CHAPTER - II

INDUSTRIAL DEVELOPMENT : AN OVERVIEW OF INDIA, MAHARASHTRA WITH SPECIAL REFERENCE TO THE PUNE REGION

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CHAPTER II

INDUSTRIAL DEVELOPMENT : AN OVERVIEW OF INDIA, MAHARASHTRA, WITH SPECIAL REFERENCE TO THE PUNE REGION.

2.1 INTRODUCTION:

As indicated in the title of the thesis the present research aims to study sickness in industries, their rehabilitation and contribution made by nationalised banks towards revival of sick industries. However before going in for detailed study thereof and in conformity to the objectives setout, it was thought pertinent to throw light initially on the background of industrial development in context with the Indian scenario and later in respect of Maharashtra State and Pune Region.

In the process of industrial development of a country due to certain bottlenecks sickness syndrome crept in. The evolution of the industrial development in the country is examined on the one side and the retrospect and prospect of the industrial development referring to industrial sickness is analysed on the other side with special reference to Maharashtra and Pune Region. The said analysis is made mainly to have a thrust on the development of particularly small scale and medium scale industries and the role of nationalised banks in the development of these industries.

2.2 INDUSTRIAL DEVELOPMENT DURING PLAN PERIOD:

In most of the countries, developed and developing,
industrialisation is accepted as the appropriate strategy for achieving rapid economic development. While the former type of countries aim at industrialisation to achieve higher rate of growth the later type of countries wish industrialisation both for higher rate of growth and attainment of self reliance. The developing countries like India, particularly stress on small scale industries to increase employment opportunities for the labour force.¹

India is a country characterised by backward agriculture, vast population, large scale unemployment and under employment as well as scarcity of capital resources. A number of measures both at the national and state level have been initiated in the planning process to develop industrial sector in India.

The process of industrialisation launched as a deliberate policy under Industrial Policy Resolution of 1948 and 1956. The plan outlays for the industrial sector had increased from Rs.797 crores in the First Five Year Plan to Rs.22460 crores in the Seventh Five Year Plan with an increase of around 2718.06 per cent.

The Seventh Five Year Plan provided for the total investment of Rs.19708 crores in large and medium industries in the Public Sector. Besides this, Rs.2752 crores were provided for the development of village and small industries.

The Eighth Five Year Plan had set a target for having a plan outlay for industry to the tune of Rs.46,922 crores.²

In view of the existence of number of diverse problems
like vast population, large scale unemployment and underemployment and scarcity of capital resources, the government has always provided some special facilities through different policies and programmes for the growth of and development of small-scale industries. In the Industrial Policy statements from 1948 till 1990 enough emphasis has been laid on the development of small scale industries. Besides, in consonance with these industrial policies a lot of fiscal measures in the form of tax reliefs, creation of industrial estates, provision of subsidized loan, reservation of products have been adopted as a promotional measure for the growth of small scale sector. In order to equip the small scale units with modern and up-to-date technology, the investment limit of this sector has continuously enhanced from Rs.5 lakhs in 1956 to Rs.60 lakhs at present. (i.e. year 1995) Thus as a result of different policies of economic liberalisation and massive increase in the investment the industrial sector has achieved rapid growth in the country.

2.3 INDUSTRIAL DEVELOPMENT AND NATIONALISED BANKS:

Since the advent of planning the Government has taken various steps for promoting industrial development. These inter-alia included building infrastructural facilities, setting up industries requiring heavy investments and expertise in the public sector, encouraging nucleus plants in less developed areas to promote ancillaries and small scale industries. The Government has also cast a special responsibility on Banks for acting as catalyst in the growth
of this sector since these are mobilisers of saving and have enough financial resources at their command. As a result of their conviction fourteen major commercial banks were nationalised in 1969 and six more in 1980. Banks have also started to play their role well which is evident from the fact that more than fifty per cent of their credit has flown to the industrial sector.

