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**Assam Aid To Industries (Small And Cottage Industries)  
Act, 1955**

**2 of 1956**

**[07 January 1956]**

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**Assam Aid To Industries (Small And Cottage Industries)  
Act, 1955**

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**[07 January 1956]**

An Act to provide for the grant of loan for the development of Small and Cottage Industries in Assam. Whereas it is expedient to provide for the grant of loan for the development of Small and Cottage Industries in Assam. It is hereby enacted in the Sixth Year of the Republic of India as follows- 1. [Published in the Assam Gazette, dated the 11th January, 1956.]

**1. Short Title, Extent And Commencement :-**

(1) This Act may be called the Assam Aid to Industries (Small and Cottage Industries) Act, 1955.

(2) It extends to the whole of Assam.

(3) It shall come into force at once.<sup>1</sup>

1. With effect from 11-1-1956, Published in the Assam Gazette, dated the 11th January, 1956.

## **2. Definitions :-**

In this Act unless there is anything repugnant in the subject or context-

(a) Borrower means a person to whom a loan has been granted under this Act and includes the heirs, successors, assigns and sureties of a borrower;

["(b) Director means

(i) the Director of Industries, Assam in respect of Small or Cottage Industries other than Small or Cottage Industries under Sericulture and Weaving; and

(ii) the Director of Sericulture and Weaving, Assam in respect of Small or Cottage Industries under Sericulture and Weaving;]<sup>1</sup>

(c) Government means the Government of the State of Assam;

(d) Loan means a loan granted under this Act;

(e) Prescribed means prescribed by rules made under this Act;

(f) Sanctioning Authority means the authority who sanctions loan;

["(g)]<sup>2</sup> Cottage Industry means an industry conducted by the member of a family or groups or organisation of artisans with or without the aid of hired labour;

["(h)"]<sup>2</sup> Security means property mortgaged by the borrower against the loan taken from Government in shape of land, buildings, the assets of the industry and personal security and surety;

["(i) artisan means a person engaged in production of handicraft items;

(j) handicraft means an item produced by a worker skillfully using the limbs with the aid of handtools and frames;

(k) handicapped person means a person suffering from some disabilities or disorder;

(l) disability means-

(i) blindness;

(ii) low vision;

(iii) leprosy cured;

(iv) hearing impairment;

(v) locomotor disability;

(vi) mental retardation;

(vii) mental illness.

(m) blindness refer to a condition where a person suffer from any of the following conditions, namely-

(i) total absence of sight; or

(ii) visual acuity not exceeding 6/ 60 or 20/ 200 (snellen) in the better eye with correcting lances; or

(iii) limitation of the field of vision subtending an angle of 20° or worse.

(n) hearing impairment means loss 60 decibels or more in the better ear in the conversational range of frequencies;

(o) leprosy cured person means any person who has been cured of leprosy but is suffering from-

(i) loss of sensation in hand or feet as well as loss of sensation and paresis in the eye-lid but with no manifest deformity;

(ii) manifest deformity and paresis but having sufficient mobility in their hand and feet to enable them to engage in normal economic activity;

(iii) extreme physical deformity as well as advance age which prevents him from undertaking any gainful occupation.

(p) locomotor disability means disability of the bones, joints or muscles leading to substantial restriction of the movement of the limbs or any form of cerebral palsy;

( q ) mental illness means any disorder other than mental retardation;

(r) mental retardation means a condition of arrested or incomplete development of mind of a person which is specially characterised by subnormality of intelligence;

(s) person with disability means a person suffering not less than 40% of any disability as certified by a Medical Authority;

(t) persons with low vision means a person with impairment of visual functioning even after treatment or standard refractive correction but who uses or is potentially capable of using vision for the planning or execution of a task with appropriate assistive device;

(u) medical authority means any hospital or institution as may be specified by the Government, by notification for the purposes of this Act." ]3

1. Substituted clause "(b)" of Section 2, by the Assam Act No. III of 1960 (w.e.f. 24-2-1960) S.1.

Note- Before Substitution clause "(b)" of Section 2, read as follows-  
"(b) Director of Cottage Industries means the Director of Cottage Industries, Assam;"

2. Deleted clause "(g)" of Section 2, and the existing clauses (h)

and (i) re-numbered as clauses (a) and (h) respectively, by the Assam Act No. I of 1998 (w.e.f. 17-2-1998) S.2(i).

