REPORT
OF THE WORKING GROUP ON FINANCING OF INDUSTRIAL ESTATES

RESERVE BANK OF INDIA

BOMBAY

1972

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INTRODUCTION

The setting up of industrial estates has been accepted as an important item in the programme for industrial development, particularly in the small-scale sector. Although the establishment of industrial estates has made fairly good progress during the last two decades, experience has brought to light certain deficiencies in their functioning. Further, the growing role of financial institutions and banks in financing small-scale industries naturally focussed attention on the extent of assistance the State Financial Corporations and banks could offer in financing industrial estates. An expert study of the working of the industrial estates in India was, thus, called for. The Reserve Bank of India, therefore, set up, in October 1970, a Working Group under the Chairmanship of Shri K. N. R. Ramanujam, the then Chief Officer of the Industrial Finance Department. The Group, on the basis of its study of the latest available data as well as the details compiled through field surveys has made a careful examination of the working of the estates and made several recommendations on, among other things, the future policy in regard to setting up of the estates, the agencies to be entrusted with the programme, the pattern of their organisation and the role of Life Insurance Corporation of India, banks and State Financial Corporations in financing the estates. The Report submitted by the Working Group in April 1972 is being published in the hope that it will facilitate a wider appreciation of the role of industrial estates in the development of industries in general and small industries in particular and the co-ordinated action required to be taken by banks and the various financial agencies to make the programme successful.

V. V. Chari
Deputy Governor

RESERVE BANK OF INDIA,
INDUSTRIAL FINANCE DEPARTMENT
CENTRAL OFFICE,
BOMBAY.

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CHAPTER I

Introduction

Background

One of the subjects discussed at the Fourteenth Conference of representatives of the State Financial Corporations, held in Bombay in March 1970, was the financing of industrial estates. While it was recognised that industrial estates could play an important role in the development of small-scale industries and that it was necessary to locate additional resources for setting them up, it was also realised that unless adequate attention was paid to the conditions determining the successful functioning of industrial estates, it would not be prudent for the financial institutions to expand their loan assistance to these ventures. The Governor of the Reserve Bank, who inaugurated the Conference, observed in his Inaugural Address that some of the industrial estates had remained "empty shells". The Deputy Governor of the Bank, who presided over the sessions of the Conference emphasised the need for the financial institutions coming forward with concrete suggestions for augmenting the resources available for financing industrial estates and ensuring that the resources are utilised properly and not frittered away in the construction of estates based on political or other considerations, resulting in the entire expenditure becoming infructuous. It was, therefore, decided at the Conference that a Working Group should be appointed by the Reserve Bank to go into the problem of financing of industrial estates in all its aspects and to make recommendations for consideration by the lending institutions.

Membership of the Working Group

2. Accordingly, the Reserve Bank constituted in October 1970, a Working Group on Financing of Industrial Estates with the following membership:

1.	Shri K. N. R. Ramanujam, Chief Officer, Industrial Finance Department, (Since Chief Accountant), Reserve Bank of India, Bombay.	Chairman
2.	Shri L. N. Renu, Commissioner, Industrial Co-operatives, Government of India, New Delhi. (Since Chief Executive Officer, Khadi & Village Industries Commission)	Member
3.	Shri J. R. Joshi, Investment Secretary, Life Insurance Corporation of India, Bombay.	— do —
4.	Shri H. E. Chatelier, Chief Officer, (Small-Scale Industries), State Bank of India, Bombay.	— do —
5.	Shri J. J. Khambata, Assistant General Manager, Central Bank of India, Bombay.	— do —
6.	Shri M. S. Palnitkar, Managing Director, Maharashtra State Financial Corporation, Bombay. (Since Commissioner for Co-operation and Registrar of Co-operative Societies, Maharashtra State)	— do —
7.	Shri N. H. Shah, Managing Director, Gujarat State Financial Corporation, Ahmedabad.	— do —
8.	Shri O. Swaminatha Reddy, Managing Director, Andhra Pradesh State Financial Corporation, Hyderabad.	— do —

9.	Shri D. V. Narasimhan, Secretary, Tamil Nadu Industrial Investment Corporation Ltd., Madras.	Member
10.	Shri K. C. Pandeya, Managing Director, Delhi Financial Corporation, Delhi.	— do —
11	Shri Anwarul Hoda, Managing Director, Bihar State Financial Corporation, Patna.	— do —
12.	Shri Philip Thomas, Deputy Chief Officer, Industrial Finance Department, Reserve Bank of India, Bombay.	Member-Secretary

Subsequently, following his taking over as Chief Officer (Small-Scale Industries Section, State Bank of India), Shri J. S. Varshneya replaced Shri H. E. Chatelier, as a member of the Group. Shri K. C. Pandeya ceased to be a member of the Group on his relinquishing charge as Managing Director of Delhi Financial Corporation in May 1971. Shri D. V. Narasimhan also ceased to be a member of the Group from May 1971 as he proceeded abroad for an assignment with the United Nations. In July 1971, on his relinquishing charge as Managing Director of Gujarat State Financial Corporation, Shri N. H. Shah ceased to be a member of the Group and in his place Shri H. R. Patankar, the new Managing Director of the Corporation, was co-opted as a member. Shri Sant Dass, Deputy Chief Officer, Agricultural Credit Department, Reserve Bank of India and Shri B. S. Lulla, Assistant Legal Adviser, Legal Department, Reserve Bank of India were co-opted as members of the Group in November 1970 and March 1971, respectively. In May 1971, Shri P.M. Mathai, Director of Rural Industries and Industrial Estates Projects, Office of the Development Commissioner, (Small-Scale Industries), was also co-opted as a member.

3. The Group was required :

Terms of reference

i) to study the economics of establishment and operations of industrial estates owned by Government, public sector organisations/bodies, co-operative organisations and private parties and suggest suitable criteria for the establishment of such estates by public sector organisations/bodies and private parties and appraisal of their working;

ii) to examine the present pattern of financing of industrial estates by banks, term lending institutions and the Life Insurance Corporation of India and evolve guidelines for financing them by banks, term lending institutions and the Life Insurance Corporation of India;

iii) to consider any other matter incidental to and arising from the above.

Meetings of the Group

4. The Group held three meetings. The first meeting was held on October 23, 1970, the second on April 12, 1971 and the third on July 27, 1971. All the three meetings were held in Bombay. At the first meeting, it was decided that information relating to various aspects of the industrial estates programme and the financing of estates should be collected from the agencies concerned and the Group finalised a set of 5 schedules for eliciting the information from :

i) State Governments and Government Corporations which have been connected with setting up of industrial estates;

ii) Financial Institutions which have assisted industrial estates;

iii) Financial Institutions which have not yet extended credit for setting up industrial estates;

iv) Managements of industrial estates; and

v) Units functioning in industrial estates.

Copies of the schedules are given in Annexure I.

The second meeting on April 12, 1971 was followed by a visit by the members of the Group the next day to the Vapi Industrial Estate in Gujarat. At Vapi, the Group had discussions with the Executive Officer and staff of the Gujarat Industrial Development Corporation which has set up and has been managing a number of industrial estates including the one at Vapi.

5. The third meeting was held on July 27, 1971 at Bombay to discuss the Draft Report of the Group. At this meeting, it was decided that the Chairman may finalise the draft after incorporating the various modifications indicated by the members and after consulting the members through letters. The Report of the Group was signed on February 23, 1972.

6. The following persons participated by special invitation in the discussions at the meetings indicated against their names :

Shri M. N. Majmudar, Deputy Chief Officer, (Small-Scale Industries), State Bank of India, *(Vice* Shri H. E. Chatelier).	First meeting

Shri V. S. Patvardhan Deputy Chief Executive Officer, Maharashtra State Financial Corporation, *(Vice* Shri M. S. Palnitkar).	First meeting
Shri A. Shah, Deputy Chief Executive Officer, Gujarat Industrial Development Corporation.	Second meeting
Shri V. N. Vinekar, Deputy Chief Officer, Industrial Finance Department, Reserve Bank of India.	Third meeting
Shri P. R. Rajaratnam, Assistant Chief Officer, Industrial Finance Department, Reserve Bank of India.	— do —
Shri D. G. Borkar, Assistant Chief Officer, Industrial Finance Department, Reserve Bank of India.	All the meetings

7. Sarvashri K. C. Pandeya and Sant Dass could not attend the second meeting. Shri J. R. Joshi could not attend the second and third meetings, but his suggestions regarding the draft Report were conveyed to the Group through a note. Shri Philip Thomas, Member-Secretary of the Group who proceeded on Study tour to West Germany in July 1971 and Shri Sant Dass who went abroad on United Nations assignment in August 1971 could not sign the Report. They are, however, in agreement with the views of the Working Group.

CHAPTER II

The programme of industrial estates, its broad dimensions and results

8. According to statistics compiled by the office of the Development Commissioner for Small Scale Industries (DCSSI), as at the end of March 1971, a total of 572 industrial estates were sponsored by the Central and State Governments.[1] The figure includes not only the industrial estates where sheds have been constructed by the sponsoring agency but also those where only developed plots are being made available. Secondly, besides estates which are directly financed and set up by Government or Governmental agencies, the figure also includes co-operative and private estates which have been financially assisted by Governments. From its inception upto 1969-70, aggregate outlay by the Central and State Governments on industrial estates amounted to over Rs. 42 crores (Statement I). The total amount expended in setting up industrial estates and developing industrial areas would be higher at Rs. 56 crores (Statement II) if it includes, in addition, the investment on industrial estates by State Industrial Development Corporations and the development of industrial areas (which amount has not been included in the above figure), and the investment financed by loans from the financial institutions. In addition, the investment by members of co-operative societies, etc. may be placed at Rs. 2 crores.

9. The programme of industrial estates has made considerable progress during the last two decades or so. Nevertheless it seems relevant to point out certain deficiencies in its implementation so as to avoid them in future programme. As at the end of March 1971, out of 572 estates

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[1] Government of India, Ministry of Industrial Development, New Delhi, Office of the Development Commissioner (Small Scale Industries), Industrial Estates and Planning Section, *Industrial Estates — Half Yearly Progress Report for the Period Ending 31st March 1971.*

It must be noted that all the statistics (except the figures for investment in industrial estates) used for the analysis in this chapter are based on figures given in the above Progress Report. These figures do not in all cases agree with the figures obtained from other sources and used elsewhere in the Report. The figures on investment are based on data collected by the Working Group from the State Governments and financial institutions.

sponsored, 427 were completed with the requisite facilities. But out of these as many as 61 had not started functioning. In 28 estates, though the sheds were completed, facilities, such as water and electricity had not been provided; and the remaining 117 estates were under various stages of construction.

10. In 455 estates, where the construction of sheds had been completed (*i.e.,* covering 427 completed estates and 28 estates where sheds were completed but facilities, such as water, power, etc. were not available), the total number of sheds constructed was 10,317. Out of these, only 6,413 sheds were occupied by functioning units. Thus, out of the sheds completed, as high a portion as 38 per oent was apparently not being utilised.

State-wise position regarding utilisation of sheds

11. In Statement III, the State-wise position is shown regarding the utilisation of sheds in the 427 estates which were completed (*i.e.,* covering 366 completed and functioning and 61 completed but non-functioning estates). It is evident from the above statement that the average utilisation of sheds in completed estates was only 64 per cent. Taking only the 366 *functioning estates* the rate of utilisation of sheds in these estates was as shown in Statement IV. This statement shows that the average rate of utilisation of sheds in *functioning* estates was 69 per cent. It was over 80 per cent in Mysore, Delhi and Tripura, while it was quite low in Jammu & Kashmir (50 per cent).

12. For interpreting the data on utilisation of sheds, certain relevant details are also to be taken into account. For instance, a moderate average rate of utilisation may, as in the case of Bihar, be due to one or two estates having a number of unutilised sheds, whereas all the other estates are functioning satisfactorily. In Tripura, while the rate of utilisation seemed high, the qualification would have to be made that the sheds were occupied by units set up by the Government and these were not very productive units but were run more as welfare undertakings.

Utilisation of sheds according to location of estates

13. In Statement V, we set out the percentage utilisation of sheds in the urban, semi-urban and rural estates in the different States and the average utilisation for each of the three categories for all the States*.

14. For all the States taken together, the rate of utilisation was 74 per cent in urban estates, 56 per cent in semi-urban estates and 42 per cent in rural estates. All the States and Union Territories excepting Gujarat,

* 'Urban area' refers to places with population over 50,000; 'semi-urban area' to places with population between 5,000 and 50,000 and 'rural area' to places with population below 5,000.

Dadra and Nagar Haveli, Delhi, Goa and Tripura showed a low rate of utilisation of sheds in rural estates. In Punjab and Bihar, out of totals of 173 and 131 sheds in the rural estates only 11 sheds were used. In some States, such as Andhra Pradesh, Jammu & Kashmir and Rajasthan, the performance of semi-urban estates was even worse than that of rural estates. As regards urban estates, the rate of utilisation was 65 per cent or more in all the States except Haryana (56 per cent), Uttar Pradesh (62 per cent) and Madhya Pradesh (64 per cent). In Assam, Mysore, Tamil Nadu, Maharashtra and Delhi, the rate of utilisation of sheds in urban estates was 80 per cent or more indicating a brisk demand for suitable sheds in urban areas in these States.

15. The relative proportion of sheds in urban estates to total number of sheds in the industrial estates programme in the different States is shown in Statement VI. Taking all the States, the average proportion of urban sheds to total sheds in all completed industrial estates was 58 per cent. States/Union Territories which showed a marked urban bias were Delhi, Mysore, Maharashtra, Madhya Pradesh and Punjab, while those which showed a markedly lower than average urban bias were Dadra and Nagar Haveli, Goa, Tripura, Pondicherry, Himachal Pradesh and Nagaland (no urban estates at all), Kerala, Assam, Jammu & Kashmir and Tamil Nadu. *Prima facie,* it would appear that some States, such as Assam, Jammu & Kashmir, Kerala, Tamil Nadu and West Bengal which had a low urban bias in their industrial estates programme but had a satisfactory rate of utilisation of urban sheds (Assam 93 per cent, Tamil Nadu 87 per cent, West Bengal 79 per cent, Jammu & Kashmir 77 per cent and Kerala 76 per cent *vide* Statement V) could have done well by constructing more urban industrial estates.

16. The relative rural bias in the industrial estates programme in the different States is shown in Statement VII. The proportion of sheds in rural estates to the total number of sheds in all the completed estaes for all States was 19 per cent. States/Union Territories which showed relatively higher proportions than the average were Dadra and Nagar Haveli, Goa, Daman and Diu, Tripura, Himachal Pradesh, Pondicherry, West Bengal, Uttar Pradesh, Bihar, Kerala and Haryana while those which showed a low rural bias were Mysore, Nagaland and Orissa (no rural estate), Maharashtra, Madhya Pradesh, Tamil Nadu, Andhra Pradesh and Delhi.

The performance of co-operative industrial estates

17. Out of the 22 States/Union Territories covered, only 9 had industrial estates in the co-operative sector (Statement VIII). The largest number of sheds in completed and functioning co-operative industrial estates was in Maharashtra (949). Gujarat came second with 279 sheds in co-operative estates and Tamil Nadu third with 101 sheds. A comparative analysis of the utilisation of sheds, location-wise, in the co-operative estates and other than co-operative estates revealed a divergent trend as between the States. The rate of utilisation of sheds in

the co-operative estates in Andhra Pradesh, Gujarat and Madhya Pradesh was generally higher but in Rajasthan, Tamil Nadu and Uttar Pradesh, it was lower than in the other estates in the respective States. The average rate of utilisation in the co-operative estates and the other estates was about the same (70 per cent *vide* Statement IX).

Municipal estates

18. Only two States, namely Gujarat and Maharashtra had reported having industrial estates set up by municipalities. In Maharashtra, 2 estates were set up in urban areas and the utilisation of sheds was 80 per cent. In Gujarat also, one estate was set up in the urban area, the utilisation of sheds being nearly 100 per cent (Statement X).

Private estates

19. Five States reported having private industrial estates. Data regarding utilisation of sheds in the private estates showed that the ratio of utilisation of these estates was relatively very high in all cases, irrespective of the area of location (Statement XI).

CHAPTER III

The origin and objectives of the industrial estates programme and the evolution of Governmental policies

20. The first instance of a Government assisted industrial estate in India seems to be the Hadapsar Industrial Estate set up by the Poona Municipal Corporation in 1952 with a loan from the then Bombay State Government.[2] This was followed by the establishment in 1955 of an industrial estate at Rajkot by the erstwhile Saurashtra State.[3] In Punjab, "Industrial Areas" were developed by the State Government at Ludhiana, Jullundur and Patiala even before the commencement of the First Five Year Plan.[4] In fact, the commencement of the official programme for setting up industrial estates was towards the end of the First Five Year Plan period (1951-52 to 1955-56) when the Government of India sanctioned 10 industrial estates to be set up by the State Governments in Kerala, Madras, Uttar Pradesh and West Bengal. At the same time the Central Government also asked the National Small Industries Corporation (NSIC) to set up two industrial estates at Okhla (Delhi) and Naini (Allahabad).[5] At that stage the Central Government had not decided on the agency best suited for implementing the scheme for industrial estates.[6]

The Origin

21. During the Second Five Year Plan period (1956-57 to 1960-61), in the context of a vastly increased programme for small-scale industries, the Plan provision for industrial estates was considerably stepped up. Thus, the provision for small-scale industries was increased from Rs. 5 crores in the First Plan to Rs. 56 crores in the Second Plan. Of the latter,

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2 Government of India, Central Small Industries Organisation, Ministry of Industry, *Study of Industrial Estates*, New Delhi, 1966 (Mimeographed) p. 5.

3 *Ibid.*

4 Based on the reply of Government of Punjab to our questionnaire.

5 Government of India, *Study of Industrial Estates*, 1966, pp. 5-6.

6 P. C. Alexander, *Industrial Estates in India*, SIET, Asia Publishing House, Bombay, 1963, p. 18 (The author was the Development Commissioner, Ministry of Commerce and Industry, Government of India, Small-Scale Industry, at the time of publishing the book).

Rs. 11 crores were for the establishment of industrial estates as against a provision of only about Rs. 0.7 crore during the First Plan. The Central Government also decided at that time that it would be the responsibility of the State Governments and their agencies to initiate the relevant measures for the establishment and management of industrial estates. In order to encourage the State Governments to undertake this promotional work, the Centre laid down a liberal pattern of financial assistance for the programme.

Pattern of assistance

22. The entire cost of the programme was to be met by way of loans from the Centre to the State Governments, the cost of land and buildings being covered by twenty-year loans and of development of the estates by thirty-year loans, the loans bearing interest at $4\frac{1}{2}\%$ p.a. The preliminary cost of preparing estimates, blue prints, etc. was to be covered by grants from the Central Government. It was envisaged that when the programme had caught on, the Central Government would consider the question of asking the State Governments to share a portion of the cost, say 25%.[7]

Subsidy on rent

23. The scheme of assistance also included a provision for subsidising the rents in appropriate instances. It was provided that if the economic rent was found to be very high in practice, it might be subsidised. Any loss consequent on the levy of subsidised rents was to be met in equal proportions by the Central and State Governments upto a period of five years. Thereafter, losses, if any, on the subsidised rents were to be borne entirely by the State Governments. The approval of the Central Government was to be taken before subsidised rents were charged.[8]

Objectives of the programme

24. Initially, the main objective of setting up industrial estates was to stimulate the development of small-scale industries. The provision of well-planned accommodation at suitable sites with facilities for water, power, transport, canteen, watch and ward, good approach roads, post and telegraph offices, telephone and banks, was expected to speed up the establishment of small-scale units. The proximity of a large number of units in an industrial estate could also lead to the emergence of common service centres, collective purchase of raw materials and sale of finished products and joint publicity, enabling the small units to enjoy some of the external economies available to large units. Further, it was believed that the different units in the industrial estates could buy the goods and services of one another and would thus provide complementary links amongst them.[9]

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7 Small-Scale Industries Board, *Report of the Sub-Committee on Industrial Estates*, September 1959, New Delhi, pp. 6-7.

8 *Ibid.*

9 Government of India, *Study of Industrial Estates*, 1966, pp. 8-10.

25. During the Third Plan period, however, the emphasis of Central Government policy shifted and industrial estates were thought of as instrument for the promotion of industrial development and establishment of small-scale industries in relatively undeveloped areas, particularly rural areas. The Working Group on Small-Scale Industries which was appointed to report on the programme of work for the Third Five Year Plan recommended that the use of industrial estates "as one of the effective instruments for the dispersal of industry should be more actively fostered during the Third Plan period".[10] In the Third Plan, accordingly, the programme of industrial estates was given a rural bias and all new estates were expected to be located as far as possible near the small and medium-sized towns.[11]

26. With the stepping up of the industrial estates programme during the Second Plan period, the Central Government also laid down the following conditions regarding sale of sheds, etc.[12]

Policies regarding sale of sheds, charging for services, provision of common facilities, etc.

27. The intending users might be given an option to take land and buildings on hire purchase or rental basis or on an outright purchase basis. Those who took the sites on a rental basis were to be encouraged to change over to the hire purchase system in course of time. An initial payment of 20% of the price was to be collected from those opting for the hire purchase system, the balance of 80% to be recovered in equated instalments spread over a period of 20 years. Outright sale was to be subject to the condition that the purchaser complied with the rules and regulations of the estates.

28. For general services rendered in the estate, such as provision of roads, sewerage, water and electricity, the estate management should make a charge on all the users. Wherever possible, the extension centres and institutes planned by the Central Government for technical assistance to the small industries should be located in the industrial estates in which State Governments were also requested to locate their common facilities and training centres.

29. As regards agencies for the construction and management of in-

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[10] Government of India, *Report of the Working Group on Small-Scale Industries Programme of Work for the Third Plan Period*, December 1959, New Delhi, pp. 67-68.

[11] Government of India, *Study of Industrial Estates*, 1966, p. 11.

[12] Small-Scale Industries Board, *Report of the Sub-Committee on Industrial Estates*, September 1959, New Delhi, p. 6.

dustrial estates, it was laid down that the State Governments might run the industrial estates departmentally or through Corporations or other agencies set up by them. If a particular industrial unit wanted to construct a building, it was to be permitted to do so provided it followed the building regulations laid down by the estate authority.

30. The Government also prescribed, in September 1957, a formula for arriving at the economic rent for factory space in industrial estates, which was further examined and defined in January 1958 by a Sub-Committee appointed by the Government to report on this issue.[13] According to the Sub-Committee, the formula for calculation of economic rent was to be as follows:

1.	Interest on capital cost	4½%
2.	Depreciation (excluding the cost of land)	2%
3.	Maintenance and administration charges at actuals or at 2½% of capital cost (whichever is lower)	2½%
4.	Taxes to be paid	

The recommendations of the Sub-Committee regarding the calculation of capital cost of industrial estates and of economic rent are given in Appendix I.

Third Plan review of policies

31. The Working Group on Small-Scale Industries for the Third Plan (1961-62 to 1965-66) reviewed various aspects of policy relating to industrial estates and recommended certain changes in the previous policy. It recommended that in rural areas, instead of having full-fledged industrial estates, workshop sheds with facilities like power, water, etc. might be provided to the village artisans near their places of residence.[14] In urban areas, it was recommended that it would be sufficient to provide "developed areas" where suitable site may be handed over to the entrepreneur with all facilities now being given in the industrial estates, leaving it to him to build the factory sheds, on his own, subject to certain minimum standards being followed. In respect of such "developed areas," the State Government, Municipality or Local Board concerned should undertake the provision of roads, supply of electricity, drainage and sanitary facilities and to provide facilities for setting up of banks, post offices, railway sidings, first-aid posts, etc. Expenditure on this account should be treated as social overhead and the full cost of such development need not be passed on to the entrepreneurs.

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[13] *Ibid.*

[14] Government of India, *Report of the Working Group on Small-Scale Industries Programme of Work for the Third Plan Period,* December 1959, pp. 69-70.

32. The Group also recommended that the construction and management of industrial estates in each State should be entrusted to an autonomous Corporation which might be set up for this purpose by the State Government. It was felt that this would facilitate flexibility in operations which was essential for the success of the programme. To quote the Third Plan Working Group:

"The Administration of an Industrial Estate is quite a new experience for a Government Department and the present rules and procedures in Government are rather too rigid to promote the adjustment necessary to meet the day-to-day requirements. The agency responsible for the administration of the Estate has, besides putting up the factory sheds and providing the minimum facilities, to study carefully the suitability of particular industries for locating them in a particular estate, the requirements of the prospective tenants of the Estate, their interests, the need of the locality and a number of other factors. Entrepreneurs may sometimes have to be invited from outside the State in which the Industrial Estate is located. The provision of common service facilities to units in the Industrial Estate, the supply of raw materials, the arrangements for marketing, etc. are matters in which the agency administering the Industrial Estate will have to play an increasingly larger part if the Industrial Estates are to help the entrepreneurs effectively, Governmental machinery may not be equal to such a situation... While the State Governments through their Industries Departments may well be in ultimate control over all matters of policy, the Corporation or Estate Companies may consist of non-official Directors chosen preferably from the entrepreneurs themselves and a few officers of the Government on the Board of Directors. Such an agency will have greater freedom of action. Such an agency will also be able to create confidence in the minds of the industrialists occupying the Estates that though the Estates are owned and financed by the Government, they should be looked upon as institutions managed by leaders of local industry. Officers of the Government who may be associated with these autonomous bodies should be able to afford all support and assistance to ensure the success of the Estate."[15]

33. The Working Group noted that in all the industrial estates so far set up, subsidised rents were being charged. According to the Group, it might not be practicable nor necessary to continue subsidising the rents indefinitely. It recommended that the subsidy should be a graded one according to the intensity of development in the areas where the estates were located.

34. The Group recommended against the earlier policy of allowing hire purchase or outright sale of factory sheds in the estates and wanted only renting of sheds to be permitted. Only in developed areas, the entre-

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[15] *Ibid*, pp. 73-74.

preneurs were to be permitted to put up their own sheds according to the standards laid down by the estate authorities. The Working Group felt that in order to maintain in an efficient state the common facilities (which constituted an essential factor in making industrial estates an effective means in the development of industries), it would be necessary to maintain the "Group Characteristics" of the estate and that this would be difficult if individual ownership of factory sheds were to be encouraged. Another consideration in this regard was that in the initial stages it would be necessary to have a central agency, preferably an autonomous corporation, to co-ordinate the requirements of the tenants and such co-ordination would be difficult under individual ownership, because the tendency would be for each tenant to go his own way. The Group recommended that the question of giving factory sheds on hire purchase or outright sale might again be taken up for policy decision at the end of the Third Plan in the light of experience gained.

The recommendations of the Estimates Committee 1965-66

35. The Estimates Committee of Parliament, which had reported in April 1966 on the working of the Organisation of the Development Commissioner, Small-Scale Industries, dealt with the programme of industrial estates. The Committee felt that the costs of the programme as it had been implemented were too high, because with an expenditure of over Rs. 31 crores during the three Plan periods, all that was achieved, was the construction of 5,188 sheds of which only 2,586 were occupied by functioning units. The Committee's report stated: "It is evident that any attempt to bring an appreciable proportion of the existing or prospective small-scale units in the country within the purview of the programme, as presently conceived, will involve heavy expenditure which would be difficult for the country to afford." The Committee considered that there was considerable scope for economy, particularly in the construction of industrial estates[16].

36. The Committee recommended that in future the industrial estates programme should be pursued primarily for demonstrating the utility of the idea rather than as a means of actually providing Government built and subsidised accommodation to small-scale units. It said "......In States where sizeable amounts have already been spent under the industrial estates programme ...... further progress in this sphere can be left to associations of entrepreneurs, co-operative societies, etc. In such States, no new industrial estates, consisting of built-in sheds, be established by Government and Governmental assistance should cease with the completion of the sheds already under construction".[17] In other States, industrial estates with built-in sheds, might continue to be set up, but not

[16] Estimates Committee (1965-66), *Hundred And Sixth Report* [Third Lok Sabha, Ministry of Industry, Organisation of the Development Commissioner, Small-Scale Industries], Part II, April 1966, p. 9.

[17] *Ibid, Loc cit.*

in large number. The Committee also recommended that Government assistance might be made available in all the States for providing developed sites, encouraging co-operative societies to set up industrial estates, providing roads and utilities, etc.[18]

37. The Committee also noted that the Third Plan recommendation regarding the provision of "developed sites" near large cities and towns for small-scale units was not extensively implemented. It observed that not only was the number of developed plots offered till then small, but that the response of entrepreneurs to the Scheme was also poor because the areas selected for developing the plots were not suitable. The Committee recommended that the scheme of developed sites needed to be vigorously pursued, particularly in States where small-scale industry was fairly well developed or where the usefulness of industrial estates had already been demonstrated.[19]

38. The Committee was of the view that the success of the industrial estate scheme depended upon important economic factors which should be reckoned with at the planning stage. In order to make an industrial estate useful and effective, a proper site should be chosen, based on a techno-economic scrutiny carried out with particular reference to the suitability of the proposed location taking into account effective demand for space, proximity to markets, transport, availability of raw materials, power and skilled workers. In the selection of the proper site for the purpose, there should also be co-ordination between the Governments at the Centre and the States more particularly, when the funds for setting up the industrial estates are provided by the Centre. The Committee also considered it necessary for the Central Small Industries Organisation to exercise stricter control and scrutiny on proposals for the setting up of industrial estates. It suggested that the State Directorate of Industries should undertake a techno-economic survey of the area where an industrial estate is proposed to be set up and the Advisory Committee attached to the Small Industries Service Institute (consisting of the Director of Industries of the State concerned, the Director of Institute and two non-official representatives) should then report their findings and conclusions to the Development Commissioner, Small-Scale Industries, who might render suggestions and advice to the State concerned regarding the location and lay-out of the estate.[20]

39. In the Fourth Plan (1969-70 to 1973-74), the emphasis is mainly on the consolidation of past efforts. Although an amount of Rs.19.08 crores was provided in the Fourth Plan for the programme of industrial estates, this was mainly for spill-over schemes for providing requisite facilities like water, power, etc. The policy is to encourage new ancillary

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[18] *Ibid, Loc cit.*

[19] *Ibid*, p. 12.

[20] *Ibid*, p. 16.

and functional industrial estates and also to undertake the construction of factory sheds for unemployed engineering graduates who may be launching enterprises of their own. It is also the view of the Central Government that since industrial estates in urban areas proved to be a great success, such estates could now be financed by the financial institutions including banks.

40. As a sequel to recommendations of the Second Working Group on Industrial Co-operatives submitted in May 1963, the Government of India felt that the time was now ripe for launching a programme of setting up co-operative estates to take over and run Government industrial estates. The Ministry of Industrial Development and Internal Trade, Government of India accordingly circulated in May 1971 to the State Governments/Union Territories a draft scheme for conversion of Government industrial estates into co-operative estates, with active financial support from the Life Insurance Corporation of India (LIC), banks, co-operative financing agencies, State Financial Corporations (SFCs), etc. (*vide* Annexure II).

CHAPTER IV

Working of industrial estates—Evaluation Reports

41. Several State Governments undertook, during 1967-68, evaluation studies on the working of the industrial estates in the State concerned, with a view to taking remedial measures. We obtained such evaluation reports in respect of Bihar, Kerala, Punjab, Uttar Pradesh and West Bengal. These reports have been summarised in Appendix II. The main lacunae highlighted in these reports and some of the important recommendations made are given below.

42. In Bihar, it was stated that even well after the completion of the estate at Ram Nagar, none of the 35 sheds therein was occupied. There was complete absence of drainage facilities in the industrial estate and power supply was very unsatisfactory and erratic.

