

AN APPRAISAL OF INDUSTRIAL ESTATE
PROGRAMME FROM 1955 TO 1975

M. PHIL. DISSERTATION

BY

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MAY 1982

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**DISSERTATION SUBMITTED TO THE
UNIVERSITY OF POONA IN PART
FULFILMENT OF THE DEGREE OF
MASTER OF PHILOSOPHY**

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MAY 1982

ACKNOWLEDGEMENTS

I am grateful to Shri V. S. Patvardhan for his excellent and meticulous guidance, but for whom this dissertation would not have acquired its present form.

I am also thankful to the authorities of the Gokhale Institute of Politics and Economics, Pune for providing me with all facilities, and for offering me a one year Teacher Fellowship.

Finally I would like to thank Shri S. K. Athale for efficient typing of the dissertation.

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CHAPTER I

INDUSTRIAL LOCATION POLICY

The basic aim of India's Five Year Plans from the beginning of the Second Plan has been rapid development through industrialisation. The First Plan made some advance over the pre-plan position in making some financial provision for the development of village and small scale industries. It also emphasised the need for setting up an organisation in the Central Government to look after the problems of village industries and for creating favourable conditions by the State Governments, organisation of social workers and village co-operatives. The Second Plan placed emphasis on industrialisation through the development of large and small scale industries. A larger role was also assigned to the development of basic industries manufacturing producer goods. This was intended to accelerate the expansion of economic and social overheads. Increased consumer demand, stemming from such investment expenditure in the different sectors of the national economy, was to be met substantially by the development of village and small scale industries. Thus the emphasis on village and small scale industries got strengthened during the Second Plan period.

The small scale industries sector was expected to become a major link between the rural and urban areas. It was

thought that this would bring about the dispersal of industries in the rural areas and generate more employment opportunities because of the relative labour intensive character of these industries. Industrial Estates were envisaged to contribute significantly in the task or promotion of small scale enterprises and in the dispersal of industries. In what follows is a review of the Policy Measures adopted to support the Small Industry Sector and to initiate the Industrial Estate Programme since the 1950s.

Industries, big or small, require in adequate measure certain minimum basic physical overheads like developed land, water, power, roads and communications. A large enterprise, by the sheer size of its capital and scale of operation can generate on its own, enough resources to provide for these basic facilities, which result in greater efficiency, larger production and profits. On the other hand, a small scale unit or even a group of small enterprises cannot afford to arrange all these amenities and hence suffers from lack of these facilities. So there is a need for an institutional technique for provision of these facilities. An Industrial Estate was considered to be such an institutional technique to provide these facilities including factory sheds and/or developed plots to a group of small and/or medium entrepreneurs at reasonable rent or on hire purchase basis. | The estate acts on behalf of the small enterprises to build up the required infrastructural facilities.

These facilities and, in addition, several other economic overheads like post-office, approach roads, banks, telephone and other communication links are generally to be provided economically within an area by the estate. In size and costs, such facilities needed in an estate, would not be much different from those required by a large enterprise. The benefit does not go to one single entrepreneur but to a group of small entrepreneurs/enterprises. The estate can also, at least in theory, provide common production, testing, workshop and repair services. A few industrial estates such as Guindy Industrial Estate and the Ambatur Estate in Tamil Nadu would be seen to have provided such amenities. As regards the facilities provided in an industrial estate, it is important to note that the presence of these facilities is crucial in the sense that it makes for the location of small scale industries.

Thus an industrial estate has been defined as "a tract of land, which is sub-divided and developed according to a comprehensive plan for the use of a community of industrial enterprises".¹ According to this, the plan must make detailed provision for roads, transport facilities and installation of utilities in addition to facilities for the construction of factory sheds. To put it differently "an industrial estate is an industrial area where factories, industrial water,

1 William Bredo, Industrial Estates - Tool for Industrialisation, Asia Publishing House, 1960, p.1.

electricity and transportation are appropriately arranged under direct and indirect government assistance."²

According to William Bredo's definition, it is a tract of land subdivided and developed according to a comprehensive plan. He had not elaborated further the numerous facilities like land, buildings, sheds and infrastructure that are provided in it. This definition conforms to the definition of an 'Industrial Park' as it is prevalent in the developed countries. The definition of the Japanese Delegation goes one step further and it has defined Industrial Estate as a place where factory sheds together with infrastructure are provided under direct and indirect assistance by the government.

It is clear from these definitions that the most relevant point to note is that an industrial estate is a place where the industrial enterprises are specifically located within the earmarked area with all the required facilities. The definition of the United Nations can be taken as a suitable definition, according to which industrial estates are a technique "to designate a planned clustering of industrial enterprises, offering developed sites, pre-built factory accommodation and provision of services and facilities to the occupants".³ It is comprehensive enough to include development

2 Government of India, Ministry of Commerce and Industry, The Report of the Japanese Delegation on Small Scale Industries, 1965, p.110.

3 The United Nations, Department of Economic and Social Affairs, Industrial Estate : Policies, Plans and Progress, 1966, p.4.

of industrial areas under the purview of industrial estate programme in India.

Evolution of Industrial Location Policy

The Industrial Policy Resolution, 1948 of the Government of India had outlined the policy regarding small scale industries in the following words:

"Cottage and small scale industries have an important role in the national economy offering as they do scope for individual village or cooperative enterprises and means of rehabilitation of displaced persons. These industries are particularly suited for better utilisation of local resources and for achievement of local self-sufficiency in respect of certain type of essential consumer goods."⁴

Subsequently in the First Five Year Plan, several important beginnings were made like the setting up of Khadi and Village Industries Board in February 1953, Handicrafts Board in October 1952 and Small Scale Industries Board in November 1954 etc. The Karve Committee (1955)⁵ further expanded on the theme of the importance of cottage and small industries and provided the rationale for supporting them on the following grounds.

⁴ Industrial Policy Resolution April 6, 1948, Reprinted in the Second Five Year Plan, Government of India, Planning Commission, New Delhi, 1956, p.47.

⁵ Government of India, Planning Commission, The Village and Small Scale Industries (Second Five Year Plan) Committee, Report, 1955, pp.15-19.

i) To avoid as far as possible during the Second Plan period further technological unemployment;

ii) To provide in a large measure increased employment opportunities during Second Plan through village and small scale industries. Being labour intensive, such industries would build a structure of modern industries by producing consumer goods and mitigating the shortage of these goods;

iii) It would serve as a basis for an essentially decentralised society and for progressive economic development at a fair rate.⁶

In brief, the strategy recommended by the Karve Committee was as follows: While it was necessary to accelerate the process of industrialisation by providing large scale investment and promotion of capital-intensive industries in the basic sector, it was essential to encourage the growth of small and cottage industries, which would take care of the task of absorption of surplus rural manpower. The expansion of mass consumption goods industries in the organised or modern sector should be regulated (if not arrested), so as to provide enough room for the small/cottage sector to meet the demand of consumer goods in the rural sector. In a sense, the rural demand would be earmarked (if not reserved) to be fulfilled by the small/cottage sector. Thus the modern sector would not encroach on the traditional sector - this was the rationale of

6 Ibid., pp. 14,17 & 19.

the "Common Production Programme" propagated by the Karve Committee. This, in turn, would arrest mass migration of surplus manpower to overcrowded urban areas and would make them productively employed.

If such migration of rural work force was to be arrested, then it was necessary to think in terms of alternative occupations and opportunities in rural areas to employ the local work force. This is what the Industrial Policy Resolution (1948) and the First Plan had spelt out earlier in a rather limited way.

A much wider role was visualised for the small sector in the subsequent Industrial Policy Resolution, 1956 and to quote: "They provide immediate large scale employment; they offer a method of ensuring a more equitable distribution of national income and they facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilised."⁷ It thus highlighted the emphasis on local resources and utilisation of manpower to meet the demand likely to be generated in the rural areas.

The Resolution further outlined the policy regarding balanced development of different areas in the following words: "....Only by securing a balanced and coordinated development of industrial and agricultural economy in each

⁷ Government of India, Industrial Policy Resolution 1956, April 1956, p.5.

region can the entire country attain a high standard of living."⁸

Thus the policy resolution 1956 made specific mention of the problem of balanced regional development and highlighted the need for dispersal of industrial manufacturing activity. It observed that while the overall focus of programmes should be on the development of small industries, other problems like unplanned urbanisation can be overcome by establishing scattered small centres of industrial production. Here was the rationale for locational policy in regard to small scale industries. Hence it was suggested that industrial estates should be started as a major step in meeting the infrastructural requirements of small industry.

The foregoing can be considered to be an authoritative enunciation of government's approach on development of small industries and on the policy of balanced regional development. The various programmes in the subsequent five year plans derive their justification and rationale from these policy statements.

From the above examination of Industrial Policy Resolution of 1948 and 1956, the rationale for starting small enterprises becomes clear which is basically two fold: (1) The small units were recommended because they are capital light, absorb more labour and make use of local resources. (2) By decentralisation and dispersal of small units an

8 Ibid., p.6.

ideal climate for potential industries including big industries can be created. At the same time such dispersal of industries helps to mitigate problems of urbanisation like congestion, over-crowding of factories and unhealthy living conditions. It widens employment opportunities and scope for employment of labour close to their locations, and for utilisation of local/regional resources and raw materials.

In order to fully understand the implications of the second objective, first of all the backward areas in our remote industrially backward regions must be identified. Thereafter the characteristics of backward area must be studied. This would facilitate the use of proper institutional techniques and financial supports that could be provided to develop these areas. Then only industrial estates could emerge as a tool of dispersing industries. A review of working of the industrial estates by the Third Plan Mid Term Appraisal (November 1963) has indicated that in most cases adequate care and attention had not been given to proper planning and location of these estates in rural areas. Consequently all states were asked to review their schemes and that they should ensure that in future, estates are located in those rural areas where essential facilities exist in adequate measure.⁹

Though successive plans stressed the need for balanced regional development, not much was done at the government

⁹ Government of India, Planning Commission, Third Five Year Plan Mid Term Appraisal, November 1963, pp. 117-18.

level till the 1970s. For example even in 1971, Maharashtra State accounted for 16 per cent of the registered factories in the country, with a share of over one-fifth in employment. Similarly, in 1971 in the small industry sector, Maharashtra State's share in the All-India total was 11 per cent in the number of units and 28 per cent in value of output. Even a little later in 1973, in Maharashtra, 83 per cent of the large and medium scale industries in the state were located in the metropolitan areas. The above description of the position in Maharashtra is only illustrative. But the position in other states was no different. The achievements as regards dispersal of industries were thus generally unsatisfactory at the beginning of the Third Plan and very little progress had been registered till 1971.

Recognising the importance of dispersal of industries with a view to reducing regional imbalances, The government constituted first the Pandey Working Group¹⁰ in 1969 for the identification of backward areas. It recommended the following criteria for backward areas, (a) total per capita income, (b) per capita income coming from industry and mining, (c) number of workers in registered factories, (d) per capita annual consumption of electricity, (e) length of surfaced

10 Government of India, Planning Commission, Report of the Working Group on 'Identification of Backward Areas', February 1969, pp.4-5, 7,9-10; M.D.Godbole, Industrial Dispersal Policy in India, Himalayan Publishing House, 1978, pp.62-86.

roads in relation to population and the area of the state, (f) railway mileage in relation to the population and the area of the state. On the basis of the above criteria, states like Andhra Pradesh, Assam, Bihar, Jammu & Kashmir, Madhya Pradesh, Nagaland, Orissa, Rajasthan and Uttar Pradesh and all union territories (excepting Delhi, Pondicherry etc.) were classified backward. About 20 to 30 districts were suggested by the Pandey Working Group for Capital Investment Subsidy (CIS) and other incentives. Actually more than 75 districts came to be so chosen for Capital Investment Subsidy.