There has been a complete change in the style and pattern of lending by banks since nationalisation. Earlier bank credit was generally available to a select class of people with financial standing for setting up conventional industries like flour, sugar, jute, rice mills etc. It was made available to first generation entrepreneurs with limited financial resources if they have viable projects even if these involved sophisticated technology. Besides, the 'security-oriented approach' was replaced by a 'project and need based approach'. Banks which were confining their lending operations only to metropolitan and industrial centres, have gone to rural and semi-urban areas as well. The system became highly responsive to the needs of small and cottage industries as the banks have a social commitment for economic, upliftment of the masses. In brief, the focus of lending has changed from "class" to "mass", from a 'security oriented' to a 'project and need based' approach and from 'developed' to 'underdeveloped' areas.

Despite various constraints the banking industry has played its role well in financing the industrial sector after
nationalisation. In this context, it would be worthwhile to have a look at the total bank credit and its deployment.

The table No. [2.1] on next page shows a significant increase in the percentage of total bank credit extended from 1977 to 1991. In March 1977 the figure was Rs.13357 crores whereas it had manifold in December 1991 (i.e. Rs.117723 Crores)

The percentage share of credit to medium and large industrial sector also shows an increasing trend. The flow of credit to small scale industrial sector has gone up from Rs.1403 crores at the end of 1977 to Rs.17151 crores by March 1991 and Rs.21561 Crores by March 1994 representing 19.30 percent of the total credit made available.³

2.4 GROWTH AND IMPORTANCE OF SMALL AND MEDIUM SCALE INDUSTRIES:

Industrial enterprises may broadly be grouped into three categories, namely : 1) front-line industries or Large industries. 2) Medium-scale industrial units, and 3) small-scale industrial enterprises.

In India, small industry refers to manufacturing activity. Recently, it has also come to include, to a limited extent, servicing activities such as, repair and maintenance shops and few community services.

2.4.1 Definition Of Small Scale Industry

The definition of small industry is an important aspect of government policy as it identified the target groups. The first official criterion for small scale industry, was set
### TABLE NO. 2.1

<table>
<thead>
<tr>
<th>Sectors</th>
<th>1977</th>
<th>1991</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Scale</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rs. Crores</td>
<td>1,403</td>
<td>17,151</td>
<td>14.6</td>
<td>15,748 1,122 15.1</td>
</tr>
<tr>
<td>industries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Medium, large, including PSUs)</td>
<td>5,539</td>
<td>44,425</td>
<td>37.7</td>
<td>38,886 702 37.2</td>
</tr>
<tr>
<td>Gross Bank</td>
<td>13,357</td>
<td>117,723</td>
<td>100.0</td>
<td>104,336 1781 100.0</td>
</tr>
</tbody>
</table>

**Note:**
1. The share of priority sectors in outstanding gross credit increased from 25.31 to 36.41, but in the incremental credit their share was the largest about 38%.

2. Total outstanding credit to SSI sector as at March 1993 stood at Rs. 19,338 Crores and at March 1994 at Rs. 21,561 Crores.

during the Second Five Year Plan when it was in terms of gross investments in land and building, plant and machinery and the strength of the labour force. Subsequently, on the recommendations of the Federation of Association of Small Industries of India (FASII), an apex level organisation of small scale industries, set up under the aegies of Ford Foundation team, only the investment in fixed assets in plant and machinery, whether held in ownership terms or by lease or by hire purchase, instead of fixing the limit on overall investment, was considered for granting the status of a SSI unit. From time to time, many changes have been made in the ceiling limit of investment in plant and machinery.

Accordingly, a small industry is presently defined as "a unit engaged in manufacturing, servicing, repairing, processing and preservation of goods having investment in plant and machinery at an original cost not exceeding Rs. 60 lakhs". On the other hand an ancillary undertaking is defined as "a unit having investment in fixed assets in plant and machinery not exceeding Rs. 75 lakhs and engaged in the manufacture of parts, components, sub-assemblies, toolings or intermediates or the rendering of services and supplying or proposing to supply or render 30 per cent of their production or the total services, as the case may be, to other units for production of other articles, provided that no such undertaking shall be subsidiary of or owned or controlled by any other undertaking".

Within the overall SSI sector, much smaller units are
called 'Tiny Units'. They are defined as "those undertakings which have investment in plant and machinery not exceeding Rs.5 lakhs and located in towns with population of 50,000 or below". Besides these, the "Service Establishments" are those undertakings with an investment not exceeding Rs.2 lakhs and located in rural areas and towns with population of 5 lakhs or less.