43. In Kerala, most of the estates were in a very unsatisfactory state because of the failure to take into account the factors conducive to favourable functioning of industries before locating the estates. It was observed that the Kerala State Small Industries Corporation (KSSIC), which manages the estates set up by the Government of Kerala, did not have the necessary technical background and that the superintendents of estates had been acting merely as rent collectors without effectively sponsoring new industries or assisting industries. The Enquiry Committee on Industrial Estates, therefore, recommended the setting up of District Advisory Committees comprising Joint Director of Industries, District Industries Officer, President of District Small Industries Association, representatives of industrial estates and superintendents of the estates to sponsor new industries as also to look into other problems connected with industrial estates. It also recommended that after sheds are given on hire purchase basis, common amenities like water supply, drainage, lights, roads, etc. should be maintained by the KSSIC until the associations or co-operative societies of occupants of sheds in the industrial estates come to take them over.

44. In Punjab, the Survey revealed that the main factors which

ought to have governed the selection of sites for rural industrial estates were ignored and cheapness and easy acquisition of land were considered as more important. Further, in some estates, infrastructure facilities were not available, which resulted in increased overhead expenditure and manufacturing cost for the units, thereby discouraging the establishment of units in these estates. The Evaluation Committee recommended that instead of establishing any more estates, plots should be developed and sold to potential entrepreneurs on a liberal basis.

45. The Evaluation Study of Industrial Estates in Uttar Pradesh revealed that no techno-economic surveys were conducted before selecting the sites for the estates which were set up in almost every district of the State on purely administrative considerations and irrespective of the potential for industrial growth. The inappropriate location of the estates added to the cost of production of the entrepreneurs. The poor co-ordination between various departments of the Government resulted in inordinate delays in the completion of the estates and in the provision of infrastructure facilities. In view of the unsatisfactory progress of the existing industrial estates, it was recommended that further expansion programme should be totally suspended and essential infrastructure facilities should be made available, on a priority basis, to the estates already set up. It was also suggested that a Standing Co-ordination Committee comprising senior officials from various departments of the Government should be set up to resolve difficulties and watch the progress made by industrial estates. Further, as the Directorate of Industries was lacking the experience and administrative flexibility in dealing with the entrepreneurs, it was recommended that the responsibility of running the existing industrial estates as also of providing new estates or sites should be handed over to the State Industrial Corporation which should run these estates on a purely commercial basis.

46. In West Bengal no prior studies or surveys were conducted while selecting the locations or sites for the estates. There was also lack of adequate planning to identify and promote particular types of industries suitable for the respective areas. The sheds in the Government estates were not constructed so as to suit the requirements of the units to be housed therein, because the units had not been selected in advance of the construction of sheds. According to the evaluation report, it would be preferable to lease out plots to the units which should be free to erect their own structure subject to Government approval and install their plant and machinery. The report also emphasised the need for a whole-time Estate Manager to keep in touch with the units, report their difficulties in time to the right quarters and look after common facilities. As regards the type of organisation, the report suggested either formation of co-operative societies or management of the estates by an agency like the West Bengal Industrial Development Corporation, depending upon the requirements of each estate.

47. Apart from the defects brought out by the evaluation studies, such as improper selection of sites, inadequate attention to the provision of infrastructure facilities, delays, lack of leadership on the part of estate managements to attract entrepreneurs and help the units, it has also been brought to our notice that in some States, plots in industrial estates were pre-empted by persons who had no intention to construct sheds but gain from the capital appreciation of the sites. Genuine industrialists found it difficult to obtain plots/sheds in these instances.

CHAPTER V

Sample survey of industrial estates

48. With a view to making an intensive study of the industrial estates and the units located therein, we had, in consultation with the Department of Statistics, Reserve Bank of India, selected a sample of 160 industrial estates and a sample of 620 units located in 38 estates. The sample for field investigation of industrial estates was drawn State-wise on the basis of *(a)* location, *(b)* size, *(c)* type, *(d)* organizational pattern, *(e)* operational position, etc., of the estate. As regards the units, the selection was made on the basis of *(i)* location, *(ii)* size, *(iii)* type, *(iv)* number of sheds completed, *(v)* number of units working, *(vi)* number of workers employed, etc. Out of 160 estates which were surveyed for field investigation, replies to the prescribed schedule (*vide* Annexure I) were received from 150 estates. However, the replies received from the management of as many as 60 estates were incomplete in several respects. Further, the managements of most of the estates did not furnish the data on their operational results. With regard to the number of units, hardly 50% of the units included in the sample furnished replies in the prescribed schedule (Statements XII and XIII).

49. A State-wise analysis of the data as also some profiles of industrial estates where the utilisation of sheds was high are given in Appendix III. The major conclusions emerging from the data are given below:

(i) By and large, those industrial estates which had been set up after careful techno-economic surveys proved to be successful, irrespective of whether the estates were located in urban, semi-urban or rural areas. For instance, in Orissa and Tamil Nadu where most of the estates included in the sample were set up after techno-economic surveys the utilisation ratio was, on an average, 78% and 93%, respectively. In Orissa, the utilisation of sheds even in the rural estate was an high as 85%.

(ii) Proximity to markets and adequate transport links to the markets which facilitated procurement of raw materials and marketing of

finished goods were important pre-requisites to the success of estates.

(iii) The utilisation ratio (*i.e.,* the proportion of the number of sheds occupied by units in production to the number of sheds constructed) was generally higher for urban estates than for the rural estates.

(iv) The time taken for acquiring land was generally about a year or so and, for development of land and the provision of infrastructure facilities, about two to three years. For some estates in Gujarat, Andhra Pradesh and Kerala, the time taken for the development of land and provision of infrastructure ranged upto six years. In Tamil Nadu, it took nine years to acquire land for one estate.

(v) The proportion of rentable area to the total developed area was generally lower for rural estates than for the urban estates, mainly because in the former estates, a larger proportion of the developed area was occupied by roads, open space, etc. In Maharashtra, the proportion of rentable area to total developed area ranged between 2% and 94%, the major factor accounting for this wide range being the extent of area covered by roads. In Gujarat, the proportion of rentable area to developed area ranged between 11% and 69% for co-operative estates; in a municipal urban estate, the proportion of rentable area was 23%, while for the estate set up by a private limited company in a semi-urban area, the proportion was still less (12%).

(vi) The cost of development of land and provision of infrastructure seemed to be generally higher in the rural and semi-urban areas than in the urban areas. In Uttar Pradesh, the cost of development of land for rural estates ranged between Rs. 1.64 and Rs. 3.39 per sq. yard as against Rs. 1.12 per sq. yard for the urban estates. The cost of construction of sheds in rural areas was also higher than that in urban areas, the relative figures being Rs. 23.70 per sq. ft. and Rs. 10.42 per sq. ft., respectively. In West Bengal, the cost of development of land and provision of infrastructure was twice as much for a semi-urban estate (Rs. 9.35 per sq. yard) set up in 1962 as compared to an urban estate (Rs. 4.44 per sq. yard) set up in 1968 because a substantial amount had to be spent for the supply of electric power in the former estate.

(vii) The cost of setting up the estates was lower for those set up by co-operative societies than for those set up by Governments. In Maharashtra, the average cost of development of land and provision of infrastructure for the urban co-operative estates set up during 1960-63 (Rs. 0.30 per sq. yard) was substantially lower

than that for Government estates set up in 1961 (Rs. 1.21 per sq. yard). Similarly, in Gujarat, the average cost of development of land with infrastructure facilities was highest for the estate set up by the Government (Rs. 9.89 per sq. yard) followed by the estate set up by the municipal corporation (Rs. 7.65 per sq. yard) and co-operative estates (Rs. 4.55 per sq. yard).

(viii) The ratio of the cost of acquisition and development of land and provision of infrastructure facilities to the total cost of setting up the estate generally ranged between 25% and 35%. It was observed that this ratio was generally higher in respect of estates set up in rural areas than those in urban areas. In Madhya Pradesh, the cost of acquisition and development of land and provision of infrastructure facilities was 48% for urban estate and 81% for rural estate.

(ix) Almost all the units located in the estates belonged to small industry sector and most of these (81%) were new units.

(x) Barring the estates in Gujarat, Maharashtra and Uttar Pradesh, where plots/sheds were acquired on hire purchase terms, in other States, where Government estates predominated, the sheds were occupied mostly on a rental basis.

(xi) About two-thirds of the units in the estates were purchasing raw materials or selling their finished products from/to centres situated beyond a radius of 100 miles.

CHAPTER VI

Private industrial estates—Some aspects of their establishment and operation

50. Private industrial estates may be set up by co-operatives or joint-stock companies or proprietary or partnership concerns. The estates set up by co-operatives are on a different footing inasmuch as decisions regarding location of the estates, allocation of plots/sheds, etc. are taken collectively and in advance by the members to suit their own requirements. A study of three co-operative industrial estates, one each in Gujarat, Maharashtra and Tamil Nadu, however, revealed certain features which have a bearing on the role of co-operatives in setting up industrial estates.

51. In Tamil Nadu, although three co-operative industrial estates were established in 1961, one estate had allotted sheds in October 1966, while the other two had done so during the period 1967-70. In as many as 23 instances, as the original allottees could not start the industries because they did not have with them blue-prints of the industries proposed to be started, the sheds were transferred to other members. The utilisation of sheds in these estates was on an average only 75 per cent. Further, several units were unable to pay the cost of the sheds. A co-operative industrial estate in Maharashtra has now proposed to construct only 10 out of 28 sheds earlier planned to be constructed in the first phase, benefiting 10 out of 83 members who had subscribed to the share capital.

52. The co-operative industrial estates in Tamil Nadu function merely as co-operative building societies and other types of assistance which were necessary for the successful working of the units, such as technical advice, marketing aids, collective purchase of raw materials, arrangement for sale of finished goods, publicity, etc. were not arranged/provided for. The estates also had not gathered all the relevant particulars about the industries started by the members and their problems, if any, with a view to providing the needed assistance to the members to run the industrial units and to function on a profitable basis.

53. The co-operative estates are financed mainly by the respective

State Governments and financial institutions, such as the Life Insurance Corporation of India and State Financial Corporations while the part played by the co-operative banks is negligible.

54. With regard to the private estates,[21] (other than co-operative industrial estates), information is available only for three States, namely, Maharashtra, Mysore and Andhra Pradesh.

55. In Maharashtra most of the private industrial estates were located in the Greater Bombay Municipal area. These estates were developed either by proprietary or partnership concerns and were financed out of their own resources and/or by deposits from the industrial units. The estate was developed on a free hold/lease hold land which was acquired from private parties. The building provided for about 25 to 30 industrial blocks. The industrial units, however, were required to make their own arrangements for electric power and water required for industrial purposes. Small-scale industrial units, particularly those engaged in printing industry and electroplating industry, which would like to be near the city proper from the point of view of their business prospects preferred these private estates. Moreover, since industrial blocks were available in small sizes varying from 30 square metres to 50 square metres, a small unit whose capacity for initial investment was low, preferred to go in for these blocks in the private estates.

56. In Mysore State, there were 6 private industrial estates located in Bangalore City and suburbs. In addition, layout for 2 estates had been approved and proposals for 15 were under consideration of which 3 were to be located outside Bangalore City and suburbs. Data available for 6 industrial estates (excluding 2 estates set up by public limited companies owned by Government) set up in Bangalore City and suburbs showed that 2 of these estates were set up by private limited companies, 3 by proprietary concerns and 1 by a partnership concern. Of the 4 estates set up by proprietary/partnership concerns, 2 were located in the urban area and 1 each in semi-urban and rural areas. About half the cost of the estates (Rs. 39 lakhs) was met out of firms' own resources (including share capital), followed by loans from financial institutions (Rs. 12 lakhs). The total number of sheds completed in 5 out of 6 estates was 97, of which 86 were occupied. In 1 rural estate, out of 4 sheds constructed so far, 3 were occupied. Of the 85 functioning units in the 5 estates, as many as 82 were small-scale industrial units.

57. In Andhra Pradesh, there were 15 assisted private industrial estates of which 9 were located in urban areas, 5 in semi-urban areas and 1 in rural area. Only 2 of these estates were non-functioning. The Government of Andhra Pradesh provided developed areas with infra-

[21] Data on private estates are not reported in the Half Yearly Progress Report published by the Office of the Development Commissioner.

structure facilities and the entrepreneurs had to make their own arrangements for the construction of factory buildings. The factory space was leased out on a long-term basis for a period of 50 years on a nominal monthly rent. In many instances, the sheds were constructed by the entrepreneurs with the financial assistance provided by the Andhra Pradesh State Financial Corporation to the extent of 60 to 66 $\frac{2}{3}$ per cent of the total cost, repayable within 10 to 15 years.

CHAPTER VII

General policies of the State Governments regarding the setting up and management of industrial estates

58. The Working Group elicited, through a questionnaire, the views of the various State Governments and Union Territories regarding the different aspects of policy governing industrial estates. All the 17 State Governments and all but one of the 5 Union Territories which were addressed, responded to the questionnaire.

Types of estates

59. In most of the States, the industrial estates programme was exclusively concerned with the development of general purpose estates. Only four States reported single trade and functional estates. In Uttar Pradesh, there was a single trade estate at Khurja devoted to the pottery industry. In Tamil Nadu, there was a functional estate at Kakkalur and one ancillary estate at Vadalur. Kerala reported a functional industrial estate for rubber and plastics at Changanacherry and Gujarat a functional estate at Baroda. In West Bengal, there was a proposal under consideration for setting up a single trade estate near Calcutta for accommodating leather industry. None of the States excepting Tamil Nadu and Mysore, reported the setting up of an ancillary estate under its plan programme.

Agencies for undertaking the programme

60. As regards the general policy as to whether industrial estates should be set up by the Government departmentally, or by Government Corporations or through co-operative societies or other private bodies and the method of financing of the estates, the Government of Maharashtra expressed the view that it has decided to transfer all Government industrial estates in the State to co-operative societies of industrialists in the estates. According to the Government of Maharashtra, in the context of the significant progress made by the co-operative movement in the State, an industrial estate run by a co-operative society of entrepreneurs is

more suited to bring about quicker development of the estate in response to the needs of its members than an estate managed by Government. Moreover, the financial burden involved in maintenance/expansion of the Government estates will not solely devolve upon the State Government if the estate is transferred to a co-operative society of the entrepreneurs. In this State, a large part of Government investment in industrial estates was by way of contribution to the share capital of co-operative societies setting up the estates. Out of 69 estates in the State, 3 are managed by Maharashtra Industrial Development Corporation.

61. In Punjab, all the industrial estates and industrial development colonies have been set up and run departmentally, but the Government feels that with the growth of tempo of industrialisation, the financial institutions "will have to be tapped for setting up some more industrial estates".

62. In the opinion of the Bihar Government, although all the industrial estates in the State were so far set up departmentally or through a Government Corporation, the question of encouraging a private industrial estate company by giving a Government guarantee to enable the company to raise a loan from the Life Insurance Corporation of India was under its consideration.

63. The Government of Uttar Pradesh mentioned that all the Government industrial estates in the State were departmentally owned and managed and that the present arrangements were found to be quite suitable. This Government also stated that the question of financing of industrial estates by commercial banks and the Life Insurance Corporation of India was considered in the past but commercial banks were not prepared to advance money at a rate of interest of less than 8 per cent to 9 per cent, while the Central Government made funds available for the industrial estate programme at interest rate of 5½ per cent. In addition to industrial estates, 9 industrial areas were set up by the Uttar Pradesh State Industries Corporation. This programme was wholly financed by loans to the Corporation by the State Government.

64. In Orissa, all the estates were set up departmentally and although there are now proposals for establishing co-operative and other private estates, the Government has not indicated what its policies in this respect will be.

65. In Himachal Pradesh and Haryana, all the estates were set up and maintained departmentally and the Governments have had no occasion to consider any alternative arrangements.

66. In Andhra Pradesh, all the estates excepting two were established and managed departmentally. The Government stated that from the re-

presentations by the existing tenants, it found that the system of letting out the sheds/plots on hire purchase basis appeared to be most convenient for the tenants. The Government also felt that it was convenient for it inasmuch as the heavy burden of maintenance of the estate, collection of rents, etc. could be reduced. The Andhra Pradesh Government also indicated that its policy would be to help co-operative industrial estates by assisting them to get the required land as well as other common facilities, subscribing to their share capital upto 20 per cent and also giving guarantees to the Life Insurance Corporation of India or other financing agencies which may lend for construction of sheds, etc. Besides, the Industries Department of the State Government also provided free services of an Administrative Officer, an Accounts Officer and a Civil Supervisor to look after the formation and functioning of such estates.

67. In Rajasthan, the Government assisted private industrial estates by allocation of Government land on lease or by helping them to acquire suitable land. The Government also gives loans to co-operatives and joint-stock companies which sponsor industrial estates, under the 'State Aid to Small-Scale and Cottage Industries Rules'.

68. In Tamil Nadu, upto 1968, the Government used to grant loans to the extent of 80 per cent of the cost of industrial estates sponsored by co-operatives and other private agencies and the balance of 20 per cent had to be met by the entrepreneurs. But since 1968, the Government decided to sanction only 20 per cent of the cost as loans and the balance of 60 per cent is to be obtained from the Life Insurance Corporation of India. Further, until 1961-62 a subsidy was available from the Government of India for the subsidised rate of rent charged for sheds in the industrial estates but this has since been stopped. The State Government felt that this subsidy if restored would enable it to think of establishing industrial estates in the rural areas and facilitate a dispersal of industries.

69. In West Bengal, all the industrial estates were departmentally run and the Government has stated that no industrial estates other than those owned by Government are under consideration. The Government also felt that with the increase in the number of industrial estates and area development schemes, it would be advisable to have a separate wing under the Directorate of Cottage and Small Industries (which now looks after industrial estates) to look after the entire work relating to industrial estates.

70. In Jammu & Kashmir, industrial estates were constructed in 1960-61 and since then there was no addition to them. The Government decided, as a matter of policy, to develop only industrial areas where infrastructure facilities like road, water, supply of electricity, banking, etc. will be provided. The industrial plots in the areas were allotted to entrepreneurs who were enjoined to construct industrial sheds on the

basis of approved layout plans. The Government stated that there was a scheme to finance construction of factory sheds, particularly for technically qualified personnel and that this scheme would be made applicable to other entrepreneurs also. But no details of the scheme were available.

71. In Kerala, all the 18 industrial estates are owned by the Government but administered by the Kerala State Small Industries Corporation, on an agency basis.

72. In Mysore, the Government estates were set up and run by the Mysore Small Industries Corporation on an agency basis, which arrangement was found to be convenient. While no funds were allotted by the Government for setting up private industrial estates, assistance was rendered to co-operative industrial estates to the extent of 20 per cent of total cost of construction by way of share capital. The members contributed 20 per cent towards share capital and the balance of cost of construction, *viz.*, 60 per cent was met by financial institutions by way of loans. The Government stated that the Life Insurance Corporation of India should finance organisations like the Small Industries Corporations to construct industrial estates.

73. In Assam, all the 8 industrial estates were set up by the Government and run departmentally. Industrial estates in co-operative, corporate or private sector have not so far been set up.

74. In Gujarat, the function of establishment and development of industrial estates in Government sector has now been entrusted to the Gujarat Industrial Development Corporation which, besides establishing industrial estates, also developes industrial areas in various parts of the State. The setting up of estates in co-operative or private sector was encouraged and assisted by the Government by share contribution and Government guarantee for loans advanced by commercial or co-operative banks, Gujarat State Financial Corporation and by the Life Insurance Corporation of India. For the estates set up by municipal bodies, assistance was rendered in the form of Government guarantee for repayment of loan and payment of interest to the credit institutions.

75. Of the 77 industrial estates in Madhya Pradesh, 76 were set up and maintained departmentally. The remaining 1 estate was in the co-operative sector. The setting up of estates in co-operative sector was sought to be encouraged by grant of loan and subsidy for managerial expenses.

76. The position may be summed up as follows:

In Gujarat and Maharashtra, where the programme of industrial estates has been relatively successful, the programme of Governmental industrial estates in the former State is administered by Government-owned Corporation (GIDC); in the latter State, co-operative industrial estates predominate, although some estates are owned by the Government-owned Corporation (MIDC) and some others administered by the Government. In Tamil Nadu, where also the programme has been successful, it is implemented by a special wing of the State Industries Department. In Kerala and Mysore, where the need for a special agency has been recognised, the programme has been entrusted to the State Small Industries Corporation on an agency basis. In Uttar Pradesh, it has been partially entrusted to the State Industries Corporation which sets up and looks after "industrial areas" meant for small-scale as well as medium and large scale units. In most of the other States, the programme is departmentally administered.

CHAPTER VIII

Suggestions regarding setting up of new industrial estates and their operations

77. From a review in the foregoing chapters, of the evolution of the Central and State Governments' policies governing the setting up of industrial estates, we find that the Central Government currently places the main emphasis on the consolidation of past efforts rather than establishing new Governmental industrial estates. It gives high priority to the construction of ancillary and functional estates as well as of factory sheds for technician-entrepreneurs and also recognises the considerable scope for setting up co-operative and private industrial estates, particularly in urban areas and the need for their financing by banks and other financial institutions. As regards State Governments which have major responsibility in the setting up of industrial estates, while some States like Gujarat and Tamil Nadu seem to be sponsoring active programmes for establishing new Government-owned industrial estates or encouraging private and co-operative estates, many other State Governments are now necessarily engaged in consolidating their programmes.

78. The performance as between the States in implementing the programme of industrial estates has been highly uneven. By and large, the programme has succeeded to a considerable extent in Maharashtra, Gujarat and Tamil Nadu, although for varying reasons. In Maharashtra, where the co-operative movement has a good record of success, co-operative industrial estates have been established with the encouragement of the State Government. In Gujarat, the large success of industrial estates is attributable to the management of the programme by a separate corporation, *viz.*, the Gujarat Industrial Development Corporation which performs this function exclusively. In Tamil Nadu, on the other hand, the programme of Governmental industrial estates has been singularly successful although the estates are administered by the State Industries Department which has set up a separate wing for this purpose. In most other States, the routine departmental administration of the scheme for setting up estates seems to be one of the major contributory factors for lack of success of the programme.

79. Choice of location and meticulous care in the implementation of programme are as important for the success of industrial estates as the general climate for industrialisation. Thus, even in the States of Punjab and Haryana, where there has been a relatively large growth of small-scale industries, the programme of Governmental industrial estates has failed to click mainly because of wrong choice of location for establishing industrial estates and poor implementation of the programme.

80. Before we proceed to make recommendations on the setting up of new estates and their financing pattern, the main advantages which industrial estates can offer to the small-scale units do call for a recapitulation.

Firstly, the setting up of industrial areas and industrial estates within such areas leads to a planned and orderly development of industrial units particularly small-scale units.

Secondly, there is considerable reduction in the initial capital investment which an individual unit is required to make for starting an industry. Thus, if small-scale units were to be set up in isolated areas, each would require to have independently certain facilities such as workshop for repair, laboratory for testing, etc. involving additional investment. When several industrial units are brought together, economy in investment can be effected through common workshops, administrative buildings and laboratory. Moreover, if ready-made sheds are made available in the industrial estates on a rental basis, the investment of entrepreneurs will be confined to margin money for machinery and working capital. On the other hand, if ready-made sheds on rent are not provided, they will have to arrange for margin money for construction of sheds as well.

Thirdly, there can be a reduction in delays and vexatious procedures which individual entrepreneurs may have to face in complying with various rules and regulations governing the location and construction of factory sheds and obtaining infrastructure facilities. All these aspects could be taken care of by the authority setting up the industrial estates. The Gujarat Industrial Development Corporation, for instance, was of the definite view based on its experience that the offer of ready-made sheds to prospective entrepreneurs could expedite the setting up of industrial units by about 3 to 4 years. Where entrepreneurship is active, the provision of ready-made sheds may accelerate industrial growth, as the entrepreneurs will not have to wait for construction of sheds for setting up their units and starting production.

Fourthly, in an industrial estate, various industrial units can easily get their requirements of raw materials and semi-finished/finished products from other units set up in the same estate and producing such items.

For example, a unit producing drugs may obtain containers and packaging material from other units which may be producing them in the same estate. Similarly, a medium-scale unit may be able to off-load some of the smaller items to its ancillaries situated in that area. Proximity of these units is likely to be beneficial for both.

Fifthly, the demonstrative effect of a successful estate can encourage new entrepreneurs, who may be entertaining vague ideas on projects, to concretise their schemes.

Lastly, industrial estates can serve as a medium for taking to an area a package of inputs for the growth of small-scale industries. This can have the same effect on the small-scale industrial sector as the package programme for agriculture has had on agricultural productivity and growth.

81. We are of the view that past failures of some of the industrial estates should not be regarded as an undue deterrent for setting up new estates. The failures are due to clearly identifiable defects, both in the formulation and in the implementation of the programme, and if care is taken to avoid them, there is no reason why industrial estates could not be a successful aid to industrialisation, especially in the medium and small-scale sectors. Firstly, most of the unsuccessful industrial estates were in the rural areas and in industrially backward States. In these estates the failure was largely attributable to the lack of any clear or vigorous policy on the part of the State Government concerned for encouraging the dispersal of industries. An important pre-requisite for this purpose was a clear demarcation of industrially backward regions in various States. Although some attempts were made to lay down the criteria for identifying industrially backward regions, very little progress was made till the other day in drawing up even a list of backward regions. Only very recently, the Central Government drew up in consultation with the State Governments a list of industrially backward districts where the Government will give a capital subsidy on industrial investments. Another separate list was drawn up for the grant of concessional finance by the financial institutions. But these measures by themselves are not likely to bring about the requisite dispersal of industries and a number of other complementary measures would seem to be simultaneously required, such as offer of technical advice in the preparation of individual projects, integrated approach to the credit and other problems of small industries, the licensing of other industries and the creation of new capacity in specified industries in particular regions.

82. In our view, therefore, the failure of the industrial estates programme in rural and backward regions should be viewed not as an isolated phenomenon but as a part of the general failure to formulate a specific and co-ordinated programme of industrialisation including the dispersal of industries through various instruments, such as industrial licensing, offer of tax and other incentives, financial concessions, etc.

The second factor accounting for the failure of the industrial estates programme was wrong location of the estates as they were selected, in a large number of instances, without preinvestment surveys in regard to proximity to markets, availability of raw materials, arrangements for transport of raw materials and finished goods and availability of power, skilled workers, etc.

The third factor was faulty planning of the estates and poor execution resulting in considerable delays in the provision of infrastructure facilities, such as water, electric power, roads, drainage, etc. and also in the construction of sheds and the consequent escalation of costs. Delays also occured in the allotment of sheds after the estate was ready and even in the determination of rents to be paid by the entrepreneurs.

The fourth factor which was no less important than those mentioned earlier was lack of an effective machinery to look after the teething troubles of the estate after it was ready and to supervise the day-to-day operations of the estate with a view to making it successful.

83. We feel that through a better programme of pre-planning of the estates and its more effective implementation, some of the earlier deficiencies in the programme could be avoided.

84. We also strongly endorse the view that there is considerable scope for setting up new industrial estates in the vicinity of urban and semi-urban centres, or what may be alternatively termed as growth and potential growth centres. If such areas which are well served by transport and communication facilities are selected and industrial estates are established there, they could attract a number of new small-scale units. This will help to bring about a gradual dispersal of industries away from the metropolitan centres and also relieve the problem of unemployment in the towns. These objectives are as imperative as those for attempts for rural industrialisation.

85. We are of the view that, barring functional or single trade estates in urban and semi-urban areas, attention should generally be devoted to the development of land and the provision of infrastructure facilities, because in most instances, the type of industrial units which are to be allotted sheds in the estate cannot be usually visualised in advance. Even in respect of several co-operative estates, as indicated earlier, experience shows that the specific types of industrial units which were intended to be located in the estate were subsequently changed. Further, sheds of general type would not necessarily suit the requirements of different industries. Consequently, some of the sheds might remain unoccupied and the cost incidence of non-occupancy of the sheds may have to be borne by the shed-holders. However, in States such as Bihar and Orissa, where the programme of industrial estates has not been a significant success, we suggest that a minimum number of sheds of standard size may be

constructed on a part of any estate to be set up and some plots kept vacant for setting up of sheds at a later stage to suit the requirements of individual industrial units. The developed plots/sheds may be leased out to entrepreneurs for a period extending upto 99 years or sold to the entrepreneurs on a long term hire purchase basis depending upon their relative preference.

86. As regards the issue whether new estates to be set up in the urban and semi-urban areas should be largely in the co-operative or private sector, we feel that at least for the next few years, co-operative and private industrial estates are likely to be confined to a few States such as Gujarat and Maharashtra, which have already made much headway in these fields and also in some others such as Andhra Pradesh, Tamil Nadu and Mysore, which have made a beginning in the establishment of co-operative and private estates. In the remaining States, the Governments concerned will have to continue to play an active part in setting up and running the estates.

87. We wish to emphasise the crucial role which the State Governments are required to undertake in encouraging the establishment of new industrial estates in urban and semi-urban areas. This should comprise the identification of industrial areas and advance planning of the prospective centres for industrial growth, clear policies regarding the zoning of industries in these centres, ensuring adequate arrangements for supply of infrastructure facilities, such as roads, communications, water, power, drainage, sewerage, etc. and establishment of an efficient machinery to co-ordinate and guide all these activities.

88. Taking into account the varying stages in the industrial development of different States and differing patterns adopted by State Governments for the management and implementation of the programme of industrial estates, we would not recommend any standard arrangements for setting up industrial estates in all the States. We are, however, of the view that Government Departments with their rigid rules and procedures, do not seem to operate them with the necessary flexibility nor do they appear to possess the expertise to implement the schemes successfully. It is also not enough if the management of industrial estates is handed over to Government Corporations on an agency basis as in Kerala, where the State Small Industries Corporation manages industrial estates on an agency basis on behalf of the Government. While we endorse the views of Government of India that steps should be taken to set up co-operatives to take over and manage Government estates, we consider that this programme will take a long time to catch up particularly in such States as Assam, Bihar, Orissa and Rajasthan where co-operative movement itself has not made any significant progress.

89. We recommend that the States in which the programme of

industrial estates has not developed adequately, might consider handing over the management of existing industrial estates as well as establishing and managing new estates to corporations incorporated as companies [namely, the Industrial Development Corporations (IDCs)] which should run them on business lines and be responsible for all the aspects of their growth and expansion. We have referred in Chapter III to the views of the Third Plan Working Group on the advantages of independent Government Corporations undertaking this work. We fully endorse these views. We set out in Appendix IV the available details on the industrial estates programme managed by the GIDC in Gujarat which performs these functions exclusively. At present, Industrial Development Corporations in States other than Gujarat and Maharashtra are mostly financial institutions catering to the development of industries in the respective States. The setting up and management of industrial estates, however, require to be given full-time attention and should be entrusted to Development Corporations which may be set up on the lines of the Maharashtra Industrial Development Corporation or the Gujarat Industrial Development Corporation.

90. We are aware that a Working Group has recently been constituted by the Industrial Development Bank of India for examining the working of IDCs and for making recommendations regarding, *inter alia,* their organisational set-up, operations and the provision of financial facilities to them. We, therefore, do not propose to deal at length with issues concerning their incorporation, such as whether they should be set up under a Central or State Statute or registered as companies, their administrative set-up, the range of their functions or the overall pattern of their finances. These quesions, we presume, will be dealt with by the other Working Group. We have confined our attention to the question of the financing of the industrial estate projects which these Corporations may undertake.

91. We have noted that the part played by municipal bodies and other local authorities such as City Improvement Trusts, Metropolitan Planning Authority, etc. in the setting up of industrial estates in India is small. In several other developed as well as underdeveloped countries, such as Canada, France, Belgium, Israel, South Africa and Malaysia, municipalities or local authorities have played a significant role in establishing industrial estates. The involvement of municipal agencies in setting up of industrial estates is particularly relevant from the point of view of the provision of certain infrastructure facilities such as water for industrial use, sewerage and drainage. Both in Maharashtra and Gujarat, we understand that planning and designing of the estates were done departmentally. The participation by municipalities and other local authorities in the programme of industrial estates would help to bring about a greater measure of co-ordination between the concerned agencies and thereby avoid delay in providing the basic infrastructure facilities. We, therefore,

consider that local bodies, such as municipalities, City Improvement Trusts and Metropolitan Planning Authority should be increasingly involved in establishing industrial estates in the areas falling within their jurisdiction. If need be, the statutory regulations governing the operation of municipalities or other local authorities may suitably be amended so as to enable them to play their part in the industrial estates programme. The funds for setting up industrial estates should come partly from their budgetary allocations and partly out of funds made available by the financial institutions, particularly the Life Insurance Corporation of India, a reference to which has been made in Chapter X of this Report.