In practice, the government accepted the Pandey Group proposals in principle. In addition, the government adopted some other criteria for identifying backward districts viz:

(i) Per capita foodgrain/commercial crops production depending on whether the district is predominantly a producer of food-grain/cash crop; (ii) Ratio of agricultural workers to population; (iii) Per capita industrial output (gross); (iv) Number of factory employees per lakh of population or alternatively number of persons engaged in secondary or tertiary activities per lakh of population; (v) Per capita consumption of electricity; and (vi) Length of surfaced roads and of railway mileage in relation to population.

The Estimate Committee (1974-75)¹¹ later had observed that while the Planning Commission suggested that only

11 Estimate Committee (1974-75), (Fifth Lok Sabha), Sixty-Ninth Report, Development of Backward Areas, Lok Sabha Secretariat, New Delhi, December 1974, p.5.

districts with indices well below the state averages were to be considered backward, in most states all districts and areas with indices below the state average had been selected to qualify for concessional finance. In Assam, Himachal Pradesh, Jammu & Kashmir, West Bengal and Madhya Pradesh, some areas even above the state averages were selected as a special case.¹²

While adopting the above criteria, some states made modifications based on judgement of local circumstances. On the above basis, about 246 districts and union territories except Chandigarh and Delhi were considered eligible for concessional finance. Under this scheme of concessional finance, entrepreneurs setting up units in industrially backward areas were considered eligible for term loans from commercial banks and financial institutions at a rate of interest lower than the normal lending rate.

The Wanchoo Working Group on Fiscal and Financial Incentives for starting industries in backward areas submitted its report in September 1969. It stressed the need for proper feasibility studies, selection of growth points and made a number of recommendations for encouraging the industrialisation of backward areas and to promote entrepreneurs. Its scheme of incentives included the following:

(a) Higher development rebate to industries located in backward areas; (b) Exemption from income tax including

¹² Ibid, P.5.

corporate tax for 5 years, after providing for the development rebate; (c) Exemption from import duties on plant, component etc., by units set up in backward areas; (d) Exemption from excise duty for a period of 5 years; (e) Exemption from sales tax both on raw materials and from the date of going into production; and (f) Transportation cost for finished products should be subsidised for such backward areas as may be selected in Assam, Nagaland, Manipur, Tripura, NEFA and Andamans.¹³

The Central Government requested the industrially backward states in 1970 to select two districts/areas from each state to be identified as industrially backward and one district/area from each of the non-backward states to qualify for the Capital Investment Subsidy (CIS).

Under this scheme with effect from August 26, 1971, a new industrial unit being located in a selected backward district was eligible for an outright grant or subsidy equivalent to 10 per cent of the fixed capital investment both for initial investment and for expansion. The scheme was modified in March 1973 and the ceiling of investment in a new project or expansion programme eligible for subsidy was raised from Rs.50 lakhs to Rs.1 crore and the subsidy was increased from 10 per cent to 15 per cent of the fixed capital investments for projects coming up after March 1973.

¹³ Government of India, Planning Commission, Working Group on Fiscal & Financial Incentives for Starting Industries in Backward Areas, Chaps. 1,2 & 3, pp.16-17.

Projects with a fixed capital investment of over Rs.1 crore were also to be considered for grant of subsidy on selective basis subject to a ceiling on subsidy of Rs.15 lakhs. The scheme became applicable in 125 backward districts in the country.

The data on amount and percentage share of subsidy reimbursed by the different states are indicated in Table 1.1.

Table 1.1: Budgetary Allocation of Subsidy

Year	(Rs.in lakhs)		
	Budget provision	Amount sanctioned & reimbursed	Percentage of amount sanctioned and reimbursed to budget provision
1972-73	75.00	11.76	16
1973-74	100.00	58.90	59
1974-75	400.00	400.27	100
1975-76	500.00	600.00	120
Total	1075.00	1070.93	99.6

Source: K.S.V.Menon, Development of Backward Areas Through Incentives - An Indian Experiment, Table III.1, 1979, p.106.

The operation of the scheme in the final four years revealed that the amount of subsidy reimbursed by the Centre to states/financial institutions etc., had been progressively increasing. Since the inception a total sum of Rs. 1070.93 lakhs was disbursed till March 1976. There was a spurt in utilisation of subsidy in the later two years.

The data on amount and percentage share of subsidy reimbursed to different states (given in Appendix Table 1) show that out of total disbursement, the backward states received Rs.439.97 lakhs (41 per cent).

There was year to year variation in the percentage share of subsidy reimbursed among backward states. In 1972-73, it was 13 per cent, dropped to 8 per cent in 1973-74, registered a rise to 49 per cent in 1974-75 and declined again to 40 per cent in 1975-76.

The subsidy reimbursed was unequally shared by backward states. Among them Andhra Pradesh received 13.2 per cent from the total subsidy. This was followed by states of Rajasthan, Madhya Pradesh and Himachal Pradesh, which received 6.5 per cent, 5.0 per cent and 4.8 per cent each of the total subsidy. Bihar and Orissa received only about one per cent each of the total subsidy. Among developed states, the top share went to Maharashtra (about 21.7 per cent), followed by Tamil Nadu (14.4 per cent). Thus the developed states took maximum advantage of the subsidy scheme and backward states had received comparatively less subsidy.

There may be two reasons for this: Firstly, there may be lack of information about this scheme among backward areas in the backward states. Secondly the backward states did not have the requisite industrial climate and ability to attract new enterprises because of lack of infrastructural facilities like transport, markets etc. Further the delay in reimbursement could also be another inhibiting factor. The foregoing account suggests that measures for dispersal of industries led to further widening of the gap between the developed and the backward states.

In July 1976, the Government of India set up a high level committee,¹⁴ which recommended revisions in the procedures of subsidy reimbursement. It also spelt out as to how the programme could be made more purposeful and effective in industrially backward areas.

The Fifth Plan observed that differences among the states in subsidy reimbursement arose out of organisational and financial strength of these states. The developed states could spell out a proper location for their industries and this had enabled them to perform better vis-a-vis the other states. With the spread of modern agro-industries in rural areas, the case for modern small scale industries becomes strong. These could also be located in the industrial estates.

¹⁴ Government of India, Ministry of Industry and Civil Supplies, Report of the Committee to evolve a Strategy of Development Programme for Small Scale Industries, New Delhi, 1975, pp.13,23

In retrospect industrial estates would appear to be the prerequisite for the implementation of the Industrial Location and Dispersal Policy adopted by the Government of India since 1970.) The Pandey and Wanchoo Working Group respectively identified the backward areas and the incentives needed to attract industrial enterprises in these areas. Industrial estates have to become the major tool for achieving the task of dispersal of industrial units and for the promotion of new entrepreneurs in identified backward areas. In the next chapter, it is intended to examine the growth and performance of industrial estates programme in the past 20-25 years.

Appendix Table 1: Statewise Disbursement of Central Investment Subsidy

State/Union territory	(Rs. -in lakhs)-									
	1972-73		1973-74		1974-75		1975-76		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Andhra Pradesh	-	-	-	-	61.47	15.0	79.67	13.28	141.14	13.2
2. Assam	-	-	2.50	4.0	2.30	1.0	18.55	3.09	23.35	2.2
3. Bihar	-	-	-	-	12.74	3.0	1.99	0.33	14.73	1.4
4. Gujarat	-	-	0.56	1.0	15.26	4.0	73.42	12.24	87.24	8.2
5. Haryana	-	-	-	-	-	-	12.61	2.10	12.61	1.2
6. Himachal Pradesh	-	-	-	-	23.67	6.0	28.42	4.74	52.09	4.8
7. Jammu & Kashmir	-	-	-	-	-	-	2.59	0.43	2.59	0.2
8. Karnataka	10.25	87.0	-	-	18.35	5.0	14.98	2.50	43.58	4.1
9. Kerala	-	-	-	-	29.84	7.0	28.30	4.72	29.84	2.2
10. Madhya Pradesh	-	-	-	-	12.76	3.0	40.86	6.81	53.62	5.0
11. Maharashtra	-	-	48.11	82.0	83.08	21.0	101.22	16.81	232.61	21.7
12. Manipur	0.18	2.0	-	-	-	-	-	-	0.18	-
13. Meghalaya	-	-	-	-	5.95	2.0	3.67	0.61	9.62	0.9
14. Nagaland	-	-	-	-	3.77	1.0	-	-	3.77	0.4
15. Orissa	-	-	-	-	9.84	2.0	1.68	0.28	11.52	1.1
16. Punjab	-	-	0.59	1.0	11.11	3.0	22.06	3.68	33.76	3.2
17. Rajasthan	1.33	11.0	2.31	4.0	35.67	9.0	30.40	8.40	69.71	6.5
18. Tamil Nadu	-	-	4.57	8.0	44.65	11.0	104.73	17.46	153.95	14.4
19. Uttar Pradesh	-	-	-	-	28.39	7.0	7.59	1.27	35.98	3.4
20. West Bengal	-	-	0.18	-	1.40	-	5.60	0.93	7.18	0.7
21. Goa, Daman & Diu	-	-	-	-	-	-	1.40	0.23	1.40	0.1
22. Pondicherry	-	-	0.08	-	-	-	0.19	0.03	0.27	-
Total	11.76	100.0	58.90	100.0	400.27	100.0	600.00	100.00	1070.93	100.0
Share of Backward States	1.51	13.0	4.89	8.0	196.56	49.0	237.01	39.50	439.97	41.08

Source: K.S.V. Menon, Development of Backward Areas Through Incentives - An Indian Experiment, 1979, pp.108-09.

CHAPTER II

PROGRESS OF THE INDUSTRIAL ESTATE PROGRAMME

Programme

The Industrial Estates Programme, as it exists, to-day reflects an impressive growth. The number of functioning estates rose from a mere 52 in March 1961 to 455 estates by March 1974. During this period the output in value terms rose from Rs.7 crores to Rs.202.25 crores; direct employment afforded by the estate enterprises moved from 13,400 persons to about 2.19 lakhs persons.

(New patterns of industrial estates emerged - the co-operative, functional and assisted private estates, in addition to the existing pattern of general purpose estates.) By March 1974, there were 9 functional estates in states like Andhra Pradesh, Gujarat, Tamil Nadu, Punjab etc. There were only two ancillary estates promoted by public sector undertakings in 1974. The foregoing account only indicates that the industrial estate programme is well diversified.

This does not mean that the programme is free from short-comings experienced as early as in 1955. Most of the estates continued to suffer from chronic problems viz. non-utilisation of sheds, lack of working capital, absence of

infrastructure, lack of good entrepreneurs and above all the absence of a proper location policy.

The progress of industrial estates as between different states and union territories is illustrated in Table 2.1. In the table, ranks are assigned to the different states and union territories for the number of functioning estates, number of sheds completed, value of output in the year 1973-74, and the number of persons employed as on March 1974. The cumulative rank totals indicate relative performance of these states and union territories.

Two findings are self-evident from Table 2.1. The states of Gujarat, Maharashtra, Tamil Nadu, Andhra Pradesh, Uttar Pradesh, Punjab respectively record low cumulative rank implying their superior performance. The ^{states} programme of Assam, Orissa, Rajasthan and West Bengal and all union territories excepting Delhi register high cumulative ranks, it means that their performance is poor.

