for six months and may be renewed for a further period of six months. Provisional registration is given by the General Manager, DIC which entitles the party to:

(i) apply for a shed in an Industrial Estate/Procure materials for construction of a shed,

(ii) apply to Municipal/Panchayat/other local authorities for permission to construct a shed for the unit,

(iii) apply for power connection,

(iv) apply for financial assistance to SFC/Nationalised Banks,

(v) apply to the National Small Industries Corporation/West Bengal Small Industries Corporation etc. for procuring machineries on hire purchase basis,

(vi) obtain Sales Tax, Excise Duties etc. registration wherever required.

Registration:

When the party has taken all steps to establish the

unit, i.e. where the factory building is ready, power connection is given, machinery is installed he may apply for registration.

After the receipt of application for registration, the General Manager, DIC informs the party of the date and time for inspection of the unit, including an assessment of the installed capacity of the unit. Being satisfied that the unit will be able to run successfully production operation, a registration certificate is issued by the Directorate. After registration, the unit actually starts its production activities.

IV. ASSISTANCE FOR INDUSTRIAL/COMMERCIAL ESTATES AND LAND:

Industrial Estates provide built-in-sheds with other infra-structure facilities viz. water, power, communication etc. to the Small-Scale Units. The State Government has appointed the West Bengal Small Industries Corporation as the sponsoring agency for setting up new Industrial/Commercial Estates in different districts. Accordingly, the Corporation has set up Industrial and Commercial Estates at 15 places in West Bengal. In North Bengal, the Corporation has so far set up one Industrial Estate at Siliguri with 9 sheds and two Commercial Estates, one each at Malda and Raigunj.

Of late, another organisation named West Bengal Industrial Infrastructure Development Corporation has been established generally to develop industrial infrastructure in new growth

centres in the backward districts of West Bengal for expediting establishment and development of industries, trade and commerce on well planned basis. So far, the Corporation has started develop industrial infrastructure in 8 new growth centres including one at Siliguri.

V. ASSISTANCE FOR RAW MATERIALS:

In view of the difficulties faced by units in procuring scarce raw materials viz. Iron & Steel, Mutton tallow, B.P. hard Coke, Cement etc., canalised distribution of these materials was considered to be of great help to the Small-Scale Units. In the face of this situation, the WBSIC started procuring canalised items of iron and steel materials from the Steel Priority Committee, Mutton tallow from the State Trading Corporation and B.P. hard Coke from the Durgapur Project Ltd., and distributed them to the Small-Scale Units after receiving recommendations from the DIC. DICs assess the actual requirement of raw materials of a unit.

In case of imported raw materials, Small-Scale Units procure licence or release orders for import raw materials from the authorities concerned as actual users. Materials are actually imported through the S.T.C. The West Bengal Small Industries Corporation provides financial support, procures raw materials and stores them in its godown under the Raw Material Assistance Scheme. The Corporation distributes the same to the Small-Scale Units on easy instalments for nominal service charges.

VI. MARKETING ASSISTANCE:

Now a days almost every Small-Scale Unit have to face some short of marketing problems. In order to assist the units in this regard, DICs provide marketing facilities to units in districts for both inland and foreign markets. Products of the artisans are marketed through different Sales Emporia or Rural Marketing outlets. Export intelligence and allied assistances are rendered to exporting units by the DICs at the district level. Marketing possibilities of the Small-Scale Sector are also explored under the Government purchase programme.

A scheme of promotion of marketing has been taken up by the state Government for granting subsidy at the rate of 20% on the sale of Darjeeling handicrafts and carpets in order to boost up sale of Hill handicrafts and carpets and to provide gainful employment to poor hill artisans of Darjeeling district. A scheme for expansion and modernisation of Design Centre at Darjeeling was also implemented by the State Government for providing effective design guidance to craftsmen of the hill areas of Darjeeling district with particular reference to woodcrafts, metalcrafts, bamboo crafts and weaving of carpets.