As per circular issued by the RBI to all banks number DICGS:SSI:NO:40G/1(a)-88 dated 15th July, 1988 if an industrial undertaking / proprietor / partner sets up two or more units within the same state or outside whether manufacturing similar or different items, investment in plant and machinery of all such units will be clubbed together for determining the status of the unit as a small scale industrial unit.

2.4.2 Growth Of Small Scale Industry

The small scale sector has recorded a high rate of growth in spite of the stiff competition from the large scale sector. It can be observed from Table [2.2] on next page that the number of SSI units have increased from 4.16 lakhs in 1973-74 to 22.35 lakhs in 1992-93.

The figures cover both registered and unregistered units. The SSI sector has also shown a remarkable progress in terms of value of production. It increased from Rs.7,200 crores at current prices in 1973-74 to Rs.185800 crores in 1992-93.

Even in terms of employment generation, the small scale sector has shown a steady increase. The employment generated
<table>
<thead>
<tr>
<th>Year</th>
<th>Total No. of Units (Lakhs)</th>
<th>Production at current prices (Rs. crore)</th>
<th>Export share to total exports (i)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-74</td>
<td>4.16</td>
<td>7.200</td>
<td>393</td>
</tr>
<tr>
<td>1974-75</td>
<td>4.98</td>
<td>9.200</td>
<td>541</td>
</tr>
<tr>
<td>1975-76</td>
<td>5.46</td>
<td>11.000</td>
<td>532</td>
</tr>
<tr>
<td>1976-77</td>
<td>5.92</td>
<td>12.400</td>
<td>766</td>
</tr>
<tr>
<td>1977-78</td>
<td>6.70</td>
<td>14.300</td>
<td>845</td>
</tr>
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<td>1978-79</td>
<td>7.34</td>
<td>15.790</td>
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<td>1979-80</td>
<td>8.05</td>
<td>21.655</td>
<td>1,226</td>
</tr>
<tr>
<td>1980-81</td>
<td>8.74</td>
<td>28.060</td>
<td>1,643</td>
</tr>
<tr>
<td>1981-82</td>
<td>9.62</td>
<td>32.800</td>
<td>2,071</td>
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<td>1982-83</td>
<td>10.59</td>
<td>35.000</td>
<td>2,045</td>
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<tr>
<td>1983-84</td>
<td>11.55</td>
<td>41.820</td>
<td>2,164</td>
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<tr>
<td>1984-85</td>
<td>12.40</td>
<td>50.520</td>
<td>2,553</td>
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<td>1985-86</td>
<td>13.33</td>
<td>61.228</td>
<td>2,785</td>
</tr>
<tr>
<td>1986-87</td>
<td>14.62</td>
<td>72.250</td>
<td>3,931</td>
</tr>
<tr>
<td>1987-88</td>
<td>15.93</td>
<td>87.300</td>
<td>4,373</td>
</tr>
<tr>
<td>1988-89</td>
<td>17.12</td>
<td>106.400</td>
<td>5,890</td>
</tr>
<tr>
<td>1989-90</td>
<td>18.23</td>
<td>N.A.</td>
<td>7,626</td>
</tr>
<tr>
<td>1990-91</td>
<td>19.48</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>1991-92</td>
<td>20.80</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>1992-93</td>
<td>22.33</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

Note: CARG = Compound Annual Rate of Growth.
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</thead>
<tbody>
<tr>
<td>1973-74</td>
<td>11.2</td>
<td>8.7</td>
<td>14.3</td>
<td>21.4</td>
<td>22.7</td>
<td>6.7</td>
</tr>
<tr>
<td>1980-81</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980-81</td>
<td>8.3</td>
<td>5.8</td>
<td>13.4</td>
<td>18.7</td>
<td>19.4</td>
<td>1.9</td>
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<td>1990-91</td>
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<td>1990-91</td>
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<td></td>
</tr>
<tr>
<td>1991-92</td>
<td>9.4</td>
<td>6.8</td>
<td>13.8</td>
<td>19.5</td>
<td>20.7</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Source: Bank statistics Relating to Indian Economy, Centre for Monitoring Indian Economy, August 93 issue.
by this sector increased from 39.7 lakhs in 1973-74 up to Rs.134.06 lakhs as at the end of 1992-93. In terms of investment also, it has increased from Rs.2296 crores in 1973-74 to Rs.18196 crores in 1989-90. Most of these figures are higher than the overall national levels which underlines the importance and thrust of this sector.