The second point is that in absolute terms a very wide disparity was noticed in the performance of the states. The number of estates functioning varied from 1 (Dadra-Nagar Haveli and Nagaland) to 73 (Gujarat). Sheds utilisation varied from 11 (Nagaland) to 3,227 (Gujarat). Output produced by states and by the union territories ranged from Rs.10 lakhs (Tripura) to Rs. 101 crores (Gujarat) and the range of employment was from 54 (Nagaland) to 48,304 (Gujarat). All

Table 2.1: Statewise Number of Estates, Factory Sheds, Value of Output and Employment

Sr. No.	Name of the State/Union Territory	No. of functioning estates on 31st March 1974	Rank	No. of sheds completed on 31st March 1974	Rank	Value of output (1973-74)* (Rs. in lakhs)	Rank	Employment (on 31st March 1974)	Rank	Cumulative rank total	Overall rank
1		2	3	4	5	6	7	8	9	10	11
1.	Andhra Pradesh	34	5	746	6	8,080	2	10,775	6	19	4
2.	Assam	8	15	204	14	171	16	1,189	15	60	16
3.	Bihar	14	11	412	11	284	15	2,155	13	50	11
4.	Gujarat	73	1	3,227	1	10,149	1	48,304	1	4	1
5.	Haryana	12	13	201	15	124	19	339	20	67	17
6.	Himachal Pradesh	7	16	72	20	43	20	316	21	77	19
7.	Jammu & Kashmir	16	10	249	13	404	13	1,010	16	52	13
8.	Kerala	18	9	533	8	397	14	4,180	9	40	10
9.	Maharashtra	51	3	2,286	2	7,083	3	37,155	2	10	2
10.	Madhya Pradesh	60	2	666	7	656	9	2,484	12	30	7
11.	Mysore (Karnataka)	23	7	414	9	607	10	4,257	8	34	8
12.	Nagaland	1	22	11	23	28	22	54	23	90	23
13.	Orissa	12	13	341	12	494	12	2,053	14	51	12
14.	Punjab	19	8	1,006	3	2,579	5	12,375	5	21	6
15.	Rajasthan	12	13	413	10	2,106	6	4,446	7	36	9
16.	Tamil Nadu	34	5	780	5	2,832	4	22,306	3	17	3
17.	Uttar Pradesh	44	4	827	4	1,700	8	14,249	4	20	5
18.	West Bengal	6	17	157	16	600	11	3,034	11	55	15
19.	Dadra Nagar Haveli	1	22	38	21	138	17	490	18	78	21
20.	Delhi	2	19	129	17	1,788	7	3,312	10	53	14
21.	Goa	2	19	126	18	39	21	406	19	77	19
22.	Pondicherry	3	18	96	19	128	18	612	17	72	18
23.	Tripura	2	19	34	22	10	23	199	22	86	22

* Half-yearly production figures doubled to arrive at the estimates of output for the whole year.
 Source: Industrial Estates in India (Half yearly progress report for the period ending 31st March 1974).

these point out considerable inter-state variation in the growth of the industrial estates. Now against this perspective, an attempt is made in this chapter to review the progress and development of industrial estates from 1950-51 upto 1974-75. The narration is divided into two periods. Period I covers the period upto the end of Third Plan. Period II relates to the period after 1966-67.

Industrial Estates During Phase I

The programme of industrial estates as a tool for developing small industries was first adopted in India by the Small Scale Industries Board at its meeting held in January 1955. This was endorsed subsequently by the Village and Small Scale Industries Committee in October 1955.¹ The first industrial estate was started at Rajkot in Gujarat. The actual work was started in September 1955, when the first shed came into existence.

A loan of Rs.58 lakhs and a grant of Rs.0.49 lakhs was sanctioned by the Central Government to the state governments for setting up 10 more industrial estates in different parts of the country during the First Plan. Out of these one was partially completed at Rajkot (Gujarat) and construction of the rest was carried over to the Second Plan.

In 1956, a provision of Rs.10 crores was made for

¹ Government of India, Planning Commission, Report of the Village and Small Scale Industries (Second Five Year Plan) Committee, October 1955, p.10.

establishing industrial estates in different parts of the country. In 1957, this was raised to Rs. 15 crores. This amount was in addition to Rs.58 lakhs sanctioned in the First Plan.

The Second Plan originally envisaged the establishment of 100 new industrial estates in addition to 10 estates sanctioned in the First Plan, but on reappraisal of the Second Plan in 1959 the programme was reduced to 87 estates. Correspondingly as a result of this, the monetary outlay was reduced to Rs.11.12 crores. Thus upto the end of the Second Plan 87 estates were sanctioned and the allocation for the programme at the end of Second Plan totalled Rs.12 crores.²

The Government of India gave financial assistance to the states and assigned the responsibility of construction and management of the estates to the respective state governments. The cost of building and land would be advanced by the centre to the state governments as a loan with 20 years' duration and rest of the expenditure in the estates such as layout, roads etc., was to be covered by a loan for a period of 30 years' duration. Other costs of estate construction were to be borne fully by the state governments. The construction and management of two estates (Okhla and Naini) were given to the National Small Industries Corporation and both had started

² Government of India, Ministry of Industry, Report of the Development Commissioner (Small Scale Industries), Half Yearly Progress Report for the Period ended 31.3.1966, p.1.

functioning by the end of 1958-59. Out of 97 estates sanctioned, at the end of the Second Plan, only 34 were functioning and others were at various stages of construction. From Table 2.2

Table 2.2: Progress of the Estate Programme During Second Plan

	1955- 56	1956- 57	1957- 58	1958- 59	1959- 60	Total
No. of estates sanctioned	10	13	43	20	11	97
No. of estates functioning	1	-	10	20	3	34

Source: P.N.Dhar and H.F.Lydall, The Role of Small Enterprises in Indian Economic Development, Asia Publishing House, 1961, p.38.

it is seen that the construction of estates had fallen behind the schedule. There were noticeable time-consuming processes which hampered the acquisition of land and the delays caused by the Public Works Department. According to the Sub-Committee on Industrial Estates (1967) "a period of two years has been taken in acquiring land, making plans and estimates and starting the construction of the estates".³ P. N. Dhar and F. H. Lydall observed in their study that the construction of an estate had taken from 7 to 22 months from the beginning of ground clearance

³ Government of India, Report of Sub-Committee on Industrial Estates in "Industrial Estates in India Development Commissioner (Small Scale Industries)", 1959, p.15.

to the start of work of the first factory.⁴ On the basis of experience of the estate programme at this stage, it could not be said that the gestation period was significantly less than that of large enterprises. This delay did not include the time required for arrangements for the finance by private entrepreneurs.

(The second point to be noted is that out of 34 estates functioning at the end of the Second Plan, most of them were located in cities or in large towns.)

In the Third Plan about 300 industrial estates of large and medium type and about 500 to 1000 small and rural estates were proposed for construction. However, by the end of the Third Plan, the number of total estates sanctioned went up to 458 from 119 at the end of the Second Plan. This means that the proposed targets were not achieved, and only 339 new estates came to be sanctioned during the Third Plan period. The larger number of estates proposed, reflects the increased importance accorded to the estate programme. The Third Plan further envisaged the starting of new industries for the development of industrially backward and rural areas. (Table 2.3)

From Table 2.3 it is seen that the plan expenditure on industrial estates as a percentage of expenditure on small

⁴ P. N. Dhar and H. F. Lydall, "The Role of Small Enterprises in Indian Economic Development", Asia Publishing House, 1961, p.39.

Table 2.3: Expenditure on Industrial Estate and Small Scale Industries During First Three Plan Periods

Plan period	Expenditure on industrial estate (Rs.in crores)	Expenditure on small scale industry including industrial estates (Rs.in crores)	Column 2 as percentage of Col. 3 (%)
1	2	3	4
I. 1951-56	0.58	5.00	11.6
II. 1956-61	10.40	55.57	18.7
III. 1961-66	22.56	93.64	24.1

Source: R. L. Sanghvi, Role of Industrial Estates in a Developing Economy, 1979, Multi-Tech Publishing Co., Table I, p.16.

scale industries, including industrial estates showed a marked increase from 11.6 per cent in the First Plan period to 24.1 per cent during the Third Plan period. Industrial estates had thus assumed significance in the overall Small Industries Development Programme. However, the provision for estate schemes had been raised to Rs.30.20 crores for the Third Plan from the allocation of Rs.11.2 crores during the Second Plan; this shows that actual expenditure lagged behind the allocation during the Third Plan.

Table 2.4 presents the progress of industrial estates upto 1966.

Table 2.4: Progress of Industrial Estates at the End of the Second and Third Plans

Allocation	As on 31.3.1961	As on 31.3.1966
II Five Year Plan Rs.11.12 crs.		
III Five Year Plan Rs.30.20 crs.		
Funds sanctioned by state/union territories (Rs.in lakhs)	906.91	1,781.91
Amount spent by state & union territories (Rs. in lakhs)	1,098.47	3,039.95
1. Total number of estates sanctioned of which	119	458
i) Functioning	52	198
ii) Completed but not functioning	20	85
iii) Under construction	47	175
2. Number of sheds constructed	2,077	6,326
3. Number of sheds allotted	1,872	4,947
4. Number of sheds occupied	1,569	4,562
5. Number of sheds functioning	1,049	3,709
6. Number of units functioning	-	3,199
7. Number of units reporting production	-	2,393
8. Half yearly production (Rs. in crores)	7	25
9. Employment reported	13,400	54,651
10. 3 as percentage of 2 (Administrative lag)	90%	78%
11. Percentage of 5 as percentage of 4	67%	81%
12. Utilisation ratio (No. of sheds functioning as percentage of sheds constructed)	50.5%	58.6%

Source: Government of India, Ministry of Industry, Half Yearly Progress Reports on Industrial Estates for period ended 31.3.1966, p.3.

The total number of sanctioned estates showed an increase from 119 estates at the end of March 1961 to 458 by the end of March 1966, but the functioning estates registered a rise from 52 estates to 198 estates. Completed but not functioning estates rose from 20 to 85 estates and estates under construction had increased from 47 to 175 over the period.

The increase in the number of non-functioning estates only suggests that a larger number of estates had been taken up for construction, particularly during the later period of the Third Plan.

Sheds allotted as a percentage of total number of sheds constructed can be taken as a rough measure of administrative lag. This had fallen from 90 per cent in March 1961 to 78 per cent in March 1966, implying serious administrative delays in estate construction. On the other hand, the number of sheds functioning as a percentage of number of sheds occupied showed a rise from 67 per cent in March 1961 to 81 per cent by the end of the Third Plan. This means some improvement in efficiency in allocation.

It can be inferred that this lag is not as significant as administrative lag in the industrial estates completed at the end of Third Plan. Even before commencement of production, there are lags of different magnitudes. Allotment lagged behind construction, occupation behind allotment and functioning (or commencement of production) was delayed much after

the occupation of sheds. All these delays as between different stages before commencement of production in the sheds only suggest, lack of planning.

As to the reasons that caused delays in the progress of industrial estates, there have been a number of opinions. It is necessary to make a distinction between those causes that operate at the policy level, those at the estate level, and those at the production level of the individual units.

