Attempts to develop small industries in a planned way have been made only recently in India. With the recognition of the importance of cottage and small scale industries in the national economy, Government has taken active interest in the development of such industries. An International Team of Experts was invited in 1950 to study the problems of small industry and on the recommendation of the Team, several agencies have been set up by the Central Government for imparting technical, commercial, managerial and marketing guidance. Larger funds are also being placed at the disposal of the State Governments for carrying on development schemes for small industries.

In November, 1954, a Development Commissioner for small scale industries was appointed by the Government of India to be in charge of the organisation of small industries. At the same time, a Small Scale Industries Board has been set up to advise the Central and State Governments on this point and to coordinate the activities of the different agencies set up for the assistance of small industries. Having regard to the problems and requirements of these industries, the measures recommended so far aimed at an integrated programme of assistances covering the following aspects:—

(i) improvement in technique of production, business management and marketing,
(ii) provision of credit on easy terms and (iii) organisation of small units where possible on cooperative basis.
Measures taken for providing cheap credit to small industries has already been discussed in connection with the discussion of financial problems. For technical servicing, business counselling and marketing assistance to small industry, four Regional Service Institutes have been set up. These Service Institutes with the branch Institutes are responsible for providing industrial extension services. In addition to this, a National Small Industries Corporation has also been set up to aid in the marketing of the products of small industry.

The Development Commissioner, who is also an ex-officio joint secretary to the Government of India is the departmental head of the organisation of small scale industries. The head quarter office of the Development Commissioner is mainly concerned with guiding and coordinating the work undertaken by this organisation in respect of the development of small scale industries.

The Central Government has also launched an investigation programme in order to assess the prospects of specific kinds of small industries both existing and potential in different regions in India. Such a study is necessary in order to determine the priorities for development programme. Such investigation would indicate the main lines on which the industries concerned should be developed. A pilot Economic Investigation Team was set up in the office of the Development Commissioner, small scale industries in July 1955 to undertake studies of selected small scale industries with a view to assessing their prospects and making recommendations for their development. Separate investigation teams have also been set up in each of the four Service Institutes.
**Industrial Extension Services**

The Industrial Extension Service has been set up by the Government of India as a direct servicing agency to small scale industry. The main functions of this service are: (i) to conduct economic surveys in particular industries and areas which would make concrete recommendations for a development programme, (ii) to advise small units on improved technical processes and use of modern machinery and equipment, to demonstrate the use of such modern technical processes through workshops, extension service centres and small mobile workshops, (iii) to instruct small industrialists on proper methods of business management including marketing and (iv) to act as an information centre and to carry out research on questions like proper use of raw materials, improved designs of machinery etc.

The Industrial Extension Service is based on four regional Small Industries Service institutes situated in Delhi, Bombay, Calcutta and Madras with a number of Major Institutes, Branch Institutes and Extension Centres. The Service Institutes have been set up to act as service agencies, promoting the development of small industries by use of modern advances of technology as well as by bringing about improvement in the fields of business, management, finance and marketing.

The Institutes do not grant any loan direct to the industrial concerns, but only assist them in guiding them to the agencies sanctioning the loans with their terms and conditions. The Institutes acting as agents of the National Small Industries Corporation subcontract orders from Government and large industrial units to the small units and would take up market study whenever complains about shrinkage of market is received. Technical guidance is given through visits to small units by the staff of the Institutes and by giving on spot demonstration on improved technique,
advice on use of better machines, tools, and by setting Demonstration and Training Workshops and through Mobile Workshops. Besides giving technical assistance, the Institutes are also operating as agents of National Small Industries Corporation, a scheme of machine lending on hire purchase system to small units. Through the scheme, the Corporation has undertaken to supply modern machinery to small units on liberal terms. The applicants are required to pay about 20 p.c. of the value of the machine as earnest money in respect of 'general purpose scheme' machines and 25 p.c. to 40 p.c. for 'special purpose machines' depending on the nature of each machine. The balance is payable in instalments which are spread up to a period not exceeding 8 years. For machines whose value does not exceed ₹2,000/-, only 10 p.c. of the value is payable as earnest money. The Industrial Cooperatives are required to pay 5 p.c. less. The interest rate is 4 1/2 p.c. for any machine valued up to ₹15,000/- and 6 p.c., if the value exceeds ₹15,000/-. For Industrial Cooperatives, the rates are 3 1/2 p.c. and 5 p.c. respectively. The Institutes also are in charge of organising small industries as ancillary to large units.