92. It has been represented to us that in some cases, considerable difficulties are caused to private parties who wish to use their land for setting up industrial estates, because of delays in the clearance of the proposals by the town planning authorities. This is also borne out by the data on the sample of estates referred to earlier. Another difficulty which private parties may have to face is that of obtaining suitable land for establishing industrial estates. In particular, where agricultural lands are required to be acquired for the setting up of industrial estates, the procedure of converting the agricultural land as land available for non-agricultural purposes is stated to be long drawn and time consuming. We recommend that for all the major centres of prospective industrial growth, there should be area plans, with plans for industrial zones. This would enable a quicker clearance of proposals for setting up of urban and semi-urban industrial estates.

93. We understand that one of the factors inhibiting the growth of private industrial estates, is the high incidence of taxation. Under Section 80 J of the Income-tax Act, 1961, profits of new industrial undertakings are entitled for exemption from income-tax for the first five years to the extent of 6 per cent of the "capital" employed. Taking into account the underlying objective of the exemption, *viz.*, encouraging investment in fixed industrial assets, and as investment in industrial estates would be conducive to investment in long term industrial assets, we recommend that this exemption may be extended to private industrial estates to be set up after April 1, 1972. This exemption, in our view, should also be made applicable to such of the Industrial Development Corporations as have share capital of their own and have been entrusted with the programme of management of industrial estates, particularly because, as recommended by us earlier, these Corporations have to work on commercial principles and this type of tax-concession will enable them to augment their internal resources and pursue the programme more vigorously.

94. We would also recommend to the State Governments to examine the scope for suitable reduction in the Stamp duty chargeable on land acquired by the co-operatives for setting up industrial estates.

95. The Evaluation Reports on industrial estates in some of the

States have drawn attention to the need for close and continuous management and supervision of the estates after these are set up. The need for such a machinery in our view is particularly urgent in respect of private estates, as well as those set up by Government Departments. We, therefore, recommend that such estates should have a whole-time supervisor to look after the administration as also to attend to operational and other difficulties faced by the units. We further recommend that State Governments should set up Regional Advisory Committees comprising officials from the Directorates of Industries, representatives of industrial estates and representatives of the local authorities and financial institutions to review periodically the progress made and the problems faced by the industrial estates in the respective zones and make suitable recommendations to the Governments for their amelioration.

CHAPTER IX

Proposed arrangements for financing industrial estates by financial institutions

96. In our view, the main scope for the financing of industrial estates by the financial institutions will be in respect of estates in urban and semi-urban centres which indeed are growth and potential growth centres. Industrial estates in rural areas will generally require not only finance on soft terms but also a number of other concessions and facilities for development and we feel that the responsibility for setting up or assisting such estates should be largely that of the respective State Governments. This does not, however, mean that financial assistance on the normal terms applicable to investment proposals for small-scale units in the area concerned should not be available to rural industrial estates also. Such assistance should be available provided a prior techno-economic survey of the area has been conducted and the project is sponsored by adequate number of entrepreneurs.

97. Arrangements for financing of industrial estates would depend, to a large extent, on the agencies recommended by us earlier for setting up and the management of the estates. This arrangement would also be conditioned by our recommendations in paragraph 85 of Chapter VIII that agencies setting up estates should generally confine themselves to the development of land and provision of infrastructure only, leaving the construction of sheds to individual entrepreneurs.

98. For estates set up/managed by the Government Departments/ local authorities the funds for development of land and provision of infrastructure would have to come from their budgetary allocations.

99. As regards the estates set up and managed by the Industrial Development Corporations, our proposals are as follows:

The IDCs in Maharashtra and Gujarat at present draw their resources by way of loans from the State Government concerned and through borrowings in the open market against the State Government's guarantee, with the approval of the Reserve Bank of India. We feel that there are certain limitations in the existing arrangements in this regard.

Firstly, the industrial estate projects undertaken by the IDCs in Gujarat and Maharashtra generally consist of two parts, *viz.*, *(i)* the development of land and provision of infrastructure facilities like roads, water supply, sewerage, drainage, etc. and *(ii)* the construction of industrial sheds. Where common services, such as special workshop facilities, canteens, post offices and banks are provided, the expenses incurred on their construction have also to be included, in part *(i)* above. Whereas investment in the construction of industrial sheds can be recovered over a period of 7 to 10 years, that in the provision of infrastructure facilities will have relatively longer gestation period and also longer life; this would mean that its recovery will have to be spread over a longer period, say between 15 and 20 years. Moreover, the latter type of investment is more in the nature of creation of economic overheads than that narrowly related to industrial investment. From this point of view, it will be appropriate if the two types of operations of the IDCs, *viz.*, those covering the provision of infrastructure facilities and those of construction of industrial sheds are separated and the requirements for finance for the two types of activities are met through separate arrangements. While the construction of industrial sheds can be financed by banks and term-lending institutions at the normal rates of interest applicable to industrial loans, the investment in infrastructure facilities will have to be financed appropriately by long term loans at relatively low rates of interest. It is, however, necessary that banks whose rates on industrial loans on a term basis are generally higher than those of term-lending institutions should endeavour to charge as low a rate as possible (consistent with their average rate on deposits) on loans to these Corporations, as the activities of the latter are of a developmental nature in the promotion of small-scale industries. Even so, these Corporations will have to add to their borrowing rates, a spread to enable them to meet their administrative costs, make a provision for bad debts and make profits to pay dividends on capital and transfer to reserves. Hence their lending rates may be around 8-8½ per cent. If the State Governments propose that these should be lower than this rate they should subsidise the difference between their normal lending rates and the concessional rates to be charged by the Corporations. Alternatively, resources required by the Corporations under part *(i)* above might be raised by way of loans from the State Governments at a concessional rate of interest.

Secondly, it would seem necessary that these Corporations should have a better policy for pricing their products and services. The present system under which the Maharashtra and Gujarat Industrial Development

Corporations provide a composite product consisting of industrial sheds and infrastructure facilities at a price which does not generate adequate internal resources for the expansion of the Corporations' activities is not very satisfactory.

100. With regard to co-operatives and private estates, finance for development of land and the provision of infrastructure could come either from State Government and from IDC or from financial institutions like the Life Insurance Corporation of India and finance for construction of sheds could be provided by banks and State Financial Corporations to industrial units to enable them to put up sheds according to their own requirements and specifications. Banks and financial institutions should have appropriate arrangements for financing industrial estates in urban and semi-urban areas to be set up not only by co-operatives and private parties but also by the agencies of the State Governments such as IDCs. The leasing out of plots/sheds to entrepreneurs on a long term basis as recommended by us earlier would also help the estates to assign the lease rights to the concerned financial institutions.

101. In respect of relatively small projects involving loans of not more than say Rs. 20 lakhs, the appraisal and financing may be done by the State Financial Corporations and where the project costs not more than Rs. 25 lakhs by the commercial banks having deposit resources of less than Rs. 300 crores. These limits are being suggested by us in view of the statutory regulations in respect of the State Financial Corporations and the general resource constraints on small and medium-sized banks. We would, however, welcome banks with deposit resources exceeding Rs. 300 crores to go in for projects with a financial outlay larger than indicated above, wherever they are considered appropriate and necessary for the development of small industries.

102. If the SFCs are to undertake the financing of industrial estates as indicated above, it will be necessary to make special arrangements for augmenting their resources, because these projects require relatively large amounts for long periods, say for 15 to 20 years, as against ordinary industrial loans for 7 to 10 years. In addition, it has been represented to us by some State Financial Corporations that the finance for industrial estates must be at concessional rates of interest. But we do not accept this contention except in so far as the provision of infrastructure facilities are concerned, and these, as we have indicated above, must be financed from sources other than by way of loans from credit institutions or where they are from credit institutions, the State Government should subsidise them so that concessional lending does not impair the general resources position of the financing institutions or Corporations. In our opinion, if resources are to flow adequately to investment in industrial estates from non-inflationary sources, these have to be attracted at market rates of interest. Moreover, the type of investment which we recommend for financing by the credit institutions, namely, the construction of industrial

sheds, mainly in urban and semi-urban centres, should be able to bear the current rates of interest applicable to industrial loans.

103. We have to consider next the question of sources of funds for the financial institutions for lending to industrial estates. It has been represented to us by several State Financial Corporations that refinance against loans for industrial estates should be made available by the Industrial Development Bank of India (IDBI). While the technical difficulty that, at present, under its statute, the Industrial Development Bank of India is not authorised to lend for establishing industrial estates or provide refinance against loans for industrial estates, can be overcome through a suitable amendment to the relative statutory provisions, we feel that there is a more basic objection to the Industrial Development Bank of India providing these resources. In our view, investments of this type in real estate for fairly large amounts and long periods should appropriately be financed from a long term source of saving, namely, life insurance funds, while at present the bulk of the resources of the IDBI comes from Government and the Reserve Bank of India. The existing arrangements of the Life Insurance Corporation of India for providing funds for investment in industrial estates and our recommendations regarding the widening of the scope for the Life Insurance Corporation's assistance are set out in the next chapter. It is also relevant to note that we have recommended that the agencies setting up industrial estates should concentrate primarily on development of land and infrastructure facilities and in that event the banks and SFCs would be required to provide finance to the industrial units for the construction of sheds. In any case, finance provided to the units in this manner by SFCs and banks will continue to be eligible for refinance facilities from the Industrial Development Bank of India. Therefore, until such time as the IDBI is not in a position to mop up savings from the public, say to the extent of at least half of its net outlay (gross disbursements less repayments by borrowers) in any year, we are not in favour of the IDBI providing refinance in respect of loans for the setting up of industrial estates. Since we envisage that at a later stage, the IDBI may have to play its legitimate role in channelling a larger flow of funds to the financing of industrial estates, we recommend that the IDBI Act, when it is amended next time, may incorporate in its statute, an appropriate provision to enable the Bank either to lend directly or to refinance loans extended by banks and financial institutions for this activity.

104. A number of banks as well as a few SFCs have suggested that the Credit Guarantee Scheme for small-scale industries should be extended to advances granted for the setting up of industrial estates, so as to minimise the risk factor and thus facilitate the flow of institutional credit to this type of business. At present, the Credit Guarantee Scheme for small industries cannot cover loans to industrial estates, as the definition of small industry in the Scheme precludes the admission of

industrial estates among industrial units with plant and machinery with original cost of Rs. 7.5 lakhs or less. The guarantee schemes of the Credit Guarantee Corporation of India Ltd., however, cover credit facilities to a wide range of small borrowers including agriculturists, retail traders, transport operators, business enterprises, professional and self-employed persons including medical practitioners, engineers, management consultants, contractors, etc., as also service co-operative societies serving small-scale industrial units. With effect from January 1, 1972, the terms and conditions for the provision of guarantee cover have been substantially liberalised. Taking into account the emphasis of the schemes on facilitating the flow of institutional credit to self-employed persons, we recommend that advances granted by banks and SFCs to co-operative societies of technician-entrepreneurs for the purpose of setting up industrial estates for their use may be made eligible for cover under the guarantee scheme of the Credit Guarantee Corporation of India Ltd., provided that the estates are meant to be used exclusively by small-scale industrial units. Thus, while eligible advances to small-scale industrial units located in the co-operative industrial estates would continue to be eligible for guarantee cover under the Credit Guarantee Scheme for small-scale industries, advances to the co-operative society of technician-entrepreneurs for the purpose of setting up the relative estates, subject to the conditions mentioned above, may be covered by the guarantee of the Credit Guarantee Corporation of India Ltd.

105. We have considered whether SFCs and banks should finance only estates set up exclusively for small-scale industries, or also estates for large and medium-scale units as well as small-scale ones. In our view, estates which cater to the different size categories of industries are more likely to be successful than those which are exclusively meant for small-scale units. But, since the programme is meant essentially to help the small entrepreneur, it shall be ensured by banks and SFCs that the industrial estates cater mainly to the needs of small units. This can be ensured by a stipulation that at least certain minimum percentage of the area or of the sheds are reserved for small units. For instance, the Tamil Nadu Industrial Investment Corporation has suggested that, at least, a minimum of 5 sheds or 50% of the area whichever is higher should be reserved for small-scale units. In our view at least 60% of the area and 75% of the number of sheds must ordinarily be reserved for small-scale units. Where an exception is to be made, there must be special circumstances, such as that the location of the large or medium-scale units would be particularly advantageous to the small-scale units in the estate either in the supply of raw materials or components or in the marketing of their products.

106. We have also considered the question whether institutional finance should be provided to private parties to develop industrial estates to be let out/leased or sold to others. One view is that no finance should

be provided for this purpose as it may result in speculation in land and excessive investment in urban or semi-urban real estate. In order to prevent this, it can be provided that sheds/plots in estates so financed will be sold on reasonable terms or let out at stipulated rates for a minimum period of say, 10 or 15 years, to genuine small-scale industrial units. The lending institution can prescribe maximum rentals or long lease premium price (which may be fixed at different rates for different places or areas) for the period of the loan. To ensure that the development of an industrial estate is directly linked to industrial investment and does not merely result in investment in real estate, it is recommended that generally the institutions should finance only industrial estates which are sponsored by co-operatives or joint-stock companies formed by entrepreneurs who will in fact be occupying the sheds and who also have definite schemes for setting up industries. Where, however, there are difficulties in such co-operative societies or joint-stock companies coming forward, either because the initiative is lacking or because they could not secure suitable land, it should be possible for financial institutions to lend to private parties who may own land which they might like to develop into industrial estates. In these instances, the lending institution should ensure that at least, say, 75% of the sheds financed are firmly committed to be sold, rented or leased out to genuine small-scale industrial units on reasonable terms, before the disbursement of the loan.

107. Therefore, subject to the above conditions, we recommend that banks and SFCs should provide finance to private parties to set up industrial estates. The terms and conditions on which finance would be provided, would differ depending upon the type of organisation sponsoring the estate. According to our information, apart from co-operatives, private estates are mostly set up by proprietary and partnership concerns, and, to a small extent, by private companies. Financial institutions, in our view, should encourage the growth of private co-operative estates through grant of credit facilities on liberal terms. In view of the higher element of risk involved in respect of proprietary and partnership concerns, it is necessary to ensure that the person or persons concerned, have adequate stake in the business of setting up of the industrial estate and from this point of view, the financial institution should prescribe a relatively high margin and also a shorter repayment schedule.

108. In the following Chapters (X and XI) we have dealt with separately the role of the LIC, SFCs and banks in financing industrial estates.

CHAPTER X

The role of the LIC in the financing of industrial estates

109. As mentioned in Chapter I, the Working Group called for information relating to the present policies, etc. of the LIC, the commercial and co-operative banks and the SFCs regarding the financing of industrial estates.

General policy of the LIC for granting advances for setting up industrial estates

110. The LIC at present grants loans for setting up industrial estates, only to co-operatives and joint-stock companies in the private sector, against guarantees by the State Governments. The amount of loan to an estate does not exceed 60 per cent of the total cost of the estate. Before any loan from the Corporation is drawn, the co-operative/company is required to satisfy the Corporation that it has raised the balance of 40 per cent by way of capital and/or State Government loan. The period of loan is 15 years, the first instalment falling due for payment 3 years after the date on which the first instalment of the loan was disbursed. The rate of interest on the loan is prescribed from time to time. The loan is required to be drawn either in a lump sum or in instalments, within one year from the date of sanction of the loan. No part of the capital or the loan forming 40 per cent of the cost, is repayable prior to the repayment of the loan from the Corporation. The fire and other general insurances of the properties of the estates and of the occupiers of the units are required to be placed with the Corporation.

Details of LIC's loans for industrial estates

111. The LIC has been financing industrial estates for the last few years, the first loan sanctioned being in 1963 (*vide* Statement XIV). The total amount sanctioned by the Corporation as at the end of March 1971 was Rs. 2.24 crores covering 29 estates, the amount disbursed aggregating Rs. 1.54 crores. The effective rate of interest on loans sanctioned during 1968-1971 was 6¾ per cent. Out of 29 estates, 14 estates are located in urban areas, 14 in semi-urban areas and 1 in rural area. Barring two estates one of which was set up by a joint-stock company and the other by Government-owned corporation others were

co-operative estates. The amount sanctioned ranged from Rs. 0.64 lakh to Rs. 66 lakhs. Out of the 29 estates, as many as 27 were functional estates and the balance 2 of general type. More than two thirds of the estates financed by the Corporation were located in Maharashtra (20); Gujarat accounted for 5, Tamil Nadu 2 and Andhra Pradesh and Rajasthan one each. The preponderance of the estates financed by the Corporation in Maharashtra may be attributed to the State Government's policy of encouraging the growth of industrial estates in the private sector through co-operatives. The distribution of the estates in Maharashtra shows a fair sprinkling as between the developed and backward areas, the number of estates in the latter category being 12.

Nature of information called for

112. The information called for by the LIC from the State Governments covers: *(a)* capital structure of the co-operative estate or the company indicating separately the amount of capital subscribed by State Government, *(b)* location of the estate and the special reasons for selecting the location, *(c)* area of the plot, *(d)* number and type of sheds to be constructed and the total built-up area, *(e)* estimated period for completion of the estate, *(f)* details of facilities provided/to be provided by the estate to the unit-holders, with regard to construction of sheds, provision of machinery, procurement of raw materials, sale of finished goods, etc., *(g)* the total estimated cost of the project, *(h)* the sources of funds for financing the project, *(i)* distance from the railway station or from the main road, *(j)* sources of raw materials, *(k)* demand for products and *(l)* arrangement for securing credit for purchase of machinery and working capital requirements of the occupants of the estate.

Nature of documentation and procedure for obtaining the loan

113. The State Government is required to furnish the information on the foregoing items to the Corporation with a certificate that the particulars furnished in the application are correct and that the Director of Industries, after a detailed technical scrutiny, is satisfied regarding the soundness of the scheme and that the Government is agreeable to guarantee the loan as to the repayment of the principal and payment of interest. The Government has also to indicate whether it will supervise the construction of the estate and, if so, in what manner. If the loan is sanctioned, the industrial estate is required to execute an agreement and the State Government a guarantee deed.

114. As stated above, the Director of Industries goes into all the technical details before he recommends the cases to the Corporation.

However, before granting loans, the Corporation on the basis of the details furnished in the application makes preliminary studies as to the location, the nature of industry to be set up, the availability of raw materials and marketability of the products to be manufactured.

Technical and economic appraisal of loan

115. The Corporation had set aside an amount of Rs. 12 crores for financing industrial estates during the Third Plan period. However, the demand for funds was not encouraging, and only Rs. 1.34 crores could be disbursed till September 1970. Consequently, the amount set aside in the Corporation's budget was reduced to Rs. 50 lakhs per year, the maximum limit in respect of any one State being fixed at Rs. 15 lakhs. The Corporation, however ,is agreeable to increase this limit, if need arises. Even so, the Corporation's experience has been that not many estate projects come forward for loans. Moreover, applications which are submitted through the State Governments are in most of the cases incomplete in many respects while there is also considerable time-lag in forwarding the applications to the Corporation.

Experience of the Corporation in financing industrial estates

116. The Working Group is of the opinion that while the LIC may continue its present arrangement for financing the setting up of industrial estates against the guarantee provided by the respective State Governments, it is necessary to consider other measures which would enable the Corporation to play a greater role in this field than hitherto.

The future role of LIC in the financing of industrial estates

117. We have elsewhere recommended that the Industrial Development Corporations should take over the function of setting up of Government industrial estates and, in particular, that of developing land and providing infrastructure. In order to enable the Corporations to finance this activity, as far as possible, through long term institutional sources, we suggest that the LIC should lend them against the mortgage of their fixed assets, keeping a margin of 50 per cent as stipulated in the Insurance Act, 1938. The rate of interest might be around 7½ per cent. To the extent that there is a shortfall in the value of the assets to be mortgaged, the LIC could accept State Government's guarantees and the rate of interest on such amounts as are guaranteed by the State Governments would be around 7 per cent.

118. We have also recommended that the municipalities and other local authorities, such as the City Improvement Trust, should play a much greater role in the setting up of industrial estates and particularly development of land and provision of infrastructure facilities. At present, the LIC grants loans to municipalities (which are guaranteed by the respective State Governments) for their water supply and drainage schemes. We recommend that the LIC might also grant loans to the

Municipalities/Improvement Trusts and other local authorities to enable them to participate in the programme of industrial estates. These loans may be given by the LIC against the State Government guarantee on the same terms and conditions as those stipulated for loans to co-operative societies/joint-stock companies.

119. Another method by which the LIC could make larger resources available for financing of industrial estates would be for the Corporation to enter into participation arrangements with SFCs and banks. Statutorily, SFCs cannot grant advances exceeding Rs. 20 lakhs to public limited companies/co-operative societies and Rs. 10 lakhs to others while most of the commercial banks may be deterred because of resources constraint to grant term loans exceeding Rs. 25 lakhs each. Under the participation arrangements, the LIC may grant term loans in a large way, supplementing those which can be granted by SFCs/banks on their own. The appraisal of the project requiring financial assistance will be undertaken jointly by the participating bank/SFC and the LIC with the help of their technical staff, preferably in co-operation with the Industries Department of the concerned State Government and municipal authorities so as to avoid any administrative bottlenecks at a later stage. The aggregate financial assistance required for the development of the project will be ascertained and the amount of loan participation by the bank/SFC determined. The loan will be disbursed in stages as per requirements of the project by the LIC and the bank/SFC in the proportion mutually agreed upon in the beginning itself. The financial assistance may be granted for a period upto 15 years, the first instalment for repayment being required to fall two to three years after the disbursement of the first instalment of the loan. The bank/SFC may take up earlier maturity, say, upto 7 years, of the promissory notes/participation certificate arising out of the conversion of the original loan, the remaining period of the maturity being taken over by the LIC.[22] Statutorily, the LIC can lend against the first mortgage of fixed assets keeping a margin of not less than 50 per cent of the value of the assets. Therefore, the assets can be mortgaged to the LIC which would have the first charge, and the financing bank/SFC would have the second charge. In any case, the nature of charge is not very germane in view of the arrangement proposed by us for sharing of the losses on account of defaults. A margin of 50 per cent may be maintained in favour of the LIC in respect of the amounts lent by it. Even if the financing bank/SFC waives its normal margin of 25 per cent to 30 per cent on the amounts lent by it, with a view to avoiding an additional burden which may fall on the estate, a margin of about 36 per cent could be construed as still available on the aggregate amount advanced by both the LIC and the bank/SFC. The account of the borrower will be throughout maintained with the participating bank/SFC. The disbursement and follow-up of the advance will also be attended to by the bank/SFC and

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[22] *The Report of the Study Group on Term Loan Participation Arrangements, Section IV.*

the administrative cost on this account may be shared between the bank/ SFC on the one hand and the LIC on the other, in the same proportion as of the financial assistance granted by them. As regards the rate of interest, the LIC may charge 8 per cent which (taking into account the commission payable to participant bank/SFC) would be higher by $1\frac{1}{4}$ per cent than the rate charged by it on its loans guaranteed by State Governments. The SFC may charge 9 per cent on the amount lent by it. As regards banks, we understand that it would be difficult for some of them to lend at a rate below 10 per cent, which is the minimum rate charged by them on term loans to small industries. We, therefore, recommend that wherever the concerned State Government considers that the rate is too high, bearing in mind the type and location of the estates, it may subsidise difference between the rate normally charged by banks and the concessional rate which the Government deems it desirable to be charged on loans for financing industrial estates. With a view to ensuring that the financing bank/SFC and the LIC continue to take interest in the proper functioning of the estate financed by them, the agreement should provide that both the institutions will bear losses, if any, arising out of defaults in the repayments during the entire currency of the loan in the same proportion as the amounts lent by them and that this should hold good even after the loan amount granted by the bank/SFC has been repaid in full during the earlier period of the advance. This is an essential condition for successful operation of the scheme in as much as the participation arrangement has to cover not only the extension of loan but also the sharing of losses, if any, that may arise in the course of the currency of loan eventhough the advance granted by one of the participants may not be outstanding. Since the bank/SFC will invariably be taking up the earlier maturity, its liability for the remaining maturity of the loan will be of a contingent nature for which it may levy on the borrower a commission at a concessional rate of between one half of one per cent and one per cent per annum on its proportionate share in the outstanding balance of the loan. Further, in view of the fact that bank/SFC would be acting as an agent of the LIC for the recovery of the loan granted by the latter, a small commission say upto $\frac{1}{2}$ per cent may be provided by the LIC on the amount of the loan outstanding during the later period of the advance.

120. It is observed that although some of the SFCs and the commercial banks in particular have the necessary organisational set up to finance the estates in the interior areas they may be handicapped for want of resources. In the circumstances, another method for the LIC to make larger resources available for financing of industrial estates and particularly the worksheds which may be set up in the rural areas, would be for the Corporation to lend directly to the estates after the projects are appraised by credit institutions which may face a resources problem and, therefore, which could guarantee repayment of the loan and payment of interest to the LIC. These loans would have to come out of the funds

earmarked for unapproved investment of the Corporation since it may not be possible for the sponsors of the estates in rural areas to keep a minimum margin of 50 per cent. The LIC and the credit institution which appraises the project and guarantees the loan would have *pari passu* charge on the assets. Since the State Financial Corporations Act 1951, at present, precludes an SFC from extending guarantees to any financial institutions, we recommend that the Act may be suitably amended so as to enable SFCs to give guarantees to the LIC. Under this arrangement, disbursement and follow-up of loans should be done by the SFCs/ banks under an agency arrangement. The LIC may charge interest on these loans around 7½ per cent; the aggregate cost of borrowing to the industrial estate, *viz.*, interest payable to the LIC and the guarantee fee/commission which the credit institution may charge for appraising and guaranteeing the loan as also its servicing charges, may be around 9 per cent. In our view, this arrangement has two important advantages. Firstly, credit institutions like banks and SFCs can undertake, on a wider scale, the financing of sheds for groups of entrepreneurs, without fear of resources constraint as the funds would be provided by the LIC. Secondly, the Life Insurance Corporation of India, being primarily an investment institution rather than a credit institution, it may not consider it worthwhile to equip itself with the same degree of expertise for the appraisal of individual investment projects as SFCs/banks would have. Nor is centralised organisational set-up of the LIC in the matter of investments suited to cater effectively to the needs of projects in the small-scale sector which is spread all over the country. Therefore, under the arrangements suggested, the LIC can avail itself of the advantage of expertise available with and the administrative machinery built up by SFCs/banks.

121. It is expected that as a result of these arrangements, banks and SFCs with their wide network of branches would stimulate a much larger flow of investment proposals than that under the present system whereunder loan proposals for industrial estates are sponsored to the LIC by State Governments.

An estimate of the likely requirement of funds from the LIC for financing of sheds

122. As indicated in Chapter II, the total investment in industrial estates upto now may be estimated at about Rs. 56 crores. The Plan provisions of the State Governments for industrial estates for the Fourth Plan period amounted to Rs. 26 crores (Statement XV). In addition, the outlays by the State Industrial Development Corporations on industrial estates may be placed at around Rs.35 crores to Rs. 40 crores for the Fourth Plan period[23]. On the basis of the past trends in investments in industrial estates financed by loans from the LIC, the SFCs and the commercial banks, and allowing for some acceleration in the

[23] For Gujarat Industrial Development Corporation alone the investment in industrial estates for 1969-70 was Rs. 3.8 crores and for 1970-71, Rs. 8.1 crores.

flow of assistance, it may be estimated that in addition to the above two amounts, there will be a demand for about Rs. 8 crores of investment in industrial estates to be financed by loans to co-operative and private estates. Thus, the total investment in industrial estates, excluding investment by individual entrepreneurs in such estates, may be estimated at around Rs. 75 crores during the Fourth Plan period. About a third of this investment may be for the provision of infrastructure facilities. Therefore, the amount of loan assistance required for the construction of sheds would be Rs. 10 crores per annum for the next few years of which the share of LIC may be put at Rs. 5 crores, the balance of Rs. 5 crores being shared by SFCs and banks.

CHAPTER XI

The role of the State Financial Corporations, and of commercial and co-operative banks in the financing of industrial estates

I. State Financial Corporations:

123. All the 18 State Financial Corporations including Tamil Nadu Industrial Investment Corporation Ltd., responded to our questionnaire. Only three Corporations, namely, those of Gujarat, Maharashtra and Mysore have so far financed industrial estates. The Gujarat and Maharashtra SFCs started financing industrial estates in 1967 while the Mysore SFC did so in 1968. The year-wise figures of number of estates financed and the amounts sanctioned by the three Corporations are as shown in Statement XVI.

SFCs which have financed industrial estates

124. According to the type of organisation, while the Maharashtra SFC, as a matter of policy financed only industrial estates organised as co-operatives, the Gujarat and Mysore SFCs assisted also estates organised as partnership firms and joint-stock companies. Of the total of nine estates financed by the Gujarat SFC, five were co-operatives, three partnership firms and one joint-stock company. In terms of sanction, co-operative estates accounted for Rs. 24.47 lakhs (73.2% of total), partnership firms Rs. 5.00 lakhs (14.9% of total) and the joint-stock company Rs. 4.00 lakhs (11.9% of total). Two of the estates financed by the Mysore SFC were joint-stock companies involving a total sanction of Rs. 16 lakhs and only one estate was a co-operative which was sanctioned a loan of Rs. 10 lakhs.

125. Location-wise, there was a marked bias in favour of financing of urban and semi-urban estates by all the three SFCs. Of the 6 estates financed by the Maharashtra SFC, 3 were urban (amount sanctioned

Rs. 13.90 lakhs) and 3 were semi-urban (amount sanctioned Rs. 26.29 lakhs). In the case of the Gujarat SFC, the number of urban estates was 7 (amount sanctioned Rs. 27.97 lakhs) and the number of semi-urban estates was 2 (amount sanctioned Rs. 5.50 lakhs). All the three estates financed by the Mysore SFC are located in urban centres (amount sanctioned Rs. 25.90 lakhs).

126. Loans sanctioned by all the three Corporations were almost exclusively intended for the construction of sheds; the only exception was in respect of one urban co-operative industrial estate where the Gujarat SFC allowed a portion of the loan towards acquisition of land.

127. The amount of loans sanctioned per estate ranged from Rs. 1.50 lakhs to Rs. 6.00 lakhs in the case of the Gujarat SFC, Rs. 4.32 lakhs to Rs. 10.95 lakhs for the Maharashtra SFC and Rs. 7.50 lakhs to Rs. 10.00 lakhs for the Mysore SFC.

128. While the experience of the SFCs in financing industrial estates is limited due to the fact that this activity started only in 1967 and only a few estates have been financed, all the three Corporations have reported that there have been no defaults and that the loans have been serviced satisfactorily.

129. The Andhra Pradesh State Financial Corporation which was recently approached by the Andhra Pradesh Small-Scale Industrial Development Corporation (APSSIDC) for a loan to a Technocrats' Industrial Estate, has agreed to grant finance to the estate to the extent of 70% of the cost of the project. The technocrats will contribute 6% and the APSSIDC 4% to the equity capital. The latter would, in addition, grant a loan equivalent to 20% of the cost of the project.

Views on requirement of finance

130. In principle, all the Corporations have indicated that they are willing to finance industrial estates. However, almost all the Corporations feel that the scope for financing industrial estates is limited. One reason mentioned by a number of Corporations, particularly, those in industrially backward States is that a number of sheds in estates which have been set up by the State Governments are lying vacant. Some Corporations (Kerala, Jammu & Kashmir and Bihar) have pointed out that unless there is a climate for industrialisation, the setting up of industrial estates will not serve any purpose.