VII. FINANCIAL ASSISTANCES:

The institutional agencies that presently finance Long-term and Short term financial requirements of Small-Scale Industries are (1) The State Government giving loans under Bengal

State Aid to Industries Act (2) Margin Money Assistance under Additional Employment Programme. (3) Bank Credit by the State Bank of India and other Banks (4) Loan schemes of the West Bengal Financial Corporation (5) Assistances from the National Small Industries Corporation and the West Bengal Small Industries Corporation. Assistance schemes of the above agencies are given below:

1. Loans under BSAI Act:

Under the BSAI Act, the state Government has been extending financial assistance to industrial units in the districts. The limit of the loan under this scheme is Rs. 5,000/- for an individual unit. The loan is sanctioned by the General Manager, DIC against sureties of one or two respectable persons. The rate of interest is 8%, but a rebate of 2½% is allowed for timely repayment of loan. The loan is repayable within ten years. In North Bengal amount of loan advanced to units under this scheme by the DICs were Rs. 13.15 lakhs in 1979-80, Rs. 13.67 lakhs in 1980-81 and Rs. 10.72 lakhs in 1981-82. Districtwise composition of the same is given below:(3)

Table - 4.1

Loan under BSAI Act to Small-Scale Units in North Bengal.

(Rs. in lakhs)

Districts	1979-80	1980-81	1981-82	Total
Cooch Behar	2.00	2.45	1.04	5.49
Jalpaiguri	NA	NA	NA	NA
Darjeeling	2.85	3.10	2.20	8.15
West Dinajpur	4.50	3.39	4.02	11.91
Malda	3.80	4.73	3.46	11.99
Total	13.15	13.67	10.72	37.54

Source : Reports from DICs

The table reveals that in respect of quantum of loan advanced during the three years, Malda ranked first, thereafter stood West Dinajpur, Darjeeling and Cooch Behar. Figures of Jalpaiguri district was not available.

2. Margin money under Additional Employment Programme:

In order to promote self-employment in the Small-Scale Industry and Service Sector, the State Government has undertaken a scheme for providing margin money/seed money assistance under AEP. Under the scheme, margin/seed money assistance is given to proprietory concerns, firms, public/private limited companies

and co-operative societies for setting up of new units in the Small-Scale Sector, establishment of ancilliary units, promotion of agro-based industries and expansion of existing Small-Scale Units.

The extent of margin/seed money is normally 10% of the total project cost. In the case of entrepreneurs belonging to Scheduled castes and scheduled Tribes, such assistance will be upto 15% of the project cost. The State Bank of India and other nationalised banks advance the balance amount as loan. The margin money thus advanced carries interest @ 6½% per annum but reducible to 4% in case of regular repayment. The loan together with interest is repayable in four equal annual instalments commencing from the third year of the date of advance. The margin/seed money assistance to any unit is subject to employment of one person on an average in that unit for every Rs. 2500/- of the margin money/ Rs. 25000/- of the project cost. The sanctioning authorities of margin money are as follows:(4)

Amount of margin money	Sanctioning Authority
Upto Rs. 25000/-	GM/DIC
From Rs. 2500/- - 50,000	Zonal Joint Director of Industries.
From Rs. 5000/- - 75000	Director, Cottage & Small-Scale Industries Department.
Above Rs. 75000	State Level Committee

After the introduction of this scheme margin/seed money has been paid to a number of Small-Scale Units in North Bengal through DICs. Margin money assistance in North Bengal during three years is shown in the table below:

Table- 4.2
Margin money assistance to Small-Scale Units in North Bengal. (Rs. in lakhs)

District	1979-80	1980-81	1981-82	Total
Cooch Behar	.64	1.18	.30	2.12
Jalpaiguri	NA	NA	NA	NA
Darjeeling	.72	1.06	2.30	4.08
West Dinajpur	.10	.22	1.07	1.39
Malda	.007	.69	.39	1.08
Total	1.46	3.15	4.06	8.67

Source: Reports from DICs

The table reveals that the quantum of margin money gradually increased during the three years. But in the light of employment generation through this scheme, amount of assistance was very little. For example, total margin money assistance in 1981-82 could provide self-employment to roughly 162 persons only. In view of severe unemployment problem in North Bengal, such attempt was very meagre. The table further reveals that in respect of amount of margin money assistance Darjeeling ranked first Cooch Behar second and West Dinajpur third. Figures of Jalpaiguri district was not available.

