CHAPTER III

PROGRAMMES AND POLICIES FOR
PROMOTING INDUSTRIAL ENTREPRENEURSHIP

An attempt has been made in the previous chapter to review the theories of entrepreneurship and studies on Indian entrepreneurship. In this chapter a brief profile of the study area and governments policies for promoting entrepreneurship in the small industry sector will receive the major attention.

Area Profile

Location. The Union Territory of Pondicherry; one of the seven union territories of India, consists of four isolated regions namely Pondicherry, Karaikal, Mahe and Yanam - Pondicherry and Karaikal are very close to the state of Tamil Nadu. While Mahe and Yanam are housed in the landed surroundings of Kerala and Andhra Pradesh States respectively. Pondicherry, which is the main region and also the capital of the Union Territory of Pondicherry, is located on the coromandel coast and lies between north latitudes 11°46' and 12°03' and East latitudes 79°36' and 79°32'. While the eastern side is bounded by the Bay of
Bengal, the other three sides of this region are surrounded by land belonging to the historically magnificent South Arcot District of Tamil Nadu. Karaikal, the second important region, 150 kms away from Pondicherry is enclosed on the north, south and west by the Thanjavur Districts of Tamil Nadu and on the east by the Bay of Bengal. Yanam, a small region situated along the East Coast of the Deccan Plateau, is bounded by the East Gadaveri District of Andhra Pradesh. It is 870 kms from Pondicherry and is located at $16^\circ43'$ North latitude and $80^\circ5'$ East latitude. Mahe, situated on the west coast of India, is 830 kms from Pondicherry.

The average temperature in the region varies between $17^\circ$ and $38^\circ$ celsius. The 20 km long coastal border keeps the region cool and pleasant. The north east monsoon brings copious rainfall to this region and the average rainfall is 1205 mm per year.

**Demographic Characteristics**

The Pondicherry region of the Union Territory of Pondicherry is divided into six commune panchayats and a municipality (as per the 1991 census). This region spreads over an area of 293 square kilometres, and has a population of 4.44 lakhs (1991 census). About 68 per cent of the total population has been living in urban areas and the rest in rural areas.
Education

Development of education has always been accorded a place of pride in the policy of the government. Several schemes have been implemented to impart education to people and nearly 25 per cent of the budgetary outlay goes for education. The number of institutions, students and teachers have increased many fold. As a result of these consistent efforts, the union territory of Pondicherry has created a niche in the educational map of India occupying seventh position in the table of All India Literacy. As per the 1991 census, 74.74 per cent of the total populations of the Union Territory of Pondicherry were literates.

Occupational Characteristics

The territory as a whole as well as the Pondicherry region, have a lower work force participation rate (31.63, 33.24 per cent) respectively than all India (34.76 per cent). In the Pondicherry villages agriculture and government employment were the main occupation of most of the households.

A variety of crops have grown in the territory. About 85 per cent of the total cropped area has been under food crops. Paddy has been the major crop occupying 64 per cent of total cropped area of the territory. Fishing was the important occupations in rural areas of Pondicherry.
Industrial Economy Under French Rule

Pondicherry was popular for cloth manufacturing even before the arrival of French. Different varieties of clothes, namely, silk and cotton attracted merchants from far off places. Danes, who came to Pondicherry in the beginning of 18th Century, built up the trade of cotton manufactures. The French rule in Pondicherry also encouraged the growth of textiles. People of France liked Pondicherry clothes. Astounded by the beautiful cloths the then Governor of Pondicherry, Bussy, presented cloth manufactures of Pondicherry to Louis XV who admired them very much. Francois Martin encouraged and invited many weavers from various places to come and settle down in Pondicherry, Karaikal was also then famous for the special quality of white cloth. There were 26 pottery units in Karaikal which were engaged in the manufacture of utensils, flower pots, water jugs etc. In 1823, 100 brick kilns and 71 brick makers were found in Karaikal. There were also 35 oil mills manufacturing coconut oil, gingili oil and 3 coir manufacturing units.

When Desbassyns de Richemont became the Governor in 1826, he established "Charity Workshops" in order to improve the living conditions of the members of white population. In 1828 the charity workshops were converted into weaving factories. The establishment of these workshops encouraged
the private entrepreneurs to start such workshops in the region with modern equipments. The French Government announced a new Industrial Policy through the ordinance locale of 1826. This ordinance assured financial assistance to set up sugar factories, distilleries etc., in Pondicherry. In 1823, a businessman of Bordeaux came forward to start a spinning mill in Pondicherry. The mill worked very well till 1864 when the concept of free trade was gaining ground throughout the world. From 1869, the industry had to face lot of financial difficulties and hence the mill was closed in July 1870. In 1886, the mill was revived.