The problems at policy level arose primarily out of the absence of a proper location policy. In the initial period the choice on location of industrial estates was dictated by the expectations of demand in urban and semi-urban areas. As happens in several government programmes, the choice fell on such locations, where the response was anticipated to be good and encouraging and secondly where relatively little administrative preparation was felt necessary. The choice of Baroda and Rajkot in Gujarat State or Thane or Pune in Maharashtra suggests that government went on the basis of nearness to markets, which were already established and which had close proximity to industrial centres. On the other hand, some extremely backward areas came to be selected just because they were backward without examining the potentiality of these backward areas to emerge later as industrial growth centres. This resulted in additional problems pertaining to attracting entrepreneurs, choice of right type of industries and much

needed social infrastructure in terms of availability of workers.

Now, what sort of industry or group of industries could be started in such backward areas? A particular industry may be selected only in the context of the overall level of development of the area. The area should be able to supply some of the required raw materials and absorb the products manufactured by the unit.

At the estate management level, there were considerable delays in the matter of receiving applications from candidate firms for allocation of sheds, and between scrutiny and actual allocation of sheds. The former type of lag between construction and allocation suggests absence of preinvestment survey of the market and of likely demand for industrial sheds from entrepreneurs. It was equally important to make a match between the entrepreneur and the industry. In the early enthusiasm, many entrepreneurs were encouraged to start enterprises in which they had little background. This also resulted in failures or sometimes closure of the units in the industrial estate.

At the individual factory level, there was yet another type of delay. The individual members owning the sheds began to experience several initial difficulties. Some individual units were suffering from lack of working capital to meet the day to day expenses and in the procurement of much needed machinery for installation in their factory sheds. This partially accounted for the delays in the commencement of

production and in the case of operating units from reaching optimum utilisation of their capacity.

In the Third Plan, the government policy towards industrial estates underwent a change. Instead of acquiring land and erecting factory sheds with all the requisite facilities and then offering on rent or rent cum purchase basis or if necessary sold outright to the prospective entrepreneurs, it was increasingly felt by the central government that the state governments should only develop suitable land sites with facilities and leave the initiative of construction of factory sheds to the respective entrepreneurs. This approach indicates abdication of responsibility on the part of the government and unwillingness to make commitments in funds for development of sheds etc., in a given locality. This policy in turn manifested itself in the type of promotional work undertaken by State Industrial Development Corporations (like in Maharashtra) in the later period. This change in approach towards industrial estates in urban areas could also be interpreted in a different manner. Having initiated the process of industrial estate formation, government felt that it was no more necessary to extend assistance in the form of built up sheds; entrepreneurs should be impelled to put in some stake on the sheds, thereby prompting them to take active interest and to put their heart in the enterprise. This is quite reasonable. However, it is not clear what really prompted the government to introduce this change as regards leaving the construction of sheds to

entrepreneurs. This became the specific government policy in estates located in urban areas. The policy to be pursued in rural industrial estates was to provide factory buildings with all the facilities. It was further held that industrial estates in rural areas need not have large number of factories as are found in urban and semi-urban areas.

The emphasis of the Third Plan was on the development of small and medium estates. As mentioned earlier, the Third Five Year Plan Draft Outline (1960)⁵ envisaged that 300 new industrial estates will be set up as against 120 sanctioned during the Second Plan period. These new industrial estates were to be set up in selected rural areas where power, water supply and other essential facilities were available or could be readily provided.

It was hoped by the planners by now that if this programme of dispersal of industries to rural areas succeeded, it would arrest the migration of rural population to cities and unhealthy living and working conditions in cities could be reduced over a period of time.

This policy of dispersal would provide employment opportunities/outlets in rural and backward areas to the small artisans and craftsmen at places closer to their locations.

Moreover, the rural estates were to be located, as far

⁵ Government of India, Planning Commission, Third Five Year Plan Draft Outline (1960), p.71.

as possible, in places where basic infrastructure and other requisites such as market, transport, and easy and cheap labour were available or could be made available. This approach apparently resulted in the setting up of a sizeable number of estates in cities or other urban centres.

On the whole, however, much emphasis came to be placed hereafter on the preparatory work that should be undertaken before selection of land sites and a proper techno-economic and pre-investment study of prospective locations in rural areas. In practice, little spadework seems to have been done before choice was made of locations in rural areas. At the end of Third Plan, 458 estate schemes were sanctioned but only 198 of them functioned. Out of them, 106 were urban estates, 63 were semi-urban and 39 were rural estates. The number of estates sanctioned in rural and urban areas separately is not available. The Third Five Year Plan document had in the chapter in "Village and Small Industries" expounded this principle when it observed "For the better utilisation of the resources under the Plan, the attempt should be to provide assistance intensively at points where the conditions are relatively more favourable and to build up in this manner a number of successful centres, which may serve as models and a nuclei for more widespread development."⁶ In practice, how

⁶ Government of India, Planning Commission, Third Five Year Plan - Plan Document, Chapter on Village and Small Scale Industries, p.435.

much of this recommendation was implemented has not been clearly stated in later documents.

By and large, the absence of proper planning and location policy on the part of the government and the problems of small enterprises relating to supply of raw materials and marketing, procurement of machinery for installation, etc., seem to have adversely affected the progress of functioning estates. So much so, the increasing number of non-functioning estates prompted the Government of India to think of starting other types of estates managed by alternative forms of management.

This is evident when towards the end of the Third Plan, the government assigned a large number of industrial estates which came to be started, such as the cooperative and the assisted private industrial estates, sponsored by the cooperatives, joint stock companies and by private agencies.⁷ In either type of estates government participation and encouragement would be there, but the management of these estates would be left in the hands of the concerned organisations. It can be noted that cooperatively run industrial estates were popular and the estates run by other forms were not popular, except in Rajasthan.

The idea of a cooperative estate first emerged as a means or device for raising of capital required by small

⁷ T. D. Nagaiya, "Industrial Estates Programme - The Indian Experience", SIET, 1971, Chapter II, p.16.

entrepreneurs. A cooperative estate is at least partially financed by the resources of members and supported by the government.

Presumably, government realised the difficulties in setting up and then managing the estates departmentally. Secondly, cooperative form of organisation was considered better as it involves active participation by the entrepreneurs. The members were expected to have a stake in as much as they will have to take up the responsibility of raising a portion of the capital as their own contribution to the share capital. Thirdly, government would be able to utilise the funds over large number of locations, where cooperative members would raise capital and government would be required only to grant a portion of the loan or to meet the gap in the required quantum of share capital. "The members of such an estate could raise 20 per cent of its share capital from its members, another 20 per cent would be contributed by the state governments and the balance 60 per cent to be provided by way of loans from the Life Insurance Corporation of India."⁸ Thus the limited capital funds could be stretched over a larger number of estate enterprises.

During the Third Plan period, a small beginning was made in the development of cooperative estates. The programme was

⁸ Government of India, Ministry of Industry & Supply, Industrial Estates Half Yearly Progress Report for the period ended 31.3.1965, p.1.

started in Gujarat, Maharashtra, Madhya Pradesh, Tamil Nadu and Uttar Pradesh. The state governments rendered assistance to the cooperative estates in securing loans, in purchase of land and in the provision of other facilities. At the end of March 1966, there were 107 cooperative industrial estates in the country; but 57 of them were in Maharashtra, followed by 21 in Gujarat. This suggests the progress made by other states in respect of setting cooperative estates was marginal till the end of the Third Plan. Very little progress had been registered as regards private estates for which relevant data are not readily available. In fact, such estates have flourished only in cities like Bombay, but they have encountered problems regarding obtaining long term loans from banks and from financial institutions.

Functional and Ancillary Estates

While implementing the programme of industrial estates, government have thought of experiments which will give a boost to small enterprises of a specialised character. Functional and ancillary estates have been promoted with a particular objective to cater to the requirements of a group of industries, big and small. A functional estate is one where certain tasks for the main industry like supply of inputs/components etc. are subdivided among a number of units in an estate, each of them functioning according to a coordinated programme. In the Third Plan seven states viz. Andhra Pradesh, Gujarat, Tamil Nadu, Punjab, Maharashtra, Delhi and West Bengal had taken up

this programme. The number of such functional estates promoted in the Third Plan were nine in all, and produced a range of items in electronic or engineering industries.

Ancillary Estate Programme means the development of industrial units, which are ancillary to a neighbouring large industry. It tended to promote sub-contractual relationship. In this plan, a beginning was made in Hindustan Machine Tools, Bangalore, which set up 50 factories at a total cost of Rs.20 lakhs. Very soon other undertakings like Heavy Electricals at Bhopal, Bharat Electronics at Bangalore, Hindustan Steel Ltd. at Bhilai, Rourkela Steel Plant at Rourkela, and Heavy Engineering Corporation at Ranchi came forward to set up ancillary estates. These attempts were not successful and even at the end of March 1974 there were only two successful ancillary estates; there was no further progress in the field of ancillary estates.

Phase II (1966 to 1975)

On the whole, a beginning was made in developing different types of estates like the ones on cooperative lines and functional estates, but much progress was not registered during the Third Plan. After the end of the Third Plan and on the eve of the commencement of the Fourth Plan, the number of functioning estates rose from 198 to 265. Between 1967/1969 the number of urban, semi-urban estates registered a small rise but the number of rural estates rose significantly from 39 to 61

(Table 2.5). Broadly there was some progress between 1966-67 and 1968-69. This period was however marked by an industrial recession and hence perhaps the slow progress.

Table 2.5: Progress of Estates During Annual Plans

Indicators of progress	As on 31st March 1967	As on 31st March 1969
No. of completed estates	305	311
Functioning estates	208	265
1) Urban	106	119
ii) Semi-urban	63	85
iii) Rural	39	61
Sheds constructed	6,839	8,124
Sheds occupied	4,959	6,482
Employment (Nos.)	61,000	69,000
Output (annual value)	Rs.60 crores	Rs.90 crores

Source: Government of India, Ministry of Industrial Development and Company Affairs, Reports of the Small Scale Industries Organisation for the years 1966-67 and 1968-69, pp.77-79 and pp.101-104.

The objectives of the development programme, during the Fourth Plan were to improve the production technique of small enterprises, fuller utilisation of the capacity already established, intensive development of selected industries and industrial cooperatives subject to the feasibility and promotion of industries in semi-urban and backward areas. So encouragement of small industries still continued to form the essential part of the plan policy. It was from this view point that selected industries must be developed in the small sector. The Industrial Development Bank of India (IDBI) was set up in 1964 as the Apex Development Institution for the purpose of industrial finance and started granting refinance to banks and financial institutions for on-lending to small scale industry. IDBI had sanctioned Rs.3.3 crores in respect of 247 small scale applicants in the five years, 1964 to 1969; but in the following five years 1969 to 1974, its refinance rose to Rs.79.2 crores in respect of 7,779 applicants. This shows that the financing of small industry and refinancing by IDBI picked up during the Fourth Plan. The extent of support by IDBI granted to the small scale sector in the subsequent period - 1974 to 1979 clearly brings out the rapid increase in such assistance which was Rs.676.4 crores in respect of 61,734 small scale applicants. However, IDBI did not take up the work of refinance to industrial estates till 1973.

Information about IDBI's refinance to units in specified

backward areas clearly indicates the acceleration in the promotion of industrial enterprises by the Fourth Plan period and in subsequent years. Thus in the years 1964 to 1970 this refinance was a mere Rs.18 crores, rose to Rs.162 crores during 1970 to 1976 and shot up to Rs.1,008 crores in the last five years 1976 to 1981. The development of backward areas depends mainly on a proper location policy of the government. Such a policy has to ensure a well developed and efficiently run estate programme and progressive development of candidate industries in the estate. Secondly, the government has to fill the gap and give a well designed scheme for progressive development of facilities like finance, supply of raw materials and marketing links. This would enable the estates to grow steadily until they become viable economic units.