The contribution made by small scale sector on the export front has been also significant. From Rs.393 crores in 1973-74, it increased to Rs.12658 crores in 1991-92. Its share in total exports of the country also increased from 15.6 per cent in 1973-74 to 28.6 per cent in 1991-92.

This shows that the small scale sector in the country has made tremendous progress over the last 20 years, both in quantitative and qualitative terms.

For stimulating the growth of SSI sector in urban, semi-urban and rural areas, the government has taken various promotional measures like Reservation Programme under which certain items were reserved for exclusive production in the small scale sector. Besides this, Ancilliarisation Programmes were also pursued to link the needs of the large and medium scale units with the spare capacities in the small scale sector. The sub-contracting exchanges were also setup to match the needs of two sectors in various parts of the country. Moreover, the buyer-seller meets were organised to bring the small units and the potential customers together. In addition, Industrial Estates Programme was initiated to enable a number of small scale units to operate in a common
place and to benefit from common infrastructural facilities, thus emphasising on the complementarity and ancillarisation between large and small units. A fairly diversified institutional framework was also created at centre, state as well as district level, catering exclusively or partially to the development of small industries.

At the district level, District Industries Centre (DIC) have been set up by the State concerned and the centre. It has emerged as the focal point for all industrial activities in the district providing all the support services needed for the development of small and village industries under one roof.

2.4.4 Small Scale Industries And Nationalised Banks

A major portion of the working capital for the small scale sector has been provided by the network of commercial banks both nationalised and non-nationalised. There were about 60,528 branches of these banks scattered all over the country at the end of 1993. A considerable amount of expansion has taken place in the last ten years, particularly in the rural areas. Credit facilities extended to the small units by the end of December 1977 amounted to Rs.1403 crores (which represented 10.5 per cent percent of the total credit advanced by the banks), which was increased upto Rs.17151 Crores in 1991 representing 14.6 per cent share of the total credit.

Geographically, the spread of bank assistance has been uneven. About 80 per cent of the outstanding credit to the small industries was accounted for by Maharashtra, Gujarat,
Tamil Nadu, Andhra Pradesh, Kerala, Punjab, Uttar Pradesh, West Bengal and Karnataka, since 75 per cent of the branches were located in these states. The share of Assam, Orissa, Himachal Pradesh, Jammu and Kashmir and the north East was barely 2 per cent, although in absolute terms there has been an increase in the advances and the number of units assisted.\(^5\)

The significance of the small industry is seen in the following:

1. Of all the manufacturing units in India, 92.2 per cent are in the SSI sector.
2. The investment in fixed assets in the sector is about 6.6 per cent of the total industrial sector but its gross output is 25 per cent, value addition 20 per cent, employment generation 40 per cent and exports 29 per cent.
3. 94 per cent of the SSI exports in value are in non-traditional items with low import content. The sector is responsible for 92 per cent of exports in marine products, 90 per cent of garment exports and 80 per cent of semi-finished leather.
4. About 84 per cent of the 600,000 registered SSI units in India have investment in fixed assets of less than Rs. 2,00,000.
5. 42 per cent of the units are in rural, 48 per cent in urban and 10 per cent in metropolitan areas. 62.2 per cent are established in areas declared as industrially backward by the central and state governments.\(^6\)
2.4.5 Medium Scale Industries

Various Definitions of Medium Scale Units are used for different purposes. According to the licensing policy apart from SSI, industrial undertakings which have or proposed to have fixed assets land and building, plant and machinery not exceeding Rs.1 crore are exempted from the licensing provisions. Thus, from the point of view of licensing policy industrial units with investment in fixed capital up to Rs.1 crore may be considered to belong to the medium scale.