3. Bank Credit:

State Bank of India and nationalised banks advance 'Working Capital Loan' to Small-Scale units as per their terms and conditions. Bank financing comprises a major portion of their credit needs. The rate of interest on WCL in some cases is as high as 19.5%. Reserve Bank of India has declared the SSI Sector as priority sector and 40% of the total bank credit has been earmarked for advance in this sector. Apart from these the Reserve Bank has introduced Lead Bank scheme under which a Lead Bank will be identified for each district who will take initiative for preparing District Credit Plans. Under the LBS, United Bank of India has been identified as the Lead Bank for Malda and West Dinajpur districts and Central Bank of India for Darjeeling, Jalpaiguri and Cooch Behar districts. Details of allocations and disbursements of bank Credit during seventies and early eighties in five districts of North Bengal has been discussed in chapters 2 and 3.

4. Credit Gaurantee Scheme:

With the object of encouraging Commercial banks and other credit institutions to grant loans to small industries, the Central Government, through the Reserve Bank of India, have put into operation the credit Gaurantee scheme. The scheme provides for sharing of possible losses on credit facilities granted to Small-Scale Units by the lending institutions and the Government of India.

6. West Bengal Financial Corporation:

This Corporation was established to assist Small-Scale and medium Scale Industrial Units in manufacturing processing and preservation industries, Mining, Hotel, Generation or distribution of electricity, Transport maintenance, Repair, Testing or Servicing of machinery or Vehicles, Assembling, Repairing or Packing any articles with the aid of machinery or power. The Corporation grants Term Loans upto Rs. 30 lakhs in case of limited companies/co-operative societies and Rs. 15 lakhs in the case of others for the purpose of (a) Acquiring land and buildings (b) purchasing plant and machinery (c) constructing Factory sheds/buildings etc.

Under the assistance scheme to tiny and Cottage Industrial Sector, the Corporation lends to tiny units and artisans/craftsmen in the rural areas in close association with the DICs. The Corporation also grants loan on soft terms to technically qualified entrepreneurs desirous of setting up industrial units. For modernisation of existing units the corporation has a special scheme on relaxed terms, interest and period of repayment. Current interest rates on different types of loans of the Corporation are given below: (5)

(i) Small-Scale industries other than in Backward areas (covered under credit Gaurantee scheme):

For loan assistance upto Rs. 25000/- .. 10 % p.a.

For loan assistance above Rs.25000/- .. 11% p.a.

(ii) For loan to Small & Medium Scale industries in special backward areas (where refinance is obtained from IDBI) .. 9½% p.a.

(iii) For loan to small transport operators :

Where refinance is available .. 12½% p.a.

Where refinance is not available .. 13% p.a.

(iv) For financing technical entrepreneurs:

Loan in backward areas .. 8½% p.a.

Loan in Non-backward areas .. 10% p.a.

In case of units in the Small-Scale Sector covered under credit guarantee scheme in specified backward areas, promoters' financial involvement i.e., margin contribution is expected around 25%. For projects promoted by technical entrepreneurs 20% margin is normally expected by the Corporation. The period of repayment is generally spread over 8 - 10 years which is fixed after taking into consideration the surplus generating capacity of the industrial unit.

Fixed assets including land/building and plant/machinery acquired by the financial assistance from the Corporation are required to be hypothecated and/or mortagaged. Though nationalised banks have become the principal source of credit (WCL) for Small-Scale Units, the Corporation advanced 'Term Loan' to many Small-Scale Units in North Bengal through their two branches, namely

Table - 4.3

Showing District-wise classification of loans and advances to SSI Units in North Bengal from 1976-77 to 1979-80 by West Bengal Financial Corporation.