A textile mill known as Gaebel Mills was established by the French men in 1892 in Mudaliarpet. This mill also had to face all kinds of problems and had to be closed due to the loss of markets for its goods. After several changes in the ownership, this mill came to be known as Shri. Bharathi Mill. In 1898, the Rodiar Mill was established by a French firm in Mudaliarpet which had its central office in London. Raw materials for the mill were secured from the Indian Union and United States of America. The mill came to be officially known as Anglo-French Limited in 1924.

In 1864, a license was issued to Messrs. Paget and Company, to start a yarn factory in Kosapalayam. Another yarn factory was started in Uppalam in 1830. There were
also few small scale units which were mainly engaged in the production units producing spare parts required for the Textile Mills in the town. A light engineering unit was started in 1902 which later manufactured bolts etc. Some units manufactured Arrack, fine liquors and refined Alcohol for use in the preparation of medicines. There were also many rice mills and oil mills in the Territory. One factory attended to oil crushing, bone grinding and weaving. There was also an ice factory, three dyeing workshops and 95 indigo factories. There were few cotton industries also in the Territory before merger.

Industrial Economy on the Eve of Merger

The Territory was industrially backward and even cottage and village industries were languishing for want of encouragement. There was no industrial organisation to promote industries in the Territory. In fact, the rigorous control exercised by the Government before 1954 affected the growth of industries. The cost of production of some of the then existing industries was high when compared to other Indian mills. Therefore, the industries could not compete with the products of other Indian States. Further, the industries had to compete with foreign goods which were imported at that time. All these circumstances affected the natural growth of even some of the industries which were in
existence then. But after the merger, Pondicherry was no longer a free port and this provided lot of encouragement to industries to grow. The State Government also took efforts to help the growth of industries in the region. The Department of Industries was set up in November, 1955 which gave an impetus to the growth of new entrepreneurs in various fields. The extension of planning process to the Union Territory at the close of the First Five Year Plan also opened the way for the growth of industrial entrepreneurs. There after industrial entrepreneurs development became a part of the planned development of the Union Territory.

Planning and Industrial Development

The process of development of industrial entrepreneur in the Union Territory of Pondicherry started only with the commencement of the Second Five Year Plan. Out of the total plan expenditure of Rs. 339.23 lakhs, entrepreneurship development claimed Rs. 18.29 lakhs which represented 5.4 per cent of the total outlay. During this plan period, 35 entrepreneurs established small scale units in the private sector. Sugarcane factory was the first large scale industry to be established in the Territory after merger. 15 weavers co-operative societies were formed which had a membership of 2130 weavers. An expenditure of Rs. 4.85
given were given to the weavers' co-operative societies as loans.

The schemes for the establishment of an industrial estate at Pondicherry was sanctioned at a cost of Rs. 5.2 lakhs. The department of industries set up the wooden toy factory at a cost of Rs. 1.19 lakhs. However, it was converted into a working-cum-training centre. Two leather goods manufacturing units, one each at Pondicherry and Yanam and a tannery at Yanam have been commissioned, with a view to assist small scale industries, a general engineering centre was set up by the Small Scale Industries Service Institute of the Government of India. The setting up of a hand made paper unit was another highlight of this plan. At the end of the Second Plan period there were only three composite textile mills in this Territory. There was a large power loom factory in the Medium Scale Sector.

Third Five Year Plan

Third Five Year Plan continued the efforts of Second Five Year Plan in the area of industrial entrepreneurship development. One of the objectives of the Third Five Year Plan was the attainment of rapid advance in large scale, medium scale and small scale industries. An amount of Rs. 25.10 lakhs was incurred during the Third Plan for the purpose of industrial development. This represented 4.18
per cent of the total Third Plan expenditure. Two medium
scale industries, namely, a unit for the manufacture of
electrical goods and another for the production of cycle
parts were set up during the Third Plan. Two new spinning
mills, one at Nedungadu in Karaikal estate at Pondicherry
was completed during this plan.