131. The Haryana Financial Corporation feels that industrial estates are not popular in the State and that there is hardly any demand for built factory sheds, the main reason being that the sheds conforming to one or two specified categories of dimensions do not generally meet with the varied requirements of the prospective industrialists. The Corporation

feels that the emphasis should be on Industrial Development Colonies or Areas, *i.e.*, the development of plots with water, power, drainage, roads, etc. with a view to attracting entrepreneurs to build sheds according to their requirements. The Corporation has also said that in view of the present conditions of industrial development of the State, it will finance only industrial estates which are located in the Faridabad-Ballabgarh complex.

132. The Gujarat SFC, which has been active in financing industrial estates feels that since the programme of setting up industrial estates is mainly handled by Government Corporations, like State Industrial Development Corporations, the demand for loans from SFCs for setting up co-operative and private industrial estates will be limited. The Orissa SFC has also said that the setting up of industrial estates should be undertaken largely by autonomous public sector corporations like SIDCs.

133. Some Corporations have said that industrial estates being in the nature of an infrastructure facility, their profitability will be low and that these should be financed only if they are sponsored by entrepreneurs who have indicated their intention to occupy the sheds. The Kerala SFC has observed that if industrial estates were profitable, private entrepreneurs would have set them up. The fact that not a single private industrialist in Kerala has come forward to invest in an industrial estate showed that this was not a profitable business. On the other hand, in Mysore the demand for finance has come from private parties who want to develop their land and construct sheds for letting out to industrial units.

134. In the light of our earlier proposals, the role of the SFCs in financing the setting up of industrial estates would, by and large, be confined to *(a)* small and medium-size estates; and *(b)* financing construction of individual sheds. We, however, consider that taking into account the limited resources available with the SFCs and the growing demand of small-scale industries for term credit for financing their fixed assets, the SFCs' involvement in financing of industrial estates should not be out of proportion to their commitments in other spheres. No doubt, the statutory requirements pertaining to the financing of individual borrowers would, to some extent, act as a deterrent in this regard. Even so, we consider it necessary to impose a ceiling limit on the financing of industrial estates so that the total amount of loans for this purpose does not exceed 10% of the total loans sanctioned during a year.

The likely requirement of funds from SFCs

135. We estimated in Chapter X that the likely requirement of institutional finance for industrial estates, if the Governmental part of programme (excluding in all cases the expenditure on infrastructure facilities) is also to be financed by the institutions, might be of the order of Rs. 10 crores per annum for the next three years or so. Of this, the portion representing loans for amounts higher than Rs. 20

lakhs would have to be handled by the all-India term-lending institutions, as we have recommended above. On the basis of the past experience, it may be estimated that on an all-India basis, estates requiring assistance for amounts over Rs. 20 lakhs will account for roughly half of the total assistance. In fact, it is only a few States, such as Gujarat, Maharashtra and West Bengal, which have relatively large industrial estates involving an outlay of Rs. 20 lakhs to Rs. 25 lakhs. Roughly, it may be estimated that the SFCs and banks together may have to provide about Rs. 5 crores per year by way of loans to industrial estates. The share of SFCs in this is likely to be somewhat higher than that of banks and it may be estimated at Rs. 3 crores per annum.

II. Commercial banks:

Details of financial assistance from banks for setting up industrial estates

136. Copies of our questionnaire were sent to all the scheduled commercial banks numbering 72, of which 47 responded. Out of the 47 banks which sent replies, only 5, namely Bank of India, Bank of Baroda, United Commercial Bank, Bank of Maharashtra and Dena Bank have so far provided finance for setting up industrial estates, the total credit limits sanctioned being Rs. 4.5 crores covering 10 estates (*vide* Statement XVII). A major part of the loans was sanctioned by 4 banks to the Gujarat Industrial Development Corporation (Rs. 3 crores) and the Government of Maharashtra (Rs. 60 lakhs). Four co-operative estates were sanctioned a total limit of Rs. 84 lakhs and two privately-owned estates a sum of Rs. 7 lakhs. The advances were sanctioned only for construction of sheds excepting that sanctioned by one bank to the GIDC, which was for the development of land too.

137. Of the 10 industrial estates to which the loans were sanctioned, only 7 had availed themselves of the loans, the amount outstanding as at the end of 1970 being Rs. 3 crores. The major portion of the outstanding represented loans to the GIDC. The amount sanctioned per estate ranged between Rs. 1.50 lakhs and Rs. 2.50 crores; however, if loans granted to the GIDC are excluded, the upper limit was Rs. 60 lakhs. The period for which loans were granted, ranged between 4½ years and 12 years and the grace period for the repayment was usually 2 years after the disbursement of the loan. The rate of interest charged to the GIDC ranged between 6% and 7½% and for co-operatives it ranged between 8½% and 9½%. The security accepted from the co-operative and other private estates was the equitable mortgage of land and building, while in respect of GIDC, the loans were granted against the guarantee of the Government of Gujarat. The margin prescribed on loans to co-operative and privately-owned industrial estates was generally 50%, although the United Commercial Bank had advanced with a margin of 33%. It appears that no concessions were given on loans sanctioned for construction of sheds for small industries. The amounts sanctioned were

confined to only two States, namely, Gujarat and Maharashtra, the major share being accounted for by the former.

138. Since the banks have entered the field of financing industrial estates only during the course of last 2 years or so, it is too early to comment upon the performance of the assisted estates with regard to the repayment of instalments and interest. However, the experience of the banks in this regard so far appears to be satisfactory.

139. There were six cases of rejection of advances to industrial estates by banks. The reasons for rejections were : *(a)* lack of adequate stake on the part of the promoters, *(b)* the amount of advance required was too large in relation to the prescribed maximum limit by the bank and *(c)* the terms and conditions with regard to rate of interest, period of loan, etc. were not acceptable to the promoters of the estates.

General policy for extending credit for setting up industrial estates

140. The general view among the commercial banks seems to be that taking into account their resources position and the demand for credit from the priority sectors of the economy, it would not be possible for them to get themselves involved deeply in financing the setting up of industrial estates; they would primarily confine themselves to the provision of term finance for acquisition of plant and machinery and working capital to the units set up in the estates. They feel that the size of the amount involved, the long term nature of investment and the difficulty in assessing the viability of the estate would preclude any large-scale participation by banks in the programme of financing of industrial estates. The Central Bank of India is in favour of financing viable industrial estates and has already prepared a scheme for this purpose (*vide* Appendix V). Most of the other major banks have also indicated that they would consider financing industrial estates set up by co-operatives or associations of small-scale industrialists.

141. So far as the State Bank of India (SBI) group is concerned, construction of industrial estates is not specifically included in the list of activities eligible for grant of term loans under Section 33 (xix b) of the State Bank of India Act. However, in view of the important role of industrial estates in the overall growth of industries, steps are being taken to effect the required modifications in the relevant sections of the Act. The SBI considers that its role would be of a supplementary nature leaving a predominant share to other credit agencies which are better equipped for long term lending programmes.

142. The Group recommends that barring a few big sized banks the other commercial banks should confine their credit to financing the setting up of small and medium estates and financing of industrial sheds. As a matter of general policy, we recommend that proposals for any loan

exceeding Rs. 25 lakhs to an industrial estate should not ordinarily be entertained by a commercial bank with deposit resources less than Rs. 300 crores. Such proposals, however, may be taken up by the bank in participation preferably with a State Financial Corporation. We feel that no such ceiling need operate in respect of banks with a larger deposit base than Rs. 300 crores.

143. In the absence of adequate experience of financing the setting up of industrial estates, only a few banks have referred to specific inhibiting factors in the flow of credit to this sector. According to the Dena Bank, the nature and complexity of proposals for financing industrial estates constitute the major inhibiting factor. The Canara Bank and the Syndicate Bank have referred to the number of time consuming formalities required to be complied with, particularly with regard to getting consents from various authorities, like Corporation/Municipality, Health Authority, Town Planning Authority, Inspector of Factories, etc. This, according to them, could perhaps be obviated if the State Governments concerned make a study and announce specifically, areas demarcated for the starting of industrial estates. In the view of the Syndicate Bank it is normally difficult to get blocks of land for the setting up of industrial estates. Moreover, delays occur *(a)* when owners go to Court against the order of the Government acquiring their land, and *(b)* for getting the lands converted into industrial areas as required by some of the State Governments. According to the Bank of India, apart from the long gestation period involved for completion of the project, an upward revision of the original cost owing to rising prices of construction material and labour constitutes yet another inhibitng factor.

Inhibiting factors affecting the flow of Institutional credit

144. As regards the inhibiting factors relating to administrative delays, we have already recommended the need for State Governments having advance area plans and streamlining their procedures for zoning, etc. We have also recommended the establishment by each State Government, of a Government Corporation which will help in the formulation of an integrated policy regarding the development of industrial areas and estates.

III. Co-operative banks:

145. According to the data published by the Reserve Bank of India,[24] co-operative banks had, as at the end of June 1969, advanced Rs. 25.4 lakhs for setting up co-operative industrial estates only in Maharashtra and Gujarat of which the latter State accounted for as much as Rs. 23.8 lakhs.

146. Copies of our questionnaire were sent to all the Registrars of

[24] *Statistical Statements relating to the Co-operative Movement in India, 1968-69,* Reserve Bank of India.

Co-operative Societies in the various States with a request for furnishing to us the names of the apex co-operative banks and the central co-operative banks which were extending loans for setting up industrial estates. The Registrars in Andhra Pradesh, Jammu & Kashmir and Tamil Nadu had informed us that co-operative banks were not financing industrial estates in their respective States. The names of the co-operative banks providing finance to industrial estates were not available with the Registrars of Co-operative Societies in the States of Maharashtra and Orissa. In Punjab, two co-operative industrial estates had borrowing arrangements with the Amritsar Central Co-operative Bank Ltd. The questionnaire was also sent to the bank but due to lack of response from it, further details of these advances could not be obtained.

147. The Registrars of Co-operative Societies in the remaining States did not respond to our enquiry. The questionnaires were also sent to *(i)* Gujarat Industrial Co-operative Bank Ltd., Surat and *(ii)* Nagar District Urban Co-operative Bank Ltd., Ahmednagar, as it was learnt that they had financed industrial estates; the latter bank, however, did not respond.

148. The Gujarat Industrial Co-operative Bank Ltd. provided financial assistance to co-operative industrial estates set up exclusively for small industries. The bank had sanctioned Rs. 26.3 lakhs to five industrial estates, three of which were located in urban and one each in semi-urban and rural areas. The advances were sanctioned to one industrial estate for acquisition of land (Rs. 2.5 lakhs), one estate for construction of sheds (Rs. 18.0 lakhs), two estates for development of land (Rs. 0.8 lakh) and one estate for meeting its working capital requirements (Rs. 5.0 lakhs). The period stipulated for repayment of loans for construction of sheds and for purchase of land and/or development of land, was 7 years and 3 years respectively. The bank had not generally experienced any difficulty with regard to its repayment schedule. The economic appraisal for sanction of loans was undertaken by the bank and covered aspects such as costs, suitability of land, nature of industry to be set up, sources of income for the society, etc. The bank was in favour of participation arrangements with other banks and SFCs if the amount involved was very large. It has suggested that the Credit Guarantee Scheme administered by the Reserve Bank of India may be extended to loans granted for the setting up of industrial estates.

149. Mention may be made here of the Guarantee Scheme formulated by the Maharashtra State Co-operative Bank Ltd. in February 1970 for providing guarantees as an experimental measure to the extent of Rs. 50 lakhs in a year in respect of loans sanctioned by the Maharashtra State Financial Corporation to the co-operative industrial estates. The bank has, upto the end of 1970, guaranteed loans aggregating Rs. 25.3 lakhs granted by the Maharashtra State Financial Corporation to 4 industrial estates; of these, 3 industrial estates were in the urban area and 1 in semi-urban area.

The Industries Commission of the bank assesses the technical and economic feasibility of the project; the bank, however, does not get complete schemes of the individual borrowers. The moveable and immovable assets of the industrial estate are charged to the bank. Guarantee commission at 1% per annum on the amount of loan disbursed by the MSFC is payable to the bank by the borrowing society. As the scheme of guaranteeing the advances was introduced only in 1970 and the repayment of any of the guaranteed advances had not commenced as yet, there was no occasion for the bank to meet the claim under its guarantee.

150. In the opinion of the bank, the initial finance required for setting up industrial estates should come from institutions such as LIC and SFCs, as the apex co-operative banks would not be in a position to lock up their funds for a period ranging from 10 to 15 years.

151. We are of the view that co-operative banks are not yet equipped to undertake the financing of industrial estates to any significant extent. Taking into account the type of expertise required for appraisal of the projects and the present resources position of the co-operative banks, they should confine themselves to *(a)* financing medium and small co-operative estates in urban and semi-urban areas in participation with commercial banks/State Financial Corporations and *(b)* financing individual members of the societies for construction of sheds.

152. In Chapter XII, we have set out the guidelines which may be followed by financial institutions for considering proposals for loans for setting up industrial estates.

CHAPTER XII

Guidelines to be followed by financial institutions for considering loan proposals for setting up industrial estates

Location of estate

153. The foremost aspect to be considered in a proposal for a loan for the setting up of an industrial estate is the suitability of the location of the estate. As pointed out elsewhere, urban estates have generally a higher utilisation ratio than semi-urban or rural estates because of several advantages associated with their business operations. Each proposal for setting up an industrial estate will have to be examined from the point of view of potentialities for economic growth of the centre, adequacy of water supply, availability of power, raw materials, skilled and unskilled labour, transport and communication facilities, nearness to a police station and to the market for the products of the industries which may be set up in the estate.

Size of estate

154. The size of the estate should be such that the individual units would derive some economy in overhead expenses besides the advantage of sharing some common facilities. In rural centres in particular, the scope for large estates is limited on account of various factors. This is borne out by the experience of many estates so far set up in the country (*vide* Statement XVIII). If the financing institution is to avoid a loss on such ventures, it should ensure that about 75 per cent of the sheds to be constructed in the initial stage are already booked irrevocably by industrial concerns/entrepreneurs.

155. The size of the estate will no doubt depend on the cost of land, the expenditure to be incurred for developing the land and providing amenities and the number and type of firms (such as heavy industry or otherwise, labour intensive or labour saving, etc.) that are likely to indent for the sheds that may be put. It may not be worthwhile planning an estate with fewer than 15 or 20 sheds in case it is proposed to provide

common services which should at least break-even economically. For this a minimum of 15 acres of land would be necessary.

156. Some provision for land should also be made for future expansion of the industrial estate or for administrative buildings, canteen, shops and show-rooms, training centres, etc. It is difficult to foresee the rate of growth of industrial estate. Adequate reserve land should be acquired at the beginning as the cost of acquisition of adjacent land at a later date might be prohibitive for various reasons. In our view, twice the estimated initial capacity for sheds booked/expected to be booked would be a fair reserve area. This may not be taken as an inflexible norm. For small estates (accommodating less than 50 units), particularly in urban and semi-urban areas, this norm may not be on the high side. For large estates, the reserve area may be much less, say, equal to the originally booked land. In rural centres, as the land value would be small, the acquisition of reserve area may have little impact on the total cost of the project.

Constitution

157. An industrial estate may be set up by a group of entrepreneurs/ industrial concerns who form themselves into a co-operative society. In this instance, every unit having a shed in the estate will be a member of the co-operative society. The management will be vested in a Board of Directors consisting of members drawn from among the shed-holders. Generally, the State Government and/or the Development Commissioner may seek to be represented on the Board. It would be desirable for the financing institution to have the right to nominate a director on the Board of the co-operative society, although it may not exercise this right except in the few instances where the affairs of the society call for a close scrutiny by the financing institution.

Object of setting up the estate

158. Where an industrial estate is proposed to be set up by an individual or a firm, the lending institution should make thorough enquiries about the purpose of setting up the estate. Private estates would make allowance for this in fixing the rents initially. In the case of a rural estate, the impact of any statute relating to agrarian reforms on the holdings of which the land of the industrial estate forms a part, should be carefully enquired into. In the case of urban estates, the effect of a ceiling on urban property in force in a State may have to be considered by owners of private lands. It is likely that in such cases, the object of the owner of the land may be to develop a part of his holding as an industrial estate to facilitate the disposal of some contiguous plots at an appreciated value and also free himself from the ceiling on urban property.

159. In the case of companies and co-operative societies, it is desirable to insist that all the units taking sheds in the estate on a rental

Membership of company/co-operative society sponsoring an Industrial estate

basis or hire purchase basis become members of the company/society. It is also desirable to insist on a right to nominate a director on the Board of management of the company/society. This will help the financing institution to keep a close watch over the management of the estate.

Arrangement for direct collection of rent by the financing institution

160. In the case of proprietary or partnership firm owning industrial estate, it would be preferable for the financing institution to accept usufructuary mortgage of the land and building comprised in the estate. In other cases, *i.e.*, where the estate is owned by a company or a co-operative society, the lending institution may obtain appropriate letter from the company/co-operative society and the tenants to the effect that the rent or hire money will be paid direct to the lending institution.

Responsibility for maintenance and repairs

161. The maintenance of the estate and the common facilities should be the responsibility of the owners of the estate. Where a usufructuary mortgage is taken, the institution may arrange with the owner so that the maintenance will be attended to by the latter, if necessary out of funds that may be set apart from the rent collected. In the case of a company and a co-operative society also a provision should be made for appropriation of a part of the hire money or rent received for meeting maintenance and repair charges. Roughly it may be necessary to set aside about 50 per cent of the gross income received by way of rent/hire money for such expenses and for meeting Municipal/Corporation/Panchayat taxes payable on the estate and other dues.

Margin on loans

162. The margin to be prescribed on loans by financial institution to industrial estates would to a large extent, depend upon the agency setting up the estate, the type of units located in the estate and the stake of the sponsoring agency in the estate. Broadly, we suggest that :

(a) for industrial estates set up by technician-entrepreneurs or unemployed engineers and where the sheds are to be acquired by them on rental/hire purchase basis, the margin should not exceed 10 per cent;

(b) for co-operative estates, where all the sheds are entirely booked by small-scale units on rental/hire purchase basis, the margin may range between 20 per cent and 30 per cent depending upon whether the shedholders are mostly new units or existing units which have shifted to the estates;

(c) for industrial estates set up by joint-stock companies whose shareholders occupy a majority of the sheds, the margin may be 30% to

35% and for those set up by proprietary and partnership concerns, the margin may range between 40 per cent and 50 per cent.

Layout and type of industries

163. In order to ensure that the amount advanced is utilised effectively, the financial institution should ascertain whether physical survey of the site and proper designing of the estate has been made. In particular, where different types of industries are to be accommodated in the industrial estate, care should be taken to segregate the units appropriately in order to avoid chain disaster on account of fire, explosion, etc.

Allocation of funds

164. The total estimated cost should be carefully worked out and the estimate should be got checked by an experienced architect/engineer. The cost of development of land will differ from area to area and the construction cost of sheds, etc. will depend on the type of construction adopted, the cost of labour in the locality, the relative size of the sheds, the common amenities proposed to be provided and other circumstances. Though it is not possible to lay down fixed norms, by and large, the following distribution will appear to be fair and reasonable.

i)	Cost of improving the land, laying road, arrangement for water supply, electrification, etc.	15%
ii)	Cost of construction of sheds	75%
iii)	Cost of essential amenities like sanitary blocks, watch and ward, compound wall, canteen, etc.	5%
iv)	Cost of administrative buildings	3%
v)	Cost of stamp duty, registration charges and preliminary expenses in connection with the formation of society or company	2%

165. In an industrial co-operative society, it is customary to give out the sheds on tenant-cum-ownership (hire purchase) basis. The proportionate cost of each shed will be recovered from each shedholder in instalments spread over a period of 12 to 15 years. The co-operative society will be collecting every month from each shedholder certain sums towards the cost of amenities like roads and common facilities and for meeting administrative and maintenance expenses. To the extent of the part of the loan by the financial institution which has been utilised towards acquisition and improvement of land and common amenities, the financial institution can look forward for repayment only out of the payments made to the society by the shedholders. It should be ensured that the society's cash receipts are adequate to cover instalments payable by it on the loan as also to provide for meeting the expenses on repairs, taxation, etc. and also building up a depreciation fund. The aggregate instalments

payable by the shedholders to the co-operative society per year should normally work out to about 15 per cent to 20 per cent of the cost of the project.

166. Where an industrial estate is sponsored by an individual or by a partnership firm, normally the sheds will be given out on rental basis. The rent recoverable from the tenants should be adequate to cover the taxation expenses, cost of amenities provided, insurance charges, depreciation on buildings and administrative charges. It should also yield to the owners a reasonable return on their investment. Although the land on which the industrial estate is developed might appreciate in value, the owners of the land would not be in a position to take advantage of the appreciation in the land values. On the other hand, they may be subjected to wealth-tax and may have to provide for estate duty also out of the income from the estate. Accordingly, the owners seem to expect— and that not unreasonably — a high rate of return on their investment. Though specific information on this aspect has not been made available to this Group, it would appear that the total amount receivable from tenants (towards rent and expenses) works out to between 25 per cent and 30 per cent of the initial outlay per annum. If the expenses to be incurred by the estate owner are set off — part of which go to the benefit of the tenants — the net return might be placed at 15 per cent to 20 per cent of the outlay. As far as the financial institution is concerned, it may prescribe a lower period of say, 8 to 10 years for repayment of the loans that are to be advanced to such persons.

Period of commencement of repayment

167. The development of land, the construction of sheds and the installation of plant and machinery will normally require a period of one to two years. For individual units to commence commercial production, it may take a further period of a year or so depending on the type of industry. Accordingly, the repayment of the loans advanced to the industrial estates may normally be expected to commence only after the expiry of a period of 2 or 3 years after the initial instalment of the loan. This period should not, however, be taken as a rigid norm and may be varied according to the circumstances of individual proposals.

168. A check list for scrutiny of a proposal for financial assistance to an industrial estate is given in Annexure III.

CHAPTER XIII

Summary of conclusions and recommendations

169. 1) Although the programme of industrial estates has made good progress during the last two decades or so, certain deficiencies in its implementation were observed. Of the total number of sheds completed in 455 estates, as high a proportion as 38 per cent was not utilised. The average utilization of sheds in completed estates was 64 per cent. The rate of utilization was the highest in urban estates (74%), followed by semi-urban estates (56%) and rural estates (42%) (Paragraphs 9 to 14).

2) By and large, the extent of use of sheds in the co-operative estates in Andhra Pradesh, Gujarat and Madhya Pradesh was generally higher but in Rajasthan, Tamil Nadu and Uttar Pradesh it was lower than that in other estates (Paragraph 17).

3) The magnitude of utilization in private industrial estates was relatively high, irrespective of the area of location (Paragraph 19).

4) The evaluation studies on the working of the industrial estates undertaken by a few State Governments revealed several defects, such as improper selection of sites, inadequate attention to the provision of infrastructure facilities and lack of leadership on the part of management to attract entrepreneurs (Paragraph 47).

5) A field study of a sample of industrial estates and the units located therein revealed that *(i)* the estates which had been set up after careful techno-economic surveys proved to be successful, irrespective of whether the estates were located in urban, semi-urban or rural areas; *(ii)* proximity to markets and adequate transport links to the markets were important pre-requisites to the success of estates; *(iii)* the utilisation ratio *(i.e.,* the proportion of the number of sheds occupied by units in production to the number of sheds constructed) was generally higher for urban estates than for the rural estates; *(iv)* the time taken for acquiring land was generally about a year or so and, for development of land and the provision of infrastructure facilities, about two to three years; *(v)* the propor-

tion of rentable area to the total developed area was generally lower for rural estates than for the urban estates, mainly because in the former estates, a larger proportion of the developed area was occupied by roads, open space, etc.; *(vi)* the cost of development of land and provision of infrastructure seemed to be generally higher in the rural and semi-urban areas than in the urban areas; *(vii)* the cost of setting up the estates was lower for those set up by co-operative societies than for those set up by Governments; *(viii)* the ratio of the cost of acquisition and development of land and provision of infrastructure facilities to the total cost of setting up the estate generally ranged between 25 per cent and 35 per cent; this ratio was generally higher in respect of estates set up in rural areas than those in urban areas; *(ix)* almost all the units located in the estates belonged to small industry sector and most of these were new units; *(x)* barring the estates in Gujarat, Maharashtra and Uttar Pradesh, where plots/sheds were acquired on hire purchase terms, in other States, where Government estates predominated, the sheds were occupied mostly on a rental basis; and *(xi)* about two-thirds of the units in the estates were purchasing raw materials or selling their finished products from/to centres situated beyond a radius of 100 miles (Paragraph 49).

6) In most of the States, the industrial estates programme was exclusively concerned with the development of general purpose estates (Paragraph 59).

7) In Gujarat and Maharashtra, the programme of industrial estates has been relatively successful; in the former State, the programme of Governmental industrial estates is administered by Government-owned Corporation (GIDC) while in the latter State, co-operative industrial estates predominate. In Tamil Nadu, where also the programme has a record of good performance, it is implemented by the State Industries Department (Paragraph 76).

8) The choice of location and meticulous care in the implementation of programme are as important for the success of the industrial estates as the general climate for industrialisation (Paragraph 79).

9) Past failures of some of the industrial estates should not be regarded as an undue deterrent for setting up new estates inasmuch as the failures are due to clearly identifiable defects, both in the formulation and in the implementation of the programme, and if care is taken to avoid them, there is no reason why industrial estates could not be a successful aid to industrialisation (Paragraph 81).

10) The failure of the industrial estates programme in rural and backward regions is attributed to *(a)* the general failure to bring about dispersal of industries; *(b)* wrong location of the estates; *(c)* faulty planning of the estates and poor execution and *(d)* lack of an effective

machinery to supervise the day-to-day operations of the estate. Some of these defects can be avoided through a better programme of pre-planning of the estates and its more effective implementation (Paragraphs 82 and 83).

11) There is considerable scope for setting up new industrial estates in the vicinity of urban and semi-urban centres or what may be alternatively termed as growth centres and potential growth centres (Paragraph 84).

12) Barring functional or single trade estates in urban and semi-urban areas, in the formulation of a programme, attention should generally be devoted to the development of land and the provision of infrastructure facilities because in most instances, the type of industrial units which are to be allotted sheds, which may be in different dimensions, cannot be visualised in advance. Further, sheds of a general type would not necessarily suit the requirements of different industries. In States, such as Bihar and Orissa, where the programme of industrial estates has not developed to any significant extent, a minimum number of sheds of standard size may be constructed on a part of an estate and some plots kept vacant for meeting the requirements of individual units to be set up at a later stage (Paragraph 85).

13) At least for the next few years, co-operative and private industrial estates are likely to be confined to a few States, such as Gujarat and Maharashtra which have already made much headway in establishing co-operative and private estates and also in some others, such as Andhra Pradesh, Tamil Nadu and Mysore which have made a beginning in these fields. In the remaining States, the Government concerned will have to take an active and direct part in setting up and running the estates (Paragraph 86).

14) State Governments should play a crucial role in encouraging the establishment of new industrial estates in urban and semi-urban areas. This should comprise the identification of industrial areas, advance planning of the prospective centres for industrial growth and zoning of industries in the centres, prompt and adequate arrangements for the supply of infrastructure facilities and the establishment of an efficient machinery to co-ordinate and guide all these activities (Paragraph 87).

15) Taking into account the various stages in the industrial development of the States and the differing patterns adopted by State Governments in the management and implementation of the programme of industrial estates, no standard arrangement for setting up industrial estates in all the States is recommended. However, it is evident that Government Departments with rigid rules and procedures do not seem to operate them with the necessary flexibility nor do they appear to possess the expertise to implement the schemes successfully (Paragraph 88).

16) While the Group endorses the suggestion by the Government of India that steps should be taken to set up co-operatives to take over and manage Government estates, it is felt that this programme will take a long time particularly in the States where co-operative movement itself has not made any significant progress (Paragraph 88).

17) The States in which the programme of industrial estates has not developed adequately, might consider handing over the management of the existing industrial estates as well as establishing and managing new estates to Corporations, namely, the Industrial Development Corporations (IDCs) which should run them on business lines and be responsible for all the aspects of their growth and expansion. The Development Corporations may be set up to function on the lines of the Maharashtra Industrial Development Corporation or the Gujarat Industrial Development Corporation (Paragraph 89).

18) Local bodies, such as municipalities, city improvement trusts, etc. should be increasingly involved in establishing industrial estates in the areas falling within their jurisdiction. If need be, the statutory regulations governing the operations of municipalities or other local authorities may suitably be amended so as to enable them to play their part in the industrial estates programme. The funds for setting up industrial estates should come partly from their budgetary allocations and partly out of funds made available by the financial institutions, particularly the LIC (Paragraph 91).

19) With a view to facilitating the setting up of industrial estates by private parties, for all the major centres of prospective industrial growth there should be area plans with plans for industrial zones (Paragraph 92).

20) The exemption under Section 80J of the Income-tax Act, 1961, should be extended to private industrial estates to be set up after April 1, 1972. This exemption should also be made applicable to such Industrial Development Corporations as have share capital of their own and have been entrusted with the programme of management of industrial estates (Paragraph 93).

21) The State Governments should examine the scope for a reduction in the stamp duty chargeable on land acquired by the co-operatives for setting up industrial estates (Paragraph 94).

22) Industrial estates should have a whole-time supervisor to look after the administration as also to attend to the difficulties faced by the units. State Governments should set up Regional Advisory Committees to review periodically the progress made and the problems faced by the industrial estates in the respective zones (Paragraph 95).

23) The main scope for the financing of industrial estates by the financial institutions will be in respect of estates in urban and semi-urban

centres. Industrial estates in rural areas will generally require not only finance on soft terms but also a number of other concessions and facilities for development; the responsibility for setting up or assisting such estates should be largely that of the respective State Governments. Financial assistance on the normal terms applicable to investment proposals from small-scale units in the area concerned should be made available, provided a prior techno-economic survey of the area has been conducted and the project is sponsored by adequate number of entrepreneurs (Paragraph 96).

24) For estates set up/managed by the Government Departments/ local authorities, the funds for development of land and provision of infrastructure would have to come from their budgetary allocations (Paragraph 98).

25) As regards the estates set up and managed by the Industrial Development Corporations, it will be appropriate if the two types of operations, *viz.*, those covering the provision of infrastructure facilities and those of construction of sheds, are separated, and the requirements for finance for the two types of activities are met through separate arrangements. While the construction of industrial sheds can be financed by banks and term-lending institutions at the normal rates of interest applicable to industrial loans, the investment in infrastructure facilities will have to be financed appropriately by long term loans at relatively low rates of interest. These Corporations will have to add to their borrowing rates, a spread to enable them to meet their administrative costs, make a provision for bad debts and make profits to pay dividends on capital and transfer to reserves. Hence, their lending rates may be around 8-8½ per cent. If the State Governments propose that a still concessional lending rate should prevail, they should subsidise the difference between the normal lending rates and the concessional rates to be charged by the Corporations. Alternatively, resources required by the Corporations for financing infrastructure might be raised by way of loans from the State Governments at a concessional rate of interest. The Corporations should adopt an appropriate policy for pricing their products and services (Paragraph 99).

26) For co-operative and private estates, finance for development of land and the provision of infrastructure could come either from State Government and IDC and/or from financial institutions like the LIC and finance for construction of sheds could be provided by banks and SFCs to industrial units to enable them to put up sheds. Banks and financial institutions should have appropriate arrangements for financing industrial estates in urban and semi-urban areas to be set up by co-operatives, private parties and agencies of the State Governments, such as Industrial Development Corporations (Paragraph 100).

27) For relatively small projects involving loans of not more than say

Rs. 20 lakhs, the appraisal and financing may be done by the SFCs and where the project costs not more than Rs. 25 lakhs, by the commercial banks having deposit resources of less than Rs. 300 crores. No such ceiling on loan amount need operate for banks with a larger deposit base than Rs. 300 crores (Paragraphs 101 and 142).

