CHAPTER - I

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After the Second World War several new institutional techniques have been adopted in promoting and guiding industrialisation both in industrially advanced and newly industrialised countries. Of these institutional techniques, the technique of industrial estates occupies an outstanding place. In this chapter a brief discussion of the meaning, origin, philosophy and objectives of industrial estates is made.

1.1 The Meaning of Industrial Estate

Industrial estate, an important plank of small industry development programme, is a branch of social technology of development.

William Bredo defines an industrial estate as "a tract of land which is sub-divided and developed according to a comprehensive plan for the use of community
of industrial enterprises". The concept of industrial estate is a recent addition to the list of industrial techniques that have been applied more or less successfully to the basic problem of initiating and sustaining the development of small and medium scale industries and creating new industrial centres to foster development in regions, which would lag behind left to themselves. It belongs properly to a new branch of technology - 'the social technology of development'.

The United Nations Industrial Development Organisation (UNIDO) defines an industrial estate as a "Planned clustering of industrial enterprises offering standard factory buildings erected in advance of demand and a variety of services and facilities to the occupants".


Thus planned clustering and group character of industrial enterprises are the remarkable features of the programme of industrial estates.

The programme of industrial estates is a method of fostering the growth of small industrialists. William Bredo opines that "it introduces into the development process a dynamic element". Thus industrial estates try to tap the latent entrepreneurial talent and provide a place for investment of small blocks of capital in industry.

A United Nations (U.N.) publication defines an industrial estate as "a device for expanding, strengthening and locating small or medium scale industries as a part of a broad programme of industrialisation and social development". Industrial estates provide an organisational set up in which medium and small scale industries get a favourable environment for development.

In the opinion of P.C. Alexander, industrial estate is a "group of factories constructed on economic scale in suitable sites with facilities of water,


transport, electricity, steam, bank, post office, canteen, watch and ward and first aid and provided with special arrangements for technical guidance and common service facilities. The estate combines in itself some of the important schemes of assistance to small industries and provides a total outlay for integrated development*.6

Different definitions given above throw light to certain important aspects of industrial estates. The following are the important aspects of industrial estates:

i) Planned and group character of industrial enterprises

ii) Construction of industrial buildings in advance of demand

iii) Standardisation in the construction of industrial buildings and

iv) Provision of a variety of services and facilities to the occupants.

In general, the industrial estate is a multi-purpose tool and an omnibus technique taking care of a number of problems - provision of suitable factory

premises, utilities, facilities and services, economy in the investment on social overheads and the increased scope for inter-servicing and inter-trading, development of complimentarity in production and creation of the spirit of co-operation, decentralisation of industry for the development of backward areas, rural industrialisation, achieving a specific locational pattern, town planning and removal of slums and so on.\(^7\)

1.2 **Origin of the Idea**

There are certain theoretical and pragmatical considerations with regard to the origin of the idea of industrial estates. With the rapid emergence of large scale enterprises, the question of competitive viability and economic efficiency of small scale industries vis-a-vis the large scale had to be settled and various countries adopted different measures to promote small scale industries. The programme of establishing industrial areas and estates is considered to be the most significant one of all such measures. It was envisaged that industrial

\(^7\) *Ibid.*, pp.5-8.
estates would promote small industrial enterprises by modernisation, increase in productivity, reduction in cost of production and upgradation of the quality of the products.

The industrial estate is a generic term and it has different names in various countries. They are known as "Trading Estates" in the United Kingdom (U.K.), "Industrial Parks or Industrial Districts" in the United States of America (U.S.A.), "Industrial Zones and Industrial Nuclei in Italy, "Industrial Plaza" in Canada, "Industrial Regions" in the Union of Soviet Socialist Republics (U.S.S.R.) and "Industrial Estates" in many countries including India. These differ in meaning and content since they are organised in many ways to provide a variety of services.

The term "Industrial Estates" covers the three variants of the concept, namely, Industrial areas, Industrial Estates and Industrial Townships. An industrial area is one wherein the infrastructural facilities and services are provided but factory accommodation is constructed by entrepreneurs. In an industrial estate,
both infrastructural facilities and factory accommodation are provided by the sponsoring authority. In an industrial township, besides the infrastructural facilities and factory sheds, housing accommodation and other civic amenities associated with a town are also provided.