(Rs. in lakhs)

Name of District	1976-77			1977-78			1978-79			1979-80			1980-81		
	Amount Sanctioned	Amount Disbursed	Amount Outstanding	Amount Sanctioned	Amount Disbursed	Amount Outstanding	Amount Sanctioned	Amount Disbursed	Amount Outstanding	Amount Sanctioned	Amount Disbursed	Amount Outstanding	Amount Sanctioned	Amount Disbursed	Amount Outstanding
Cooch Behar	34.44	8.90	9.48	33.46	12.28	11.06	22.06	15.14	12.89	18.19	17.26	17.07	20.59	19.59	24.70
Jalpaiguri	40.96	19.69	11.78	40.38	26.27	9.30	42.26	27.42	9.93	41.51	29.63	10.96	37.55	30.63	16.22
Darjeeling	64.40	32.29	29.72	98.22	49.09	42.90	117.57	69.67	72.42	124.31	83.73	88.31	152.09	93.11	94.66
West Dinajpur	68.02	21.91	21.86	71.15	27.08	29.00	69.57	27.08	31.16	54.03	29.34	32.97	54.58	33.10	39.07
Malda	45.09	12.60	12.67	39.28	15.76	15.95	35.53	18.14	12.32	29.26	18.66	22.54	30.08	18.76	33.77
Total in North Bengal	252.91	95.39	85.51	282.49	130.48	108.21	286.99	157.46	138.72	267.30	178.39	171.88	294.89	195.19	208.42
Total in West Bengal	1590.87	751.62	578.18	1806.84	1007.35	857.20	2256.49	1198.97	1039.63	2158.63	1465.26	1700.24	2525.98	1766.33	1818.88
% of North Bengal	15.89	12.69	14.78	15.63	12.95	12.62	12.71	13.13	13.34	12.38	12.18	10.10	11.67	11.05	11.45

Source: Annual Reports, 1976 - 77 to 1979 - 80, WBFC.

Siliguri and Malda. The Corporation's total amount of loan sanctioned, disbursed and outstanding in the Small-Scale Sector in North Bengal for five-year period from 1976-77 to 1980-81 are shown in the table below:(6)

An analysis of above data reflects that the amount of loan sanction, disbursement and outstanding by the Corporation have been gradually increased in both North Bengal and in West Bengal during five years with an exception that the loan sanctioned amount in 1979-80 was lower than its previous year. In North Bengal, though loan outstanding amount exceeded the loan disbursement amount in 1980-81, in West Bengal, this position happened in 1979-80 and in 1980-81. All the above figures are taken as cumulative. Positions are shown below in the two trend graphs, one for North Bengal and the other for West Bengal:

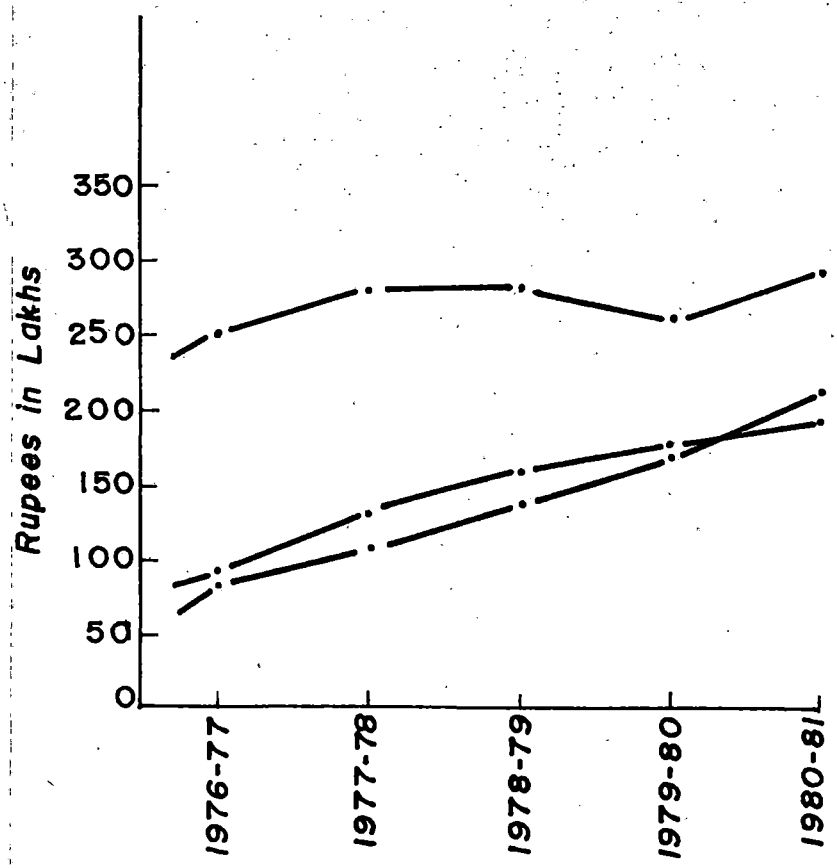

Fig -4·B. Showing Loans Sanctions, Disbursements and Outstanding in S.S.I. Sector in NORTH BENGAL by W.B.F.C. (Cumulative)

Sanctions
Disbursements
Outstandings

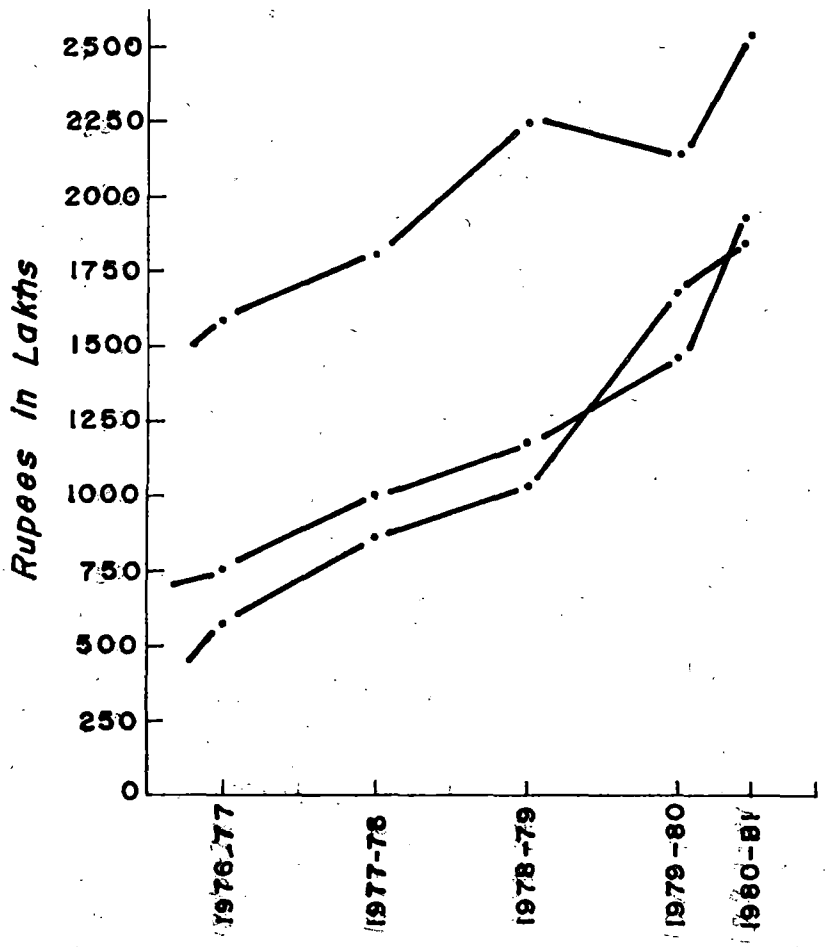

FIGURE :4·C. Showing Loans Sanctions, Disbursements and outstanding in SSI Sector in WEST BENGAL by W.B.F.C. (Cumulative)

Sanctions
Disbursements
Outstandings

Although the quantum of loan advanced was overall satisfactory, the Corporation's Branchwise performance was very poor. It was due to the increasing amount of loan outstanding corresponding to the loan disbursement amount. The analysis further reflects that in every year a gap stood between the loan sanctioned and loan disbursed. One or more of the following constraints had held back the process of disbursement.