Also for the purpose of central outright grant or subsidy scheme applicable to selected districts/areas an eligible unit is one whose total fixed capital investment would not exceed Rs.1 crore. Various other definitions also seem to be in vogue in different states. For example, another definition for medium scale industrial unit is used by SICOM for the purpose of its credit guarantee scheme. An industrial undertaking the value of which in fixed assets is not in excess of Rs.50 lakhs and which is not a small scale unit is regarded as a medium scale industrial unit under the scheme. It will thus be clear that there is no uniform definition for a medium scale unit.7

The committee appointed for the small and medium industry has defined "a medium unit as one which is not a SSI or an ancillary unit and whose fixed assets do not exceed Rs.5 crore". According to this definition the range of medium scale unit (broadly involving investment in fixed assets between 7.5 lakhs and 10 lakhs to Rs.5 crores) is admittedly large. For purposes of this analysis and
recommendations the committee had made a distinction between small-medium and medium units; the former broadly referred to units with fixed investment not exceeding Rs.1 crore which constitutes the bulk of medium units and the later to units with investment between Rs.1 crore and Rs.5 crores. The committee has advisedly proposed an investment range upto Rs.5 crores for medium units as it believed that units in this sector, irrespective of their initial size, should enjoy reasonable scope for expansion and diversification.

Medium scale industry from the point of view of bankers is defined considering the credit exposure aspect as an industry which is enjoying/availed total credit facility which is less than Rs. 1 crores from the total banking system and which is not a SSI unit". Medium firms usually mean those with 50-99 workers. In the present research the above definition has been taken into account. Since the important aspect is from the point of view of banks.

There is a well established machinery for dealing with the problems of small scale and ancillary units both at the central and state levels. The larger industries have generally the resources to tackle their problems, thus, there is a gap so far as the medium scale unit is concerned. The gap is, for instance, reflected in the difficulties which medium scale units have to face in raising capital on the capital market. They are considered to be too small by national level institutions and too big by small scale industrial development organisations. Also the abolition of
managing agency system in April, 1970 has left a gap in the facilities which were available to the medium scale units because managing agencies catered to the requirements of both large and medium units.

In view of the above a suggestion was made by a committee (appointed in enquiring into the problems of medium units) for setting up either a Ministry or Special Cell under a Joint Secretary for looking after the interests of medium sector of industrial enterprises.10

In U.S.A., similar to our country, due importance has not been given to medium scale industries. According to clifford Jr. and Cavanagh R.E. in their book 'The Winning Performance'. "Althouth America's 15,000 mid size companies represent less than 1 per cent of all businesses this minuscule minority is repsonsible for about a quarter of all sales and accounts for the fifth of all private sector employment. Further more, the mid size segment is very much a microcosm of the US economy in general in terms of industry composition, geography and overall business and financial performance".11

Thus, it is felt that due importance should be given to this neglected sector. However, this has not happened because at all levels of Government as well as banks no descrimination between the large and medium industries is being made while disclosing statistics or reporting to Reserve Bank of India / Government authorities. Even relating to 'sickness in industry' no speareate definition has been given by the RBI / Government.
Actually, though the number of medium scale industries may be less as compared to small and large scale industries, their contribution and their problems too cannot be overlooked upon. Small companies succeed because of the individual qualities of one person. Having become complex, midsize companies succeed only if the entire institution / company takes on and sustains the winning qualities. Medium scale industry is actually a milestone in the transit from small scale to large scale industrial unit.

Considering the above facts, the researcher has specifically included the medium scale sick industries in the present research so as to have more insight about the problems of those units, and also treatment/approach of the banks, financing agencies etc.

After discussing about the growth and importance of SSI and medium scale industries on national level the position of these industries in Maharashtra and Pune Region are explained in succeeding sections.

2.5 PROFILE OF MAHARASHTRA:

Maharashtra occupies a prominent position in the social, economic, and cultural activities in the country.

The most significant feature of this state accounting for this prominence relates to the economic and industrial activity in the state. Maharashtra accounts for only 9.5 per cent of the national population but contributes 13.1 per cent to the national income. The per capita state income in
Maharashtra was Rs.2525 in 1982-83, whereas during the same period the per capita national income was Rs.1891. Maharashtra leads all other states in financial and commercial activities and Bombay, the capital of Maharashtra, is truely regarded as the financial capital of India. The state accounts for only 9.7 per cent the scheduled commercial bank offices in the country but 17.8 per cent of deposits and 21.1 per cent of advances.