Note (1)- Before deletion clause "(g)" of Section 2, which was substituted by the Assam Act No. XXX of 1960(w.e.f. 2-12-1960). read as follows -

"(g) Small Industry means an industrial unit with a capital investment of not more than Rs. 5 Lakhs irrespective of the number of persons employed;"

Note (2)- Original clause "(g)" ran thus -

"(g) Small Industry means an industrial unit employing less than 50 workers if using power, and less than 100 workers if not using power, and having capital assets of less than Rs. 5 Lakhs."

3. Deleted clauses "(j)", "(k)" and "(l)" and after the clause "(h)" as re-numbered the new clauses "(i)", "(j)", "(k)", "(l)". "(m)", "(n)", "(o)", "(p)", "(q)", "(r)", "(s)", "(t)" and "(u)" inserted in Section 2, by the Assam Act No. I of 1998 (w.e.f. 17-2-1998) S. 2(ii).

Note- Before deletion clauses "(j)" and "(k)" which was added by the Assam Act No. III of 1960 (w.e.f. 24-2-1960) and clause "(l)" was added by the Assam Act No. VII of 1970 (w.e.f. 11-7-1970) read as follows-

"(j) Political Sufferer means-

(i) a person who was a detainee or an externee or was arrested and kept in jail either as convict or as an undertrial for a period of at least one month or who was fined in a court of law or whose property was confiscated or who was permanently disabled or who suffered grievous bodily injury for participation in any of the national movements;

(ii) a person-

(a) dismissed or removed from service;

(b) being a civil pensioner whose pension was forfeited;

(c) who resigned or had to resign from Government service, for participating in or his association with the national movement;

(iii) a person who boycotted his educational institution in response to the national movement, and continued in Congress work for the attainment of the independence of India till 1947;

(iv) a person who gave up his study due to his participation in the national movement of 1942 and resumed the same afterwards :

Provided that no such person shall be deemed to be a political sufferer if he had given an undertaking to the authority not to continue in any national movement, or if he had acted subsequently against the national movement.

Explanation.- (a) National movement means the movements

launched under the leadership of Mahatma Gandhi since 1921, or any other movement for the independence of India.

Explanation.- (b) Authority means the Government for the time being, prior to the 15th August, 1947.

(k) "Registrar of Co-operative Society shall be as defined in the Assam Co-operative Society Act, 1949" (Assam Act No. I of 1950);

(l) Unemployed Engineer/Technologist/Technician means a person possessing either an engineering or a technological or at technical Degree or Diploma from any Government recognised institution but not employed for utilisation of his Engineering/Technological/Technical knowledge and skill and not owning any trade, industries or business of his own or in partnership with others and not having adequate financial resources of his own to set up any business, trade or any Small Scale Industry."

### **3. Grant Of Loan :-**

(1) The Director of Industries or any officer authorised in this behalf by the Government may sanction loan not exceeding such limit and on such terms and conditions as may be prescribed and any loan beyond the competence of the aforesaid officers shall be sanctioned by the Government. Loans upto Rs. 25,000/- in case of handicapped persons and upto Rs. 30,000/- in case of artisans may be issued by the Government.

Applications for the loan exceeding Rs. 30,000.00 should ordinarily be passed on to the State Financial Corporation for consideration. In cases, however, where the industrial concern is not found eligible for accommodation from the corporation the Government may consider such application upto a limit of Rs. 50,000.00.

(2) Loan may be granted for all or any of the following purposes, viz-

- (i) For the purchase of a cottage industrial undertaking;
- (ii) For the erection of additional machinery or for replacing old machinery of a cottage industry;
- (iii) For the development of a new or nascent cottage industry and;
- (iv) For providing the working capital such as the cost of new material, pay of operating staff etc. of cottage industry for a specified time.