28) Until such time as the IDBI is not in a position to mobilise savings from the public, say to the extent of at least half of its net outlay in any year it may not be desirable for it to provide refinance on loans by financial institutions and banks for the setting up of industrial estates. The IDBI Act may be suitably amended to enable the Bank, in future, either to lend directly or to refinance loans extended by banks and financial institutions for the setting up of industrial estates (Paragraph 103).

29) Advances granted by banks and SFCs to co-operative societies of technician-entrepreneurs for the purpose of setting up industrial estates for their use may be made eligible for cover under the guarantee scheme of the Credit Guarantee Corporation of India Ltd., provided that the estates are meant to be used exclusively by small-scale industrial units (Paragraph 104).

30) Estates which cater to the different size categories of industries are more likely to be successful than those which are exclusively meant for small-scale units. But, since the programme is meant essentially to help the small entrepreneurs, it should be ensured by banks and SFCs that the industrial estates cater mainly to the needs of small units (Paragraph 105).

31) Institutianal finance to develop industrial estates may be provided to private parties who may own land which they might like to develop into industrial estates; in such instances, the lending institution should ensure that at least 75 per cent of the sheds financed are firmly commited to be sold/rented/leased out to genuine small-scale industrial units on reasonable terms (Paragraph 106).

32) The LIC may continue its present arrangement for financing the setting up of industrial estates against the guarantee provided by the respective State Governments (Paragraph 116).

33) The LIC should lend to IDCs against the mortgage of their fixed assets at around $7\frac{1}{2}\%$ p.a. To the extent that there is a shortfall in the value of assets to be mortgaged at a margin of 50 per cent the LIC could accept State Government's guarantee and the rate of interest on the amounts to be guaranteed by the State Governments could be around 7 per cent (Paragraph 117).

34) The LIC might also grant loans to the municipalities and other local authorities to enable them to participate in the programme of

industrial estates. These loans may be given by the LIC against the State Government guarantee on the same terms and conditions as those stipulated for loans to co-operative societies/joint-stock companies (Paragraph 118).

35) The LIC could make larger resources available for financing of industrial estates through participation arrangements with SFCs and banks. The participating bank/SFC may take up earlier maturity say, upto 7 years of the promissory notes/participation certificate arising out of the conversion of the original loan, the remaining period of maturity being taken over by the LIC. The rate of interest to be charged by the LIC may be 8 per cent and that by the SFC 9 per cent. Since commercial banks would find it difficult to lend at a rate below 10 per cent, the State Government may, bearing in mind the type and location of estates, subsidise the difference between the rate of interest normally charged by banks and the concessional rate which the Government deems it desirable to be charged by banks. The participation agreement should provide that both the institutions will bear losses, if any, arising out of defaults in the repayments during the entire currency of the loan in the same proportion as the amounts lent by them and that this should hold good even after the loan amount granted by the bank/SFC has been repaid in full during the earlier period of repayment of the advance. For the contingent liability incurred by the bank/SFC during the later period of loan maturity it may levy on the borrowers a commission at a concessional rate of ½ to 1 per cent per annum on its proportionate share in outstanding balance of the loan. The bank/SFC which would be acting as an agent of the LIC for the recovery of the loan should be paid a small commission, say upto ½ per cent by the LIC on the amount of the loan outstanding during the later period of the advance (Paragraph 119).

36) Yet another method for the LIC to make larger resources available for financing of industrial estates and particularly the worksheds which may be set up in the rural areas, would be for the Corporation to lend to the estates after the projects are appraised by credit institutions which would also guarantee repayment of the loan and payment of interest. While these loans would have to come out of the funds earmarked for unapproved investment of the Corporation, it will be necessary to suitably amend the State Financial Corporations Act, 1951 so as to enable SFCs to give guarantees to the LIC (Paragraph 120).

37) The SFCs and commercial banks, barring the bigger banks, should confine their credit to financing the setting up of small and medium estates and financing of industrial sheds. As a matter of general policy, proposals for any loan exceeding Rs. 25 lakhs to an industrial estate should not ordinarily be entertained by commercial banks, with deposit resources less than Rs. 300 crores. Such proposals, however, may be taken up by such a bank in participation preferably with a State Financial

Corporation. For SFCs, a ceiling limit should be imposed on the financing of industrial estates so that the total amount of loans for the purpose does not exceed 10 per cent of the total loans sanctioned by it during a year (Paragraphs 134 and 142).

38) The co-operative banks should confine themselves to *(a)* financing medium and small co-operative estates in urban and semi-urban areas in participation with commercial banks/State Financial Corporations and *(b)* financing individual members of the societies for construction of sheds (Paragraph 151).

39) The amount of loan assistance required for the construction of sheds would be Rs. 10 crores per annum for the next few years, of which the share of the LIC may be put at Rs. 5 crores, that of SFCs at Rs. 3 crores and of banks at Rs. 2 crores (Paragraphs 122 and 135).

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1.	Shri K. N. R. Ramanujam	Chairman
2.	Shri L. N. Renu	Member
3.	Shri J. R. Joshi	Member
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10.	Shri P. M. Mathai	Member
11.	Shri B. S. Lulla	Member

BOMBAY,
February 23, 1972.

ANNEXURE I

1. SCHEDULE FOR STATE GOVERNMENTS AND GOVERNMENT CORPORATIONS SETTING UP INDUSTRIAL ESTATES.

(**Note**: The term industrial estates will cover also industrial areas or sites specially developed with water, road, power etc. facilities and where entrepreneurs will construct a number of sheds in a planned manner and the plot holders will share in the management of common facilities).

I. General

1) Please give the figures for total outlay on industrial estates in the State/Territory during each of the 3 Five Year Plans and the Annual Plan periods. Please give a break-up of the total between Centre's contribution, State Government's contribution, investment by members of co-operatives (by way of share capital, deposits etc.), investments by other private parties and loans from agencies such as the Life Insurance Corporation of India, State Financial Corporations, co-operative and commercial banks etc.

2) How many industrial estates have been set up in the State/Territory, upto March 31, 1970? Of these, how many are urban, semi-urban and rural? (urban means centres with population over 50,000, semi-urban with population between 5,000 and 50,000 and rural with population below 5,000). Please furnish also details as to how many of the urban, semi-urban and rural estates as on March 31, 1970 are owned (a) departmentally (b) by Government Corporations (c) co-operatives and (d) other private agencies, as in the proforma below:

Type of Estate	Government Department	Government Corporations	Agency Owning		Other Private Estates
			Co-operatives	Other Private (but Government assisted estates)	
Rural					
Semi-urban					
Urban					

II. Planning

1) How is the allocation of Government funds for the industrial estate programme (i.e. total for various types of estates, namely departmentally owned by Government, owned by Government Corporations, co-operatives and other private (assisted) decided?

2) What are the administrative arrangements and criteria for selection of location of estates namely, (a) general purpose (b) ancillary (c) single trade and (d) functional;

Explanation:— A general purpose estate is one where diverse types of industries may be set up. An ancillary estate is one where units producing parts or components for large units are located. A single trade estate caters to units engaged in one type of industry, say leather, or wood etc. A functional estate is one where a number of units producing parts of a product are housed together and undertake a co-ordinated programme of production e.g. automobile parts, radios.

3) Are any pre-investment studies undertaken?

4) What are the aspects covered in such studies?

5) Which are the agencies conducting such studies?

(If copies of studies are available, these may please be supplied).

6) After selection of location, what is the procedure for selection of site?

Please give the details in respect of each of the following questions under III, IV, VII and VIII separately for estates (a) departmentally owned (b) owned by Government Corporations (c) co-operatives (d) other private assisted and (e) others.

III. Implementation

1) Procedures for acquisition of land — The usual experience of time taken.

2) Agency and time taken for development of land and provision of water, power, drainage and roads.

3) Arrangements for planning and designing of sheds, common facilities etc.? Are there any standard plans or norms? How have these been decided? What has been the experience?

4) The agency undertaking the actual construction of sheds — departmental, contractors or others.

5) Policies and procedures governing allocation of plots/sheds.

IV. Charges and recoveries

1) How is the sale price/lease amount/rent of a plot or shed fixed?

2) Which are the arrangements most commonly followed for allocation of plots or constructed sheds, outright sale, lease, hire purchase, rent?

3) Which are the arrangements found most convenient by the Government and by the different types of users?

4) What is the normal period of lease for land given for industrial sheds?

5) If there is any subsidy in the sale price/lease amount/rent, how is this fixed? Is there any phasing of the subsidy? If so, the details.

6) In case of sale, how is the period of repayment fixed and the size of instalments determined? What is rate of interest recovered?

7) In respect of existing tenants, is the amount paid by them by way of rent taken into account in fixing instalments?

V. Administration and maintenance of estates

a) departmentally owned and (b) owned by Government Corporations.

1) What are the arrangements for administration and maintenance of Government sponsored industrial estates?

2) Which arrangements have been found relatively most suitable?

3) What are the kinds of recoveries/charges for current expenditure and how are these fixed?

VI. Government Assistance

Please give details of the scheme of assistance or Government's interest in industrial estates owned by (a) co-operatives and (b) other private agencies.

VII. Follow-up and evaluation

1) Are there any arrangements for regular follow-up and evaluation of the progress and performance of industrial estates? Do these cover (a) assessment of the objectives achieved in terms of employment, industrial investment, use of local raw materials, catering to local market (b) progress of occupancy of sheds (c) experience in turnover i.e. quitting of tenants, etc.

2) Have any expert bodies reported on the working of industrial estates in the State? (Please supply copies of such reports).

3) What is the action taken on such reports?

VIII. Future programmes

1) Are there any industrial estate schemes currently under implementation (work taken up, not completed) involving Government assistance?

2) If so, the details thereof:

Separately for rural, semi-urban, urban

a) Size —Area

b) Number of plots with area of each type.

c) Number and size of sheds.

d) Total capital cost and Government's share in this.

3) What has been the annual expenditure on industrial estates during the last 5 years, giving a break-up between capital expenditure and recurring expenditure for each category of estate?

(Rupees In lakhs)

	1969-70	1968-69	1967-68	1966-67	1965-66
Category					
(a) Departmentally owned					
i) Capital expenditure					
ii) Recurring expenditure					
(b) Owned by Government Corporations					
i) Capital expenditure					
ii) Recurring expenditure					
(c) Co-operatives					
i) Capital expenditure					
ii) Recurring expenditure					
(d) Other private assisted					
i) Capital expenditure					
ii) Recurring expenditure					
Total					

4) What are the likely expenditures in 1970-71 and what would be the likely total for the fourth plan period?

IX. Are there any other points not covered by the above questions on which you may wish to offer comments? For instance, you may indicate if there has been a review of past policies and procedures in respect of industrial estates and the reasons thereof, your views on procedures and policies of financial institutions in the matter of assistance to industrial estates, etc.

2. SCHEDULE FOR FINANCIAL INSTITUTIONS

A. General

1) What is your general policy for granting advances for setting up of industrial estates?
   Do you give any preference for financing estates set up exclusively for small industries?

2) Furnish full details of the nature of information called for from the borrower for the purpose of setting up of industrial estates.

3) Do you undertake a technical and economic appraisal of a loan for setting up industrial estates? If so, give full particulars of such appraisals.

4) What is the nature of documentation required by you for sanctioning loans for setting up industrial estates?

5) What has been your experience so far in financing industrial estates as regards (a) obtaining the required information from borrowers; (b) appraisal and follow-up of loan proposals and (c) repayment of instalments and interest?

6) What in your opinion is the scope for financing industrial estates on a participation basis with other financial institutions, namely, (1) among banks (2) between banks and SFCs (3) between banks, SFCs and LIC? What detailed arrangements would you propose? For instance, would you consider, a system of notes of different maturities drawn by the borrower and taken up by the different lending institutions satisfactory? What arrangements would you recommend for appraisal, securing of loans, sharing or risks etc. in cases of participation loans?

7) What are the inhibiting factors, if any, which according to you, affect the flow of institutional credit for setting up industrial estates? If any policies or procedures of Government departments, other financial agencies etc. are considered as inhibiting the flow, please give details.

8) What suggestions would you make to augment the flow of institutional credit for settinng up of industrial estates?

9) Please fill in the proforma giving details of each loan that you have sanctioned for industrial estates.

PROFORMA

Loan-wise details of assistance to industrial estates

A. Name of the estate and its location :

Date of sanction of loan	Amount sanctioned	Category of estate (a) owned by Govt. Deptt. (b) owned by Govt. Corpn. (c) Cooperative (d) other private but Govt. assisted and (e) other private	Type of estate* General/ Ancillary/ Single Trade/ Functional	Location@ of estate urban/ semi-urban/ rural

Explanation: * A general purpose estate is one where diverse types of industries may be set up. An ancillary estate is one where units producing parts of components for large units are located. A single trade estate caters to units engaged in one type of industry, say leather or wood etc. A functional estate is one where a number of units producing parts of a product are housed together and undertake a co-ordinated programme of production e.g. automobile parts, radios.

@ Urban area refers to town with population over 50,000, semi-urban 5,000 to 50,000 population, and rural below 5,000 population.

B. Purpose of the loan

(a) for acquisition of land; (b) for development of land; (c) for construction of sheds.

C. Progress of utilisation :

Amount outstanding:

(1) At the end of the first year after sanction:

(2) At the end of the second year after sanction:

(3) At the end of the third year after sanction:

(4) At the end of the fourth year after sanction:

D. Period of the loan:

Effective rate of interest:
Repayment schedule:
Type of security:
Margin prescribed:

E. Servicing

(1) Whether any extension of time for payment of interest or instalments had to be given ?

(2) If yes, the details.

(3) Whether there has been any default? If so, the details.

SCHEDULE FOR FINANCIAL INSTITUTIONS (FOR THOSE INSTITUTIONS WHICH HAVE NOT YET SANCTIONED ANY LOANS FOR INDUSTRIAL ESTATES)

General

1. Have you ever been approached for financing an industrial estate? If so, please give details of the location of the proposed estate, the amount applied for, the pattern of financing envisaged, the status of the loan application etc. If rejected, reasons for rejection.

2. If you have not sanctioned any loans for industrial estates, do you consider lending for setting up industrial estates; in other words what would be your general policy regarding advances for setting up industrial estates?

3. What type of appraisal would you consider necessary for establishing the viability of an industrial estate?

4. What type of security would you consider as acceptable for financing an industrial estate?

5. What in your opinion is the scope for financing industrial estates on a participation basis with other financial institutions namely, (a) among banks (b) between banks and SFCs (c) between banks, SFCs and LIC? What detailed arrangements would you propose? For instance, would you consider a system of notes of different maturities drawn by the borrower and taken up by the different lending institutions satisfactory? What arrangements would you recommend for appraisal, securing of loans, sharing of risks etc. in case of participation loans?

6. What are the inhibiting factors, if any, which according to you, affect the flow of institutional credit for setting up industrial estates? If any policies or procedures of Government Departments other financial agencies etc. are considered as inhibiting the flow, please give details.

7. What suggestions would you make to augment the flow of institutional credit for setting up of industrial estates?

4. SCHEDULE FOR MANAGEMENTS OF INDUSTRIAL ESTATES:

A. **Identification:**

1. Name and address of the estate:

2. Year of completion and first allotment of sheds.

3. Location :-

   a) Rural (centre with population less than 5000)

   b) Semi-urban (centre with population of 5000 to 50000)

   c) Urban (centre with population over 50000)

4. Distance from nearest rail link

5. The nearest major towns and market centres and the distance to each.

   Is there a direct rail or road connection to all or any of these towns ?

6. Category of estate —

   a) Government-owned

   b) Owned by Government Corporations

   c) Co-operative

   d) Other private but Government assisted

   e) Others

7. Type of estate —

   a) General

   b) Ancillary (i.e. catering to units producing parts or components for a parent company)

   c) Single trade (catering to units engaged in one type of activity e.g. all engaged in leather goods or wood products, etc.)

   d) Functional — (catering to units engaged in a common production programme each unit making a part or component of the final product e.g. Radios, Automobile parts).

8. Number of units functioning on the day of reporting.

Type of Industry **Name of industry**	**Number of units belonging to particular industry**	
	Small-Scale*	**Others**
	Total.........	

*i.e. unit with investment in plant and machinery not exceeding Rs. 7.5 lakhs

9. Of these units how many worked three shifts, two shifts or only one shift per day during the last accounting year?

Industry	**Number of units working**		
	3 shifts	**2 shifts**	**1 shift**

10. Total number of workers employed by units in the estate (as at the close of the last accounting year) in the main shift, second shift, third shift.

11. Of the total, how many were unskilled workers and how many skilled?

12. What is the average earning per day of the unskilled worker in the estate and how does it compare with wages of unskilled agricultural and other workers in the neighbourhood.

13. Total investment made by the various units in plant and machinery (as at the close of the last accounting year).

B. Progress:

1. Year of acquisition of land — period taken for completion of land acquisition

2. Commencement of land development. Date of completion of provision of water, power, road, drainage, etc. connection.

3. (a) Commencement of construction of sheds

(b) Number of sheds completed in the first phase:
Date of completion.

(c) Number of sheds allotted within the first year after completion. Occupied as at the end of first year.

(d) Number allotted during the second year after completion.

(e) Number allotted during third year.
Occupied as at the end of third year:

(f) Number of sheds completed in the second phase:
Date of completion:

(g) Progress of allotment and occupation
(similarly for later phase, if any)

(h) Number of vacant sheds on the day of reporting.

(i) Number of sheds occupied by units in production, on the day of reporting.

Planning the estate:

1. Was there any survey of the likely industries and their requirements before the decision was taken to set up the estate? Who conducted the survey?

2. If so, what were the aspects covered in the survey (please supply a copy of the report, if available)

3. Have the actual establishment of the number and type of units been in accordance with the original plan?

4. What has been the publicity, if any, given to the availability of plots/sheds in the estate?

5. What are the special incentives, if any, given to attract units to the estate?

6. What have been the norms, if any, followed in the selection of site, allocation of area between sheds, open plots, roads, common facilities, etc.?

7. What are the main features regarding the design of sheds, (grouping of industries, selection of building materials)?

8. Please give details of land utilisation.
   (a) Total area of the Estate (acres)
   (b) Total developed area.
   (c) Area under factory plots — of which covered area.
   (d) Area under roads.
   (e) Area under non-industrial buildings
   (f) Area under open space for park, play-ground, etc.
   (g) Total rentable area (as a percentage of total developed area).

D. Capital costs:

1. Cost of land acquisition

2. Cost of development of land
   (a) Levelling
   (b) Fencing
   (c) Roads

(d) Drainage

(e) Water

(f) Power

3. Cost of construction (excluding cost of land, and of its development including provision of water, drainage and power connection) of sheds per square meter of covered area.

4. Cost of construction of administrative block and canteen.

5. Cost of construction of common facilities like toilets and washrooms.

6. Agencies which undertook the work of

   (a) Land development and provision of water, drainage and power connection.

   (b) Construction of sheds and other structures.

E. **Pattern of financing:**

1. Total cost : Rs.

2. Share capital by (a) members Rs. (b) Government Rs. (c) Others, Rs.

3. Grant from Government/Local bodies : Rs.

4. Loan from Government/Local bodies : Rs.

5. Loan from LIC :Rs.

6. Loan from any other institution : Rs.
   (Specify name and amount for each)

F. The financial results of the estate for each year since its completion. If the estate is operating any service such as supply of power or water on a commercial basis, please supply details of operating costs and revenues of such service separately as in the proforma below: e.g.

Electric supply

Receipts	Payments

Water supply

Receipts	Payments

First year (19...... — 19......)

(a) Receipts	**Payments**
1) Rental	1) Maintenance, lighting, repairs and similar operating expenses.
2) Other charges	2) Salaries of staff.
	3) Taxes and levies. (a) Municipal/Local (b) State Government (c) Corporation or income-tax.

(b) Balance of current receipts over current payments :

(c) Recovery of instalments :

(d) Depreciation

(e) Amount available for repayment of loans

((b) + (c) + (d) above)

G. **General :**

1. What percentage of workers in the estate live within one mile of the estate ?
2. Between 1 mile and 5 miles away ? More than 5 miles away ?
3. What is the total value of output per annum of the units located in the estate ?
   (Latest accounting year)
4. What is the total ton-miles of goods traffic into the estate and out of the estate per month ?
5. Of this, how much moves by road, rail, water or air ?
6. Has the estate got any railway siding ?
7. Has the setting up of estate resulted in the starting of altogether new industries based on local raw material or catering to local market ? Give details.
8. Has the setting up of the estate helped in modernising or improving the productivity of any already existing industry ? Give details.

9. How many units in the estate faced production difficulties during the last accounting year due to —

   (a) Non-availability of raw materials (Specify)

   (b) Shortage or interruption in power supply

   (c) Lack of finance

   (d) Non-availability of machinery, spare parts, etc.

   (e) Shortage of skilled labour

   (f) Any other reasons.

10. How many units have ceased production as on the reporting day and for what reasons ?

5. SCHEDULE FOR INDUSTRIAL UNITS :

A. 1. Name and address of the Industrial Estate :

2. Name of the Industrial Unit :

3. Type of Organisation: Public Limited Company Ownership — Government/Private

   Private Limited Co./Co-operative society

   Partnership Firm/Others (Please specify)

   Proprietary concern

B. 4. Date of setting up the unit in the industrial estate :

5. Was this (a) a new unit (b) an existing unit shifted to the estate (c) expansion of an existing unit. In case of (b) or (c) give brief particulars about reasons for choice of the estate.

6. What is the unit's total investment in plant and machinery ?

7. Have you taken a shed or plot on ownership/hire-purchase/rent/ any other arrangement (specify) ?

8. How much is the total area of your factory plot? (in sq. metre). Of this how much is covered area ?

9. How much is the area used in actual production ? For godowns ? For office ? Parking ? Others ?

10. How much is the rent and other common charges you have to pay per month ?

11. How much have you to pay by way of instalments for purchase of land or shed in the industrial estate ?

12. Are the transport facilities adequate ? Yes/No*

How are the raw materials and the finished products transported to and from the factory ? Give ton miles moved by road/rail/other means.

13. Has the unit got adequate water supply ? Yes/No*

14. Does the Unit use :
Electric Power ?
Oil Engine ?
Boiler ?
If the unit uses electric power, is the power supply regular ? Yes/No* Adequate ? Yes/No*

15. Main products manufactured during the latest accounting year, in order of importance

Products	Products
________________	________________
________________	________________
________________	________________

16. Total value of production during the latest accounting year Rs....

17. Total value of sales :
   (a) direct sales Rs.
   (b) sales to parent company if the unit is an ancillary one. Rs.

18. What is the distance to your market ? How much of your total sales are to markets within 25 miles; within 100 miles of the unit ? Within 200 miles ? Beyond 200 miles ?

19. Numbers of shifts worked during the last accounting year and the number of workers employed per shift — Of the total number employed how many were skilled and how many unskilled ?

20. What are the common facilities which the unit enjoys in the estate ?
   (a) Inspection, quality control
   (b) Raw materials depots
   (c) Marketing
   (d) Common production/service facilities.
   (e) Others — (specify)

21. What are your main raw materials ?

* Please strike out whichever is not applicable.

Name of raw material	**Value consumed in an year**
1.	
2.	
3.	

22. How much of these raw materials are of local origin i.e. produced within 100 miles of your location.

Name of raw material	**Value of local supply**
1.	
2.	
3.	

23. How much of the raw materials/stores of the unit are bought from other units in the estate:

Item	**Value**	**Quantity**	**% to total consumption of the item**

24. How much of the production of the unit is sold to other units in the estate:

Item	**Value**	**Quantity**	**% to total production of the item**

25. Financial Results for the previous 5 years:

Receipts

(a) Sales
(b) Other income

Expenditures

(c) Consumption of raw materials
(d) Consumption of Power, Fuel, Stores, Packing materials
(e) Salaries and Wages
(f) Interest paid
(g) Other expenses
(h) Profit or Loss made during the year
(i) Taxation provision made during the year
(j) Depreciation on assets provided during the year
(k) Profits after tax and provision for depreciation

26. What were your repayment commitments on account of term loans for the last 2 years and what will they be for the next 2 years?

(a) Against borrowings for purchase of land or shed.
(b) Against borrowings for purchase of machinery.

27. What were your main expectations regarding the benefits of the industrial estate when you set up your unit in the estate ?

28. How far have these expectations been met ?

29. What in your opinion are the other main advantages you enjoy by being in the industrial estate ?

30. What in your opinion are the main improvements which could be made in your industrial estate ?

ANNEXURE II

DRAFT SCHEME FOR ORGANISATION OF COOPERATIVE INDUSTRIAL ESTATES AND TAKING OVER GOVERNMENT INDUSTRIAL ESTATES

Objective :

There are about 500 industrial estates in the country including about 100 estates organised and set up by cooperative societies. A majority of the remaining 400 have been established by the State Governments and the Union Territories. The proposal is to convert these industrial estates into cooperative industrial estates.

Background :

The Second Working Group on Industrial Cooperatives had recommended that :

> "The possibilities of organising cooperative societies of small industrialists, occupying the worksheds in the departmentally managed industrial estates to take over the ownership and management of these estates should be examined and a programme of gradual handing over of such estates to cooperatives should be prepared in each State."

This was accepted by the Government of India which observed in its resolution dated 22nd February, 1966 that :-

> "Possibilities be examined of the organisation of cooperative societies of small scale industrialists occupying the worksheds in the departmentally managed industrial estates. Government is of the view that the organisation of cooperative societies on the lines suggested would take considerable time and would need careful examination and preparation."

The Estimates Committee (1965-66) in its Hundred and Sixth Report to the Third Lok Sabha observed :

The Committee agree with the Working Group's view that in urban areas necessary local entrepreneurial talent and capital can be induced to come forward to establish industrial estates on the co-operative pattern, provided the requisite promotional effort is made by the State Government. The Committee would like the Central Government to impress the need for encouraging the establishment of co-operative industrial estates in the various States, particularly those where Small Scale Industry is already fairly advanced and there are a number of well established industrial estates."

Government have been considering the recommendation of the Second Working Group on Industrial Cooperatives read in conjunction with the observation of the Estimates Committee. The Government of India have come to the conclusion that the time is ripe for launching a programme of setting up cooperative societies to take over and run government industrial estates.

Organisation and Registration of a Society:

The initiative should be taken by the officer of the Department of Industries/Cooperation who is concerned with the development of industrial estates. The small industrial units which are occupying the sheds constructed by Government or who have constructed their own factory buildings in case the plots were developed by Government and handed over to them, may be persuaded to form a cooperative society with the objective of taking over the estate.

There may be instances where some recalcitrant entrepreneurs might not be willing to become members of the proposed society. Wherever more than 50% of the units have expressed their willingness to become members, the society should be registered. Efforts may however be continued to persuade those units who have not subscribed to the establishment of the society initially, to become its members in due course. Obviously such units will have to be educated in the advantages of a cooperative organisation.

Where all the units occupying sheds in a Government Industrial Estate join the proposed society, the negotiations for taking over the assets and liabilities of the estate would be easy. However, where some of the units stay outside the purview of the society, government in consultation with the society may finalise the terms and conditions under which such units continue to occupy the sheds on their own account without becoming a member of the cooperative industrial estate.

Objects of the Society:

The main object of the society would naturally be to negotiate with the Government, take over and manage the industrial estate. With this primary function in view, it must arrange to raise sufficient financial resources from its members and financing institutions.

After taking over the management of the estate, it will endeavour to promote the production, sales etc. by its members. It shall continue to perform all functions and render all assistance that were previously being provided by Government *viz.* maintenance of roads, provision of electricity and water etc.

In addition to what has been stated above it may, if so desired by members at any time, render assistance to them in the purchase, import and supply of raw materials, tools and equipment etc. By way of assistance in the marketing of the products of member units, the society may at a later stage, endeavour to set up display show rooms, retail shops etc. or obtain contracts from Government, public bodies or others.

Negotiations with the Government:

Once the cooperative society is registered, it may conduct negotiations with the State Government for the proper valuation of the land and buildings with a view to taking over such assets. Whether these items should be valued at the present market rate or on the basis of book value of the investment made by the Government will depend upon the approach of the Government to encourage such societies as well as the capacity of the units to raise sufficient financial resources. It may also be possible to strike a via media where the Government is reasonably and adequately compensated for its investment and subsequent rise in the value of property and assets created by such investment.

While arriving at the net value of the property to be taken over by the society, investments made by the government in providing electric power, water, roads and other facilities would be taken into account.

Capital:

The capital of the society will be determined by the quantum of financial resources that will be required for the take over of the estate. It should however be ensured that the value of the shares are not excessively high. The number of shares taken by a unit should have some relation to either its capital investment or the annual turn-over. The mechanism of payment by instalments of the share value may be adjusted to suit the requirements of payment to government and other creditors. One basic point which should be ensured is that the liability of the member unit is limited to the face value of the shares subscribed.

Apart from the capital raised by the members, provision should also exist for government participation. Government funds may, if necessary be made available to members as loans to enable them to subscribe to the share capital of the society. The L.I.C. scheme for financing cooperative industrial estates may be utilised to convert government estates to cooperative ones. Other institutions such as the State Bank of India, commercial banks, cooperaive financing agencies, state financial corporations etc., that are providing financial resources to small industries may continue to assist the cooperative industrial estate and its members.

A special provision will have to be made for periodical contributions by members to allow the society to repay government/bank loans. Such a system may continue even after clearing all the loans so as to enable the society to build up and strengthen the share base and its owned funds for expansion of its activities.

Method of payment:

There are two convenient methods that could be adopted for handing over the land, buildings and other assets by the government to the society:

(a) The first one would be an 'outright purchase.' It is presumed that some industrial units which have been functioning in the industrial estate during the past few years would have made sufficient profits to raise adequate funds to allow an outright purchase of the assets to be taken over from Government with the funds borrowed from the L.I.C. In the case of organisation of a new cooperative industrial estate, the existing pattern of assistance allows the L.I.C. to advance loans to the extent of 60 per cent of the total expenditure incurred. On the same anology, the L.I.C. could advance loans to the extent of 60% of the value of assets to the society which is to take over the industrial estate from the Government.

(b) In cases where the newly organised society is not in a position to pay the value of assets to the Government, it may be possible for the government to hand over these assets on a hire-purchase system. The terms and conditions for this hire-purchase will depend upon the capacity of the members of the society to raise financial resources for this purpose without adversely affecting their business operations and the quantum of assistance that might be forthcoming from financial institutions.

Membership:

The membership of the cooperative industrial estate will be open to all small scale units that are occupying sheds in the estate. There may be a variety of them *viz.*, proprietary concerns, partnership concerns, private limited companies, joint stock companies, cooperative societies, societies registered under any other act, departmental units etc.

In the case of departmental units certain special adjustments may become necessary to enroll such units as members of the cooperative industrial estate. A separate category by itself may have to be provided for and special provisions incorporated to suit the convenience of the Government as well as the society.

As in the case of all cooperative societies every member shall have one and only one vote. All questions, except those relating to amendment of bye-laws of the society, will be decided by a majority of votes of the members present and voting. Every amendment of the bye-laws will be be made only by a resolution passed by a 2/3rd majority.

Board of Management:

Board of Management consisting of a stipulated number of directors will have to be elected by the members. The terms of the directors of the board of management, their duties and functions etc., will have to be specifically laid in bye-laws of the society. In the initial stages and in any case until the government debts are cleared and equity held by Government redeemed, representation in the Board of Management should be provided to the State Government. Similarly, provision should also be made in consonance with the cooperative law of the State for the disposal of the net profits, creation of various reserves, payment of dividend and bonus to members, donations etc.

Management:

The working of the cooperative industrial estates will be as laid down in the bye-laws of the society organised for these purposes. The society may take over the staff at present employed in the Government estate on deputation terms or absorb them permanently.