The number of medium and small industries rose to 171
at the end of Third Plan. 11 industrial co-operative
societies were assisted by way of grant of loans under the
programme of State Aid to Industries. 100 power looms had
been obtained for this state during the Third Plan. With a
view to encourage village industries and handicrafts,
industrial co-operatives were organised. These co-operative
societies produce furnitures, mats, oil, compounded rice,
terra-cotta toys etc. Two rural industries, one at Karaikal
and one at Manadipet, had been sanctioned. Three service-
cum-common facility workshops during the Third Plan also
emerged. During this plan period, several types of
subsidies, like subsidy on power tariff for small
industries, subsidy on co-operative Gramodyog, sales
emporium etc., were given to entrepreneurs.

Fourth Five Year Plan

Fourth Five Year Plan took note of the various
difficulties faced by entrepreneur in the promotion of
Industries of Pondicherry. Therefore, a programme of industrial development was drawn during this plan in such a way as to overcome these difficulties. Summarising the various proposals for Fourth Plan, the plan document observed. "Provision has been made for appointment of industrial consultants, State participation in the industries in the private sector, institutional credit and also for setting up a few units under the public sector. Facilities to entrepreneurs to set up new industries will be provided by expanding the Industrial Estate, by provision of additional sheds and developed plots, by setting up a tool room and common facility workshop, by giving monetary inducements to set up industries in the rural areas. Small scale and village industries and handicrafts are also to be encouraged. Steps will be taken to enable quick marketing of the products by quality control, establishment of departmental emporia etc. The provision of loan under the State Aid to Industries Act will also be stepped up considerably".

Some of the new schemes included in the Fourth Plan were (1) state participation in large and medium scale private sector undertakings, (2) tool room at Pondicherry, (3) developed area scheme (4) appointment of industrial consultants, (5) training centre for power looms, (6) expansion of service-cum-common facility workshop at
Villianur, (7) improvement to departmental production units, (8) programme for dispersal of industries and rural industries, (9) common facility centre, (10) marketing scheme, (11) information centre, (12) participation in the Madras Industrial Investment Corporation, State participation in setting up small scale industries, (13) opening of departmental stores, (14) expansion of Industrial Estates at Thattanchavady, and (15) production-cum-sales emporium for handicrafts.

During the Fourth Plan, an amount of Rs. 94.67 lakhs was spent on industrial entrepreneurs development. It amounted to 6.21 per cent of total Fourth Plan expenditure. Pondicherry Territory was declared industrially backward during this plan and new large and medium scale industries were exempted from sales tax and they were provided subsidies for electricity consumption. The gross value of industrial production increased almost three fold during this plan, thanks to the liberal concession and subsidies given by the Government to the entrepreneurs.

Fifth Five Year Plan

Fifth Five Year Plan carried forward the policy of concessions and incentives so as to attract entrepreneurs for starting industries. This plan offered the following additional incentives, (1) allotment of Government land at
concessional rates to new industries, (2) consultancy services, and (3) exemption of octroi for the first five years from the date of starting production. The expenditure incurred for the development of industries was Rs. 212.06 lakhs, which constituted 6.13 per cent of the total fifth plan expenditure.

The Pondicherry Industrial Promotion Development Investment Corporation (PIPDIC), owned by Government of Pondicherry, was set up in 1974. This was a milestone in the history of industrial development of Pondicherry. The corporation began to provide liberal financial assistance to industries and also subscribed towards equity capital in private industrial ventures. A District Industries Centre was started in July, 1978. A proposal for the exemption of margin money for small scale industries was taken up during the Fifth Plan. Another proposal for setting up of two additional industrial estates was also taken up.

Sixth Five Year Plan

During this plan, an amount of Rs. 869.92 lakhs was spent on industrial entrepreneurs development which accounted for 8.79 per cent of the total plan expenditure. The schemes contemplated during this plan aimed at increasing employment opportunities and promoting economic and social growth in the rural areas. At the end of this
plan alone, 9 large scale, 9 medium scale industries and 2043 small scale industries were set up, providing employment to about 30,000 persons. The incentives provided during fifth plan were continued in the sixth plan also. Industrialisation schemes under special component plan were also implemented during this plan. Khadi and Village Industries Board was set up. Separate industrial training institute for workers was also opened.

Seventh Five Year Plan

The Seventh Five Year Plan implemented since 1985 is very laudable in its objectives. The major objectives of the plan are alleviation of poverty, creation of more employment opportunities and ensuring social justice. The industrial sector is geared to achieve these objectives. The Seventh Five Year Plan has earmarked an outlay of Rs. 1,209 lakhs (out of the total outlay of Rs. 17,000 lakhs) for the purpose of industrial development. The Seventh Plan lays very great emphasis on the development of entrepreneurs. The plan aims to motivate entrepreneurs, impart training, provide adequate infrastructure facilities, disperse industries to rural areas, ensure smooth credit flow to tiny sectors, extend single window service through District Industries Centre and pursue the village industries and handicrafts development and to generate gainful and
productive employment. The plan lays emphasis on entrepreneurial development programme through District Industries Centre and PIPDIC.