There are a number of other variants of the industrial estate like ancillary industrial estate and functional industrial estate. Besides, there are incubators, workshops or service industry-bay and flatted-factories also. An ancillary industrial estate is one where only small scale industries which are ancillary to a particular large industry are housed. Such an industrial estate is attached to the Hindustan Machine Tools (H.M.T.), Bangalore. Functional industrial estate is organised for small units in a particular industry. Such an estate for sports goods is organised in Delhi near the Okhale Industrial Estate. An incubator is a small and fully serviced unit. It serves as a reception centre for refugee or displaced small firms. It also serves as a Pilot-Cell for small firms going into production. The Yaba Industrial Estate near Lagos in Nigeria is a good example of incubators. The workshop-bay which are designed for very small firms and
meant for the artisan who does mainly repair work are found in Europe generally and particularly in Scandi
navian countries. The service Industry-bay is placed in the shopping centre to provide space for repair shops and enterprises. This is found in the new Towns of Britain. Also on the basis of location industrial estates are categorised into urban estates, semi-urban estates and rural estates.

The first industrial estate, the Traffort Park Estate (Manchester, England) in the United Kingdom was set up in 1896, by a private group. The second one was the Clearing Industrial District (Chicago) in the United States of America in 1899 by a private corporation. The third was the Industrial Zone of Naples in Italy which was founded in 1904. Since then industrial estates have been established in many countries both by public and private investment.

In short, the programme of industrial estate is of western origin. Industrial estates are the out-growth of economic depression in 1930's and the second world war. In this period the establishment of industrial
estates and areas was influenced by a number of objectives and policies and profitability was only remotely important. The estates then set up in the United Kingdom created employment opportunities in specified depressed areas; later the scope of programme was extended to include overhead facilities, grants and loans, temporary tax exemptions, subsidies or rent, etc. In the United States too, the trend have shown a marked shift from profit making to the promotion of non-profit schemes aimed at area and community development.

1.3 Philosophy of Industrial Estates

The public investment in economic and social overhead capital (SOC) provides sufficient infrastructural base and it catalyses private enterprise and investment. The industrial estates provide a minimum of social overhead capital that is absolutely necessary for directly productive activities. The SOC comprises of basic services like transportation, communication, power and water supply and drainage systems.

The philosophy of the programme of industrial estates rests primarily on two major premises, namely, economies of scale and economies of agglomeration.
Economies of scale are said to arise because an estate sheltering a large number of small enterprises, all of them enjoying the advantages in common in the form of overheads, take the character of a single firm. An industrial estate wherein a number of industrial enterprises are housed becomes a complex of inter-dependent and inter-related industries. Industrial estates also serve as risk-absorbing device, because the capital investment of the entrepreneurs for starting enterprises in the estates gets considerably reduced with the provision of large variety of facilities and services by the sponsors.\(^8\)

\begin{quote}
Profit motivation is the main factor for private investment and enterprise. Entrepreneurs engaged in traditional economic activities like agriculture, trade or cottage industry will be attracted to modern small industry only if they bring them a rate of return higher than that in the alternative economic pursuits. Industrial estates serve as a nursery for new entrepreneurs. Operation of economies of scale and external
\end{quote}

economies of agglomeration make enterprises within the estate more efficient than their counterparts outside the estate.

1.4 Objectives of Industrial Estates

The industrial estates programme has been a multi-purpose tool and is a technique taking care of a number of industrial problems. It is a method of "... Organising, housing and serving industry".9 The objectives of the programme in different countries are different. The main objective of industrial estates in Britain has been the development of backward areas. In the United States it has been area planning to reduce over-crowding and congestion in cities. In Italy, the emphasis has been on industrialisation and raising the economic standards of the people. In the U.S.S.R. it has been balanced development of the national economy through the balanced distribution of the productive forces. Among the developing countries Puerto Rico, perhaps, in addition to India has been emphasising industrial estates in its industrialisation programme.

In general industrial estates are expected to achieve the following objectives.

1. Promotion of small scale industries by providing facilities, assistance and guidance to small industrialists in establishing, operating and managing their units

2. Decentralisation of industries from big cities, urban areas and highly industrialised centres to other places

3. Development of industries and employment in backward regions

4. Provision of facilities of all types at one place for the smooth functioning of industry

5. Provision of build up factory accommodation to the small entrepreneurs so as to make them ready to start their industries without any inconvenience or delay and

6. Rapid industrialisation of the country through the development of small industries.
Thus attraction of industries from big cities, making the economy self-supporting by promoting employment of the local man-power, decongestion of urban areas by decentralising industries, rehabilitation of displaced small industries, general economic development and promoting small and medium industries are the objectives of the programme.