

Weekly Notes

How Large Is "Small" ?

SOMEONE with a penchant for mixed metaphors once said that the road to economic development is paved with vicious circles. Certainly, this applies at least to the by-lanes of administration. The study of any problem from the policy angle highlights the multiplicity of immediate needs. Therefore, a many-pronged attack seems* called for and soon there crop up several organisations, public and private, Central and State, for aiding the development of a single sector. And more institutions! are added as the problem is subjected to further probe and study. But all this amounts to a wide approach — not an integrated one — meaning much wastage of funds and effort. The attempts at solution add another facet to the problem: that of co-ordination.

The policy in regard to small-scale industries is a case in point. This has always been a preferred — one is almost tempted to say pampered — sector, mainly because of the emotional appeal that "smallness" appears to have to a State attached to welfare ideals. It has been frequently said that small industries have a "special role" or a "strategic position" in the nation's economy. Their significance, it is pointed out, rests on the fact that they are important ancillaries to large industries and on the theoretical assumptions that their capital requirements are low and employment potential high and that their growth leads to a desirable dispersal of industrial establishments. These assumptions are really of questionable validity but the conviction that small industries should receive all possible aid remains firm. Over the past decade an impressive array of organisations have been set up to help the small-scale industrial sector in various ways. Technical information is disseminated and instruction given; tools and machinery are made available on easy hire-purchase terms, essential overheads are provided for new units in industrial estates. Special financial institutions have been established for extending credit while at the same time attempts

continue to entice commercial bank's into making more advances to these not-so-credit-worthy units through the offer of guarantee of loans and more Reserve Bank credit at the Bank Rate. Teams of foreign experts examine possibilities of development. And latest of all, there is the scheme of the State Trading Corporation to promote the exports of small industries.

All these schemes and institutions have developed in a rather haphazard fashion and it has been admitted that there is some overlapping of functions. The Government took the obvious course of appointing a Committee to study the functions of the various organisations aiding small industries. Speaking at the Western Regional Conference of Small Scale Industries, Shri Nityanand Kanungo, the Union Minister for Industries, revealed that the Government had decided to take a further step. Acting on the recommendations of the former Committee, advisory committees for small-scale industries will be established in each State. Their purpose is to effect co-ordination between the various organisations at different governmental and non-official levels, and eliminate duplication of functions. Our faith in Committees seems to be ever growing.

If the Conference — which the Minister described as an "unique event" in the economic life of the country — made anything clear, it is that no one is yet sure as to what exactly the "small-scale industrial sector" means. Despite all the surveys and studies, basic data on the number of units, their location and production are still lacking. And more important, there is little information of a qualitative nature, relating to the efficiency and productivity of these units. We are proceeding on a more or less intuitive appreciation of the "problem" of this amorphous sector. Can the situation be improved by more committees?

I D A Loan for Bombay Port

THE extent to which the World Bank is leaning backwards to support the Third Plan is evident from the reported transfer of the

proposed assistance for Bombay Port Trust to the International Development Association. Earlier, the World Bank was expected to provide about Rs 8 crores for modernisation and expansion of Bombay port estimated to cost in all about Rs 25 crores. The assistance would have been extended on the Bank's usual terms. The proposed I D A loan, however, may be made to the Government of India which in turn will re-lend to the Bombay, Port Trust. Like other I D A loans, this loan also would be free of interest, with only a service charge of 3/4 per cent and may be repaid over 50 years with a moratorium for the first ten years.

I D A's take-over of this proposal from the Bank is very welcome, because it will ease the strain on the balance of payments in future, I D A has so far undertaken to finance five projects for roads, irrigation and drainage with loans aggregating \$ 88.5 million or Rs 42 crores. Out of this amount, more than Rs 37 crores will accrue as 'free' foreign exchange to India because the foreign exchange component of these projects is no more than Rs 5 crores. The greater part of I D A assistance so far, therefore, has consisted in fact of balance of payment support. Moreover, its procedure gives an incentive to speed up work on the projects so that the rupees spent may be reimbursed in dollars. But the transfer of a 'Bankable' project implies that only the foreign exchange cost may be financed, in which case this loan would be very different from the other IDA loans which have been given so far.

Syria and Arab Unity

IT is likely that President Nasser is now prepared to settle for less than a full union with Syria. But he cannot be blamed for not coming to the rescue of the Syrian Prime Minister, Dr Bashir Azmeah, who must have proposed a federal union of his country with Egypt to forestall Governmental instability in Syria.

Paradoxically enough, in the current political instability in Syria lies Nasser's hope of Arab unity, Syrians are fast moving in-