The plan is also contemplating the setting up of 1,250 small, 10 large and 20 medium scale industries during its period. Incentives like Central investment subsidy, power subsidy, sales tax subsidy, 15 per cent price preference, additional State investment subsidy to 100 per cent export oriented industries etc., will be provided during this plan also. Marketing assistance, sales rebate to dyeing sector and cottage industries, modernisation of cotton industries, training to artisans, management training and starting of two industrial estates etc., would be continued. Development of Khadi and village industries, handicrafts and coir industries will also be given major thrust. The proposal of PIPDIC to set up four new industrial areas and expansion of the existing industrial estates would be taken up during the Seventh Plan. The special component plan would be implemented more effectively. The 20 point programme pertaining to industrial development would also be given a major thrust during the plan. During the first year of the Seventh Five Year Plan, a state owned corporation, viz., the Pondicherry Textile Corporation was set up and the State Government has contributed a share of capital of Rs. 530 lakhs. It is hoped that the Seventh plan will be able to bring out a real transformation in the industrial sector.
It shows that industrial investment has increased from Rs. 0.7 lakhs in the First plan to Rs. 1,209 lakhs in the seventh plan. There has been a continuous increase in the investment made on industrial sector of the economy.

This continuous increase in industrial investment reflects the concern of Government to promote industrial entrepreneurs. In addition to this growing investment, Government has also realised the operation of factors inhibiting industrial development. Mention in this regard may be made to the small size of the Territory, non-availability of raw materials within the Territory, non-availability of foreign exchange, marketing facilities and lack of specialists in the industries department. With a view to overcome these factors and the apathy of the intending entrepreneurs, the Government has announced a series of incentives and assistance, to the entrepreneurs, to start industries in the Union Territory.

Government Assistance and Facilities

(1) Central Investment subsidy. The Union Territory of Pondicherry has been declared as a backward Territory in category 'A' by the Central Government. Industries being set up in this Territory are eligible for central investment made on fixed assets, subject to a maximum amount of Rs. 25 lakhs. This subsidy is also available for units going in
for expansion. However, this scheme was discontinued from 30th September, 1988 which is likely to exert an adverse impact, on further industrialisation of the Territory. This impact has already been felt in this Territory.

(ii) Sales tax concessions. The following sales tax concessions are available for new industries. (a) there is no local sales tax and central sales tax for a period of 5 years in respect of Pondicherry and Yanam regions and 10 years in respect of Karaikal and Mahe regions for all the industries from the date of commencement of production, (b) one per cent concessional rate of Central Sales Tax thereafter for SSI units. Concessions mentioned in 'b' above are applicable only for small scale industries.

(iii) Subsidy on power tariff. LT and HT industries are eligible for power subsidy for a period of 5 years at the rates mentioned below:

(a) 33 1/3 per cent for the first 3 years
(b) 20 per cent for the fourth year
(c) 10 per cent for the fifth year

(iv) Price preference. Small scale industries are accorded price preference at the rate of 15 per cent of supplies to Government departments.

(v) Exception from EMD and security deposit. Small scale industries are exempted from payment of Earnest Money
Deposit and Security Deposit for supplies to Government departments.

(vi) Exemption from sales tax on raw materials. Small scale industries, registered with the Director of Industries, are exempted from payment of sales tax for raw materials depot of the National Small Industries Corporation.

Assistance

(i) Land and Infrastructure. Government offers sufficient infrastructure for setting up of industries. The Pondicherry Industrial Promotion and Development Corporation Limited (PIPDIC) has set up industrial estates with necessary infrastructural facilities. PIPDIC has set up three industrial estates, one each at Mettupalayam, Kirumambakkam and Sedarapet, all within a radius of 15 kms from the main town of Pondicherry. These estates are provided with water, electricity and roads, in addition to other infrastructural facilities. At present, developed plots are available at Sedarapet industrial estate. In view of the great demand for plots, PIPDIC has a continuous programme for development of these facilities.

The developed plots are allotted on premium lease basis for a period of 99 years. The price of the plot is payable at the rate of 50 per cent, on allotment of plot, and the balance 50 per cent in two half yearly installments after
allotment of plot. Besides these, industrial estates, certain "Industrial Areas" has been identified by PIPDIC. Entrepreneurs are encouraged to set up industries in these earmarked industrial areas. Required power supply can be obtained from Electricity Department, Pondicherry, subject to advance intimation and availability.