(i) Delay in obtaining clerance from Urban Land Ceilling Authority.

(ii) Delay in completion of formalities and getting clearance for conversion of agricultural land for industrial use.

(iii) Time taken by the Corporation's legal department in the scrutiny of title deeds and finalisation of the security documents.

(iv) Delay in selection of site by the entrepreneurs/promoters.

(v) Delay/uncertainly in respect of supply of power.

(vi) Decision of entrepreneurs/promoters not to go in for the proposed ventures on account of the changes in technology, market conditions, availability of raw materials, power etc.

In order to reduce the widening gap between the sanc-

tioned and disbursement figures, the Corporation has taken the following steps:

(a) To avoid the delay in getting clearance from urban Land Ceilling Authority and conversion of agricultural land for industrial uses, loans upto Rs. 10 lakhs would be given to units against hypothecation of movable items of plant and machinery.

(b) Where the proposed loan amount does not include substantial outlay on land and building, loans will be sanctioned to units housed in rented premises/sheds and no security in the form of transfer of long lease rights or legal/equitable mortgage would be insisted upon.

(c) To give relief to industrial units where the aforesaid two facilities will come to any significant assistance because of unavoidable outlay on land/building, it has been decided to treat preliminary and pre-operative expenses as capital expenses under the provisions of the Income-tax Act as promoter's equity.

(d) To avoid delay in documentation, majority of the documents have been standardised and a few other documents have been simplified.

Co-ordination between the WBFC and Commercial Banks:

In the field of industrial finance, State Financial Corporations and Commercial Banks are inseperable twins and the relationship is more pronounced in loaning and follow-up operations of medium and Small-Scale Units. For the purpose of institutionalising this relationship of mutual dependence the Corporation organised a workshop in August, 1978 where the representatives of the leading Commercial Banks, RBI, IDBI and the State Government were present and took some important policy decisions. These included adoption of common application forms, simultaneous/joint appraisal of lean proposals, sharing of security and information data and joint follow-up or monitoring of activities of these units.

The Corporation has also initiated steps to dovetail its activities with those of the DICs. In 1978-79 three meetings, one each at Siliguri, Malda and Raigunj were organised, in which representatives of the Commercial Banks, DICs and W.B.F.C. were present.

During the years under review, principal problem of the Corporation was the large amount of outstanding loans. These increases in overdues were on account of power cut, shortage of raw materials and over runs in the cost of project. was also felt that a large number of borrowing units had been turned either wilful defaulter or they were not alert to fulfil repayment obliga-

tions. Units having genuine problems were assisted by allowing rephasement of repayment schedule. As power was one of the main constraint, the Corporation preferred assistance to non-power based or low - power based schemes.

VIII. FINANCIAL INCENTIVES OF THE STATE GOVERNMENT:

Under the state scheme for incentives in 1978, various fiscal incentives and reliefs are given to the ancilliary, Cottage & Small-Scale industries including handicrafts, coir, handloom, powerloom, textiles, lac, sericulture and silk units and rural artisans in the backward areas of West Bengal for encouraging growth and development of such industries there. The incentives are sanctioned and disbursed by the General Managers of DICs. Under this scheme 'Backward area' means entire area of the state excluding Calcutta Metropolitan area and suburbs. Types of subsidies available as incentives are as follows:

1. Subsidy towards rent for sheds in the Industrial Estates run by the WBSIC.

An industrial unit in occupation of sheds in the Industrial Estates run by the WBSIC, irrespective of their location in the state will get a refund of rent as grant/subsidy at the following rates with effect from the date of occupation or the 1st April, 1978 whichever is later.