Another development in the Fourth Plan was that small industries, especially economically viable ones should be helped in the matter of improving skills and techniques and in the provision of better consultancy services. Accordingly an appropriate link between small and large industries was sought to be established in a few industrial estates. They represent potential source of strength to small units in overcoming their technical problems and would help them to turn out goods of quality and competitive standard in the market.

Efforts were continued to find out information about parts and components required by large units and the government stores purchase policy in Fourth Plan period aimed at encouraging large industries in public and in private sector to meet their spare parts and component requirements to the maximum from small units. The applications of large scale units were scrutinised to exclude from their coverage the items, that can be produced by small sector. It was the objective of government policy that this policy of reservation of products should progressively increase in the subsequent plans. The number of reserved items increased from 46 in 1967-68 to 504 by the end of December 1977 and finally rose to about 834 items in 1980. The reservation policy aimed at exclusive production of reserved items by small sector and to protect, at least in early stages from unfair competition from large enterprises and that later, these should grow into strong and viable enterprises to meet the future demand on an organised scale. In the opinion of the recent Estimates Committee (1980-81),⁹ the reservation policy could not achieve much. The negative aspect of this policy is that it has protected a large number of weak small enterprises under the umbrella of reservation of items. The licensed capacity of large units is frozen at the level on the date of reservation. So if reservation policy should succeed, the government

⁹ Government of India, Ministry of Industry, Fourteenth Report of the Estimates Committee (1980-81) to 7th Lok Sabha Report on Small Scale Industries - Raw Materials and Marketing, 1980, pp.122-23.

should think in larger terms of completely shutting down the production as well as entry of large units in products where much technology is not required, plug the legal loopholes and to provide on an organised scale the supply of essential inputs like water, raw material, machines and import components on easier terms to the small units. This would really help them to develop as effective units to meet the future demand of the industry.

Common service centres were restricted during the Fourth Plan and creation of Proto-Type-cum-Production Centres was restricted to Okhla and Naini estates for manufacture of machine tools and components and in a few places in the country. The estate programme during the Fourth Plan was one of consolidation and so increase in the number of general purpose estates was not contemplated. It was decided to complete the sanctioned estates and government intended to encourage functional and ancillary estates on a slightly expanded scale with a view to providing greater employment opportunities/outlets to the qualified unemployed and under-employed. A beginning was made in the construction of cooperative estates. Out of 170 estates as of June 30, 1973, 69 and 49 estates respectively were located in Maharashtra and Gujarat. This position clearly shows that the cooperative estates had not recorded much progress in other states.

The Fourth Plan carried further the tempo of promoting industries in notified backward areas. The accent of the

government was on setting up small industries in these areas. It was felt that a small industry would be better suited than a larger counterpart in tapping the local resources of the area, smaller concentrations of raw material, labour and other facilities available in these areas. It would give productive employment to rural unemployed, build up rural trades and artisans, besides providing them with alternative livelihood. This strategy also required a proper location policy. Once this was done, suitable incentives and subsidies could be worked out by the state/sponsors to attract large/small industries to these areas."

After the Reserve Bank of India's "Report of the Working Group on Financing of Industrial Estates" (1972) was released, several changes took place in respect of financing small scale units in the industrially backward areas and in the units located at the industrial estates.

At present, the Industrial Development Bank of India provides concessional refinance assistance in the notified backward districts to the State Financial Corporations in respect of term loan upto Rs.30 lakhs to the small and medium scale projects provided the paid-up capital and reserves do not exceed Rs.1 crore. This is the concessional or soft loan assistance to the units in backward areas. The commercial banks also are eligible for such assistance.

Between December 1974 and March 1979 total outstanding

credit (including term loans and advances to craftsmen and other qualified entrepreneurs) extended by commercial banks to small scale industries rose from Rs.1,017.3 crores at the end of December 1974 to reach a corresponding outstanding credit of Rs.2,156.3 crores. The outstanding term loans by commercial banks to small industries was Rs.174.7 crores as at end of December 1974. The corresponding outstanding term loans stood at Rs.359.9 crores by the end of December 1978. And the share of outstanding term loans to total outstanding bank credit was 17.2 per cent in end of December 1974. This had marginally declined to 16.7 per cent by the end of December 1978. This data highlights that commercial banks term loan assistance had been marginal to this small sector. The only point to note is that the commercial banks are not taking full advantage of the re-finance scheme of the Industrial Development Bank of India but often extend loans on normal terms to the small units in the backward districts.

On the contrary, the State Financial Corporations' (SFCs) financial assistance to projects in the small scale sector recorded a tremendous rise in its sanctions and disbursements. Between 1974 and 1979 such sanctions of the SFCs went up from Rs.60 crores to Rs.189 crores. The disbursements of the SFCs increased from Rs.28 crores to Rs.131 crores for the same period.

The concessional finance by the State Financial Corporations to the units in the backward areas picked up momentum

from the Fourth Plan. Between April 1978 to March 1979 about Rs.195 crores were sanctioned of which about Rs.135 crores were disbursed during that period.

Furthermore, the Industrial Development Bank of India started assisting the Small Scale Industries in the various states by rediscounting bills for supplying machinery and equipment to small units. This decision as well as the Automatic Refinance Scheme to boost the operations of the SFCs and the commercial banks will really benefit the small sector and in speeding up the dispersal of such units in backward areas and in turn the industrial estates.¹⁰ Secondly, it is imperative to cast a compulsory obligation on commercial banks to approach to IDBI for refinance or to extend loans on its own resources on concessional terms to small units in backward areas.

From 1973-74 to 1980-81, the Industrial Development Bank of India sanctioned refinance to 43 industrial estates of the order of Rs.47.3 crores, of which Rs.25.6 crores had been disbursed. This brings out the slow pace of progress of industrial estate financing even in the latest years. But IDBI's assistance to the small scale sector had been substantial on account of increased refinance by SFCs and because of the introduction of Automatic Refinance Scheme. Even commercial banks had benefited by this scheme.

¹⁰ M. D. Godbole, "Industrial Dispersal Policies", Himalaya Publishing House, 1978, Chapter IV, p.75.

From March 1976 onwards, the long term financial requirements of small enterprises and industrial estates were increasingly met by the Life Insurance Corporation of India. Its sanctions were of the order of Rs.15.4 crores year ending March 1976; rose to a peak level of Rs.19.4 crores in March 1977 and came down slightly to Rs.18.3 crores in March 1978. The disbursements were of the order of Rs.9.4 crores in March 1976, Rs.11.1 crores in March 1977 and Rs.16.5 crores in March 1978. A welcome feature of the corporation's activity is that direct advances for construction of industrial estates was given by the corporation from March 1978. Direct advances rose from Rs.9.21 crores as on March 1978 to Rs.13.98 crores as on March 1980. It appears from the magnitude of assistance given in recent years that the Life Insurance Corporation might become an important source of long-term finance for industrial estates.

Thus financial institutions, are providing assistance like infrastructure, sheds, etc. for the small scale sector, which considerably accelerates the development of industrial estates and the units in the industrial estates.

Hence a study of industrial estates as of March 1975 would indicate how these industries are progressing.

Assessment of the Industrial Estate as of March 1975

The overall position of the Industrial Estate Programme is shown yearwise from March 1966 upto March 1975 in Table 2.6. The number of functioning estates came to 469 as against a

Table 2.6: Progress of Industrial Estates Programme (Government Owned and Assisted Private Industrial Estates)

Sr. No.	Indicators of progress	As on 31.3.1966*	As on 31.3.1970	As on 31.3.1971	As on 31.3.1972	As on 31.3.1973	As on 31.3.1974	As on 31.3.1975
1.	Number of estates	458	519	552	558	535	612	656
2.	Number of estates functioning	198	327	366	401	438	455	469
	1) Urban	102	147	161	182	203	213	231
	1i) Semi-urban	60	107	120	129	138	134	135
	1ii) Rural	36	73	85	90	97	108	103
3.	No. of estates sanctioned but not functioning	260	192	186	157	97	157	187
	of which							
	1) Industrial estates completed but not functioning	85	91	89	64	58	65	104
	1i) Industrial estates under construction	175	101	97	102	89	92	83
4.	Number of sheds constructed	6,326	9,678	10,317	10,838	12,050	13,351	13,580**
5.	Number of sheds allotted	4,947	8,442	9,100	9,907	10,950	12,019	12,277
6.	Number of sheds occupied	4,562	7,585	8,267	8,816	10,127	11,010	11,375
7.	Number of sheds functioning	3,709	6,000	6,414	7,068	8,274	9,465	9,783
8.	7 as percentage of 6	81.3%	79.1%	77.6%	80.2%	81.7%	86.0%	86.0%
9.	7 as percentage of 4 (utilisation ratio)	58.6%	62.0%	62.1%	65.2%	68.6%	70.9%	72.0%
10.	Number of units functioning	3,199	5,442	6,202	6,883	8,590	10,139	12,376
11.	a) Number of units reporting production	2,393	4,965	5,417	6,018	7,240	7,890	7,878
	b) 11 as percentage of 7	64.5%	82.7%	84.4%	85.1%	87.5%	83.4%	80.5%
12.	Production (Rs. in crores)	25.10	73.98	77.42	113.00	134.00	202.25	287.04
13.	Employment (Nos. in lakhs)	54,651	1,03,675	1,04,813	1,06,098	1,00,540	1,75,700	1,85,429
	1) Per functioning unit - Employment (persons)	23	21	19	16	14	22	24

* Data for the relevant indicators compiled from Government of India, Ministry of Industry, Report of the Development Commissioner, Small Scale Industries, Half Yearly Progress Report for the period ended 31.3.1966, p.3.

** This excludes 5,857 sheds constructed/under construction on developed plots.

Source: Government of India, Ministry of Industry, Small Scale Industries in India, Book of Statistics, 1977, Table 4.5, p.119.

total of 656 sanctioned estates as of March 1975. Locationwise, the urban, semi-urban and the rural estates which rose from 102, 60 and 36 estates in March 1966 to 231, 135 and 103 estates respectively during the period ended March 1975. Urban and the semi-urban estates registered more than two fold increase over the period from March 1966 to March 1975.

The number of rural estates trebled and the share of rural estates in the total rose from 13 per cent in March 1966 to 22 per cent in March 1975. Estates completed but not functioning had risen from 85 in March 1966 to 91 and 89 estates in the next two years; then there was a considerable decline in such estates upto March 1973 rising again to 104 estates in March 1975. This denotes unutilisation of completed estates, which itself is a comment on the efficiency of the locational policy.

Sheds Utilisation : The number of functioning sheds as a percentage of occupied sheds showed a decline between 1966 and 1971. After that it registered a rise of 6 percentage points upto 1975; this could possibly be due to non-availability of scarce raw materials, machinery and components, which affected the functioning of these sheds.

Similarly, number of units reporting production as a percentage of functioning sheds improved from 64.5 per cent in March 1966 to 87.5 per cent in March 1973, and sharply fell to 80.5 per cent as of March 1975. The fall in units

reporting production is possibly due to the acceleration in the setting up of new units.