(ii) Entrepreneurial guidance. PIPDIC provides necessary guidance to entrepreneurs to select profitable ventures and coordinates with District Industries and the Directorate of Industries. It guides entrepreneurs regarding various procedural formalities, to be completed, for setting up of industries.

(iii) Entrepreneurial development programme (EDP). PIPDIC conducts EDPs, in an effort to identify and encourage new entrepreneurs to set up industries in the Union Territory. Persons selected are given a thorough exposure to the various requirements for setting up new industries and are subsequently counseled and helped.

(iv) Marketing assistance. PIPDIC has various schemes of financial assistance to help the setting up of industrial units. There are schemes to assist artisans, medium scale industries and also sectors like, transport and hotel. There are special schemes to assist technical entrepreneurs, physically handicapped persons, ex-servicemen and SC/ST
entrepreneurs. Special schemes for modernisation and rehabilitation are also available. The corporation is empowered to sanction loans upto a maximum of Rs. 90 lakhs for a single unit and there is no minimum. The estimated cost of a project upto which the corporation can take up financing is Rs.3 crores. Industries for which the cost is above Rs.3 crores will have to approach central financial institutions like ICICI, IDBI, and IFCI for financial assistance.

The minimum promoters' contribution required for a project is 12.5 per cent of the project cost. However, PIPDIC would consider only supplemental finance, taking into account the promoters' ability to contribute to the project, debt-equity ratio and other relevant factors. Of course, the technical feasibility and commercial viability of the project and the background of promoters will form the basis for financial assistance. In the case of loans to artisans, village and cottage industries, no contribution is required from the parties and loans upto Rs. 25,000/- is considered. In the case of loans to transport, industry, 20 per cent contribution is required from parties and loan upto the extent of 80 per cent is considered.

The rate of interest and repayment period in respect of the term-loans, given by the corporation, are fixed, based on the prevailing rate of interest charged by IDBI for
refinance and also the projected profitability and cash flow of the project respectively. The present rate of interest per annum in respect of term-loan to small scale industries and medium scale industries is 14.5 per cent (with a rebate of 2 per cent for prompt repayment), 10 per cent to artisans, village and cottage industries and 14.5 per cent to transport (with 2 per cent rebate for prompt repayment). Concessions in the rate of interest is given to SC/ST entrepreneurs, technically/professionally qualified entrepreneurs, physically handicapped persons and Ex-servicemen. These are subject to certain limitations.

(a) Seed capital assistance

PIPDIC is operating the IDBI's scheme of seed capital assistance. Under this scheme, financial assistance by way of soft loan/equity is available upto a maximum of Rs.15 lakhs to bridge the gap in the promoters' contribution required for financing the project. Assistance given under the scheme by way of soft-loan, carries only 1 per cent service charge and no interest is payable.

(b) Equity participation and underwriting of capital issue

PIPDIC participates in the equity of industrial projects on a selective basis, depending on merits of the case. In case of projects going in for public issue of
shares, underwriting is considered on a selective basis, depending on the merits of the case. Finance is a crucial input for industrial development. All type of industries, whether big or medium or small, require capital for different purposes. Among these purposes, chief mention may be made of two purposes for which funds are required. Firstly, all industries, more specifically, large and medium scale industries require funds for meeting block or fixed capital expenditure on plant, machinery, factory and extension. Secondly, these industries require funds for the purchase of raw materials and stores to meet production and marketing expenses and for meeting their current expenses. Normally, industrialists do not possess their own finance and hence, they necessarily have to depend on external agencies for obtaining funds. Shares and debentures, loans from managing agents, public deposits, bank loans, loans from bankers and big financiers are the usual sources of finance. But in Pondicherry, the facilities for industrial finance were either inadequate or absent for a long time. The non availability of adequate, timely and cheap funds has considerably retarded the growth of industries in Pondicherry. Policy makers and the intending entrepreneurs felt the need for a specific institution which could cater to the needs of industrial development in Pondicherry. It was to fulfill this long felt need that the Government of Pondicherry established the Pondicherry Industrial Promotion

PIPDIC, is now the apex institution, providing all kinds of finance to the industries of Pondicherry since 1974. This corporation is a private limited company with equity contributions from the Government of Pondicherry and Industrial Development Bank of India. The share capital of the Corporation is Rs. 7 crores divided into 7,00,000 equity shares of Rs. 100/- each.