(i) For the first year : 50% of the annual rent paid by the unit.

(ii) For the second year : 25% of the annual rent paid by the unit.

(iii) For the third year and subsequent years : 15% of the annual rent paid by the unit.

The eligibility to grant refund of rent is, however, subject to commencement of production within one year from the date of occupation of sheds.

2. Subsidy towards rent of land:

An industrial unit in occupation of land alloted by the West Bengal Industrial Infrastructure Development Corporation, West Bengal Small Industries Corporation or any other statutory Authority or local body in backward area will get refund of rent as grant/subsidy at the following rates with effect from the date of occupation or the 1st April, 1978 whichever is later:

(i) For the 1st two years : 100% of the rent paid by the unit.

(ii) For the next three years subject to continuance of the Scheme. : 50% of the rent paid by the unit.

The eligibility to get refund of rent is, however, subject to commencement of production operation within one year from the date of occupations. In case of failure of commence production operation within one year from the date of occupation, the refund will be made from the date of commencement of production operation but in no case before the 1st April, 1978.

3. Subsidy on Fixed Capital Investment:

A subsidy at the rate of 15% of the fixed Capital investment of a new unit or an existing unit going in for substantial expansion in a backward area, excluding the districts of Purulia, Midnapore and Nadia which are covered by the Central Capital Subsidy Scheme, will be paid to such unit.

4. Subsidy on interest on Working Capital Loan:

A new unit or an existing unit going in for substantial expansion in a backward area, which has paid interest against Working Capital Loan received from banks/financial institutions, will be paid an interest subsidy at the rate of 3% on the total annual Working Capital Loan received by the unit from the banks/financial institutions, subject to the conditions (i) that regular repayment of loan are made and (ii) that the subsidised rate of interest is in no case less than the rate of interest payable in respect of loans under the BSAI Act, if repaid in time.

5. Subsidy on Consumption of Power:

A new unit or an existing unit going in for substantial expansion located in any area outside the areas served by the CESC will be paid, on presentation of the bills and receipts, for every quarter, a subsidy on consumption of power at the rate of 30% of the electric power bill including demand charge but excluding the electricity duty, irrespective of the installed capacity of the

unit.

When power is consumed by a unit through use of its own captive generating set or through use in a lawful manner of surplus power from captive generating sets owned by any other units in the large, medium or small scale industries sectors, with prior permission, the rate of such subsidy will be difference between the total cost of consumption of such power and that calculated at the rates existing for the CESC. For substantial expansion the amount of power subsidy will be calculated on prorata consumption of power for the expended capacity.

6. Subsidy towards Cost of drawing H.T. Power Lines and Transformer:

A new unit or an existing unit going in for substnatial expansion in a backward area will be paid as grant 20% of the cost of drawing H.T. Power lines and transformer if it is not borne by the WBSEB.

7. Subsidy towards Cost of Captive Power generating Sets:

A new unit or an existing unit going in for substnatial expansion in a backward area will be paid as grant 20% of the cost of purchase and installation of captive power generating sets, subject to the condition that 15% of the cost will be deducted if 15% subsidy on fixed capital investment is received on the basis of fixed capital including the cost of purchase and installation of power generating sets.

8. Return of Registration Fee and Stamp Duty:

A new unit or an existing unit going in for substantial expansion in a backward area will get return as grant of the entire amount of registration fee and stamp duty paid by it for industrial purpose.

9. Return of Octoroi or Entry Tax:

A new unit or an existing unit going in for substantial expansion in a backward area will get return as grant of the entire amount of Octoroi or entry tax paid by it for a period of three years from the date of commencement of production.

10. Return of Sales tax:

An existing unit going in for substantial expansion in a backward area will get return as grant of the entire amount of Sales Tax credited by it under (i) the Bengal Finance (Sales Tax) Act 1941, (ii) West Bengal Sales Tax Act, 1954 and the (iii) Central Sales Tax Act, 1956, provided that any period of sales tax holiday enjoyed by such an existing unit will be deducted from the total period for which subsidy under this scheme will be admissible.