Employment and Output : Production of the functioning estates rose from Rs.25 crores to Rs.287.04 crores for the above period; direct employment recorded a tremendous rise in absolute terms from 0.54 lakhs persons in March 1966 to 1.85 lakhs persons by March 1975. The average per unit employment showed a fall from 23 persons in March 1966 to 14 persons in March 1973 but rose again to 24 persons by March 1975. There may be two possible reasons. The first one is that the units themselves became more capital intensive; the second would be that a larger number of tiny or smaller among small scale became more predominant.

Low or under utilisation of sheds was witnessed during the closing years of the Fourth Plan and in the subsequent period. Vacant sheds means that infrastructure and facilities created by the states/estates sponsors were not made use of by the members of the estate. It is not possible to generalise about the reasons for this situation. R. L. Sanghvi¹¹ identified possible reasons for idle capacity in general purpose estates viz. (1) choice of wrong location and (2) absence of proper planning. It is possible that construction of estates (sheds) was taken up from time to time without proper programme

11 R. L. Sanghvi, "Role of Industrial Estates in a Developing Economy", Multi Tech Publishing Company, Bombay, 1979. p.34.

and planning for identification of entrepreneurs and potential industries to be started. This was the main reason for the lags in construction and allocation/occupation of sheds.

The programme of cooperative estates had started in 1964 and its progress during the Second Phase has not been satisfactory. There were 107 sanctioned estates at the end of March 1966, which increased to 215 estates by 1976-77. But, the number of functioning estates rose from 91 in March 1966 to 151 estates by March 1977. Sheds completed quadrupled and sheds occupied increased by 5 times; sheds occupation was faster in a majority of the cooperative estates. This can be seen from Table 2.7. It is because the tenants are cooperatively owning the estate by contributing to its share capital and hence would be eager to occupy it on completion.

Much of the progress of cooperative estates is accounted for by the spectacular progress registered in two states - Maharashtra and Gujarat. They together account for three-fourths of the total number of estates in 1964-65 as also in 1976-77. This can be seen from Table 2.8. The motivating factors were different in the two states. The successful functioning of the estates in Maharashtra was due to the success of the cooperative movement and high level efficiency of its institutional structure and financial supports, while in Gujarat which had equal number of estates (84) as in Maharashtra, the significant factors were availability of infrastructure, the external economy in terms of availability of

Table 2.7: Progress of Cooperative Estates (From 1964-65 to 1976-77)

Year	No. of estates sanctioned	Estates functioning	No. of sheds completed during the year	Sheds occupied during the year
1964-65	93	N.A.	497	480
1965-66	107	91	1,007	856
1966-67	125	117	866	961
1967-68	135	122	1,024	825
1968-69	142	124	264	268
1969-70	145	111	507	446
1970-71	151	103	1,077	992
1971-72	159	124	1,159	986
1972-73	170	127	2,875	2,666
1973-74	181	131	3,181	3,939
1974-75	195	148	4,130	3,680
1975-76	202	155	4,150	3,693
1976-77	215	151	4,720	4,121

Source: Data compiled from Statistical Statements of the RBI relating to Cooperative Movement in India - Part II - Non-Credit Cooperatives for the respective years from 1964-65 upto 1976-77, Reserve Bank of India, Agricultural Credit Department, (Tables 79 & 80).

Table 2.8: Number of Cooperative Industrial Estates (Statewise) During 1964-65 to 1976-77

States/Union Territories	64-65	65-66	66-67	67-68	68-69	69-70	70-71	71-72	72-73	73-74	74-75	75-76	76-77
1. A.P.	1	2	2	2	2	2	2	2	2	-	-	-	-
2. Gujarat	18	21	22	25	28	32	37	43	49	-	74	-	84
3. Haryana	-	-	-	1	1	1	1	1	1	-	1	-	1
4. M.P.	-	2	3	3	3	3	3	3	3	-	3	-	2
5. Tamil Nadu	4	5	5	5	5	5	5	5	5	-	5	-	5
6. Maharashtra	52	57	58	60	62	64	65	65	69	-	73	-	84
7. Punjab	2	-	-	1	1	1	1	1	1	-	-	-	-
8. Rajasthan	-	2	3	3	4	4	4	4	4	-	4	-	4
9. U.P.	9	11	11	13	13	13	13	13	14	-	15	-	15
10. Delhi	3	3	16	16	16	14	14	15	15	-	13	-	13
11. Goa, Daman & Diu	3	3	3	3	3	1	1	1	1	-	1	-	1
12. H.P.	1	1	1	-	-	-	-	-	-	-	-	-	-
13. Mysore	-	-	1	3	4	5	5	5	5	-	5	-	-
Total	93	107	127	135	142	145	151	159	170	-	195	-	215

Source: Data compiled from Statistical Statements of RBI relating to 'Cooperative Movement in India', Part II, Non-credit cooperatives for the respective years from 1964-65 to 1976-77, Reserve Bank of India, Agricultural Credit Department.

skilled labour, as reported by Gujarat Industrial Development Corporation. Other states like Uttar Pradesh registered little progress. In the case of all other states like Andhra Pradesh, Tamil Nadu, Madhya Pradesh, there was further stagnation in the cooperative estate programme.

A brief assessment on the performance of the Industrial Estate Programme would be now appropriate. Referring to Tables 2.1, 2.3 and 2.6 the sanctioned estates recorded a rise from mere 10 estates in March 1956 to 97 estates in March 1960, from then onwards the progress of sanctioned estates became rapid, rising from 458 to 656 estates for the period March 1966 to March 1975.

The functioning estates rose from one in March 1956 to 34 estates by close of March 1960; between March 1966 to March 1975, about 271 more estates came into existence.

There was slow progress in the expansion of sheds on account of initial problems and administrative delays. Between 1961 and 1975 sheds constructed increased from 2,077 to 13,580 sheds (6 times); sheds allotted went up from 1,872 sheds to 12,277 (7 times). The occupied sheds rose proportionately from 1,569 to 11,375 sheds (7 times). The functioning sheds had gone up from 1,049 to 9,783 sheds (9 times).

The possible back logs in sheds allotted from Third Plan upto March 1975 does not reflect a decline in allocational efficiency of the estate. It only means a larger number of targeted sheds of the previous year were being fulfilled in

the successive years.

Production rose in value terms by 71 times and that of employment by 14 times.

The expenditure on industrial estates continued to be low and inadequate to the magnitude of the programme. The plan allocations registered a small rise from Rs.10 crores in First Plan to Rs.30 crores at the end of Third Plan. The actual expenditure rose from Rs.0.58^{laks} to Rs.22.56 crores during the same period. Even a little later in the Fourth Plan, actual allocation on estates was Rs.20 crores, of which only Rs.16.59 crores were spent.¹² The allocation of Fifth and Sixth Plans were raised to Rs.21.06 crores and Rs.45 crores respectively, but actual expenditure on industrial estates amounted to Rs.17.64 crores at the end of March 1978.

The foregoing data comments on the failure of the authorities to generate and allocate more resources for this programme.

Two problems are highlighted. They are (a) the absence of proper location policy, (b) lack of planning on the part of estates. As the programme was implemented over the ~~three~~^{two} decades the units in the estate encountered many problems like lack of supply of raw materials, improper allocation of scarce raw materials/components, low utilisation of sheds, high cost of infrastructure and above all absence of efficient entrepreneurs.

¹² R. L. Sanghvi, Role of Industrial Estates in a Developing Economy, Multi Techno Publishing Co., 1979, p.16.

On account of these difficulties and its own inherent problems many states have not made progress with the industrial estate programme. Existing sheds in estates are not fully utilised. States of Maharashtra, Gujarat and Tamil Nadu recorded significant progress. Maharashtra has been successful with cooperative estates as seen from the fact that even in a backward region like Marathwada, six cooperative industrial estates were established during the Third Plan. Several prominent factors like good quality of entrepreneurs, easy availability of skilled labour had moulded these enterprises in Gujarat. The success we stress, again, is due to the efficiency ^{of} ~~its~~ State Development Corporations like the Maharashtra Industrial Development Corporation and the Gujarat Industrial Development Corporation which act as catalysts for the respective estates.

It is early to assess the progress of functional estates. As regards reimbursement of capital investment subsidy, there is noticeable inter-state variation between developed and developing states. The latter states have not benefited from the subsidy scheme.

Certain defects are noticed in the working of their Industrial Development Corporations and also in the functioning of their industrial estates. These are studied in the next chapter.

CHAPTER III

PROBLEMS IN THE WORKING OF THE INDUSTRIAL ESTATES

From the description of the progress of industrial estates, it would seem that the estates suffer from problems at two levels. One is the programme for development of industrial estates in the context of the policy for industrial dispersal. The other is the variety of problems faced by the estate at the micro level. In this chapter, the problems encountered in the planning and setting up of an estate are examined in some detail together with those in its functioning.

The construction of industrial estates has to pass through several stages from administrative approval till the commencement of its functioning. Considerable delays were noticed in the different stages of an industrial estate. In the early stages of its development, the sanctioning and building of the estates was done by the central government. The state governments provided the necessary infrastructure. As mentioned earlier, the central government policy towards industrial estates underwent a change in the Third Plan.

From 1961 onwards in the leading states of Maharashtra, Gujarat, Karnataka and Tamil Nadu (from June 1974), the sanctioning and building of the estate came under the exclusive

purview of the respective state governments/State Industrial Development Corporations (SIDCs).

However, states like Punjab, Bihar, Uttar Pradesh, Orissa, Himachal Pradesh, Haryana, West Bengal, Jammu & Kashmir, Assam, Andhra Pradesh and Madhya Pradesh are departmentally owning and managing the estates.

In the case of Rajasthan, the state is assisting the private estates by allocation of government land on lease or helping them to acquire suitable land. It also gives loans to cooperative and joint stock companies, which in turn sponsor the industrial estate.

In most of the states, land is acquired by the respective state governments. The necessary infrastructure such as roads, power, water and drainage was provided by the Maharashtra Industrial Development Corporation (MIDC) in Maharashtra. The Corporation was established on August 1, 1962 under the Maharashtra Industrial Development Act, 1961. The aim of the M.I.D.C. is to promote and assist rapid and orderly establishment, growth and development of industries in Maharashtra. Initially the Corporation established only 2 or 3 industrial areas in the Bombay Thane complex, but by 31st March 1981, it had developed 59 industrial areas, most of which are completed. Between March 1973 and March 1981 the total planned area increased from 15,807.59 hectares to 21,888.22 hectares. The total area in possession of the

M.I.D.C. increased from 10,409.29 hectares to reach a level of 17,026.46 hectares.

Thus out of a total planned area of 21,888.22 hectares, land admeasuring 17,026.46 hectares had already come into its possession by 31st March 1981, of which 16,414.64 hectares were reserved for industrial use and about 611.82 hectares for residential use.

Allotment of Plots

Plots in the industrial areas are allotted on long term premium basis on payment of occupancy price. Once the agreement to lease is executed the plot holder is put in possession of the plot.

During the period March 1972 to March 1981, the total number of plots rose from 4,854 plots to 11,879 plots; total number of allotted plots went up from 3,221 to 9,777 for the same period. The number of units/flatted factories in production increased from 1,329 units to 4,874 units during this period. The annual turnover of factories in production rose from Rs. 35,936 to Rs. 2,94,384 for the same period and the number of workers employed in the factories also rose from 62,436 to 2,02,176 persons for the above period. The above description demonstrates the quick pace of land acquisition and efficiency in allocation of sheds, by the M.I.D.C.