(3) In case of cottage Industries owned by a Company or a co-operative society the State Government may assist in development of such Industries by participation in the share capital or by

purchasing debentures issued by such company." ]1

1. Substituted Section "3" as earlier re-numbered" by the Assam Act No. I of 1998 (w.e.f. 17-2-1998.) S. 4

Note (1) - Before substitution Section "3" as earlier re-numbered and it was substituted by the Assam Act No. XV of 1986, read as follows-

"3. "(1) "(a) No loan exceeding Rs. 20,000 shall be issued under this Act provided that nothing in this clause shall debar the Government for granting a loan exceeding such limit to a Co-operative Society and in case of an industrial concern other than Co-operative Societies when such concern is not found eligible for accommodation from the State Financial Corporation up to a limit of Rs. 50,000.

(b) The Director [.....]\* or any officer authorised by the Government in this behalf may sanction loans within such limit as prescribed."

\* Deleted for the words "of Cottage Industries" by the Assam Act No. III of 1960) w.e.f. 24-2-1960).

(2) Loan may be granted for all or any of the following purposes, viz,-

(i) For the purchase of a Small or Cottage industrial undertaking;

(ii) For the erection of additional machinery or for replacing old machinery of a Small or Cottage Industry;

(iii) For the development of a new or nascent Small or Cottage Industry; and

(iv) For providing the working capital such as the cost of raw materials, pay of operating staff, etc., of a Small or Cottage Industry for a specified time."

\* \* "(3) In case of Small or Cottage Industries owned by a Company or a Co-operative Society, the State Government may assist in the development of such industries by participation in the share capital or by purchasing debentures issued by such Company."

\*\*. Added sub-section (3) by the Assam Act No. III of 1960 (w.e.f. 24-2-1960).

Note (2) - This Section "3" was originally numbered as Section "4", it was re-numbered as Section "3" by the Assam Act No. XIX of 1973 and earlier sub-section (1) of this Section "4" substituted by the Assam Act No. XV of 1956, read as follows -

3. Grant of loan.- (1) The Director of Cottage Industries, Assam or any officer authorised in this behalf by the Government may sanction loans not exceeding such limit ["and on such terms and

conditions"]<sup>1</sup> as may be prescribed and any loan beyond the competence of the aforesaid officers shall be sanctioned by the Government. Loans upto ["Rs. 7,5000 in case of un-employed engineers/technologist/technicians and up to Rs, 5,000 in other cases"]<sup>2</sup> may be issued by the ["Government"]<sup>3</sup>. Applications for loans exceeding ["Rs. 10,000"]<sup>4</sup> should ordinarily be passed on to the State Financial Corporation for consideration. In cases however, where the industrial concern is not found eligible for accommodation from the Corporation, the ["Government"]<sup>3</sup> may consider such applications upto a limit of Rs. 50,000."

1. Inserted by the Assam Act No. XIX of 1973 (w.e.f. 27-12-1973) S. 3(1)

2. Substituted for the words and figures "Rs. 20,000 only" by Ibid. S. 3(2)

3. Substituted for the words "Cottage Industries Development" by Ibid. S.3(3)

4. Substituted for the words and figures "Rs. 20,000" by Ibid. S. 3(4).

Note (3) - Deleted Section 7, by the Assam Act No. III of 1960 (w.e.f. 24-2-1960) the existing Sections 8, 9, 10, 11, 12, 13, 14, 15, 16 and 17 re-numbered as Section 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16 and again Section 3, deleted by the Assam Act No. XIX of 1973 (w.e.f. 27-12-1973) and the existing Sections 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16, re-numbered as Sections 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15, respectively.