Management Grant:

The Second Working Group on Industrial Cooperatives in its Report had *inter alia* stated:

> "while arrangements have been made to meet the requirements of the cooperative industrial estates for investment capital, no pattern has yet been evolved for assisting them in the appointment of qualified managers and technical supervisory staff. The sheds in government owned estates had to be offered at a concessional rate in the initial years but such subsidy is not available to cooperative industrial estates though they also have to incur similar costs. In fact, the cooperative industrial estates have to pay a much higher rate of interest to the Life Insurance Corporation or the state financial corporation than that calculated in the case of government owned estates. Moreover there are states like Gujarat where the cooperatives are expected to pay a charge to the government for technical supervision. While we agree that the cooperative industrial estates should not get any assistance higher than that their members would

have received had they occupied government owned estates, it would be desirable to assist the cooperative industrial estates by meeting a portion of their overhead costs on salaries of adequately qualified and experienced persons. It is necessary to ensure that Initial losses do not jeopardise their success. Government may, therefore, extend to them a grant on a sliding scale of 100% for the first year, 75% for the second year, 50% for the third year and 25% for the fourth year towards the salary of a manager, an engineer and an accountant. The total incidence of this grant in our view will be lower than the concessions that are available to small industrialists in government owned industrial estates."

The Government in its resolution had observed that:

(i) the period of repayment of loans advanced by State Governments for land and buildings, for workshops etc. for small scale industries and other cooperatives should be raised to 15 years, the first instalment of repayment being due on the 4th anniversary of the disbursement of the loan. In order to rationalise the pattern Government consider that this recommendation may become acceptable to the state governments in a modified form viz. that the first instalment of repayment should fall due on the 5th anniversary of the disbursement of the loan: (ii) Government accept the recommendation that industrial cooperatives should as a convention transfer unconditional grants received for equipment and fixed assets to a fund but is of the opinion that it be named 'sinking fund' instead of 'depreciation fund;' and (iii) the members' contribution to purchase additional shares, which should not be less than the amount required to meet the instalment, should be determined before the society approaches Government or a financing agency for a term loan."

Assistance on the above pattern may be provided to cooperative industrial estates.

ANNEXURE III

CHECK LIST FOR SCRUTINY OF A PROPOSAL FOR FINANCIAL ASSISTANCE TO AN INDUSTRIAL ESTATE

1. Name and address of estate :

2. Amount of loan applied for :

3. Total cost of project :

4. **Location of Industrial estate :**

   (a) Is it an urban/semi-urban/rural centre :

   (b) How many industrial concerns are at present functioning in the town/village outside industrial estate ?

   (c) Are some of these units likely to prefer to have accommodation in the proposed industrial estate ? If so, how many ?

   (d) Which industries are likely to flourish in the area ?

   (e) Has any one carried out a survey of this area and, if so, does the survey show the potentialities of the area for industries; if so, please give particulars of the recommendations of the survey.

5. Constitution of the estate : Proprietary concern/partnership firm/private company/public company/co-operative society/

   (a) **Proprietary concern**

   i) Name of the proprietor, his age, occupation and net worth :

   ii) Brief description of immoveable properties owned by him :

   iii) The reasons which weighed with him in sponsoring the industrial estate :

   iv) Has he been assessed for income tax ?

v) Is he aware that the income from the industrial estate will be subject to income-tax, wealth tax and estate duty ?

vi) Is he likely to take up any or some of the sheds in the industrial estate for setting up industrial units either in his own name or in the names of his relations ? If so, give details of the proposals ?

vii) If the land on which the industrial estate is to be set up is a part of agricultural land is it within the ceiling limit for agricultural holdings ? If not, can the title of site be challenged at a future date ?

viii) What return does the proprietor expect on his outlay ?

(b) **Partnership firm**

i) Names and addresses of the partners, their occupation and net worth;

ii) The reasons why they are forming a partnership concern for setting up industrial estate;

iii) Does the land belong to any or some of the partners ?
(All the other items listed under proprietary concern, may be looked into for partnership firm also).

(c) **Private/public company**

i) Date of incorporation;

ii) Names and addresses of directors;

iii) Paid-up capital;

iv) Main business of the company;

v) Whether the objects clause in the Memorandum of Association authorises the company to set up industrial estate and carry out ancillary functions (maintenance of common services, roads, transport, drainage facilities, etc),

vi) Major shareholders of the company;

vii) How many of the shed-owners in the estate are shareholders of the company ?

viii) The considerations which weighed with the promoters in forming the company for setting up industrial estate;

ix) Is there a provision for nomination of a director by the lending institution; if not, is the company agreeable to amend the Articles of Association for the purpose ?

x) What return does the company expect on its investment after providing for all expenses and depreciation ?

(d) **Co-operative society**

i) Date of registration of the society;

ii) Share capital;

iii) Whether bye-laws authorise the setting up of industrial estate and provision of common facilities, etc. [as at item **(c)** **(v)** under private/public company.]

iv) Are the members of the co-operative society also occupants of the sheds constructed/to be constructed in the estate ?

v) Names and addresses of the members of the Managing Committee;

vi) Is there a provision for nomination of a director by the lending institution ? If not, is the society agreeable to amend the bye-laws?

vii) Does the Managing Committee include a nominee of the State Government or Government agency/Development Commissioner?

6. Do the promoters of the estate have previous experience in setting up industries or industrial buildings, if so, what are the details of their experience ?

7. **Location of estate**

(a) Approximate distance from the nearest railway station and the name of the railway station;

(b) Is there a proposal for construction of a railway siding ?

(c) Approximate distance from trunk road/national highway/other main roads;

(d) Is the site connected to the existing roadways or will any new roads have to be constructed? If so, what is the distance?

(e) Nearness to jetty/water front;

(f) Approximate distance from the main business centre/market of the locality;

8. **Size of the estate**

(a) The proposed size of the estate;

(b) Number of sheds proposed to be constructed in the estate;

(c) Whether the estate would prove to be of optimum size with number of sheds proposed to be constructed ?

(d) Whether the common services proposed to be provided to the shed holders would prove to be economical ?

(e) Whether provision for land is made for future expansion of the units or enlisting more units at a later date;

(f) Whether provision for land has been made for parking of cars, loading and unloading facilities, storage and open space;

9. **Layout and design of estate**

(a) Has the layout of industrial estate been prepared ?

(b) If so, by whom and what are his qualifications and experience for this purpose;

(c) Does the layout conform to standard norms regarding size of sheds, construction, area covered, area under roads and streets, provision for future expansion, parking space, drainage, etc ?

(d) Has the design of the estate been examined by an independent architect/Government Department ? If so, has he/it generally approved the layout proposed ?

(e) Has the design of sheds been made in consultation with the entrepreneurs ? If not, whether the sheds are of different types and of standard specifications, so as to be suitable for variety of industries to be accommodated in the estate ?

(f) Is the design of sheds sufficiently flexible to meet the demands of prospective tenants and can it be taken up in stages ?

(g) Do the sheds have adequate frontage, adequate depth and room for extension ?

(h) What is the ratio of covered area to the total developed area under factory plot ?

(i) Is there effective segregation of hazardous or otherwise industries so as to avoid wide spread damage to the estate in the event of an accident ?

10. **Land**

(a) Free-hold or lease-hold; if lease-hold, state the period of lease and condition attached to renewal or extension of lease period;

(b) Date and cost of acquisition of land by previous owner;

(c) Approximate cost of improvements effected by the previous owner;

(d) Cost of land for the proposer;

(e) Likely expenditure for levelling the land;

(f) Amount of expenditure for formation of co-operative society/company/registration of firm and other formalities.

11. **Buildings**

(a) Are the sheds to be constructed by the industrial estate owner or by the entrepreneurs ?

(b) Amount to be invested on sheds;

(c) Amount to be invested on common buildings and amenities (specify the common amenities proposed to be provided);

(d) Investment on plant and machinery by industrial estate for the common benefit of all the shed-holders;

(e) Whether the estimates given above were prepared by an expert ? if so, name and experience of the person;

(f) Has the estimate been independently checked by a third party ?

12. **Roads**

(a) Amount to be invested on construction of roads, streets, rail-sidings, etc.

(b) Do the roads, streets, rail-sidings have adequate width and minimum length ?

(c) Whether the roads facilitate smooth flow of traffic and whether the level crossings and the intersections are as few as possible?

(d) Whether the roads are covered with asphalt, concrete or other good top surface which can stand heavy traffic ?

(e) Whether the width of the roads conform to standard specifications as prescribed by the Central Small Industries Organisation?

13. **Water supply and drainage**

a) Is there any river or lake nearby; if not, what arrangements exist for adequate water supply ?

b) State likely quantity of water required by the units in the industrial estate and the quantity available;

c) What arrangements are proposed to be made for sanitary blocks and a proper drainage system ?

14. **Common facilities**

a) State whether the minimum essential facilities such as roads, water supply, electric power supply would be provided in the estate;

b) What arrangements are proposed to be made for provision of central administrative buildings, watch and ward, canteen, telephone booth, raw materials depots, common workshop ?

c) Whether accommodation would be provided in the estate for housing a post office, bank; if not, whether provision has been made for these facilities in future expansion of the estate ?

15. Comment on availability of electric power and the arrangements to be made for securing connection.

16. What are the industries that are likely to be set up in the estate ?

17. Rough estimate of the raw materials and their quantity that may be required by the units ? Are required raw materials available locally? if so, the approximate quantum available;

18. If raw materials are not available locally, how they are proposed to be obtained ?

19. **Availability of labour**

   a) Are sufficient number of skilled/unskilled labourers available in the area ?

   b) How far is the estate from the residential area ?

   c) Are any arrangements required to be made for transport of labourers to and from the industrial estate ? If so, state the proposed arrangement briefly.

20. **Financial**

   a) What is the total estimated cost of the project and time-table for making the outlay (indicate the amount to be spent each year)?

   b) **Capital**

   Authorised capital and its division into shares;

   c) **Paid-up capital**

   i) Of the paid-up capital, the amount contributed by Government, if any;

   ii) Of the paid-up capital, the amount contributed by members of the society, proprietor/partners;

   d) **Borrowings**

   i) Source;

   ii) Amount;

   iii) Other liabilities (specify).

21. Percentage of paid-up capital to total cost of project.

22. Where the buildings are to be constructed by the shed-holders, have arrangements been made for requisite finance ?

23. Particulars of recurring expenditure to be met by industrial estate;
    a) Land revenue and municipal taxation;
    b) Salaries and allowances of staff;
    c) Water and electricity charges;
    d) Interest on borrowings;
    e) Maintenance expenses on roads and common amenities;
    f) Repairs to buildings,
    g) Provision for bad debts;
    h) Depreciation;
    i) Other items.

24. **Receipts**
    a) Rent/instalment receivable from the shed-holders;
    b) Interest on bank balances;
    c) Water and electricity charges recoverable from the tenants;
    d) Other items;
    e) Total.

25. Estimated excess of receipts over expenditure; add depreciation.

26. Amount available for repayment of loan;

27. **Security**
    a) Description;
    b) Estimated value;
    c) Margin available for the loan;
    d) Whether the loan will be guaranteed by the partners/directors or other parties;
    e) In case, there are guarantors, their names, occupation and net-worth;

28. **Repayment programme**
    a) Number of years within which the repayment will be made.
    b) Date of commencement of first instalment;
    c) Date of last instalment;
    d) Amount of each instalment.

29. Have the title deeds been scrutinised and found to be in order ?

30. Are any charges subsisting on the property comprised in the industrial estate ? If so, furnish the particulars and state how the charge is proposed to be extinguished.

APPENDIX I

RECOMMENDATIONS OF THE SUB-COMMITTEE ON INDUSTRIAL ESTATES — CALCULATION OF CAPITAL COST OF INDUSTRIAL ESTATES AND OF ECONOMIC RENT

The capital cost of an Industrial Estate shall comprise of the following items :-

(a) Cost of land
(b) Cost of development
(c) Cost of non-rentable buildings } As defined below
(d) Cost of rentable buildings }

(i) The following are rentable buildings :
(a) Canteen
(b) Post Office
(c) Bank
(d) Factory buildings

(ii) The following buildings are non-rentable buildings, the cost of which should be added to the capital cost on the basis of which the tenants of the buildings in Estates should be charged rent :-
(a) Administrative buildings
(b) Recreational buildings
(c) First Aid Post
(d) Power Supply Service Station
(e) Quarters for essential staff

2. The development cost included :-
(a) Internal roads
(b) Sewage disposal and septic tanks
(c) Water Supply
(d) Electrification
(e) Power lines
(f) Street lights
(g) Railway siding
(h) Railway siding centres

APPENDIX II

WORKING OF INDUSTRIAL ESTATES — SUMMARY OF EVALUATION REPORTS

Several State Governments undertook during 1967-68 evaluation studies on the working of the industrial estates in the State concerned, with a view to taking remedial measures. We obtained such evaluation reports in respect of Bihar, Kerala, Punjab, Uttar Pradesh and West Bengal. The main lacunae highlighted in these reports were as follows:

Bihar (1)

2. It was found that even well after the completion of the estate, none of the 35 sheds was occupied. The rent to be charged for the sheds had not yet been determined. There was complete absence of drainage facilities in the industrial estate. The position of power supply was very unsatisfactory and erratic, frequent breakdowns being the normal feature in the area.

3. In each Rural Industrial Estate, provision was made to set up a Rural Workshop to serve as a centre providing common facilities to the units functioning in the estate as also to cater to the needs and requirements of the locality. In Ram Nagar estate, this workshop did not start functioning even 2 years after the setting up of the estate. Similarly, one model carpentry centre was sanctioned in consideration of the vast forest resources available in the area. However, the machinery brought for the centre was not installed fully. In some cases, the packages containing the machinery were not even opened yet. The Report stated that if the Rural Workshop and the carpentry centre were started first, that would have attracted local entrepreneurs.

Kerala

4. The Enquiry Committee on Industrial Estates appointed by the State

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(1) Evaluation Study Report on Rural Industrial Estate at Ram Nagar, Small Industries Service Institute, Patna and Bihar State Directorate of Industries, Patna; undated.

Government in August 1967 submitted its report in April 1968 (2). The Committee reported that barring a few industrial estates, other estates were in a very unsatisfactory state, because of the failure to take into account the factors conducive to favourable functioning of the industry before locating the estates. Although the spread of industries to rural areas is a laudable objective, the small units there, in actual practice, have to survive against economic odds. The Committee was, therefore, of the opinion that the achievements of the setting up of industrial estates would have been more impressive, had these estates been located right in the head quarters.

5. The industrial estates set up by the Government of Kerala are managed by the Kerala State Small Industries Corporation (KSSIC). The manner in which the above Corporation manages the industrial estates has not improved matters as anticipated inasmuch as the Superintendents of the estates (due to their lack of the necessary technical background) have been acting merely as rent collectors without effectively sponsoring new industries or assisting industries. The Committee, therefore, recommended the setting up of District Advisory Committees comprising Joint Director of Industries, District Industries Officer, President of District Small Industries Association, representatives of industrial estates and Superintendent of the estates to sponsor new industries as also to look into other problems connected with the industrial estates. The Committee should meet once in 3 months and submit its report to the Director of Industries and Commerce as also to the SSIC.

6. The Enquiry Committee also noted that the arrangement under which Government reimbursed the SSIC Rs. 2,500 per estate per annum towards maintenance, irrespective of its size, was both low and quite unrealistic. It was recommended that the State Government may authorise the SSIC to maintain the estate and reimburse to them the expenditure depending on the number and types of sheds. For revitalising the existing estates, the Committee recommended the grouping of the estates as follows :

(A) good estates with scope for expansion;

(B) estates which may improve in course of time; and

(C) desperate estates for which no future can be foreseen unless intensive assistance and subsidies are given on a Governmental level.

The economic rent as prescribed by the Government of India, may be enforced in respect of category (A) above. In the case of (B) above,

(2) Government of Kerala, Report of the Enquiry Committee on Industrial Estates, April 1968.

the Committee recommended 25% reduction in the rent proposed for different estates be given effect to, while for the (C) category only 50% of the economic rent may be charged for a period of 5 years when the position might be reviewed. The Committee was of the opinion that though the State Government will be incurring a certain amount of loss by charging rental on this basis, there is no escape from this after having located the estates in places with low industrial potential. Further, construction of additional sheds need be undertaken only in estates under category (A). Wherever possible the Department might examine the possibility of putting up special types of buildings to suit the customers' requirements. It was also suggested that security deposit and an undertaking from the party might be obtained to ensure occupation.

7. The Kerala SSIC should examine the question of bringing down the cost of construction through adoption of cheaper designs as many of the industries located in the costly sheds do not require the existing construction which means heavy overheads under rent.

8. The Committee felt that the hire purchase terms should be modified for an initial deposit of 10% (as against the existing 20%) and the balance to be spread over 20 years (as against 10 years now) as in the Rural Industries Project (RIP). It recommended that the common amenities, like water supply, drainage, maintenance of lights, roads, etc., after sheds are given on hire purchase basis, should be maintained by the SSIC until the associations or co-operative societies of occupants of sheds in the industrial estates come to take them over.

Punjab (3)

A — Rural Industrial Estates

9. The Survey revealed that while setting up the estates, the main factors governing the selection of sites were ignored and cheapness and easy acquisition of land were considered as more important. In some estates, infrastructure facilities were not available, which resulted in increased overhead expenditure and manufacturing cost for the unit, thereby discouraging establishment or shifting of units in these estates.

10. Only a very small proportion of the industrial sheds were occupied by industrial units. The reasons for this were :

i) Lack of entrepreneurial talent in rural areas as people were more attracted towards cultivation;

ii) Non availability of skilled and technically qualified labour;

iii) High rent of sheds; and

iv) Faulty location of estates which were devoid of infrastructure facilities.

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(3) Report of the Evaluation Survey of the Rural Industrial Programme, Economic & Statistical Organisation (Memeographed) undated.

B — Rural Industrial Development Centres (RIDC)

11. The RIDCs were formed with a view to providing common facilities and extension services to assist development of units established in the industrial estates, as also in rural areas. The performance of most of these centres in terms of value of services rendered to beneficiaries in regard to common facilities or repairs was either negligible or unsatisfactory. It was observed that excepting one RIDC, other centres had rendered no service to the industrial estates.

12. The reasons for the poor performance of these centres were attributed to :-

i) Wrong location and consequent failure of the industrial estates which the centres were to serve;

ii) Unsatisfactory service rendered by the centres; and

iii) Absence of service facilities on credit terms.

13. As regards training, only a few of the centres had provided training facilities. The programme did not run satisfactorily for the following reasons :-

i) Lack of employment opportunities after completion of the training;

ii) Inadequately trained staff;

iii) Irregular payment of stipend; and

iv) General desire of the people to seek an employment rather than to pursue the profession.

C — Common Facility Workshops : (CFW)

14. A scheme of common facility workshops was introduced at the end of Second Five-Year Plan, in selected blocks for the development of rural crafts and to render services and training to artisans. In all, 30 such workshops were formed in 10 districts of the State. The Study revealed that these were either faultily located or were working in unsuitable and inadequate premises without the necessary facilities for their proper functioning. The reasons for the poor performance of the workshops in regard to production and training programmes were similar to those of RIDCs.

15. The Evaluation Report recommended that instead of establishing any more estates, plots should be developed and sold to potential entrepreneurs on liberal terms in regard to repayment of loan or payment of the price in instalments, tax concessions, etc.

16. As regards RIDCs and CFWs, the Report suggested that the scope of their activities should be enlarged in regard to production of goods,

repairs and services, so as to cater to the needs not only of small-scale industries but also the agricultural sector. It recommended the complete closure of the training functions of these centres and workshops.

Uttar Pradesh

17. The evaluation Study of industrial estates conducted by the Directorate of Evaluation in 1967 was confined to 19 estates in the State (4). The Study revealed that no techno-economic surveys were conducted before selecting the sites of the estates which were set up in almost every district of the State on purely administrative considerations and irrespective of the potential for industrial growth. While urban industrial estates fared relatively better, the estates set up in rural areas failed to solve any problems hindering rural industrialisation. The accommodation provided in the latter estates was expensive and beyond the means of the local entrepreneurs. The poor co-ordination in various departments of the Government, resulted in inordinate delays in completion of the estates and provision of infrastructure facilities. The inappropriate location of the estates added to the cost of production of the entrepreneurs who were not compensated either in rentals or by provision of raw-materials and other services. The absence of local demand for goods or availability of local raw materials and lack of technical knowledge and promotional approach of the Directorate of Industries were contributory factors for failure of the estates.

18. In view of the unsatisfactory progress of the existing industrial estates, it was recommended that further expansion programme should be totally suspended and essential requirements, like water and power, should be made available on priority basis to estates which have already been established. It was felt desirable to set up a committee to decide upon fair rentals/hire purchase instalments, taking into consideration the inappropriate situation of an estate and the rental value of comparable accommodation in the neighbourhood. With a view to encouraging shifting of industries in the estates and to stimulate industrial development in rural areas, it was deemed necessary to provide loans, raw materials and technical assistance on a decentralised basis. As the common facility centres were unlikely to function economically on the basis of the quantum of job work entrusted to them in the estates, it was felt desirable that these centres should function on commercial basis. It was suggested that a Standing Co-ordination Committee comprising senior officials from various departments of the Government should be set up to resolve difficulties and watch the progress made by industrial estates. It was also recommended that quarterly meetings of the entrepreneurs functioning in the estates and in the neighbourhood should be held to dis-

(4) Report of Evaluation Study on Industrial Estates Programme In Uttar Pradesh, Directorate of Evaluation, Uttar Pradesh, Lucknow, July 1967.

cuss technological, commercial and other problems. The establishment of raw materials depots, wherever possible, and provision of consultancy services on nominal fees were also suggested for the needy units.

19. As the Directorate of Industries was lacking the experience and administrative flexibility in dealing with the entrepreneurs, it was recommended that the responsibility of running the existing industrial estates as also of providing new estates or sites should be handed over to the State Industries Corporation which would have to run these estates on a purely commercial basis. The Corporation would be in a better position to provide assistance to the entrepreneurs in the matter of loans, technical assistance, raw-materials, marketing advice and hire purchase facilities.

West Bengal

20. There were no prior studies or surveys before selecting the locations or sites of the estates. Having selected the sites, adequate steps were not taken to remove the situational disadvantages or to provide requisite amenities. The estates complained of several handicaps, such as lack of a post office, lack of transport and adequate approach roads, water logging, poor drainage, water scarcity, frequent power failures, etc. There was lack of adequate planning to identify and promote particular types of industries suitable for the respective areas.

21. The sheds in the Government estates were not constructed to suit the requirements of the units to be housed therein because the units had not been selected in advance of the construction of sheds. In the case of some sheds, the plinth was not strong enough to take the machinery of the industrial units. According to the study, it would be preferable to lease out plots to the units which should be free to erect their own structures subject to Government approval and instal their plant and machinery. There were considerable delays — in some cases two or three years — in the allotment of sheds and in the provision of power connection after the sheds were occupied.

22. The industrial units experienced considerable difficulty in obtaining raw materials. There was no effective machinery to meet their needs. The Report (5) recommended that they should be entitled to some extra consideration from Government in the allocation of raw materials, particularly imported raw materials, instead of their demands being merged in the overall quota for all industries. Further, there should be a single agency for receiving their indents, securing the supplies and distributing them as well as ensuring proper use of the raw materials supplied.

23. The Report pointed out also the need for relating other programmes

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(5) Directorate of Evaluation, Govt. of West Bengal, Development Planning Deptt., Evaluation Report, Industrial Estates in West Bengal, September 1968.

implemented by Government, such as common service centres, craftsmen's training, product testing and technical advice with the requirements, inter alia, of the industrial estates. According to the Report, one reason for the failure of the estates to emerge as focal points for industrial growth in their vicinity was the lack of a co-ordinated approach to fulfil the needs of industrial units.

24. As there was no local officer in government estates, no attempts were made to review the problems and difficulties of the units periodically and to take timely action to redress them or to provide amenities. It was, therefore, recommended that there should be a wholetime Estate Manager to keep in touch with the units, report their difficulties in time to the right quarters and look after common facilities.

25. Many units were in favour of the formation of co-operative societies among themselves, while others preferred an agency like the West Bengal Industrial Development Corporation. The Report, therefore, suggested that the Government should examine the feasibility of either suggestion as may suit the requirements of each industrial estate. In case the West Bengal Industrial Development Corporation is to be entrusted with this function, the Government would have to assist it to build up a suitable organisation.

APPENDIX III

SAMPLE SURVEY OF INDUSTRIAL ESTATES — STATE-WISE ANALYSIS

Andhra Pradesh:

The analysis is confined to 12 estates, of which 7 are owned by Government, 4 assisted private estates and 1 co-operative estate. Excepting 3 industrial estates, no feasibility survey was conducted before the estates were set up. It normally took a year or so for acquiring the land and about 3 to 5 years for its development and provision of infrastructure. The ratio of the sheds occupied by units in production to the total sheds constructed in the industrial estates was higher for urban areas than that for semi-urban areas. The cost of development of land showed a wide divergence from Rs. 0.77 per sq. yard for an assisted private estate set up in 1961 to Rs. 4.88 per sq. yard for a Government estate set up in 1964, although both the estates were in urban areas. The cost of acquisition and development of land formed, on an average, 28 per cent of the total cost of setting up of the estate. The proportion of total rentable area to total developed area ranged upto 79 per cent in urban estate as against 41 per cent in rural estate, the lower proportion of rentable area in rural estate being mainly accounted for by larger space occupied by the roads and the open area. All the 137 industrial units functioning in the estates were small scale units.

2. The data received from the 37 units functioning in 4 estates showed that as many as 34 units were new units. Most of the units (29) had obtained plots/sheds on a rental basis. As many as 30 units had purchased the raw materials from markets located beyond a radius of 100 miles. Further, about two-thirds of the units were selling their products in markets situated beyond a radius of 25 miles.

Profile of an estate at Vijayawada

3. This Government estate was set up in 1959 by the Government of Andhra Pradesh and is located at a distance of 8 kms. from Vijayawada.

The estate has direct rail and road connections to all the major towns and market centres. The area of the estate is 54 acres of which 51 acres are developed. The area under factory plot formed 63% of the total developed area. All the 33 sheds were occupied and 28 small scale industrial units were functioning therein.

Assam:

4. The data relate to 3 industrial estates set up by the Government after carrying out the preinvestment surveys. The occupancy ratio* ranged between 25% for the rural estate and 100% for the urban estate. The size of estate was relatively small ranging between 8 and 17 acres. The cost of development of land in rural estate (Rs. 15.35 per sq. yard) was nearly twice that in the semi-urban estate mainly because of the high expenditure on levelling and fencing. The proportion of rentable area to total developed area showed a wide divergence ranging between 15% for the urban estate (where a large area was being occupied by non-industrial buildings) and 38% for the rural estate, where no space was earmarked for open space, park, playground, etc. In all the three estates, 36 units were functioning, 4 of which were medium/large scale industries. It was observed that although the urban estate at Gauhati had a cent per cent occupancy ratio, the estate was running at a loss because of heavy maintenance charges.

Bihar:

5. The sample covered 8 estates, of which 5 were completed and the remaining 3 were under construction. Of these, 3 estates were set up by the Government after a preinvestment survey. The management of 2 other estates was subsequently transferred to the State Small Industries Corporation. The ratio of the sheds occupied to total sheds constructed was as high as 94% for the urban estate but as low as 39% for semi-urban estate.

6. The cost of development of land ranged between Rs. 1.72 per sq. yard for a rural estate set up in 1970 and Rs. 5.16 per sq. yard for an urban estate set up in 1967, the relatively larger expenditure on the latter estate being accounted for by substantially higher outlay on supply of water. The ratio of cost of acquisition and development of land to total cost of setting up the estate ranged between 34% and 45%. All the 45 functioning units belonged to small industry sector.

7. The data supplied by 10 units located in an estate showed that the relative units were new units and were occupying the sheds on rental basis. Only 1 out of the 10 units was purchasing its raw materials within a radius of 25 miles.

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* This term refers to ratio of sheds occupied by units in production to total number of sheds constructed.

Gujarat :

8. The following analysis was based on the replies received from the management of 10 estates — 1 managed by Municipal Corporation, 4 by co-operative societies, 1 by a private limited company and 4 Government-owned estates presently under the management of the Gujarat Industrial Development Corporation. No preinvestment survey was conducted before setting up any of the estates. The ratio of occupancy of sheds in urban estates ranged between 80% and 100%, in semi-urban estates between 96% and 100% while in rural estate it was 25% (vide table below).

Ownership of the estate	*No. of estates*	*Location*	*Occupancy ratio*
Government	1	Urban	80%
Co-operative	4	"	N.A.
Municipal Corporation	1	"	100%
Government-owned Corporation	1	Semi-urban	96%
Government-owned Corporation	1	"	N.A.
Private limited Co.	1	"	100%
Government	1	Rural	25%

(N.A. = Not available)

9. The area of the estates ranged between 1½ acres in the case of an estate set up by the State Government in a rural area and 530 acres in the case of an estate set up in a semi-urban area by the Gujarat Industrial Development Corporation. The time taken for acquisition of land was 6 months to 2 years and for development of land and provision of infrastructure facilities further 1 to 5 years. It was observed that the average cost of development of land with infrastructure facilities was highest in the case of the estate set up by the Government (Rs. 9.89 per sq. yard) followed by the estate set up by the Municipal Corporation (Rs. 7.65 per sq. yard), co-operative estates (Rs. 4.55 per sq. yard) and the estate set up by the private limited company (Rs. 0.36 per sq. yard). The proportion of rentable area to developed area was on an average 41% for co-operative estates; in a municipal estate the proportion of rentable area was 23%, while in the case of the estate set up by the private limited company in semi-urban area, the proportion was still less (12%). There were 600 units functioning in the estates and only 3 units thereof were large scale.

10. The data supplied by 103 units in an estate showed that 90 of these were new, while 13 had shifted to the estate from outside due to expansion of their activities. Of these, 45 had obtained plots/sheds on ownership basis while 58 had secured accommodation on hire-purchase basis. Only 20 units were making purchase of their raw materials in local markets while 80 units had to obtain supplies of indigenous raw materials from markets situated beyond a radius of 100 miles.

Profile of an estate at Vatwa

11. An industrial estate was set up at Vatwa by the Gujarat Industrial Development Corporation in 1969. The estate is located in a semi-urban area on land measuring 530 acres and 87% of the area of the land has been developed. The site is only 2 miles and 5 miles away from the nearest railway station and major market centre respectively. The number of sheds constructed so far is 67, of which 64 have been occupied. The proportion of factory plot area to developed area was as high as 75%. The sheds are sold to the entrepreneurs on hire purchase terms.

An analysis of the use of land in the estate is given below:

a) Total area of the estate	530 acres
b) Total developed area	465 ,,
c) Land utilisation: (as percentage of total developed area)	
i) Area under factory plots	75
ii) Area under roads	15
iii) Area under non-industrial buildings	6
iv) Area under open space for park, play ground, etc.	4

Haryana :

12. The sample covered 9 industrial estates all of which were set up by the Government without any preinvestment survey having been conducted. The occupancy ratio was 100% for urban estates and 50% for rural estates. The total area of the estates ranged between 2 acres and 11 acres. The proportion of rentable area to developed area varied between 8% and 42% for rural estates, in one estate, more than half the developed area was occupied by roads.

Himachal Pradesh:

13. The sample covered 2 estates (1 each in semi-urban and rural areas) both of which were set up by the Government. No preinvestment survey was made prior to setting up of the estates. In the semi-urban estate, out of 20 sheds constructed, 16 sheds were occupied by 5 units, of which 4 were Government units while the remaining 1 was a private small-scale unit. In the rural estate the Government had developed 22 plots and allotted 9 out of them to the entrepreneurs on lease basis.

Jammu & Kashmir:

14. All the 10 estates from which replies were received were owned by Government. Information relating to two estates, one each in semi-urban and rural areas, could not be collected as the sheds were transferred to other Government Departments in the absence of entre-

preneurs coming forward to establish industries. The occupancy ratio ranged between 17% for the rural estate and 81% for an urban industrial estate.

15. The data on 6 units located in an estate show that 5 of these were new units which had secured sheds on rental basis. Only one unit was making purchase of its raw materials from markets situated beyond a radius of 100 miles. Others were obtaining their raw materials from the depot set up in the estate.