The state leads in urbanisation and is a reservoir of educated and skilled manpower. It has all along been in the vanguard in the industrial march of the country. This is because of the excellent infrastructure and encouragement provided by the state to the investors and entrepreneurs. The government provides ample industrial land at suitable locations together with adequate water and power facilities. The state accounts for 16.9 per cent of the electricity generated in the country and 16.8 per cent of the total industrial consumption of power.

Although the state has only 10.5 per cent of the total number of factories in the country, it accounts for 17.6 per cent of the total number of factory workers in the country. The number of factory workers per lakh of population is 1,044 in India but 2,012 in Maharashtra. The productivity of the workers in the states is also very high. The per capita value added in the industry was Rs.457 in the state against Rs.167 in the country. According to the official economic survey the state account for nearly a sixth of productive capital and employment, one-fourth of gross value of output.
and value added but the organised industrial sector in the country. Output per employee in Maharashtra is 38 per cent higher than that of India and value added per employee has been 50 per cent higher.12

2.5.1 Industrial Growth

The rates of growth and the emerging pattern of industry in Maharashtra during the last 3 decades reflect the development policy and the promotional measures adopted by the state government within the overall framework of industrial policy of the central government.

After the formation of Maharashtra State in 1960 a real impetus was given to the all round industrial development of Maharashtra. The total number of factories in Maharashtra more than doubled from 8,782 in 1961 to 17,434 in 1981 which was rose upto 25,839 in 1989. The productive capital in them recorded over eleven-fold rise from Rs. 533 crores to Rs.7,096 in 1981 and upto 14,617 crores in 1988. The rise in output was even higher. Output increased from Rs.924 crores (1960-61) to Rs.14351 crores in 1981 and upto Rs.29676 crores in 1988.

Value added by manufacture recorded over Nine-fold rise from Rs.271 crores to Rs.2981 crores in 1981 which was further rose to Rs.6006 crores in 1988. The growth in employment was however, smaller at 51.5 per cent from 7.87 lakhs from 11.92 lakhs. The data show a shift in favour of which capital intensive industries/hardware, is a common national feature of this period. This has, however,
contributed to higher productivity in Maharashtra than that in the country. Output per Rupee of productive capital was Rs.2.02 in Maharashtra against Rs.1.39 in India. Similarly, employment per crore of productive capital was 220 in Maharashtra against 203 in India in 1979-80.

The expansion of factories employing more than 50 persons was smaller at 50 per cent during the last two decades while that of factories employing less than 50 persons was 120 per cent. Despite the increased availability of power operated factories was lower than that of nonpower operated factories. In fact, there was a decline in the number of factories employing more than 50 persons in the power-operated group of factories.

The thrust of the policies of the State Government to encourage dispersal of industries outside the industrially developed belt of Bombay Metropolitan Region and Pune to other industrially underdeveloped areas of Maharashtra seems to be progressing gradually. The share in the factory employment of the districts other than greater Bombay, Thane and Pune went up to 36 per cent in 1988 from 23 per cent in 1975.

2.5.2 Industrial Policies Of Maharashtra

With a view to giving a further boost to the growth and dispersal of industries in the mofussil areas of the state, the State Government has modified the package scheme of incentive during 1988-89. During 1988-89, a policy decision to establish 65 growth centres at various places was taken. Out of these, six growth centres were established till the
end of December, 1989 and at the remaining places, work was in progress. In addition to these growth centres, the State Government has taken the policy decision of establishing mini industrial areas in every tehsil where there is no other industrial activity. Accordingly, 145 mini industrial areas are proposed to be set up.

As per employment Market Information System, the total employment in public and organised private sector recorded nominal increase of 0.4 per cent and stood at 35.63 lakh in 1988-89. During the half-yearly period ending 30th June, 1989 the average daily factory employment has increased to 11.60 lakh, slightly higher than that in the corresponding period of 1988. The number of new registration in Employment Exchanges in 1988-89 was 5.99 lakhs higher by 9.6 per cent as compared to the earlier year. The number of persons on live registers of employment exchanges at the end of December 1989 was 29.38 lakhs.

2.6 PROFILE OF PUNE REGION:

Pune Region occupies a unique place in Maharashtra and has played a pivotal role in the social, cultural, political and economic life of Maharashtra. Not Bombay, but Pune has been the main centre of Maharashtrian culture. Greater Bombay excluded, Pune district with a population of 42 lakhs, is the largest district of Maharashtra in terms of and is the second most urbanised district after Nagpur.