Objectives of PIPDIC

The over-riding objective of PIPDIC is to promote the industrial development of the Union Territory. The Memorandum and Articles of Association of this corporation mention as many as 108 main and incidental objectives. For want of space only the most important objectives are discussed here. These objectives are:

1) to work for the industrial development of the Union Territory of Pondicherry by promoting industries in the corporate sector or otherwise, by purchasing the existing industrial units in the corporate sector or otherwise by developing the existing units in the corporate sector or otherwise and by investing and financing sector or otherwise and by investing and financing the industrial enterprises in the Union Territory of Pondicherry, whether for starting, running, expanding, modernising or otherwise, howsoever.

11) to encourage and promote the expansion of investment markers in the Union Territory.
(iii) to promote and establish companies, firms, establishments, concerns, undertakings and associations for the prosecution or execution of industrial undertakings, works, projects and enterprises of any description whether of a private or public character, which in the opinion of the company would contribute to the industrial development of the Union Territory of Pondicherry and to acquire any, dispose of shares and interest in such companies or associations or any undertaking thereof or for any purpose calculated to benefit the company.

(iv) to promote, improve, establish and execute industries, projects or enterprises for manufacture and production of goods, plants, machinery, tools, implements, materials or substances of any description whatsoever, which in the opinion of the company are likely to promote or advance the industrial development of the Territory.

(v) to acquire, own, construct, lease or manage industrial estates either on its own or as agents of Government or any other body corporate.

(vi) to develop land on its own account, for the Government for the purpose of facilitating the location of industries thereon. (vii) to import managerial, technical and administrative advice and render assistance to industrial enterprises in obtaining managerial, technical and administrative services.

(viii) to encourage and promote participation of capital industrial enterprises in the Territory.

(ix) to promote and operate schemes for development of industries in the Territory and for that purpose to prepare and get prepared reports, blue prints, statistics and other information, and

(x) to promote, organize, manage, hold, dispose of or deal with shares or securities of Unit Trusts, whether of fixed or variable character.

Functions of PIPDIC

The main function of PIPDIC, as its name suggests, is to promote industrialisation and industrial investment in
the Territory. This function is achieved through four kinds of services render by the PIPDIC. They are: (1) providing financial assistance (2) implementing a package of incentives, (3) developing industrial estates, and (4) providing various ancillary services to entrepreneurs.

District Industries Centres Programme

The district industries centre programme was launched on 1 May 1978 with a view to providing an integrated administrative frame-work at the district level which would look at the problems of industrialisation in the district in a composite manner. Till then, this subject has been fragmented in a number of departments and, in most states, the district industries officer was a low level functionary who had hardly the capacity or the ability to plan industrialisation of the district in a systematic manner.

Many of the central and state level organisations had their own functionaries working at the regional, and in some cases at the district levels, and they tended to operate individually with no contacts with each others. It was, therefore, considered necessary to weave all the government functionaries in a single institutional frame so that the district industry-centre can act as a focal point for the entire industrial growth of the district.
An important innovation in the staffing pattern has been the obtaining of the credit manager from the leading bank of the district in the initial period of two years, to be funded entirely by the bank. This has enabled specific linkages between the development framework of the DIC and the banking system in the district. Although it was earlier intended that the entire territory would be covered in a period of four years, the response of the state governments has made it necessary for the implementation of the programmes to be accelerated.

An important feature of the DIC programme has been the preparation of the action plan in each district which was intended to act as a reference survey for future years. DICs were provided guidelines to prepare action plans and in each state the Small Industries Service Institute prepared a model plan which was intended to be a guide for the DIC centres. A feature of the plan was total mobilisation of all resources within the district and comprehensive approach towards the development of industrial growth, including that in the decentralised sector. The action plans have served to fix attention on the potentialities existing in each district to further the economic growth in the district.

1. Small Industries Development Organisation (SIDO)

The Small Industries Development Organisation of the Ministry of Industry was set-up in 1954. It functions as an
The SIDO acts as a policy formulating, coordinating and monitoring agency for development of small scale industries. It maintains close liaison with the Central Ministries, Planning Commission, State Governments, financial institutions and other organisations concerned with the development of small scale industries.

The activities of the SIDO relate to the modern small scale industries excluding those which fall within the purview of specialised boards and agencies, viz, the All India Handloom Board and the Handicraft Boards, Coir Board, Central Silk Board and the Khadi and Village Industries Commission.