Kerala:

16. The survey covered 8 industrial estates which were owned by the Government but were managed by the Kerala State Small Industries Corporation Ltd. on an agency basis. Barring two semi-urban estates, no preinvestment survey was conducted before setting up the remaining 6 estates. It normally took a year or two for acquiring the land and 3 to 6 years for its development and provision of infrastructure. The occupancy ratio was poor (5%) in a semi-urban estate despite the fact that it was set up only after a preinvestment survey was carried out. In the remaining four semi-urban estates, the occupancy ratio ranged from 58% to 95% while for the two rural estates, it was 82% and 86%. In the urban estate, all the sheds were occupied.

17. The cost of development of land and provision of infrastructure for the semi-urban estate set up in 1958 (Rs. 2.00 per sq. yard) was substantially higher than that for the rural estate set up in 1964 (Rs. 0.78 per sq. yard), due to large expenditure on construction of roads in the former estate. On the other hand, the cost of construction of sheds in the aforesaid rural estate was substantially higher (Rs. 19 per sq. ft.) than that in the urban and semi-urban estate (Rs. 10 to Rs. 11 per sq. ft.).

18. An analysis of the data for 13 units working in 2 estates shows that all these were new units and were occupying the sheds on rental basis. It is observed that as many as 6 out of the 13 units had sold their products to markets situated beyond a radius of 200 miles.

Profile of an estate at Olavakkot

19. The estate at Olavakkot was set up by the Government in 1958 in a semi-urban area. It is located at a distance of 5 kms. from Palghat and has direct rail and road connections to major towns. The total area of the estate is 21.93 acres of which 17.55 acres were developed. The proportion of rentable area to total developed area was 13%. Cost of acquisition and development of land formed 18% to the total cost of setting up the estate. The balance of current receipts over current payments had between 1968-69 and 1970-71 nearly doubled. Out of 49 sheds constructed in the estate, 47 sheds were occupied by 16 small-scale industrial units.

An analysis of the use of land in the estate is given below:

a)	Total area of the estate	21.93 acres
b)	Total developed area	17.55 "
c)	Land utilization: (as percentage of total developed area)	
i)	Area under factory plots	N.A.
ii)	Area under roads	29
iii)	Area under non-industrial building	2
iv)	Area under open space for park, play-ground, etc.	25
d)	Total rentable area (as a percentage of total developed area)	13

(N. A. = Not available)

Madhya Pradesh:

20. All the 10 estates included in this study were set up by the Government. Of these, 2 estates were non-functioning. In the case of one semi-urban estate, which was set up after a preinvestment survey, it appears that no entrepreneur was prepared to start an industry, as the estate was located in a place stated to be surrounded by dacoits. The occupancy ratio for the other estates ranged between 50% for a rural estate and 100% for an urban estate. The proportion of rentable area to total developed area was as low as 2% for a semi-urban estate and 12% for an urban estate mainly on account of substantially large area being occupied by roads. Almost all the units located in the estates belonged to small industry sector.

Profile of an estate at Raipur

21. The estate was set up by the Government in the year 1962 at Raipur (urban place) on an industrial area measuring about 200 acres which was selected after conducting techno-economic survey. On a developed plot of 55 acres, the Government had constructed 16 sheds which are fully occupied. The estate is situated at a distance of only 2 kms. from the nearest railway station. It is well connected with major cities like Bombay and Calcutta. The cost of acquisition and development of land and provision of infrastructure formed 48% of the total cost of setting up the estate. The proportion of rentable area to total developed area was only 6%. All the 16 units functioning in this estate belonged to small industry sector.

Maharashtra :

22. The study covers 13 industrial estates, of which 4 are still under construction. Of the 9 completed estates, 8 are co-operative estates and

1 Government estate. For most of the estates, the developed land was made available to the estates by the State Industrial Development Corporation. It took normally 2 to 5 years for providing infrastructure facilities in these estates. It was observed that the average cost of development of land and provision of infrastructure in the case of the urban co-operative estates set up during 1960-63 (Rs. 0.30 per sq. yard) was substantially lower than that for Government estates set up in 1961 (Rs. 1.21 per sq. yard). On a similar comparison, the average cost of construction of sheds, in the urban co-operative estates was found to be lower (Rs. 1.10 per sq. ft.) than that in Government estates (Rs. 5.60 per sq. ft.). The proportion of rentable area to total developed area ranged between 2% and 94%, the major factor accounting for this wide range being the extent of area covered by roads. The total number of units functioning in the estates was 402 and all these belonged to small-scale sector.

23. A study of 51 units located in 2 estates showed that as many as 22 existing units had shifted to the estates from outside while the remaining 29 were new units. As many as 40 units had acquired the plots/sheds on hire purchase basis and 8 units on ownership basis. 23 units enjoyed common production/service facilities. More than half the number of units were selling their finished products to markets situated beyond a radius of 25 miles.

Profile of the industrial estate at Sangli

24. The urban industrial estate at Sangli was set up in 1960 in the co-operative sector after a survey was carried out by the Government of Maharashtra. The area of the estate measuring about 62 acres was acquired and developed by the Municipality which also arranged for provision of water. The estate is situated within 5 kms. from the nearest railway station. The society has so far constructed 150 sheds at a cost of Rs. 20.32 lakhs and all of them have been occupied. The estate enjoys the facility of a post office, a satellite telephone exchange, a common facilities centre and a raw materials depot. The industrial units are enjoying exemption in respect of municipal Octroi on raw materials brought into the estate. There were 81 units functioning in the estate, all belonging to small-scale sector.

An analysis of the use of land in the estate is given below:

a)	Total area of the estate	61.9 acres
b)	Total developed area	61.9 ,,
c)	Land utilization: (as percentage of total developed area)	
i)	Area under factory plots	62
ii)	Area under roads	26
iii)	Area under non-industrial buildings	4
iv)	Area under open space for park, play-ground etc.	8

Mysore:

25. The data covers 8 industrial estates, all of which were owned by the State Government. The feasibility survey was conducted only in respect of 3 estates. The period taken for acquisition of land in most cases ranged from 1 to 2 years, but in the case of one estate, it was 5 years. The cost of acquisition and development of land and provision of infrastructure facilities was 34% for urban estate and 49% for semi-urban estate. The cost of development of land and provision of infrastructure facilities was substantially higher for a semi-urban estate set up in 1962 (Rs. 6.10 per sq. yard) as compared to the rural estate (Rs. 2.22 per sq. yard) set up in 1967 and urban estate (Rs. 1.62 per sq. yard) set up in 1966. The occupancy ratio ranged between 17% and 100% in the case of semi-urban estates while it was 67% and 73% for the two urban estates. For one rural estate the occupancy ratio was 38%.

26. The total number of units functioning in the estates was 31 and all of them belonged to small industries sector.

Profile of the estate at Ramanagaram

27. The estate was set up by the Government in 1962 at Ramanagaram, a semi-urban area. The estate is located at a distance of 1 km. from the nearest rail link. The major towns and market centres are within a distance of 45 kms. The number of sheds constructed was 16 and all were occupied. The total area of the estate is 5.25 acres and the proportion of rentable area to developed area was 13%. The estate management provides incentives to industrial units, such as low rent, supply of electric power at a subsidised rate and market assistance for the finished products of the units.

An analysis of the use of land in the estate is given below:

a)	Total area of the estate	5.3 acres
b)	Total developed area	2.5 "
c)	Land utilization: (as percentage of total developed area)	
	i) Area under factory plots	16
	ii) Area under roads	48
	iii) Area under non-industrial buildings	18
	iv) Area under open space for park, play-ground, etc.	18
d)	Total rentable area (as a percentage of total developed area)	13

Orissa:

28. The field study covered 6 estates all of which were set up by the State Government after conducting preinvestment survey. The ratio of occupancy of sheds was the highest in urban estates (95%) followed by rural estates (85%) and the semi-urban estates (50%). The percentage of rentable area to total developed area was 16% in case of a semi-urban estate and 10% for a rural estate.

Punjab:

29. The survey covered 10 industrial estates set up by the State Government. No preinvestment survey was carried out before setting up of any of these estates. All the 211 sheds constructed in one of the urban estates were occupied. The occupancy ratio for the remaining estates ranged from 5.5% for an urban estate to 50% for rural estate. The rentable area for urban estates varied from 18% to 55% while for 1 rural estate for which details are available, the proportion was 11%. All the 235 industrial units functioning in the estates were small-scale.

30. Out of 9 units located in 2 estates, 7 units acquired plots/sheds on rental basis. Most of the units purchased raw materials from markets situated outside a radius of 200 miles.

Profile of the estate at Ludhiana

31. The industrial estate at Ludhiana was set up by the State Government in 1959. The estate is administered by the Government departmentally. It is situated at a distance of about 4 kms. from Ludhiana which consumes most of the products manufactured in the estate. The estate covered 26.2 acres of land, of which 21.6 acres were developed. The proportion of rentable area to total developed area was 53%. The estate comprised 211 sheds constructed in three different phases. All the sheds were occupied by equal number of small-scale units functioning in the estate.

An analysis of the use of land in the estate is given below:

a)	Total area of the estate	26.2 acres
b)	Total developed area	21.6 "
c)	Land utilization: (as percentage of total developed area)	
	i) Area under factory plots	55
	ii) Area under roads	31
	iii) Area under non-industrial buildings	3
	iv) Area under open space for park, play-ground, etc.	11
d)	Total rentable area (as a percentage of total developed area)	53

Rajasthan:

32. The study is confined to 5 industrial estates, of which 1 estate was Government assisted while the remaining 4 estates were owned by the Government. Excepting in the case of 2 estates, no feasibility survey was conducted. The occupancy ratio ranged between 80% and 100% for the urban estates and from 56% to 74% for semi-urban estates. The cost of development of land ranged from Rs. 1.65 per sq. yard for a semi-urban estate set up in 1964 to Rs. 7.48 per sq. yard for an urban estate set up in 1961. The cost of construction of sheds varied from Rs. 3.63 per sq. ft. in the case of the urban estate set up in 1961 to Rs. 11.00 per sq. ft. in respect of the urban estate set up in 1959. The number of units functioning in the estates was 135 of which only 1 was medium scale and the rest were small scale.

33. The analysis of 13 units located in an estate showed that as many as 5 existing units had shifted to the estate from outside. Most of the units had acquired the sheds on rental basis. More than half the number of units had to make purchases of their raw materials from markets situated beyond a radius of 100 miles. The units enjoyed the services of the common facilities centre and had also facilities for quality control and inspection of products provided by the Central Government.

Profile of the estate at Jaipur

34. The estate at Jaipur was set up by the Government in 1959 on an area covering 25 acres. A feasibility survey was conducted by the Department of Industries of the State Government. The estate is situated at a distance of about 1 mile from the nearest railway station and the major market centres are located within a radius of 8 miles. In the first instance, only 24 sheds were constructed. However, in view of the demand for the sheds another 24 sheds were constructed within 2 years (1961). The total number of sheds constructed so far (including 16 sheds in the third phase) was 64 and all the sheds have been occupied. The rentable area accounted for 25% of the total developed area. There are in all, 67 small scale units functioning in the estate.

Tamil Nadu:

35. The analysis covers 7 estates of which barring 1 estate in the co-operative sector, others were owned by the State Government. Of these, 4 estates are of general type and 1 each of functional, single trade, and ancillary type. The preinvestment survey was conducted for three estates. Excepting in the case of one co-operative estate set up in semi-urban area where the occupancy ratio was 60%, in the case of all other estates, the occupancy ratio was 100%.

36. Barring one estate which took nine years to acquire the land, the land for other estates was acquired within a year. The cost of development

of land and provision of infrastructure for the co-operative estate set up in semi-urban area in 1968 was substantially lower (Rs. 1.05 per sq. yard) than in the case of an urban estate set up by the Government in 1959 (Rs. 1.77 per sq. yard). Similarly, the cost of construction of sheds in the co-operative estate was also substantially lower (Rs. 1.35 per sq. ft.) than the Government estate (Rs. 13.00 per sq. ft.). Out of 72 industrial units functioning in all the estates, 71 were small-scale units.

37. Out of 12 units located in 4 estates for which data are available, 4 were existing units which had shifted to the estates from outside; two units had obtained plots/sheds on ownership basis and 10 units were paying rents. Two-thirds of the units purchased their raw materials as well as sold their products from/to markets situated beyond a radius of 100 miles.

Profile of an estate at Madhavaram

38. The functional industrial estate at Madhavaram, an urban area, was set up in 1964 after a feasibility survey was carried out by the Director of Industries of the State. It is situated at a distance of 3 kms. from the nearest rail link and has direct road connections to major cities and market centres. The estate is catering to units engaged in production of leather goods. The land admeasuring 26.68 acres was acquired at a cost of Rs. 1.60 lakhs. Though it was acquired in the year 1962, it took five years for the estate to get a clear title to the land. The total developed area was 20 acres of which covered area comprised 12 acres. In all 18 sheds were constructed spread over three phases and all the sheds constructed have been occupied by small-scale industries. The annual out-put of the units located in the estate was around Rs. 96 lakhs.

Uttar Pradesh:

39. Of the 16 industrial estates covered, 3 were still under construction. All the estates set up so far were owned and managed by the Government. Feasibility survey was conducted in respect of 9 estates. The occupancy ratio was generally high ranging from 47% for an urban estate to 100% for a rural estate. The cost of development of land for rural estates was substantially higher (Rs. 1.64 — Rs. 3.39 per sq. yard) than in the case of the urban estates (Rs. 1.12 per sq. yard). The cost of construction of sheds in rural areas was also higher than in urban areas, the relative figures being Rs. 23.70 per sq. ft. and Rs. 10.42 per sq. ft. respectively. The total number of units functioning in these estates were 186 all of which belonged to small industries sector.

40. As regards the units located in the estates, out of 33 units functioning in 5 estates only 5 existing units had shifted to the estate from outside while remaining 28 are new units. As many as 31 units had acquired plots/sheds on hire purchase terms. About 65% of the units

purchased their raw materials and half the number of units sold their products to markets located outside a radius of 100 miles.

Profile of the estate at Partapur

41. The estate was set up by the Government in 1965 at Partapur, a rural area. The estate is located at a distance of ½ km. from the railway link. The major towns and market centres are within a distance of 40 kms. from the estate and well connected by road and rail. The estate is spread over an area of 40 acres, while the developed area was about 33 acres. The proportion of rentable area to developed area was 24%. The Government provides plots/sheds on hire purchase basis to entrepreneurs. The occupancy ratio was as high as 100% as the sheds numbering 31 so far constructed were occupied by 38 units belonging to small-scale industries sector. A majority of the sheds were occupied by units engaged in manufacturing of agricultural implements and automobile spare parts.

An analysis of the use of land in the estate is given below:

a)	Total area of the estate	40.5 acres
b)	Total developed area	32.8 „
c)	Land utilization: (as percentage of total developed area)	
	i) Area under factory plots	61
	ii) Area under roads	18
	iii) Area under non-industrial buildings	2
	iv) Area under open space for park, play-ground, etc.	19
d)	Total rentable area (as a percentage of total developed area)	24

West Bengal:

42. All the 6 estates covered by the study were owned by Government. Only one estate was set up after feasibility survey. In the case of two estates, one set up in 1969 and the other set up in 1970, only the sheds were allotted to entrepreneurs but the units had not gone into production. The average area of the rural estate was only 2.5 acres as against 30.2 acres for semi-urban and 32 acres for urban. The cost of development of land and provision of infrastructure was twice for a semi-urban estate (Rs. 9.35 per sq. yard) set up in 1962 as compared to an urban estate (Rs. 4.44 per sq. yard) set up in 1968 because a substantial amount was spent for supply of electric power in the former estate. The proportion of rentable area to total developed area was 20% for an urban estate and 23% for a semi-urban estate; as much as about one-third of the developed area in the former estate was occupied by open space for

park, play-ground, etc. There were 86 units functioning in the estates, of which 82 were small-scale units.

Profile of the estate at Kalyani

43. The estate was set up by the Government in 1962 at Kalyani, a semi-urban area. The estate is situated about a quarter of a mile from the railway station and it is well connected with major towns and market centres which are within a distance of 2 kms. In all, 25 sheds were constructed, spread over two phases, of which 20 were occupied. The estate was spread over an area of 30.2 acres and the total cost incurred was Rs. 49.23 lakhs. The cost of acquisition and development of land was 37% of the total cost. The proportion of rentable area to developed area was 23%. The estate had an administrative building and canteen facilities. The number of industrial units functioning in the estate was 27, mostly from the small-scale sector.

An analysis of the use of land in the estate is given below:

a)	Total area of the estate	30.2 acres
b)	Total developed area	30.2 "
c)	Land utilization: (as percentage of total deveoped area)	
i)	Area under factory plots	56
ii)	Area under roads	11
iii)	Area under non-industrial buildings	2
iv)	Area under open space for park, play-ground, etc.	31
d)	Total rentable area (as a percentage of total developed area)	23

Goa, Daman & Diu :

Profile of the industrial estate at Corlim

44. The rural estate at Corlim was set up in 1967 after a techno-economic survey was conducted by the Government. The estate is situated at a distance of about 34 kms. from the nearest railway station and has also direct road connections to major towns and market centres. The land was acquired by Government within 6 months and the work relating to its development, provision of infrastructure facilities was completed within 1 year. The entire area of the estate was developed and the proportion of rentable area to total developed area was 19%. The cost of construction of sheds amounted to Rs. 8.80 per sq. ft. The occupancy ratio was 100%, all the 34 sheds constructed in the estate

being occupied by 15 functioning small-scale units. The units enjoy subsidy for rent and electric supply and are exempted from payment of sales-tax.

An analysis of the use of land in the estate is given below:

a)	Total area of the estate	15.5 acres
b)	Total developed area	15.5 "
c)	Land utilization: (as percentage of total developed area)	
i)	Area under factory plots	45
ii)	Area under roads	25
iii)	Area under non-industrial buildings	10
iv)	Area under open space for park, play-ground, etc.	20
d)	Total rentable area (as a percentage of total developed area)	19

Dadra & Nagar Haveli:

Profile of an Industrial estate at Silvasa

45. The co-operative estate was set up in 1966 in a rural area at Silvasa. No feasibility survey was conducted before selecting the site. Land admeasuring 73.3 acres was acquired at a cost of Rs. 0.85 lakh. The co-operative society made available only the developed plots and the entrepreneurs had to make their own arrangements for provision of water, power and construction of sheds. All the 38 plots in the estate have been occupied by equal number of functioning small-scale units.

An analysis of the use of land in the estate is given below:

a)	Total area of the estate	73.3 acres
b)	Total developed area	61.0 "
c)	Land utilization: (as percentage of total developed area)	
i)	Area under factory plots	69
ii)	Area under roads	10
iii)	Area under non-industrial buildings	10
iv)	Area under open space for park, play-ground, etc.	11
d)	Total rentable area (as a percentage of total developed area)	N. A.

(N. A. = Not available)

APPENDIX IV

PROGRAMME OF SETTING UP INDUSTRIAL ESTATES BY THE GUJARAT INDUSTRIAL DEVELOPMENT CORPORATION

The Gujarat Industrial Development Corporation (GIDC) had set up by the end of May 1971, 48 industrial estates out of which 34 estates had been provided with the requisite infrastructure facilities as per particulars shown below:

Progress in setting up industrial estates

Location	No. of Industrial estates completed with infrastructure facilities	No. of Industrial estates where Infrastructure facilities are yet to be provided.
1. Rural	3	4
2. Semi-urban	3	1
3. Urban	28	9
	34	14

Sources of Finance

2. The programme of setting up industrial estates is financed through loans from Government, banks and financial institutions and public issue of bonds.

Acquisition of land

3. The land for industrial estates is acquired by the State Government under the Land Acquisition Act. The Corporation also conducts private negotiations to obtain possession of land. Normally, under the provisions of the Land Acquisition Act the land is acquired within one year while by private negotiations the possession is obtained within 3 to 6 months.

4. The Corporation provides the following types of sheds in estates set up by it.

Construction of sheds and terms for allotment of plots/sheds

Type of shed	Plot size and area in sq. yds.	Built up area in sq. yds.	
		I Phase	II Phase (Expansion)
A1	125′ x 230′ 3194.4	801.1	790.1
A2	165′ x 120′ 2200	518.4	511.1
B1	130′ x 120′ 1733.3	406.1	397.1
C1	120′ x 78′ 1040	205.7	200.3
C1B	120′ x 78′ 1040	272.5	133.4
I	104′ x 65′ 751.1	152.7	74.4
K	87′ x 65′ 628.32	85.8	82.0
Rural workshop	67′ x 81′ 603	93.3	88.9

No norms or standards have been fixed for providing common facilities. However, the Corporation is following a practice of providing a small canteen common to a group of sheds or plots located in such a way as to be accessible for any plot or shed (within ½ mile radius). For allotment of plots and sheds, the priority is fixed on the basis of the date of sanction of loan by the financial institutions. The plots are on long term (99 years) lease and sheds are given on hire purchase basis. In a backward area or in an area where industrial growth is yet to take place, substantial subsidies are often provided. Prices of plots of land are fixed for one-year in many cases with an announcement that a concession will be offered for a limited period and price may be raised in the future. Similar principles are followed in arriving at the sale price of sheds in which premium price of land and the cost of construction are combined.

5. The subsidy is fixed by evaluating the strength of demand which itself reflects the industrial opportunities and growth potential in the area.

Fixation of price for sheds

The cost price is worked out and the Committee evaluates the inflow of applications, interest shown by local entrepreneurs, ruling price of land in the area, comparative premium prices in developed areas etc. Subsidies are then determined by keeping sale-price lower than the cost price. This price is continuously revised if either no demand is coming forward at this price or if adequate demand is generated to recover the losses by raising the sale price. Usually the subsidy is for 6 months or one year or until a portion of the area is allotted so that initial industrial development is generated in a concentrated manner.

Terms of payment

6. The land in GIDC Areas is given on 99 years lease renewable for another 99 years at the option of the leasee. The premium price which is charged to leasees covers the cost of land, development, etc. The initial payment varies from 12½% to 60% depending upon the location of the estate in backward or developed areas. Similarly the balance amount is being recovered over a period varying from 4 to 12 years by instalments with interest. The rate of interest is 9% for backward districts/estates and 9½% for other estates. For sheds the Corporation recovers initially 12½% in backward districts/estates and 25% in other estates. The remaining amount is recovered over a period of 12 years in backward districts/estates and 10 years in other estates.

Recoveries and expenses of the Corporation under the programme of setting up of the industrial estate

7. Items of recoveries made and expenditure being incurred by the Corporation both in connection with the setting up of the industrial estates and administering the completed estates are enumerated below:

1. **Capital receipts**

   a) Premium price of land.

   b) Hire purchase instalment for sheds.

2. **Revenue receipts**

   a) Sale of tender forms.

   b) Hire charges of tools and plants.

   c) Annual rent of land leased by the Corporation.

   d) Annual rent of sheds given on hire.

   e) Forfeiture of deposits.

   f) Scrutiny fees.

   g) Rent of buildings and godowns.

   h) Sale of grass etc.

   i) Water charges.

j) Interest.
   i. Short-term deposits with banks.
   ii. Plots and sheds holders.
   iii. Interest on investments.
   iv. Interest on other deposits.

k) Miscellaneous receipts.

EXPENDITURE:

i) Capital expenditure:

a) Land and Development expenditure.

b) Various fixed assets, i.e. vehicle, furniture, scientific instruments, etc.

c) Miscellaneous stores expenses.

ii) Revenue Expenditure:

a) Establishment charges.

b) Contigencies.

c) Interest on various loans i.e. Government loan, public loan, bank loans, etc.

d) Audit fees.

e) Maintenance & Repairs.

f) Other miscellaneous expenditures.

Administrative machinery for the estate.

8. The officers of the Corporation both in the Head office and the Divisional offices are entrusted with the responsibility for acquiring land and also for allotment of plots and sheds. Estate Managers have also been appointed to supervise the working of the industrial estates, each Manager being put in charge of more than one estate. Provision of infrastructure facilities and construction activities are supervised by 2 superintending engineers at the Head Office and in the Divisional Offices, the Executive Engineers attend to the day-to-day implementation of the programme.

9. GIDC has to incur repair and maintenance expenditure on the following services:

Service charges

a) Roads
b) Water supply
c) Drainage
d) Power and Street lights
e) Public buildings
f) Arboriculture

In order to recover these expenses on repair and maintenance, the Corporation levies service charges to the industrialists based on the plot area occupied by them. The repair and maintenance expenditure of water supply is being recovered in water rates being paid by the Corporation and such net surplus services charged is being levied on this account. The repair and maintenance expenditure of godowns and quarters is being included in the rental charges being charged by the Corporation and as such no separate levies are made on this account. Thus the special service charges levied by the corporation includes only those charges which have not been recovered in water rates or in rental receipts and also not included in premium price calculations.

10. The Chief Economic Adviser of the Corporation has undertaken an intensive Economic Survey of 600 units in production in the estates of the Corporation.

APPENDIX V

PARTICULARS OF THE SCHEME REGARDING FINANCIAL ASSISTANCE FOR THE PROMOTION OF INDUSTRIAL ESTATES EVOLVED BY THE CENTRAL BANK OF INDIA

1. INDUSTRIAL ESTATES TO BE SET UP BY STATE GOVERNMENTS:

As far as we are aware, at the moment the State Governments have a scheme for promoting Co-operative Industrial Estates on the following lines.

Under this scheme, the Society contributes 20%, the State Governments contribute 20% and the balance amount is being obtained from LIC.

In the scheme as envisaged above, our Bank could enter the picture in the place of LIC for financing purchase of suitable lands, construction of sheds and setting up of infrastructures etc.

Bank's participation: would be to the extent of 60% of the total cost The Bank would consider charging interest at the rate of 3% OBR minimum 8% per annum subject to any overall agreement between nationalised banks.

Repayment: Repayment will have to be within a period of 7 years. In exceptional cases the period may even be extended upto 10 years.

Security: State Governments Co-extensive guarantee.

2. CO-OPERATIVE INDUSTRIAL ESTATES:

Under this classification, we would consider financing of Estates to be set up by private small scale industries' association.

Participation: 60% of the cost of the land and 80% of the cost of construction. On principle, the sponsors shall have to contribute the balance of the cost.

Rate of Interest: 8½% to be linked with Bank Rate.

Repayment: Maximum repayment period will be about 7 to 8 years by equal half yearly instalments with accrued interest.

Security: Equitable Mortgage by deposit of title deeds of the premises.

General:

(a) It will have to be ensured that the State Government should have declared the area on which these constructions have to be set up as an Industrial area.

(b) The plans etc. should be first approved by the authorities like Municipal Corporation, Industries Department, Factory Inspector etc.

(c) Title to the land is certified as clear marketable and free from encumbrances by our Legal Advisers.

3. The Bank also considers participation with State Apex Co-operative Banks in financing such industrial estates.

4. Finance to Apex Co-operative Banks may also be provided for the specific purpose of financing industrial Co-operatives wherever the resources of Apex Co-operative Banks fall short in meeting their needs.

The Bank provides assistance for construction of industrial estates to institutions other than industrial co-operatives as per schemes mentioned below.

3. INDUSTRIAL ESTATES TO BE SET UP BY LOCAL BODIES OR MUNICIPAL CORPORATION

In such cases as above, the Bank's participation could extend upto 75% of the total cost of the land and buildings.

Rate of interest: Rate of interest would be 8% to 8½% per annum linked with Bank Rate.

Terms of Repayment: By equal half yearly instalments within 7 years. The first of such instalment may start six months after the date of completion of the building.

Security: Equitable mortgage of the premises by deposit of title deeds. The title deeds to be certified as clear, marketable and free from encumbrances by our Legal Adviser.

4. PRIVATE INDUSTRIAL ESTATES

Originally when estates are constructed by any individual whether it be a Society or a Limited concern the property rights in such estates vest in the owner of the property. Since we find that most of the sheds "galas" of such estates are being let out on **ownership basis** we have not been able so far to assist the Small Scale Units by way of financial assistance for purchase of such "galas" inasmuch as legally they do not acquire any assignable interest or rights etc., in such 'galas' or sheds purchased by them. However, in case where we help a private individual to construct such individual industrial estate, the title deeds of the property having been deposited with us by way of equitable mortgage, we may, to a reasonable extent, consider financing a Small Industrial Unit for purchasing of such 'galas' side by side with other kinds of financial assistance for machinery etc. and providing them with working capital.
Our Participation: 50:50.

Rate of Interest: 9% to 9½%.

Security: Equitable Mortgage by deposit of title deeds of the premises; and also a tripartite Agreement to pay to the Bank directly the rents etc. in adjustment of the loan and accrued interest.

So far, except for a few private individuals none has approached us to set up industrial estates under the above four categories. Our approach for financial assistance to set up industrial estates will be both flexible and practical in case of the schemes sponsored by the State Governments, Semi-Government Bodies and Co-operative Societies.

STATEMENTS

STATEMENT-I

STATE-WISE DETAILS OF PLAN OUTLAYS ON INDUSTRIAL ESTATES

(Rupees in lakhs)

Sl. No.	Name of the State/Union Territory	II Plan	III Plan	1966-67	1967-68	1968-69	1969-70	Total
1.	2.	3.	4	5.	6.	7.	8.	9.
	STATES :							
1.	Andhra Pradesh ..	138.25	207.41	N.A.	N.A.	N.A.	4.98	350.64
2.	Assam	49.96	40.73	N.A.	N.A.	N.A.	N.A.	90.69
3.	Bihar	60.00	119.65	N.A.	N.A.	N.A.	N.A.	179.65
4.	Gujarat	53.14	50.00		50.00*		40.00	193.14
5.	Haryana	—	—	2.92	2.09	7.85	1.77	14·63
6.	Himachal Pradesh ..	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N·A.
7.	Jammu & Kashmir ..	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N·A.
8.	Kerala	81.95	125.00	20.00	21.00	27.00	N.A.	274.95
9.	Madhya Pradesh..	—	201.31	10.37	14.30	15.75	N.A.	241.73
10.	Maharashtra	40.52	106.34	7.46	44.58	19.05	N.A.	217.95
11.	Mysore	55.78	70.10	18.36	15.24	16.36	14.31	190.15
12.	Orissa	65.34	119.90	11.41	7.08	4.26	4.00	211.99
13.	Punjab	78.00	245.00**	5.00	58.00	57.00	N.A.	443.00
14.	Rajasthan	44.27	51.83	—	4.52@	—	—	100.62
15.	Tamil Nadu	169.93	542.48	73.60	60.53	48.05	40.62	935.21
16.	Uttar Pradesh	104.00	381.85	12.17	15.79	12.11	N.A.	525.92
17.	West Bengal	17.94	51.28	1.13	0.45	0.33	N.A.	71.13
	UNION TERRITORIES							
1.	Delhi	50.00	78.48	—	—	—	—	128.48
2.	Goa, Daman and Diu	—	—	8.64	9.10	8.24	5.77	31.75
3.	Manipur	—	—	—	—	—	—	—
4.	Pondicherry	5.33	13.50	4.15	3.20	3.14	N.A.	29.32
5.	Tripura £							
	TOTAL	1014.41	2404.86	175.21	305.88	219.14	111.45	4230..95

* Figure relates to the period 1966-67 to 1968-69.
** Figure relates to undivided Punjab.
@ Figure relates to the period 1966-67 to 1969-70.
£ Not replied to the questionnaire.
N.A.—Not Available

STATEMENT-II

INVESTMENT IN INDUSTRIAL ESTATES BY CENTRAL AND STATE GOVERNMENTS, GOVERNMENT CORPORATIONS AND FINANCED BY LOANS FROM THE FINANCIAL INSTITUTIONS

(As at the end of 1969)

(Rupees in crores)

1.	Central and State Governments	42.30 £
2.	State Industrial Development Corporations (Gujarat and Maharashtra) ..	7.95 @
3.	Loans sanctioned/disbursed by Financing Agencies	
	(*i*) Life Insurance Corporation of India	1.34
	(*ii*) State Financial Corporations	1.00 *
	(*iii*) Commercial Banks	2.99
		55.58

£ Please see Statement I.
The figure does not include investments made by the NSIC for setting up two industrial estates at Okhla (Delhi) and Naini (Allahabad).