The Bombay-Thane-Kalyan-Pune belt is one of the richest
industrial belts of India. After greater Bombay, the Pune Region is the second largest industrial belts of India and is the second largest industrial zone in Maharashtra.

2.6.1 Development of Industries in Pune

Industrial growth of Pune barely spans over three decades. Earlier the city had no local tradition of large-scale trade or commerce. Though Pune did not have any tradition of organised industries, attempts were made as early as in the last quarter of the 19th century to start industries in the vicinities of Pune, like establishment of Deccan Paper Mills in 1885 factory at Talegaon in 1908. Apart from these private efforts, the Government set up its defence factories near Pune, in 1869 Ammunition Factory and in 1940, High Explosive Factory at Khadki.

Thus the picture of Pune industries in early fifties was the existence of these large-scale industries and the side-by-side existence of a few small-scale units producing a variety of consumer articles such as bidis, bricks, cotton cloth, brass and copper utensils, stationery, perfumes, soap etc.

With the establishment of M/s. Kirloskar Oil Engines Ltd. at Khadki in 1946 gave an impetus to the setting up of a number of small-scale units serving as feeders to the large scale units. Subsequently a few more large scale factories, like Ruston and Honsby, Cooper Engineering, Backau Wolf, K.S.B. Pumps, Bajaj Auto and Telco were started and this gave further fillip to the growth of small-scale auxiliary units in Pune.
The setting up of these manufacturing units encouraged considerable industrial development near about these factories in the Bombay-Pune rail-road corridor in Pimpri-Chinchwad area. This growth was further accelerated mainly because of the proximity and easy accessibility of this area to Bombay and also owing to restrictions imposed by the State Government on the industrial expansion in Greater Bombay. The other factors, such as salubrious climate, availability of skilled personnel, necessary infrastructural facilities such as water, power, transport, etc. also played a major role in attracting industries to Pune. The establishment of Hadapsar Industrial Estate in 1956 by Pune Municipal Corporation and the exemption of octori duty on the raw material and machinery of the units located in this Estate also attracted a few new industries to Pune.

In 1960, the Maharashtra Industrial Development Corporation (MIDC) undertook development of a large industrial area of 4000 acres at Bhosari in the Pimpri-Chinchwad Industrial Complex. A large number of industries, both large-scale and small-scale, were already established in the area and the development of this area by the MIDC further helped the process of industrialisation in Pune. Now Pimpri-Chinchwad-Bhosari Industrial Complex is one of the largest industrial complexes in the State of Maharashtra. The result is that now there are around 20000 units both large-scale and small-scale in and around Pune.

2.6.2 Variety In Production

The peculiarity about industrialisation of Pune is that
there is no concentration of any particular industry. There are industries in the large scale sector, which manufacture textiles, pharmaceuticals, biscuits and chocolates, electrical fans, machine tools, air compressors, chemicals, dye stuff, sugar machinery, scooters, trucks, tempos, trailers, paper, paper boards, cables, rubber goods, glass, plastics, TV sets etc. In the small-scale sector, in addition to the traditional lines of manufacture, such as brass and copperware, furniture, toys mulls, dhoties, sarees, hosiery, leather articles, dyeing and printing, a number of units have been started in such lines as chemicals, soap, pharmaceuticals, electrical equipment, sports goods, stationery goods, printing, engineering, scientific instruments, electronic equipment, machine tools etc. A number of small-scale industrial units are also working as ancillaries to the new industrial units which are being started in the Vicinities of Pune. Locationally, industries in Pune are well distributed over the whole region, creating some well-demarcated pockets of industries. To the north-west of Pune city are situated the well known industrial areas of Khadki, Pimpri, Bhosari and Chinchwad to its east are Hadapsar and Loni, to north east is Yeravada, Pune-Nagar Road and Dhanori and within the city itself industries have concentrated along Karve Road, Satara Road, near the railway station, along the Shankarshet Road and near the Gultekdi area. A new industrial zone of 365 acres has been declared in Hadapsar and within the next few years this will be full
if a variety of small-scale industries. Near about Pune, industries have been started at Bhor, Lonawala, Talegaon, Saswad, Pirungut, Sanaswadi and Chakan in the district.