The SIDO coordinates the work relating to the development of small scale industries on an all-India basis by way of,

1. Evolving an all-India policy and programme for the development of small scale industries.

2. Coordinating the policies and programmes of various state governments.
3. Acting as a liaison between different States as also between the states and the central ministers, planning commission, reserve bank of India and the nationalised banks.

4. Coordinating the programme for development of large and small industries, and

5. Coordinating the programme for the development of industrial estates and ancillaries all over the country.

The role of SIDO in the industrial estates programme is mainly to guide state governments whereas; the actual implementation provision of infrastructure facilities, allotment of sheds to entrepreneurs, provision for necessary inputs to the manufactures and management of the estates, is looked after by the state government.

SIDO renders such technical assistance as may be required by the State governments for preparing schemes within the overall plant allocations. It assists the ministry in regulating central assistance to the state for the development of small scale industries.

An important function of the SIDO is to suggest a pattern of small scale industries development for the country, as a whole. This involves indicating the lines of
manufacture which are suitable for the small scale sector and rendering assistance in the form of promotion, procurement of raw materials and machinery and such other technical advice as is needed from time to time.

**Industrial Extension Service to Industrial Estates**

Industrial extension services are available to small scale industries through a network of 26 small industries/service institutes, 32 branch institute, 41 extension centres, 4 regional testing centres, 1 process-cum-product development centre, 4 production centres and 2 central foot-wear training centres. The small industries service institute for Pondicherry is located at Thatanchavady. The Small Industries Service Institute and Extension Centre provide the following facilities for entrepreneurs.

1. A comprehensive range of technical services such as improved products on process production planning, selection of machinery, use of modern machines and process, preparation of factory layouts and designs material handling etc., are provided to entrepreneurs.

2. It undertakes a programme of modernisation of industries.

3. It provides consultancy services and training in various disciplines to help improve the competitive
strength of small entrepreneurs and enable them to keep abreast of the latest development in their respective fields.

4. Development of entrepreneurship which includes the training programmes and courses for engineer entrepreneurs, unemployed graduates, the scheduled caste and scheduled tribe persons.

5. It provides information and guidance of existing and perspective entrepreneurs on the policies bearing and on the programmes for the development of small scale industries.

6. Assists entrepreneurs, articians and technicians in selecting new items of production or in the expansion of their existing activities by furnishing them the requisite economic information.

The Small Industries Service Institute at the state level is headed by a Director, who is generally a technical expert. He is assisted by a number of competent technical officers of the rank of Dy. Director, Assistant Director and Field Officers.

The National Small Industries Corporation Limited (NSIC)

The N.S.I.C. Limited (NSIC) is a Government of India undertaking. It was set up in 1955 with the objective of
supplying machinery and equipment to small enterprises on a hire-purchase basis and assisting them in procuring government orders for supplying various items of stores. The corporation has its headquarters at Delhi and regional offices at Delhi, Bombay, Calcutta and Madras. The main functions of NSIC are as under.

1. Making Provision for modern machinery to small scale industry on a hire-purchase basis;

2. Assisting small entrepreneurs to participate in the stores Purchase Programme of the Central Government.

3. Arranging the marketing of small industries products by starting emporia and sales depot and promoting their exports;

4. Arranging for distribution of basic raw material through their raw material depots;

5. Import and distribution of components and parts to actual small scale users in specific industries;


The loans advanced by NSIC for buying the machines have been very useful for entrepreneurs. The activities of NSIC can also be shown by the following chart:
The NSCI has its branch office located at Pondicherry since 1981. Since then, it has been providing assistance to the industrial estates and areas through forwarding applications for the machinery on hire-purchase and enlisting the enterprise for government purchase programmes under the single point registration scheme of NSIC.

Industrial Development Bank of India (IDBI)

The IDBI was established in the year 1964. The main distinguishing feature of the IDBI is that it has been assigned the role of the principle financial institution for coordinating, in conformity with national priorities, the activities of the institutions engaged in financing, promoting or developing industry. The IDBI has been assigned a special role to play in matters of:

1. Planning, promoting and developing industries to fill vital gaps in industrial structure;
2. Providing technical and administrative assistance for promotion, management and expansion of industry; and

3. Undertaking marketing and investment research and surveys as also technoeconomic studies in connection with the development of industry.

IDBI has also been providing refinance assistance for loans granted for the setting up of industrial estates; mainly for the development of land, for the provision of infrastructure facilities and for the ecoconstruction of sheds. Table. 5.2. shows the refinance assistance to industrial estates.