Note (4) - Original Section 3, deleted as above read as follows-

"3. Constitution of Cottage Industries Board.-The State Government shall constitute a Board for advising the Cottage Industries Development for considering loan applications for amounts exceeding Rs. 5,000 and for reviewing generally the work, relating to industrial loans. The Board shall have representatives of the ["Government"]\*. Finance Department and the Financial Corporations amongst others."

\* Substituted for the words "Cottage Industries Development" by the Assam Act No. XIX of 1973 (w.e.f. 27-12-1973.) S. 3 (3).

#### **4. Application For Loan :-**

["(1) ["Any handicapped person or artisan"]<sup>1</sup> may submit in the prescribed form and in the prescribed manner an application to the Director or to any other officer empowered in this behalf by the Government for loan in respect of

[\*\*\*]3 Cottage Industries." ]2

(2) The officer receiving such application shall within such time as may be prescribed, conduct an enquiry on the particulars furnished with the application and forward the same if he is not competent to sanction the loan, with his report to the Government.

1. Substituted for the words "Any person" by the Assam Act No. I of 1998 (with effect from 17-2-1998). S. 5 (1).

2. Sub-section (1) of Section 4 [originally it was as Section 5] were Substituted by the Assam Act No. III of 1960 (with effect from 24-2-1960) S. 5.

Note - Originally sub-section (1) as substituted read as follows-

"(1) Any person may submit in the prescribed form and in the prescribed manner an application for loan to the Director of Cottage Industries, Assam or to any other officer empowered in this behalf by the Government."

3. Deleted the words "Small or" in sub-section (1) of Section "4" by the Assam Act No. I of 1998 (with effect from 17-2-1998) S. 5 (ii).

## **5. Terms For Grant Of Loan :-**

The Government or the authorities empowered to sanction the loan may grant loan to a cottage industry on the following terms-

(i) The grant of a loan is to be secured and repaid in the prescribed manner and upon such terms as may be fixed by the order granting it:

Provided that no such loan shall exceed upto a maximum of 75% of the total value of the security as prescribed :

Provided also that notwithstanding anything contained in this Act and subject to such rules as may be prescribed, the Director or the authority empowered to issue loan may sanction loan upto Rs. 25,000.00 on personal bond of the applicant and upto Rs. 30,000.00 on security of one or more sureties in addition to personal bond of the applicant.

(ii) Government or the authority empowered to issue loan may lease machineries and equipments necessary for the purpose of the industry to the applicant on hire purchase system on execution of the Bond in the prescribed form." ]1 facilities to handicraft artisans and handicapped persons the Government suggested complete reorientation therefore the Amending Assam Act No. I of 1998 made several amendments in the banking network.

1. Substituted Section "5" [ as originally it was numbered Section 6) by the Assam Act No. I of 1998 (with effect from 17-2-1998) S.



6.

Note - Before substitution of Section "5" read as follows-

Provided that no such loan shall exceed upto a maximum of 75 percent of the total value of the security as prescribed. [...]\*

\* Omitted in the First proviso the words "Security may also included personal security" by the Assam Act No. III of 1960 (with effect from 24-2-1960) S. 6 (1).

\*\* "Provided also that notwithstanding anything contained in this Act, and subject to such rules as may be prescribed, the Director or the authority empowered to issue loan may sanction loans upto one thousand rupees on personal bond of the applicant and upto ["Five thousand rupees"]<sup>1</sup> on the security of one or more sureties ["in addition to the personal bond of the applicant" :]<sup>2</sup>

\*\* Substituted second "proviso" by the Assam Act No. III of 1960 (with effect from 24-2-1960) S. 6(iii).

1 . Substituted for the words "two thousand and five hundred rupees" by the Assam Act No. VII of 1970 (with effect from 11-7-1970) S. 3 (1) (a).

2. Added at the end of second proviso the words "in addition to the personal bond of the applicant" by the Assam Act No. VII of 1970 (w.e.f. 11-7-1970) S. 3 (1) (b).

Note - Before substituted Second proviso read as follows-

"Provided also that notwithstanding anything contained in this Act, and subject to such rules as may be prescribed, the Director of Cottage Industries may in cases of loans not exceeding Rs. 1,000 issue the loan only on the personal security of the borrower, with or without a surety or sureties.