A new unit set up in a backward area will get return as grant of the entire amount of Sales Tax paid under (i) the Bengal Finance (Sales Tax) Act 1941, (ii) West Bengal Sales Tax Act, 1954 and the (iii) Central Sales Tax Act, 1956, for a period of two years after enjoyment of Sales Tax holiday for the preceeding three

years with effect from the date of commencement of its first sales, subject to continuance of the scheme.

11. Subsidy towards cost of shifting from the CMDA area to areas outside its jurisdiction:

An industrial unit shifting itself from the CMDA area to any area outside its jurisdiction in West Bengal will be paid as grant 20% of the cost of shifting.

12. Subsidy on transport charges:

A new industrial unit set up in a backward area of the Sundarbans/Jhargram sub-division/Hill area of Darjeeling District will be paid as grant 20% of the transport charges for (i) Carrying machinery and equipments to the factory site from any place of purchase within West Bengal provided the purchase is made from manufactures or their authorised dealers and (ii) supplying finished products for marketing from the factory site to any selling points within West Bengal owned by it or its authorised selling agents.

13. Additional incentives to scheduled caste and scheduled Tribe and physically handicapped entrepreneurs:

An additional subsidy at the rate of 5% over the rates admissible under this scheme will be paid to industrial units set up in a backward area by SC and ST and physically handicapped entrepreneurs.

The terms and conditions of various subsidies offered by the State Government are outlined above. But in North Bengal, subsidies actually enjoyed by the Small-Scale Units under the above mentioned scheme for the period from 1979-82 was as under:(7)

Table - 4.4

Subsidies enjoyed by the Small-Scale Units in North Bengal.

(Rs. in lakhs)

District	1979-80	1980-81	1981-82	Total
Cooch Behar	.81	.78	.08	1.67
Jalpaiguri	NA	NA	NA	NA
Darjeeling	1.35	2.20	2.85	6.40
West Dinajpur	2.27	.12	.78	3.17
Malda	.79	.53	.75	2.07
Total	5.22	3.63	4.46	13.31

Source : Reports from DICs

The table shows that comparing to 1979-80 subsidy amount fell down in the following two years. In respect of total subsidies enjoyed by the Units during this period, Darjeeling ranked first, West Dinajpur second and Malda third. Figures of Jalpaiguri district was not available. In North Bengal total subsidy amount during this period was amazingly poor.

IX. FINANCIAL ASSISTANCE FOR HIRE-PURCHASE OF MACHINERY:

Next to finance, what worries a small-scale unit is the machinery. To keep the initial project cost to a minimum, such units prefer easy terms for purchase of machineries. Two Government concerns supply machineries on easy hire-purchase terms. They are (i) National Small Industries Corporation and (ii) West Bengal Small Industries Corporation.

All applications for the hire-purchase of machineries may either be submitted to the Directorate of Cottage & Small-Scale Industries or to the General Manager, DIC in the districts. On the basis of General Manager's recommednation, above two concerns supply machines on hire-purchase basis.

WBSIC supply only indigeneous machineries whereas, NSIC supply indigeneous and imported machineries. NSIC's other activities are (a) registration of Small-Scale Units for participation in purchases by the Government Departments like DGS & D, Railways, Defence, P & T etc. (b) Marketing and export of certain items produced in the Small-Scale Sector (c) distribution of certain scarce raw materials.

The role of NSIC in the promotion and development of Small-Scale Industries in the country has so far been noteworthy. It has supplied both indigeneous and imported machines worth over Rs. 100 crores to about 15000 Small-Scale Units. Under its Government purchase programme, the number of units enlisted is

is over 23000.

In North Bengal, WBSIC's activities has been so far limited to the construction of one Industrial Estate at Siliguri and two Commercial Estates, one each at Raiganj and Malda. But the amount of financial assistance to Small-Scale Units for hire-purchase of machineries was negligible. Both these concerns have enough scope to boost up their activities in this backward region.