Indian Standard Institute (ISI)

The I.S.I. is operating a certificate Mark Scheme under which manufacturers are licensed to use to ISI Mark on goods produced by them in conformity with the relevant Indian Standards. The scheme is governed by the I.S.I. (certificate Mark) Act, 1952 and the rules and regulations framed there in, under which they have been vested special power, for such purpose.

Any manufacturer having the requisite production and testing facilities may apply for a licence under the scheme and the institution may authorise him to use the ISI Mark on the products after satisfying the relevant conditions.
Procedure for Grant of Licence

On receipt of an application the institution organises on inspection of the manufacturers work to make an appraisal of the controls exercised during production and the facilities available for carrying out tests on raw material at the in-process shapes of production and on the final product. After the institution has satisfied itself that the manufacturer is capable of producing goods to the relevant Indian Standard on a continued basis then only he is given a license to apply ISI Mark on his products. Every licence includes a well defined Scheme of Testing and Inspection (STI) which the licence has to follow strictly. The STI prescribes the specific tests and the frequency of conducting them.

Compared for identification or measurement or to which they are made to conform standardisation protects and benefits consumers by assuring them on articles that are pure and uniform in quality and performance and often lower in price. A number of units working in industrial estates are taking benefits of ISI such as PVC insulated heavy duty cables, AAC/ACSR conductors, desert coolers, LPG gas stove and paints etc. The details of the same have been discussed in marketing.
Growth of Small Scale Industries

In view of the over-riding importance of small scale industries in the Union Territory, Government has given a number of concessions and incentives. Thanks to these measures, small scale industries have made great strides in the industrial map of the Union Territory. In fact, small scale industries account for a greater portion of industrial development. Large and medium scale industries constitute only a minor portion of the industrial structure. The growth of small scale industries can be assessed in terms of a number of industries and can be assessed in terms of a number of indicators like, number of industries, investment made on the industries, employment generated and the value of output over the years. The details of these indicators are provided in Table 3.1.

Table 3.1

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Industries</th>
<th>Investment (in Rs. lakhs)</th>
<th>Employment (in persons)</th>
<th>Actual production (in Rs. lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961-62</td>
<td>83</td>
<td>6</td>
<td>425</td>
<td>53.28</td>
</tr>
<tr>
<td>1971-72</td>
<td>411</td>
<td>891.5</td>
<td>2783</td>
<td>257.63</td>
</tr>
<tr>
<td>1981-82</td>
<td>1745</td>
<td>4768.5</td>
<td>12409</td>
<td>1400.31</td>
</tr>
<tr>
<td>1988-89</td>
<td>3201</td>
<td>6619.5</td>
<td>21857</td>
<td>2029.06</td>
</tr>
</tbody>
</table>

Source: Industries Department, Government of Pondicherry.
It may be seen from the Table that small scale industries have grown to a vast extent. The number of units increased from just 85 in 1961-62 to 3201 in 1988-89 which indicates an increase by 37.7 times. During the decade 1961-71, the growth was 4.8 times from 85 units in 1961-62 to 411 in 1971-72. During 1971-81 the industries increased by 4.2 times from 411 to 1745.

The investment made on small scale industries has witnessed phenomenal increase from just six lakhs in 1961-62 to Rs. 6619.5 lakhs in 1988-89. This denotes an increase of about 1108 times. However, major increase in investment came only after 1971-72.

With the growth in investment and number of industries, employment in small scale industries and their output have shown remarkable increase. The total number of employment in these industries has increased from 425 in 1961-62 to 21,857 in 1988-89, which implies an increase of 51.4 times. The growth in employment was 180.1 per cent per annum. The gross output in small scale industries was valued at Rs. 53.28 lakhs in 1961-62. It multiplied by 38 times in 1988-89, when the value of the small scale industries increased to Rs. 2,029.06 lakhs. The small scale industrial output has increased at an annual rate of 132.4 per cent during the period under review. Thus, in terms of all indicators, it can be concluded that small scale industries have made rapid
progress in the Union Territory, thereby, contributing to its industrial entrepreneurs growth in general.

Before independence Pondicherry was ruled by different foreign rulers. Though they took much efforts in fostering the entrepreneurship, it was for their vested interests. And there was no separate industrial organisation to promote entrepreneurship. But after independence, keeping in view, the urgent need of industrialisation Indian Government laid down the industrial policy and extended incentives to small scale entrepreneurs in different five-year plans. As a result of the government's efforts, the small scale industries have in fact, been impressive in terms of number of units, employment and investment.