Government or the authority empowered to issue loan may lease machineries and equipments necessary for the purpose of the industry to the applicant on hire purchase system, on execution of the bond in the prescribed form" :

\*\*\* "Provided that Government or the authority empowered to issue loan may sanction such loan on the personal bond of the applicant and one or more personal sureties as considered adequate and reasonable subject to a maximum of Rs. 7,500 in case of political sufferers who are certified as such by the competent authority and who are in need of rehabilitation through productive work.

A political sufferer who is in receipt of a pension from the State Government for participation in any National Movement shall not be entitled to the benefit of this proviso:

Provided further that the Government or the authority empowered

to issue loan may sanction such loan without security to a Co-operative Society owning Small or Cottage Industries upto a maximum of fifteen times of the paid-up share capital of such Co-operative Society subject to production of a certificate from the Registrar of Co-operative Societies, Assam."

\*\*\* Added new "provisions" by the Assam Act No. III of 1960 (w.e.f. 24-2-1960) S. 6(3).

\*\*\* "Provided further that the Government or the authority empowered to issue loan may sanction such loan on the personal bond of the applicant and one more guarantor in addition to personal bond subject to a maximum of Rs. 7,500 in case of unemployed Engineer/Technologist/Technician who are in need of financial assistance for setting up Small Scale Industries."

\*\*\* Added new fifth "proviso" by the Assam Act No. VII of 1970 (with effect from 11-7-1970) S. 3 (2).

"5. The Government or the authorities empowered to sanction the loan may grant loan to a Small or Cottage Industry on the following terms.-- The Grant of a loan is to be secured and repaid in the prescribed manner and upon such terms as may be fixed by the order granting it:

## **6. Inspection Of Assets :-**

Any person authorised in this behalf by the Director [\*\*\*]1 may enter any place, or premises for inspecting any land, constructions, machineries, appliances, materials or stock-in-trade purchased, hired or created or proposed to be purchased, hired or created by the borrower with the loan granted to him.

1. Deleted the words "of Cottage Industries" in Section 6 as re-numbered by the Assam Act No. III of 1960 (with effect from 24-2-1960) S. 8.

## **7. Power To Require Repayment Before The Due Dates :-**

Notwithstanding anything contained in this Act or the Rules made hereunder, the Government or the Director [...]1 if the loan is sanctioned by an authority other than the Government, may for reasons to be recorded in writing, terminate the agreement for loan and direct the borrower to repay all the amounts due thereunder within such time as may be fixed on any of the following grounds-

- (i) that any portion of the loan given has been misapplied; or
- (ii) that there has been a breach by the borrower of the provisions of this Act or of any rule made thereunder or of any condition of

the grant; or.

(iii) that the application on which the loan has been granted contained or was accompanied by, any material statement by the borrower which he knew to be false or any intentional concealment by him of any material fact, which in the opinion of the Government or the Director of Cottage Industries, as the case may be, it was his duty to disclose or that any such false statement or concealment was intentionally made in any enquiry made under this Act or in reply, to any requisition for information under this Act; or

(iv) that the [...]2 Cottage Industry in question is being managed in such a manner as to endanger the repayment of the loan granted thereto and repayable under this Act, and in default of payment within the specified date proceed to recover from the borrower as an arrear of land revenue the whole amount of the outstanding loan, together with such interest as may be due thereon.

1. Deleted the words "of Cottage Industries" in Section 7 as re-numbered by the Assam Act No. III of 1960 (with effect from 24-2-1960) S. 9

2. Deleted the words "Small or" in clause "(iv)" of Section 7, by the Assam Act No. I of 1998 (with effect from 17-2-1998) S. 7.