Land Pricing Policy

Land prices are revised from time to time keeping in view the progress of development in respective industrial areas and the market conditions. In order to accelerate the process of attracting industries to the developing parts of the state, away from Bombay/Pune complex, the Corporation has evolved its price structure in such a manner that as one goes away from the industrially developed centres of Bombay/Pune, the price of land is reduced. The price structure prevailing between March 1975 and March 1981 is given in Table 3.1.

It is evident from Table 3.1 that there is a very large difference between the premium lease rates in the developed and developing areas of the state. The prices of land in developed parts of the state have also been raised substantially during the last three years, while the price in most of the developing parts had remained the same. This was done to attract industries to the developing areas. In March 1981, price of land per square metre varied from Rs.250 in Marol to Rs.8 in Kolhapur and Nagpur and Rs.2.50 in all other developing areas,

Besides development of industrial areas, the M.I.D.C. also undertook water supply schemes for provision of needed water in the areas. Its network runs throughout the state and caters to more than 600 industries in developing areas, in addition to those in developed areas.

The revenue receipts from operating its water supply

Table 3.1: Land Prices in MIDC Areas between 1975 and 1981

Region	Name of the MIDC area	Rate Rs. per sq. metre		
		March 1975	March 1978	March 1981
Bombay Metro-politan	Marol	75	150	250
	Thane	40	90	150
	Thane creek including Kalwa	40	90	120
	Dombivli	20	45	70
	Taloja	20	45	70
	Mira	20	35	70
	Badlapur	10	35	70
	Ambarnath	15	40	55
Pune Metro-politan	Pimpri-Chinchwad	20	40	50
	Bhosari	20	40	50
	Tarapur	15	15	20
	Roha	6	9	25
	Nashik	6	12	18
	Kolhapur	3.50	5	8
	Nagpur	3.50	5	8
	Aurangabad	3.50	6	12
All other areas	2.50	2.50	2.50	

Source: MIDC Reports for the years 1974-75, 1977-78 and 1980-81.

schemes rose from Rs.415 lakhs in March 1976 to Rs.894 lakhs in March 1981. For the same period, the working expenses of such schemes also had risen from Rs.178 lakhs to Rs.509 lakhs. This shows that though the cost of maintaining water supply schemes was rising, the corporation was able to supply water to developing areas at a pegged rate of Rs.0.50 per cubic metre.

By subsidising the land and water rates, the Corporation seeks to help the speedy growth of industries. The main aim now is the development of infrastructure to units in the M.I.D.C. areas; the developed plots are handed over to the entrepreneurs for their construction of sheds. Here too, it offers procurement of scarce construction materials like steel and cement; appropriate tie-ups are sought to be made with financial institutions, so much so the small entrepreneurs gets a package deal saving time and effort in finding these resources.

In Gujarat, the Gujarat Industrial Development Corporation (G.I.D.C.) is engaged in promoting industrial growth of units both in its sponsored estates and in the small and large industries of the state. It acquires land and offers developed plots with factory sheds on hire purchase system to the members of its sponsored estates.

This policy of outright sale of sheds by the G.I.D.C. was preferred on account of its recovery of the cost of sheds in quicker time. Secondly it would promote greater involvement and occupancy in sheds.

It collects 25 per cent of the total price of sheds/plots at the time of allotment; and the remaining 75 per cent is collected in forty equated quarterly instalments. This policy, would strike economy in initial investment on part of its entrepreneurs.

Likewise, it follows a discriminatory hire-purchase policy of sheds. The initial payment varies from 12 1/2 per cent in backward districts/estates to 25 per cent in other estates. The rate of interest is 9 per cent for backward district/estates and 9 1/2 per cent for other estates. The period of instalment i.e. recovery is over a period of 12 years in backward districts and 10 years in others.

Since its inception, the G.I.D.C. followed a restrictive entrepreneur policy with accent on small scale enterprises. Very recently it relaxed its policy and is now admitting large units in its estates. The active participation of the two development corporations - the M.I.D.C. and the G.I.D.C. had reduced the cost of estate investment on land sites. Thus considerable delays in the estate programme were avoided in the two states.

Another point would be since the setting up of State Development Corporations, cooperative estates in Gujarat and Maharashtra apparently received less attention. Between 1974 and 1977 about 10 cooperative estates in Gujarat and above 11 cooperative estates in Maharashtra were added. Tamil Nadu

registered no further increase in the cooperative estates during the above period. (Refer Table 2.7)

Thus the performance between the states in implementing the industrial estate programme had been uneven. By and large, the programme had succeeded to a great extent in Maharashtra, Gujarat and to a certain extent in Tamil Nadu although for varying reasons. As regards the rest of the states and union territories, the routine departmental administration of setting up estates seems to be one of the major factors, which impeded the estate programme. So choice of a proper location and meticulous follow up schemes are important for the success of the estate programme.

Problems at the Estate Level

1. Absence of Proper Techno-Economic Studies or Pre-investment Surveys

A proper location policy is indispensable for the strengthening and consolidation of industrial estates and for achievement of certain objectives viz. fostering small scale enterprises. It would give an essential thrust to a progressive industrial dispersal policy.

At the micro level for proper location of an industrial estate techno-economic studies or preinvestment surveys are a prerequisite. Such a location policy must be appropriate not only from the point of view of availability of suitable land, water and adequate power, but it must also have close proximity

to markets and selling points together with easy means of transport.

At the same time, the study must indicate the techno-economic possibilities of the area; then selection of suitable product or product lines that can be promoted in an estate. In brief, it must relate the resources and markets for each of such locations.

The Reserve Bank of India Working Group on financing industrial estates (1972)¹ has an important point in the above context. According to its sample survey utilisation ratio of sheds was noticeably higher in industrial estates which were set up after proper techno-economic studies. For instance in such estates in Orissa and Tamil Nadu, utilisation ratio was 78 per cent and 93 per cent respectively.

The RBI study pointed out that such techno-economic studies were not conducted before locating the estates in the case of Punjab, Haryana, Uttar Pradesh and Kerala. They registered accordingly a low utilisation ratios of 67.3 per cent, 57.4 per cent, 59.9 per cent and 62 per cent respectively. The result was that the estate programme did not succeed in these states.

Some states like Tamil Nadu, Kerala and Karnataka had located their estates, using district as a criterion of location.

¹ Government of India, Reserve Bank of India, Report of the Working Group on Financing of Industrial Estates, 1972, Ch. V, p.21.

These varied experiences of different states reveal that well planned techno-economic surveys were generally not undertaken till 1971-72.

2. High Cost of Construction of Sheds and Problem of High Rents

There are two views over the high cost of construction of sheds in an estate. According to the first view, industrial estate is an assistance project for those who venture into production with capital and enterprise. In such a case, the estate policy should be confined to provision of developed land and water, roads, drainage and infrastructural facilities. Construction of sheds must be the responsibility of individual units. This view is endorsed by some state industrial development corporations, particularly the M.I.D.C.

According to another view, the industrial estate must provide constructed sheds together with developed infrastructure at as economic a rate as possible. The Central Government initiated a scheme of subsidised rent in most of the government sponsored estates.

This subsidy is at a flat rate of Rs.0.08 paise per square foot for a period of five years and with time, this rate should progressively increase to come on par with the economic rent.

The latter is calculated taking into account interest on capital, depreciation excluding cost of land, maintenance and administrative charges at actuals or at 2 1/2 per cent of capital cost (which ever is less) and taxes.

The subsidy rent was offered on a flat rate per square foot of plinth area to the operating small units, with a view to reducing their initial cost and to encourage efficient entrepreneurial policy. If there be any losses to the estates, on account of levy of subsidised rent, such losses were to be shared by centre and the states on an equal proportion for 5 years; thereafter, the resultant losses were to be borne by the state governments.

The working of the scheme revealed considerable variation in the charging of economic rents on account of different styling of industrial estates.

As one Evaluation Report² observed it would mean some of the small units were paying 21 per cent of their working capital to meet the economic rent of such industrial estates.

Hence high cost of construction and consequent high rents call for standardisation of sheds and economy in estate construction. If such practices were adopted, prompt repayment of rent could be ensured and a progressive rate of penalty on rents would check the arrears in rents.

With the coming of specialised development corporations - the Maharashtra Industrial Development Corporation, Gujarat Industrial Development Corporation and the Small Industries Development Corporations of Tamil Nadu (SIDCO), these states are encouraging the policy of hire purchase or outright sale of sheds. The switch over from sheds on rental basis to hire-

2 Andhra Pradesh Planning Department, State Evaluation Committee Working of the Industrial Estates, Evaluation Studies No.22, Hyderabad, 1965, pp.24-25.

purchase system had been actively promoted from 1977 at the SIDCO assisted estates in Ranipet, Trichy, Kuruchi and in Ambattur.

3. Unsound Entrepreneur Policy

The provision of sheds and infrastructure is necessary but not a sufficient condition for success of an industrial estate. This largely depends on the quality of entrepreneurs, occupying the sheds. In the early period of the development of the estate programme, it was not difficult to select the right type of entrepreneurs. They were willing to occupy the completed estates which were 52 and most of them were urban estates.

After 1966, with accent on promotion of small industries in dispersed rural locations, the estates experienced difficulty in attracting entrepreneurs to rural and industrially backward areas.

In a majority of the locations, the estate suffered from ill-equipped infrastructure and local entrepreneurs were not forthcoming. In such cases, the estate had to search for applicant entrepreneurs. This resulted in several other problems like non-occupancy, low utilisation of land and infrastructure.

Indiscriminate policy of filling an estate became a serious problem. The entrepreneurs have not commenced production in the sheds. They utilised the allotted supplies of

scarce raw materials like steel, zinc for their units outside the estate. The entry of big units in industrial estates led to pre-emption of sheds facility and prevented the entry of genuine entrepreneurs.

Despite the rapid growth in the number of estates, many estates are yet to formulate a suitable admission policy.

The Gujarat Industrial Development Corporation had evolved an entrepreneurial profile in its economic survey of the G.I.D.C. estates.³ The data given below pertains to 1,320 entrepreneurs, who had industrial enterprises all over Gujarat in the year ending March 1974.

The statistics of the previous occupation of the entrepreneurs are presented in Table 3.2 in summary form.

Table 3.2: Statistics of the Previous Occupation of the Entrepreneurs

Em- ployees	Mer- chants	Manufac- turers	Profess- ionals	Unem- ployed	Stu- dents	Farm- ers
461	168	250	257	94	78	12
(35%)	(13%)	19%	19%	7%	6%	1%

Source: R.L.Sanghvi, Role of Industrial Estates in a Developing Economy 1978, Ch.VI, p.109.

³ R. L. Sanghvi, Role of Industrial Estates in a Developing Economy, Multi Tech Publishing Company, 1979, Ch.VI, p.109.

Table 3.2 reveals the following : employees - technicians, workers, supervisors, constituted 35 per cent of total industrial manufacturers. Merchants, Professionals and traders are three potential source of entrepreneurs. With the accent of cooperative estates and a few functional estates, the estate authorities have now to formulate a suitable approach towards selection of an entrepreneur on the basis of existing and potential entrepreneurs.

4. Absence of Common Service Centres and Testing Facilities

A beginning was made in Fourth Plan for provision of common service centres and testing facilities. Four prototype production centres were set up at Rajkot, Okhla, Howrah and at Madras. These centres are equipped with designing, developing and testing machines and other equipment suitable for small units.