2.6.3 Growth Of Industries in Pune

The Maharatta Chamber of Commerce and industries has been collecting industrial data from Pune since 1972. This data reveals the trend of growth of industries in the Pune region. The number of total industries went up from 1473 in 1972 to 2515 in 1975, 4529 in 1985 and at present the total number of industries is around 20000. The capital invested in industries has gone up from Rs.129 crores in 1972 to Rs.406.84 crores in 1978, Rs.1592.65 crores in 1985 and now this figure stands at Rs.6000 crores. Similarly the total turnover of industries in Pune has gone up from Rs.200 crores in 1972 to Rs.687.66 crores in 1978, Rs.2749.32 crores in 1985 and in 1993 it was around Rs.8500 crores. The number of workers employed in Pune industries have gone up from a mere 75000 in 1972 to 1,11,965 in 1978 1,48,470 in 1985 and 1,97,830 in 1990. It is estimated that in 1993 it was around 2,40,000. The shops establishments and trading centres have doubled from 33,000 to 66,000 during the last 15 years.

2.7 PRESENT POSITION OF SMALL SCALE AND MEDIUM SCALE INDUSTRIES WITH REFERENCE TO PROBLEM OF SICKNESS:

Over the last quarter of a century, the small-scale industrial sector of our country has achieved significant progress. However, this progress has been affected by all
spreading sickness. While official estimate put 25 per cent of all the units from the SSI sector as 'sick' the actual percentage varies between 40-50 per cent. The amount involved per small-scale sick unit increased from Rs. 7.2 lakh in 1979 to Rs. 97 lakh at the end of June 1987, in the case of medium and large scale industrial units, the amount involved per unit increased from Rs. 98 lakhs to Rs.245 lakhs.

There are no separate documented details on the incidence of sickness in the medium scale industrial units. But from the pattern of observations made earlier it may not be out of work to presume that the medium sector would by and large replicate the features of the small scale industrial sector as described above. To support this it would be of interest to quote some of the observations made by Shri V.Shanbag in his article published in seminar papers published by Management Development Institute, Gurgaon, 1985.

i) Sickness is engulfing the medium and small scale units with fierce rapidity.

ii) The rate of growth of outstandings in bank credit is alarmingly high for medium and small scale units.

iii) Within 3 years from 1981, the morbidity rate of small units has overtaken the birth rate.

iv) Among small scale industrial units, vulnerability has shifted to even smaller units than obtaining in yester years.

v) Maharashtra, West Bengal, Tamil Nadu, Karnataka,
Andhra Pradesh, Uttar Pradesh and Gujrat accounted for nearly three quarters of outstanding credit locked up in sick small units.

POSITION IN MAHARASHTRA AND PUNE REGION

Maharashtra being one of the highly industrialised states in the country, perhaps the number of sick industries in much more in this state than in any other state. As per the data given by the Reserve Bank of India, in 1982 the total number of sick units in the state was 88 and rose to 92 in June 1993-94, involving an amount of bank credit of Rs.355.22 crores and Rs.405.48 crores respectively. These data did not cover the entire sector of sick industries in the state.

As per the SLIIC - Maharashtra Meeting Minutes Published by RPCD (RBI) at 16.1.1994 out of the total 240573 sick SSI units with outstanding credit Rs.2141 crores, totally 19582 units with outstanding credit of Rs.419.33 were from Maharashtra state forming 8.13 per cent and 19.58 per cent to the total respectively.

In the Pune Region it was reported by District Industries Centre, Pune that there were about 6000 small scale sick industrial units out of the total 12000 small scale industrial units in the region at the end of 1993.

One important point to be noted here is, there are a number of SSI units which are existing only on paper and have closed down, there are some units which have closed down but have a hope of revival and there are some which are
showing signs of sickness. The number of units in each category will run into hundreds. But unfortunately there is neither continuous monitoring system nor adequate coordination between different financial agencies and others to tackle this problem.  

Thus it can be observed that in the absence of any established machinery for obtaining exact correct statistics regarding the sickness in small and medium industries, it is possible that the number of sick industries quoted above may be more which is a very serious concern.
Select References: Chapter - II


5. ibid


8. ibid


14. ibid, P. 253