Note - Original Section 7 as deleted by the Assam Act No. III of 1960 (with effect from 24-2-1960) S. 7 and the existing Sections re-numbered as above the original Section 7, read as follows-

"7. Security.- Notwithstanding anything in the Section 5 all assets purchased with or created from the loan shall be deemed to be mortgaged or hypothecated, as the case may be, to the Government for the repayment of the loan with interest due thereon and the amount of the loan and the interest thereon shall be the first charge on such assets:

Provided that nothing in this sub-section shall affect the borrowers right to sell such articles of his stock-trade as are meant for sale to customers in the normal course of business."

## **8. Power To Postpone Or To Extend Time For Realisation :-**

Notwithstanding anything contained in this Act or the Rules made thereunder, the Government, where the Government is the sanctioning Authority, and the Director [\*\*\*]1 in other cases, may postpone the realisation of any instalment of a loan or may extend the period of repayment of the loan in the manner it deem proper.

However, the reasons for doing so will be stated in writing.

1. Deleted the words "of Cottage Industries" in Section 8 as re-numbered by the Assam Act No. III of 1960 (with effect from 24-2-1960) S. 10.

## **9. Inspection And Returns :-**

The owner of any [\*\*\*]1 Cottage Industry-

(i) when an application has been made for State loan to such industry; or

(ii) during the continuance of the State loan to such industry shall-

(a) comply with any general or special orders of the Government relating to the inspection of the premises, buildings or plant or stock-in-trade, employed or to be employed for the purposes of the industry;

(b) permit the inspection by the prescribed person of all accounts relating to the industry;

(c) submit the account relating to the industry to such audit as may be prescribed;

(d) furnish in the prescribed manner to all prescribed person full returns of all products manufactured and sold both as regards description and quantity;

(e) maintain such special account as may be prescribed; and

(f) furnish such statements as the Government may require.

1. Deleted the words "Small or" in Section 9 as re-numbered by the Assam Act No. I of 1998 (with effect from 17-2-1998) S. 8

## **10. Fees :-**

The Government may charge in respect of application enquiries inspection and audit by whomsoever made under this Act, such, if any, as may be prescribed.

## **11. Supervision Of Assisted Industry :-**

During the continuance of the State loan to a [\*\*\*]1 Cottage Industry, the Government may, by appointing Directors or Inspectors take such steps as it deems advisable so to control the conduct of the Industry as to safeguard the interest of the Government therein.

1. Deleted the words "Small or" in Section 11 as re-numbered by the Assam Act No. I of 1998 (with effect from 17-2-1998) S. 9.

[Published in the Assam Gazette Extraordinary, dated 17th

February, 1998] pp-182-186.

## **12. Power To Recover Or To Take Over Assets :-**

All areas of moneys payable to the Government under this Act, including any interest chargeable thereon and cost, if any, incurred, shall be recoverable as an arrear of land revenue.

## **13. Exemption From Legal Proceedings :-**

No suit, prosecution, or other legal proceedings shall be instituted against any person for anything in good faith done, or intended to be done in pursuance of this Act or any Rule made thereunder.

## **14. Finality Of Decision Of State Government :-**

The decision of the Government as to whether the conditions imposed by or under any of the provisions of this Act have been satisfied shall be final.

## **15. Power To Make Rules :-**

(1) The Government may make rules for carrying out the purposes of this Act.

(2) In particular and without prejudice to the generality of the foregoing provisions, such rules may provide for all or any of the following matter, namely-

(a) The forms of application for loan, order of the sanctioning Authority, the bond, or any other instrument to be executed by the borrowers and notices and directions by the sanctioning Authority and other authorities.

(b) the terms and conditions of the loans and fixation of instalments;

(c) the fixation of the rate of interest;

(d) the extent, the manner of issue of loans and the procedure for realisations;

(e) the form and manner in which accounts and registers are to be maintained;

(f) the manner in which the grant of extension of time for repayment of the principal or interest may be granted;

(g) the manner and machinery for investigation into applications for loans and into proper utilisation of the loan money;

(h) the provision of audit and inspection, and maintenance of account and submissions of returns, etc., under Section 10;

- (i) the fees referred to in Section 11; and
- (j) generally all matters which are required by the Act to be prescribed.