The Small Industries Development Organisation (SIDO) is giving advice on technical matters confronting these units and for starting new units/industries. Between 1961 and 1971 advice on technical matters went up from 34,085 to 1,59,000 cases. Advice in starting new units rose from 23,169 to 71,000 cases. This showed that SIDO is emerging as a catalyst institution to the small units in the matter of technical advice.

Problems of Estates at the Micro Level

Small industries face various problems which ultimately impair their efficiency and viability. The difficulties of

small enterprises arise from a variety of factors such as inadequate power, scarcity of raw materials, inadequate credit arrangement and unpredictability of markets. An understanding of these problems would be necessary at this stage from the point of view of an industrial estate. These apply to small scale units located in it. At the same time, they are general in character and hence would apply to small enterprises irrespective of location.

1. Under Utilisation

Under utilisation is defined as low utilisation of sheds. This volume of idle capacity reflects the extent to which the members of an estate are failing to use the facilities provided in the estate. The factors that are responsible for this low utilisation of sheds are highlighted here.

The utilisation of sheds in the early stages of estate programme was slow. The number of operating sheds as a percentage of total number of sheds constructed registered a rise from 50.5 per cent to 60 per cent between 1960 and 1966. In the period thereafter, it rose by another 3 per cent to reach 63 per cent as of March 1975. This roughly accounts for unutilised sheds constituting 50 per cent in the early decade and is 37 per cent as of March 1975. (Refer Tables 2.4 and 2.6)

This low utilisation of sheds is caused by factors like lack of raw material, power. It is also caused by insufficient allocation of scarce raw material and absence of marketing facility.

2. Problems in Allocation of Raw Material

The general policy in the past was the distribution of critical raw materials to small scale units and now this is gradually extended to cover the artisan units. It must earmark specified quantities of raw materials for major supplies and route them through the State Small Industries Development Corporation for distribution to small units.

First there is shortage of essential raw materials like certain categories of steel, pig iron, grade aluminium, copper, tin and zinc, cement, certain chemicals canalised by State Trading Corporation etc. Here the problem is one of scarcity and relative low allocation to the small units vis-a-vis the Director General of Supply and Disposal (DGS and D). This can be seen in Table 3.3. The total value of import and release order of small sector as a percentage of total value of licence and release order declined from 28.67 per cent to 17.32 per cent over the period 1971 and 1977. The small sector is placed at a disadvantage as compared to the DGS&D units. The latter submit periodic records of their raw material to the canalising agencies or these agencies allocate it on the basis of their licensed capacity.

The small scale units could not submit such accurate raw material requirement with canalising agencies or Directorate of Industries as they suffer from uneven demand. In 1980, they obtained roughly 10 per cent of its estimated demand, and final

Table 3.3: Value of Import Licence and Release Orders Issued to Small Scale and D.G.T.D. Units

Year							(Rs. in crores)	
	Small Sector			Large Scale Sector(DGTD)			Total value (4+7)	Percentage of 4 to 8
	Import licence 2	Release order 3	Total 4	Import licence 5	Release order 6	Total 7		
1971-72	117.95	37.07	155.02	234.47	151.27	385.74	540.76	28.67
1972-73	86.37	58.51	144.88	171.81	193.31	365.12	510.00	28.41
1973-74	82.88	107.82	190.70	198.16	269.86	468.02	652.72	28.95
1974-75	58.80	70.10	128.90	253.08	272.01	525.09	653.99	19.71
1975-76	87.50	48.97	136.47	619.47	319.07	938.54	1075.01	12.69
1976-77	101.07	22.33	129.40	547.26	70.41	617.67	747.87	17.32

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Source: Government of India, Ministry of Industry (DC(SSI), Small Scale Industries in India, Handbook of Statistics, 1977, Table 5.7.1, p.152.

allocation through SIDCs to these units came down as low as 25 to 35 per cent of their requirements.

To understand the problem of misallocation and relative low allocation a glance at Appendix Table II would be sufficient, where estimated demanded and allocation of steel, statewise is given. It shows that some states got larger allocation than the rest and even among them, the allotment of steel was less than the estimated demand. It is seen that allocation in 1979-80 and 1980-81 was less than the demand for the single year 1979-80 in respect of Andhra Pradesh, Chandigarh, Delhi, Haryana, Punjab, Rajasthan and Uttar Pradesh. In Maharashtra, Gujarat, Tamil Nadu and West Bengal, the allocation was a little higher in relation to demand but it was much less than the demand for 1979-80.

The Estimate Committee (1980-81) opined that larger allocation were made to the States of Andhra Pradesh, Gujarat, Maharashtra and lesser allocation to Orissa, Punjab, Uttar Pradesh and Madhya Pradesh. It also meant that even though the developed states like Maharashtra and Gujarat got relatively more allocation than that of the developing states like Orissa, Punjab, Uttar Pradesh etc. their allocation of steel in 1979-80 and in 1980-81 was less in relation to their estimated demand in 1979-80.

A similar problem was noticed in the distribution of imported machinery and scarce components. The value of the machineries delivered by the National Small Industries Corporation (N.S.I.C.) had been high at Rs.990 lakhs in 1975, Rs.906

lakhs in 1976 and declined to Rs.321 lakhs in 1977. This can be seen in Table 3.4. This decreased supply of machines and import

Table 3.4: Value of Machines Delivered by National Small Industries Corporation to Small Scale Units

Year	Value of machines delivered (Rs.in lakhs)
1974-75	990.90
1975-76	906.11
1976-77	321.45

Source: Government of India, Ministry of Industry DC(SSI), Small Scale Industries in India, Handbook of Statistics, 1977, Table 5.6, p.151.

components had resulted in the small scale units, operating at a lower scale of production.

Failure of Marketing

Since its inception the growth of small sector has been slow for want of satisfactory marketing arrangement for their products. But now in the three decades ending March 1980 the small enterprises total a figure of 8 lakhs. The marketing of goods of this sector with its concomitant of product standardisation, quality control, market surveys therefore needs special attention.

The government and industrial estates should support such

activities on a priority basis. Measures like purchase preference policy and reservation policy for exclusive purchase by government departments and public undertakings are being promoted from 1957 onwards.

The number of items reserved for purchase from small sector rose from 16 to 241 items between 1957 and 1977. So also the items purchased by the DGS&D are classified into four groups. Group I includes items which are of no interest to small scale units and can be procured only from large sector. Group II include items which by nature require large scale firms as prime contractors but permit substantial scope for large units to purchase components and parts of small scale units. Group III are residual items which small and large units supply. And Group IV includes items which are reserved for exclusive procurement from small scale units.

It can be seen from Table 3.5 that Groupwise purchase by the DGS&D from small scale industries as whole rose from Rs.72.75 crores in 1972-73 to Rs.86.03 crores in 1974-75. Items under Group IV register a small size from Rs.17.13 crores to Rs.25.34 crores over the same period. It means that small sector is getting only a small share in the overall purchase by the DGS&D. Such a procurement policy of small sector products by DGS&D will not help the viability of small scale enterprises in the long run.

Thus the problems of an industrial estates are closely linked with the problems of its member units. To evolve an

Table 3.5: Groupwise Purchase Made by the DGS&D from Small Scale Industries

(Rs. in crores)					
Year	Group I	Group II	Group III	Group IV	Total
1972-73	1.92	1.37	52.33	17.13	72.75
1973-74	2.46	2.06	38.88	12.32	55.72
1974-75	2.61	4.47	53.61	25.34	86.03

Source: Interim Report of the Committee on Government Purchases.

effective strategy to put the industrial estate programme in order an Integrated Approach is required at every stage of estate planning. It requires small number of viable industrial estates at dispersed locations on proper techno-economic studies. It further calls for provision of developed plots and/or hire-purchase system of sheds, and appropriate tie-ups with development/financial institutions for provision of package facilities.

Appendix Table II: Statement of Demand for Steel Put Forth by the SIDC's Along with Allocation for 1979-80 and 1980-81

(Metric tonnes)				
Sr. No.		1979-80 demand	1979-80 allocation	1980-81 allocation
1.	A.P.	56,000	26,275	29,000
2.	Assam	13,950	8,000	11,000
3.	Bihar	17,983	15,075	15,160
4.	Chandigarh	44,220	12,400	13,000
5.	Delhi	1,48,900	42,500	45,960
6.	Gujarat	79,900	50,500	53,350
7.	Haryana	1,12,800	34,200	40,100
8.	Himachal Pradesh	17,180	4,750	4,500
9.	Jammu & Kashmir	36,305	17,500	19,015
10.	Karnataka	39,700	26,300	29,000
11.	Kerala	47,685	25,000	28,125
12.	M.P.	30,000	20,000	21,300
13.	Maharashtra	92,540	55,000	55,000
14.	Orissa	20,191	15,000	16,050
15.	Punjab	1,69,000	45,000	50,950
16.	Rajasthan	85,350	20,000	25,400
17.	Tamil Nadu	42,940	26,000	29,585
18.	Tripura	6,226	500	800
19.	U.P.	1,00,000	40,000	43,975
20.	West Bengal	45,520	32,136	36,904
21.	Pondicherry	5,400	2,000	2,300

Source: Estimates Committee (1980-81), 14th Report to 7th Lok Sabha, pp.16-17.

CHAPTER IV

CONCLUSION

Having appraised the progress and problems of the Industrial Estate Programme, the following comments will be in order by way of conclusion.

The programme as it stands to-day seems to have failed to generate a large number of viable industrial estates in the economy. However, in some developed states such as in Maharashtra, and in Gujarat, the objectives have been apparently realised to some extent. It is also partially successful in the states of Tamil Nadu and Andhra Pradesh. The success of industrial estates in these states is generally the reflection of the overall superior capacity and capability in these states to take advantage of the schemes of industrial development.

In contrast, the Estate Programme did not pick up in the backward states of Assam, Orissa, Bihar and in the industrially less developed states of Punjab and Haryana.

The estate programme has not succeeded in the backward states, as they were found to be still suffering from (a) acute poverty, absence of local entrepreneurship and low level of industrial development, (b) absence of a proper location policy.

Apart from these two basic shortcomings of industrial estates, a majority of the estates, particularly in the backward states are suffering from other problems such as poor infrastructure, high cost of construction, slow pace of the development corporations, ^{and} poor entrepreneurship. The important operational problems of the estate units were identified as poor and low raw material allocation, idle capacity of sheds and inadequate marketing techniques. All these factors played their role to the detriment of the industrial estate programme. Thus it has failed to promote viable small enterprises in the backward states. It has therefore contributed little as a tool of industrial dispersal.

Industrial estate by itself cannot achieve industrial dispersal or help in attainment of the goal of balanced regional development. Its scope is rather limited. It should be clear ^{by} now that it is a technique or device for providing immediate infrastructure and other requirements for starting small and medium industries. Even here the working of industrial estates are beset with several problems.

Industrial dispersal policy is essentially a long term programme. Though much emphasised by industrial policy revolution 1956 and by the Second and Third Plans, the first effort in promoting industrial dispersal came when central government initiated in 1971 a scheme of capital investment subsidy (1971) and other incentives for promoting the development of industries in the backward areas by giving them

preferential treatment.

The scheme revealed the following shortcomings : such as the choice of a large number of districts on the part of the government, unequal sharing of subsidy and finally the administrative delays in subsidy reimbursement. These problems need to be studied in depth for a viable solution.

Another major ⁱfunding is that incentives such as capital investment subsidy cannot overcome the locational disadvantages of the backward areas. It is clear that only by concentrating on limited number of promising areas can any visible impact be made on the backward areas. In such a framework there may be good potential for functional type of estates to promote industries in such areas.

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