@ Annual Report and audited Statement of Accounts of the MIDC (1968-69) and the information furnished by GIDC to our questionnaire. The figure does not include the investments amounting to Rs. 1.97 crores and Rs. 0.26 crore made by UPIDC and Goa, Daman and Diu Industrial Development Corporation respectively as it could not be ascertained whether the funds for investment were included by the respective State Governments in the amounts shown as the 'Government's investment in industrial estates'.

* Based on information supplied by SFCs in reply to our questionnaire. The amount relates to cumulative total of loans sanctioned.

STATEMENT-III

PERCENTAGE OF FUNCTIONING SHEDS TO TOTAL NUMBER OF SHEDS COMPLETED: STATE-WISE POSITION AS ON 31ST MARCH 1971

Name of the State/ Union Territory	Number of estates completed			Number of sheds completed			No. of sheds working	% of Col. (8) to Col. (7)
	Functioning	Others	Total	In functioning estates	In non-functioning estates	Total		
1.	2.	3.	4.	5.	6.	7.	8.	9.
STATES :								
1. Andhra Pradesh ..	33	—	33	683	—	683	457	66.9
2. Assam	6	1	7	179	12	191	116	60.7
3. Bihar	10	3	13	281	96	377	188	49.9
4. Gujarat	31	6	37	1316	97	1413	892	63.1
5. Haryana	10	5	15	183	40	223	105	47.1
6. Himachal Pradesh ..	6	1	7	63	8	71	42	59.2
7. Jammu & Kashmir	16	1	17	246	9	255	122	47.8
8. Kerala	17	1	18	515	19	534	324	60.7
9. Madhya Pradesh ..	40	9	49	587	31	618	362	58.6
10. Maharashtra ..	43	1	44	1662	24	1686	1291	76.6
11. Mysore	22	—	22	370	—	370	314	84.9
12. Nagaland	1	—	1	11	—	11	6	54.5
13. Orissa	10	—	10	192	—	192	121	63.0
14. Punjab	18	14	32	547	159	706	368	52.1
15. Rajasthan ..	13	1	14	400	79	479	266	55.5
16. Tamil Nadu ..	29	—	29	672	—	672	536	79.8
17. Uttar Pradesh ..	47	17	64	952	145	1097	570	51.9
18. West Bengal ..	5	1	6	154	9	163	94	57.6
UNION TERRITORIES:								
1. Dadra & Nagar Haveli	1	—	1	37	—	37	26	70.3
2. Delhi	2	—	2	129	—	129	121	93.8
3. Goa, Daman & Diu	1	—	1	30	—	30	23	76.7
4. Pondicherry ..	3	—	3	64	—	64	40	62.5
5. Tripura	2	—	2	34	—	34	29	85.3
TOTAL	366	61	427	9307	728	10035	6413	63.9

Source: *Industrial Estates in India — Half Yearly Progress Report for the Period Ending* 31-3-1971, Development Commissioner (Small Scale Industries) Ministry of Industrial Development, Government of India.

STATEMENT—IV

PERCENTAGE OF FUNCTIONING SHEDS TO TOTAL NUMBER OF SHEDS IN FUNCTIONING INDUSTRIAL ESTATES: STATE-WISE POSITION AS ON 31ST MARCH 1971

Name of the State/ Union Territory	Total number of sheds in functioning estates	Number of functioning sheds	Percentage of Column (3) to Column (2)
1.	2.	3.	4.
STATES:			
1. Andhra Pradesh	683	457	66.9
2. Assam	179	116	64.8
3. Bihar	281	188	66.9
4. Gujarat	1316	892	67.8
5. Haryana	183	105	57.4
6. Himachal Pradesh	63	42	66.7
7. Jammu & Kashmir	246	122	49.6
8. Kerala	515	324	62.9
9. Madhya Pradesh	587	362	61.7
10. Maharashtra	1662	1291	77.7
11. Mysore	370	314	84.9
12. Nagaland	11	6	54.5
13. Orissa	192	121	63.0
14. Punjab	547	368	67.3
15. Rajasthan	400	266	66.5
16. Tamil Nadu	672	536	79.8
17. Uttar Pradesh	952	570	59.9
18. West Bengal	154	94	61.0
UNION TERRITORIES:			
1. Dadra & Nagar Haveli	37	26	70.3
2. Delhi ..	129	121	93.8
3. Goa, Daman & Diu ..	30	23	76.7
4. Pondicherry ..	64	40	62.5
5. Tripura ..	34	29	85.3
TOTAL	9307	6413	68.9

Source: *Ibid.*

STATEMENT—V

PERCENTAGE OF FUNCTIONING SHEDS TO TOTAL NUMBER OF SHEDS IN COMPLETED INDUSTRIAL ESTATES : STATE-WISE AND LOCATION-WISE POSITION AS ON 31ST MARCH 1971

Name of the State/ Union Territory	No. of sheds in completed industrial estates (functioning and non-functioning)			No. of functioning sheds in completed industrial estates			% of functioning sheds to total sheds in completed industrial estates		
	In urban area	In semi-urban area	In rural area	In urban area	In semi-urban area	In rural area	Col. (5) as % of Col. (2)	Col. (6) as % of Col. (3)	Col. (7) as % of Col. (4)
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
STATES:									
1. Andhra Pradesh ..	466	141	76	345	72	40	74.0	51.0	52.6
2. Assam	59	86	46	55	46	15	93.2	53.5	32.6
3. Bihar	228	18	131	167	10	11	73.2	55.6	8.4
4. Gujarat	754	394	265	520	182	190	69.0	46.2	71.7
5. Haryana	148	—	75	83	—	22	56.1	—	29.3
6. Himachal Pradesh ..	—	20	51	—	19	23	—	95.0	45.1
7. Jammu & Kashmir	100	89	66	77	22	23	77.0	24.7	34.8
8. Kerala	29	323	182	22	226	76	75.9	69.9	41.7
9. Madhya Pradesh ..	475	119	24	303	51	8	63.8	42.9	33.4
10. Maharashtra ..	1315	366	5	1071	218	2	81.4	59.6	40.0
11. Mysore	298	72	—	270	44	—	90.6	61.1	—
12. Nagaland	—	11	—	—	6	—	—	54.5	—
13. Orissa	132	60	—	100	21	—	75.7	35.0	—
14. Punjab	521	12	173	356	1	11	68.3	8.3	6.4
15. Rajasthan	249	121	109	190	19	57	76.3	15.7	52.3
16. Tamil Nadu ..	276	331	65	240	263	33	87.0	79.5	50.8
17. Uttar Pradesh ..	616	90	391	380	46	144	61.7	51.1	36.8
18. West Bengal ..	76	24	63	60	20	14	78.9	83.3	22.2
UNION TERRITORIES :									
1. Dadra and Nagar Haveli ..	—	—	37	—	—	26	—	—	70.3
2. Delhi	122	—	7	115	—	6	94.3	—	85.7
3. Goa, Daman & Diu ..	—	—	30	—	—	23	—	—	76.7
4. Pondicherry	—	26	38	—	17	23	—	65.3	60.5
5. Tripura	—	—	34	—	—	29	—	—	85.3
TOTAL	5864	2303	1868	4354	1283	776	74.2	55.7	41.5

Source: *Ibid.*

STATEMENT—VI

PERCENTAGE OF SHEDS IN URBAN AREAS TO TOTAL NUMBER OF SHEDS IN COMPLETED INDUSTRIAL ESTATES: STATE-WISE POSITION AS ON 31ST MARCH 1971

Name of the State/ Union Territory	No. of sheds in completed industrial estates in urban areas	Total number of sheds in completed industrial estates in all areas	Column (2) as % of column (3)
1.	2.	3.	4.
STATES:			
1. Andhra Pradesh	466	683	68.2
2. Assam	59	191	30.9
3. Bihar	228	377	60.5
4. Gujarat ..	754	1413	53.4
5. Haryana ..	148	223	66.4
6. Himachal Pradesh ..	—	71	—
7. Jammu & Kashmir ..	100	255	39.2
8. Kerala ..	29	534	5.4
9. Madhya Pradesh ..	475	618	76.9
10. Maharashtra ..	1315	1686	78.0
11. Mysore ..	298	370	80.5
12. Nagaland ..	—	11	—
13. Orissa ..	132	192	68.7
14. Punjab ..	521	706	73.8
15. Rajasthan ..	249	479	52.0
16. Tamil Nadu ..	276	672	41.1
17. Uttar Pradesh ..	616	1097	56.2
18. West Bengal ..	76	163	46.6
UNION TERRITORIES:			
1. Dadra & Nagar Haveli	—	37	—
2. Delhi	122	129	94.6
3. Goa, Daman and Diu	—	30	—
4. Pondicherry ..	—	64	—
5. Tripura ..	—	34	—
TOTAL	5864	10035	58.4

Source: *Ibid.*

STATEMENT-VII

PERCENTAGE OF SHEDS IN RURAL AREAS TO TOTAL NUMBER OF SHEDS IN COMPLETED INDUSTRIAL ESTATES : STATE-WISE POSITION AS ON 31ST MARCH 1971

Name of the State/ Union Territory	No. of sheds in completed industrial estates in rural areas	Total No. of sheds in completed industrial estates in all areas	Column (2) as% of Column (3)
1.	2.	3.	4.
STATES:			
1. Andhra Pradesh	76	683	11.1
2. Assam	46	191	24.1
3. Bihar	131	377	34·7
4. Gujarat	265	1413	18.8
5. Haryana	75	223	33.6
6. Himachal Pradesh	51	71	71.8
7. Jammu & Kashmir	66	255	25.9
8. Kerala	182	534	34.1
9. Madhya Pradesh	24	616	3.9
10. Maharashtra	5	1686	0.3
11. Mysore	—	370	—
12. Nagaland	—	11	—
13. Orissa	—	192	—
14. Punjab	173	706	24.5
15. Rajasthan	109	479	22.8
16. Tamil Nadu	65	672	9.7
17. Uttar Pradesh	391	1097	35.6
18. West Bengal	63	163	38.7
UNION TERRITORIES:			
1. Dadra & Nagar Haveli	37	37	100.0
2. Delhi	7	129	5.4
3. Goa, Daman and Diu	30	30	100.0
4. Pondicherry	38	64	59.4
5. Tripura	34	34	100.0
TOTAL	1868	10035	18.6

Source : *Ibid.*

STATEMENT - VIII

UTILISATION OF SHEDS IN COMPLETED AND FUNCTIONING CO-OPERATIVE INDUSTRIAL ESTATES : STATE-WISE POSITION AS ON 31ST MARCH 1971

Name of the State/ Union Territory	No. of sheds in completed co-operative industrial estates			No. of sheds functioning in completed co-operative industrial estates			% of Col. (5) to Col. (2)	% of Col. (6) to Col. (3)	% of Col. (7) to Col. (4)
	Urban	Semi-urban	Rural	Urban	Semi-urban	Rural			
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
STATES:									
1. Andhra Pradesh ..	43	—	—	38	—	—	88.4	—	—
2. Gujarat	22	128	129	21	67	95	95.5	52.3	73.6
3. Madhya Pradesh ..	16	—	—	11	—	—	68.8	—	—
4. Maharashtra ..	674	270	5	520	183	2	77.2	67.8	40.0
5. Rajasthan ..	—	—	12	—	—	5	—	—	41.7
6. Tamil Nadu	43	38	20	36	14	3	83.7	36.8	15.0
7. Uttar Pradesh ..	—	15	—	—	3	—	—	20.0	—
UNION TERRITORIES:									
1. Dadra & Nagar Haveli	—	—	37	—	—	26	—	—	70.3
2. Goa, Daman and Diu	—	—	30	—	—	23	—	—	76.7
TOTAL	798	451	233	626	267	154	78.4	59.2	66.1

Source : *Ibid.*

STATEMENT-IX

COMPARATIVE POSITION OF UTILISATION OF SHEDS IN FUNCTIONING CO-OPERATIVE ESTATES AND OTHER FUNCTIONING ESTATES AS ON 31ST MARCH 1971

Name of the State/ Union Territory	Percentage utilisation of sheds in estates other than co-operatives			Percentage utilisation of sheds in co-operative estates		
	Urban	Semi-urban	Rural	Urban	Semi-urban	Rural
1.	2.	3.	4.	5.	6.	7.
STATES:						
1. Andhra Pradesh ..	72.6			88.5	—	—
2. Gujarat	74.5	43.9	90.5	95.5	52.3	73.6
3. Madhya Pradesh	64.0			68.8	—	—
4. Maharashtra	86.0	48.6	—	77.2	67.8	40.0
5. Rajasthan			53.6	—	—	41.7
6. Tamil Nadu	87.6	85.0	66.7	83.7	36.8	15.0
7. Uttar Pradesh		67.2		—	20.0	—
UNION TERRITORIES:						
1. Dadra & Nagar Haveli ..	—	—	—	—	—	70.3
2. Goa, Daman and Diu ..	—	—	—	—	—	76.7

Source : Ibid.

STATEMENT—X

UTILISATION OF SHEDS IN COMPLETED MUNICIPAL INDUSTRIAL ESTATES: STATE-WISE POSITION AS ON 31ST MARCH 1971

Name of the State	No. of sheds in completed municipal industrial estates	No. of functioning sheds in completed municipal industrial estates	Percentage of Col. (3) to Col. (2)
1.	2.	3.	4.
Gujarat	88	87	98.9
Maharashtra ..	186	149	80.1

Source : Ibid.

STATEMENT—XI

UTILISATION OF SHEDS IN COMPLETED AND FUNCTIONING PRIVATE INDUSTRIAL ESTATES : STATE-WISE POSITION AS ON 31ST MARCH 1971

Name of the State	No. of sheds in completed private industrial estates			No. of sheds utilised in completed private industrial estates			% of Col. (5) to Col. (2.)	% of Col. (6) to Col. (3.)	% of Col. (7) to Col. (4.)
	Urban	Semi-urban	Rural	Urban	Semi-urban	Rural			
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
1. Andhra Pradesh	32	—	—	30	—	—	93.8	—	—
2. Gujarat	84	3	18	84	3	18	100.0	100.0	100.0
3. Mysore	51	—	—	49	—	—	96.1	—	—
4. Rajasthan ..	—	—	35	—	—	27	—	—	77.1
5. Tamil Nadu ..	—	58	—	—	48	—	—	82.8	—
TOTAL	167	61	53	163	51	45	97.6	83.6	84.9

Source : *Ibid.*

STATEMENT —XII

NUMBER OF ESTATES SELECTED FOR FIELD INVESTIGATION AND THE NUMBER OF ESTATES COVERED

	Name of the State/ Union Territory	Estates selected for field study				Estates covered for study			
		Urban	Semi-urban	Rural	Total	Urban	Semi-urban	Rural	Total
	1.	2.	3.	4.	5.	6.	7.	8.	9.
	STATES :								
1.	Andhra Pradesh ..	4	4	4	12	6	3	3	12
2.	Assam	1	2	—	3	1	1	1	3
3.	Bihar	4	2	2	8	5	2	1	8
4.	Gujarat	4	4	2	10	5	3	2	10
5.	Haryana	4	2	3	9	3	3	3	9
6.	Himachal Pradesh ..	—	1	1	2	—	1	1	2
7.	Jammu & Kashmir	2	4	4	10	2	2	6	10
8.	Kerala	1	3	4	8	1	5	2	8
9.	Madhya Pradesh ..	4	6	2	12	3	6	1	10
10.	Maharashtra ..	6	8	2	16	5	7	1	13
11.	Mysore	3	4	1	8	2	5	1	8
12.	Nagaland	—	—	—	—	—	—	—	—
13.	Orissa	2	3	1	6	1	3	2	6
14.	Punjab	4	1	5	10	5	3	2	10
15.	Rajasthan	2	1	2	5	3	2	—	5
16.	Tamil Nadu ..	4	5	2	11	4	3	—	7
17.	Uttar Pradesh ..	6	4	6	16	6	6	4	16
18.	West Bengal ..	3	1	2	6	3	1	2	6
	UNION TERRITORIES:								
1.	Delhi	—	—	—	—	—	—	—	—
2.	Dadra & Nagar Haveli	—	—	1	1	—	—	1	1
3.	Goa, Daman and Diu	—	1	1	2	—	1	1	2
4.	Manipur	—	—	1	1	—	—	—	—
5.	Pondicherry ..	—	—	1	1	—	—	1	1
6.	Tripura	—	—	3	3	—	1	2	3
	TOTAL	54	56	50	160	55	58	37	150

Note: The discrepancy in the number of estates selected/covered location-wise is due to the discrepancy in the classification adopted by the Development Commissioner's Office (H.Y.P. Report on Industrial Estates as at the end of 31-3-1969) and the information furnished to the field Investigators by the managements of industrial estates.

STATEMENT—XIII

NUMBER OF ESTATES AND THE UNITS LOCATED THEREIN SELECTED FOR FIELD INVESTIGATION OF UNITS

Name of the State/ Union Territory	Samples selected								Samples covered							
	URBAN		SEMI-URBAN		RURAL		TOTAL		URBAN		SEMI-URBAN		RURAL		TOTAL	
	No. of estates	No. of units	No. of estates	No. of units	No. of estates	No. of units	No. of estates	No. of units	No. of estates	No. of units	No. of estates	No. of units	No. of estates	No. of units	No. of estates	No. of units
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
STATES :																
1. Andhra Pradesh ..	1	2	2	80	1	11	4	93	1	1	2	24	1	12*	4	37
2. Bihar	1	11	—	—	—	—	1	11	1	10	—	—	—	—	1	10
3. Gujarat	1	240	—	—	1	4	2	244	1	103	—	—	—	—	1	103
4. Himachal Pradesh ..	—	—	—	—	1	3	1	3	—	—	—	—	—	—	—	—
5. Jammu and Kashmir ..	—	—	1	1	2	6	3	7	—	—	—	—	1	6	1	6
6. Kerala	1	10	—	—	1	5	2	15	1	10	—	—	1	3	2	13
7. Madhya Pradesh ..	—	—	3	6	—	—	3	6	—	—	3	8*	—	—	3	8
8. Maharashtra	3	93	1	3	—	—	4	96	3	50	1	1	—	—	4	51
9. Mysore	1	6	1	13	—	—	2	19	1	5	1	3	—	—	2	8
10. Orissa	1	18	1	1	—	—	2	19	—	—	1	2*	—	—	1	2
11. Punjab	2	10	—	—	—	—	2	10	2	9	—	—	—	—	2	9
12. Rajasthan	1	25	—	—	—	—	1	25	1	13	—	—	—	—	1	13
13. Tamil Nadu	2	2	1	9	1	1	4	12	2	6*	1	3	1	3*	4	12
14. Uttar Pradesh	3	48	—	—	2	3	5	51	3	29	—	—	2	4*	5	33
15. West Bengal	—	—	—	—	1	2	1	2	—	—	—	—	1	1	1	1
UNION TERRITORIES:																
1. Goa, Daman & Diu ..	—	—	—	—	1	7	1	7	—	—	—	—	1	11*	1	11
TOTAL	17	465	10	113	11	42	38	620	16	236	9	41	8	40	33	317

* The number of units covered exceeds the number of units selected on the basis of data available as on 31-3-1969, because additional units established during the intervening period have been covered for field investigation.

STATEME

LOANS SANCTIONED BY THE LIFE INSURANCE CORPORATION OF INDIA FOR

Sr. No.	Category of estate	Type of estate	Location	Date of sanction of loan
1.	2.	3.	4.	5.
1	Private	General	Rural	July 1964
2	Co-operative	Functional	Urban	June 1963
3	,,	,,	Semi-urban	June 1963
4	,,	,,	,,	August 1964
5	,,	,,	,,	June 1963
6	,,	,,	Urban	October 1963 March 1968
7	,,	,,	,,	January 1964
8	,,	,,	,,	February 1964 April 1970
9	,,	,,	Semi-urban	June 1964
10	,,	,,	Urban	March 1964
11	,,	,,	,,	July 1964 March 1968
12	,,	,,	,,	April 1964 June 1969
13	,,		Semi-urban	June 1964
14	,,	,,	,,	June 1964 July 1989
15	,,	,,	Urban	August 1964
16	,,	,,	,,	August 1964 December 1969
17	,,	,,	Semi-urban	March 1965
18	,,	,,	Urban	May 1965 November 1965
19	,,	,,	Semi-urban	April 1966
20	,,	,,	,,	,,
21	,,	,,	Urban	February 1968
22	,,	,,	Semi-urban	,,
23	,,	,,	,,	March 1968

SETTING UP INDUSTRIAL ESTATES — POSITION AS AT THE END OF MARCH 1971

(Rupees in lakhs)

Amount sanctioned	Date of disbursement		Amount disbursed	Period of loan	Effective rate of interest (% p.a.)	Repayment terms
6.	7.		8.	9.	10.	11.
4.10	September	1964	4.10	15 years	7.00	3 years' moratorium
5.00	February	1964	5.00	,,	,,	,,
1.87	December	1963	1.87	,,	,,	,,
	April	1968				
1.32	August	1964	1.32	,,	,,	,,
	December	1969				
0.64	January	1964	0.64	,,	,,	,,
1.52	June	1964	1.52	,,	,,	,,
2.23	August	1968	2.23	,,	6.75	,,
1.85	June	1965	1.85	,,	7.00	,,
1.66	February	1965			7.00	,,
	March	1966	1.66	,,		
4.24	August	1970	4.24		6.75	
1.27	September	1964	1.27	,,	7.00	,,
1.98	April	1964	1.98	,,	,,	,,
	November	1965				
1.53	November	1964	1.53	,,	7.00	,,
	February	1966				
2.49	July	1968	2.49	,,	6.75	
3.00	May	1965	3.00	,,	7.00	,,
5.20	August	1969	5.20		6.75	
3.00	October	1964	3.00	,,	7.00	,,
9.77	January	1965		,,	7.00	,,
	March	1966	9.77			
10.00	July	1969	10.00		6.75	,,
7.07	October	1964	7.07	,,	7.00	,,
1.80	November	1964	1.80	,,	7.00	,,
2.96	February	1970	2.96		6.75	
6.00	July	1966		,,	7.00	,,
	September	1966				
	February	1966	6.00			
7.50	July	1965	7.50	,,	7.00	,,
14.48	June	1966	14.48		6.50	
1.08	September	1966	1.08	,,	6.50	,,
1.80	,,		1.80	,,	,,	,,
8.69	December	1968	8.69	,,	6.75	,,
6.66	,,		6.66	,,	,,	,,
1.05	June	1968	1.05	,,	,,	,,

(Contd.)

LOANS SANCTIONED BY THE LIFE INSURANCE CORPORATION OF INDIA FOR

Sr. No.	Category of estate	Type of estate	Location	Date of sanction of loan	
1.	2.	3.	4.	5.	
24	Co-operative	Functional	Semi-urban	March	1968
25	"	"	Urban	July July	1968 1970
26	"	"	"	May	1970
27	"	"	"	November	1970
28	"	"	Semi-urban	"	
29	Government-owned Corporation	General	"	February	1971

Notes: 1. One loan of Rs. 1.80 lakhs sanctioned for semi-urban Co-operative functional

2. 'Location of estate' is based on the population figures of Census 1961.

SUMMARY :

Category of estates	Urban Estates			Semi-Urban Estates		
	Number	Amount sanctioned	Amount disbursed	Number	Amount sanctioned	Amount disbursed
Co-operative	14	99.59	99.59	13	53.85	50.46
Private	—	—	—	—	—	—
Government-owned Corporation	—	—	—	1	66.00	—
TOTAL ..	14	99.59	99.59	14	119.85	50.46

NT — XIV (Concled)

SETTING UP INDUSTRIAL ESTATES — POSITION AS AT THE END OF MARCH 1971

(Rupees in lakhs)

Amount sanctioned	Date of disbursement		Amount disbursed	Period of loan	Effective rate of interest (% p.a.)	Repayment terms
6.	7.		8.	9.	10.	11.
6.00	July	1968	6.00	15 Yrs.	6,75	3 Years' moratorium
5.77 6.00	December N. A.	1968	5.77 6.00	„	„	„
5.92	N. A.		5.92	„	„	„
8.70	March	1971	8.70	„	„	„
3.39	Not disbursed		—	„	„	„
66.00	„		—	„	„	„

estate in July 1968 has lapsed and hence not included in the statement.

(Rupees in Lakhs)

Rural Estates			Total		
Number	Amount sanctioned	Amount disbursed	Number	Amount sanctioned	Amount disbursed
—	—	—	27	153.44	150.05
1	4.10	4.10	1	4.10	4.10
—	—	—	1	66.00	—
1	4.10	4.10	29	223.54	154.15

STATEMENT—XV

EXPENDITURE INCURRED/PROVISION MADE FOR INDUSTRIAL ESTATE PROGRAMME BY GOVERNMENTS

(Rs. in lakhs)

	Name of the State/ Union Territory	1965-66	1966-67	1967-68	1968-69	1969-70	Total for 1965-66 to 1969-70	Provision	
								1970-71	IV Plan
	1.	2.	3.	4.	5.	6.	7.	8.	9.
	STATES:								
1.	Andhra Pradesh	52.54	19.29	14.88	15.47	13.69	115.87	7.50	380.00
2.	Assam	9.40	8.67	6.21	6.62	6.27	37.17	3.75	28.85
3.	Bihar	50.28	11.85	9.96	5.21	4.89	82.19	9.00	56.00
4.	Gujarat	6.99	5.87	6.32	2.98	5.61	27.77	—	—
5.	Haryana	Not available	2.92	2.09	7.85	1.77	14.63	8.00	97.35
6.	Himachal Pradesh	—	—	—	—	—	—	—	—
7.	Jammu & Kashmir	—	—	—	—	—	—	—	—
8.	Kerala	—	17.20	16.80	13.70	10.60	58.30	2.00	100.00
9.	Madhya Pradesh	31.44	13.29	5.88	7.44	8.53	66.58	7.98	200.00
10.	Maharashtra	15.62	6.36	22.40	11.08	24.79	80.25	25.00	150.00
11.	Mysore	25.33	20.05	16.99	18.11	16.07	96.55	11.00	140.00
12.	Orissa	22.60	14.99	8.67	5.62	7.28	59.16	13.00	50.00
13.	Punjab	18.00	2.25	57.00	58.00	24.00	159.25	55.00	265.00
14.	Rajasthan	1.14	2.04	2.45	2.84	2.35	10.82	1.50	10.00
15.	Tamil Nadu	135.89	102.36	95.98	83.24	63.63	481.10	54.14	908.00
16.	Uttar Pradesh	0.73	0.15	0.51	0.01	0.01	1.41	6.37	50.00
17.	West Bengal	0.35	0.92	0.13	0.12	0.21	1.73	0.14	Not available
	UNION TERRITORIES :								
1.	Delhi	—	0.55	4.86	0.60	0.62	6.63	1.40	30.00
2.	Goa, Daman & Diu	—	—	—	—	—	—	34.39	127.42
3.	Manipur	—	—	—	—	—	—	4.00	15.00
4.	Pondicherry	—	2.03	2.56	4.47	2.84	11.90	2.89	12.64
5.	Tripura*	—	—	—	—	—	—	—	—
	TOTAL	370.31	230.79	273.69	243.36	193.16	1311.31	247.06	2620.26

* Not replied to the questionnaire.

STATEMENT — XVI

LOANS SANCTIONED BY STATE FINANCIAL CORPORATIONS FOR SETTING UP INDUSTRIAL ESTATES—1967-1970

(Amount in rupees lakhs)

Year	Gujarat State Financial Corporation		Maharashtra State Financial Corporation		Mysore State Financial Corporation	
	No. of estates	Amount sanctioned	No. of estates	Amounts sanctioned	No. of estates	Amount sanctioned
1.	2.	3.	4.	5.	6.	7.
1967	1	2.00	3	15.91	—	—
1968	3	10.50	—	—	1	10.00
1969	1	3.75	—	—	—	—
1970 ..	5	17.22	3	24.29	2	15.90
TOTAL ..	9*	33.47	6	40.20	3	25.90

*Constituents do not add up to 'Total' as figures for different years are not mutually exclusive.

STATEMENT — XVII

DETAILS OF ADVANCES SANCTIONED BY SCHEDULED COMMERCIAL BANKS FOR SETTING UP OF INDUSTRIAL ESTATES

(Rupees in lakhs)

Name of the bank	Category of estate	Type of estate	Location	Date of sanction of loan	Amount sanctioned	Purpose	Amount out-standing at the end of 1970	Period of loan	Effective rate of interest (% p.a.)	Terms of repayment	Security	Margin	Remarks
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.
Bank of Baroda	Co-operative	General	Urban	Oct. 1969	18.00	Construction of sheds	7.29	11 Yrs.	9	20 Half yearly instalments of Rs. 90,000 each commencing from 24-12-1971	Land and Building	50%	—
	-do-	-do-	-do-	Nov. 1968	1.50	-do-	0.95	4½ „	9½	Quarterly instalments of Rs. 10,000 each commencing from December 1970	-do-	-do-	—
	Private	-do-	-do-	Aug. 1970	5.00	-do-	Not disbursed	5 „	9½	Repayable in 50 monthly instalments	Land and Building and personal guarantee	-do-	—
	-do-	-do-	-do-	Dec. 1969	2.00	-do-	2.15	4 „ 7 months	10	18 equal quarterly instalments after completion of construction work	Land and Building	-do-	—
	Govt. Corpn.	-do-	-do-	June & July 1969 and July 1970	250.00	Dev. of land and const. of sheds	250.00	10 Yrs.	6	10 years in equal annual instalments after two years from the date of disbursement	D.P. note and State Govt. Guarantee	—	—

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.
Bank of Maharashtra	Co-operative	General	Urban	Dec. 1970	6.00	Const. of sheds	5.85	10 Yrs.	4½% over Bank rate with minimum of 9½%	Rs. 10,000 per month	Land and Bldg., D.P. note	—	—
United Commercial Bank	Govt. Corpn.	–do–	–do–	Dec. 1968	25.00	–do–	25.00	10 „	6	10 equal instalments	Guarantee of State Govt.	—	—
	Co-operative	–do–	–do–	Aug. 1969	58.00	–do–	7.29	10 „	8½	–do–	Land and Bldg., Guarantee from shed-holders	33%	—
Bank of India	Govt.	N. A.	N. A.	N. A.	60.00	N. A.	Not disbursed	7 „	N. A.	Repayment in 7 years	Land and Bldg., Govt. Guarantee		Not availed of as the State Govt. required repayment to be relaxed to 12 years
Dena Bank	Govt. Corpn.	General	Urban	Nov. 1970	25.00	Const. of sheds	–do–	12 „	7½	Repayment in 10 equal instalments	State Govt. guarantee	—	—

SUMMARY

Category	No. of estates	Amount sanctioned	Amount disbursed
Co-operative	4	Rs. 83.50 lakhs	Rs. 21.38 lakhs
Govt. Corpn/Govt.	4	Rs. 360.00 „	Rs. 275.00 „
Private	2	Rs. 7.00 „	Rs. 2.15 „
TOTAL	10	Rs. 450.50 lakhs	Rs. 298.53 lakhs

STATEMENT—XVIII

SIZE-WISE CLASSIFICATION OF INDUSTRIAL ESTATES

	Urban		Semi-urban		Rural		Total
	Functioning estates	Non-functioning estates	Functioning estates	Non-functioning estates	Functioning estates	Non-functioning estates	
Large (30 acres and above) ..	67	2	34	2	16	6	127
Medium (between 10 acres and 30 acres)	73	4	58	5	22	6	168
Small (Below 10 acres) ..	21	2	24	4	51	30	132
TOTAL ..	161	8	116	11	89	42	427

Source: Industrial Estates in India — Half Yearly Progress Report for the Period Ending 31-3-1971, published by the Office of the Development Commissioner, (Small-Scale Industries), Industrial Estates and Planning Section, Government of India, Ministry of Industrial Development, New Delhi.