Industrial Extension Service Centres are intended to help the development of particular industries concentrated in certain localities. A few of them, however, are also of a general character. The primary function of Industrial Extension Centre is that of extension, that is technical assistance, and guidance, making known methods to small scale manufacturers. The Centre also includes quality standards and provides common Service Workshops. The Institutes started functioning in July 1955. In addition to the Four Regional Institutes, there are, up to January 1958, 12 Major Institutes functioning at Ludhiana, Agra, Rajkot, Bangalore, Indore, Hyderabad, Trivandrum, Patna, Cuttack, Gauhati, Jaipur
and Srinagar and 2 branch Institutes at Allahabad and Hubli. Following
the recommendation of Investigation Teams, 89 Extension Centres have been
sanctioned upto September 1958. Foreign experts in different industries
are working in these Institutes. They demonstrate the use of improved
techniques and implements and have drawn a number of schemes and designs
and drawings, workshop layouts etc. The officers of the Institutes
offered technical advice and guidance in setting up new industries to a
number of units. Forty-six mobile Demonstration Vans, fitted with modern
machines tools and equipment were sanctioned during the year 1955-56 and
1956-57. The trades for which these are equipped are blacksmithy, carpentry,
shoe making and leather goods, sheet metal products, glass industry and
 enamelling, pottery, general engineering, repair of oil engines and pumps,
 electroplating, electric wiring and winding etc. These mobile demonstra-
tion vans are attached to the four Regional Institutes such as Hyderabad,
Trivandrum, Ludhiana, Patna, Rajkot, Bangalore and Indore. A number of
designs and drawings were also prepared in the Institutes and supplied to
the small scale units. Model schemes for selected products were prepared
such as cycles and press buttons for the benefit of selected entrepreneurs.

As already stated, the Service Institutes are also entrusted
with the task of comprehensive survey of selected industries and selected
areas. The purpose of these surveys is to assess the scope of organising
new kinds of small industries and expansion in existing line. This would
enable the state Governments to concentrate in the first place, on these
industries where there are opportunity for healthy growth. Upto November
1958, the economic investigation teams prepared 84 industry outlook reports.
Twenty-six community project areas have been selected for pilot industrial
scheme with a special industrial officer whose cost is met by the Centre.
The Service Institutes have prepared schemes for some of these which have been sanctioned. They are now taking up other project areas in turn.

Besides the method of training small industries workmen through demonstration methods, model and mobile workshops, evening classes have been started in the Institutes for training workmen, supervisors and employers in blueprint reading, business management and other subjects. There is a programme to send selected workers on observation studies and training in factories in other countries.

The National Small Industries Corporation

The National Small Industries Corporation has been established in February 1955 as a State owned commercial concern to organise small scale units for meeting Government order and large scale units and also to assist them in selling the goods to wholesalers, retailers and consumers and for this it uses the agencies of state industrial cooperatives, government depots, and other marketing agencies that have been established in different states. The Regional Institutes function in close cooperation with Small Industries Corporations and undertake market surveys to guide the small scale units on goods that are in demand in the market. Gradually various other schemes were entrusted to the Corporation, such as supply of machinery on hire purchase scheme, construction and management of two industrial estates at Okhla (Delhi) and Maini (Allahabad), and the setting up of two prototype production-cum-training centres at Delhi and Rajkot. In order to bring the hire purchase scheme more closer to small scale units and to make its assistance in marketing more effective, the activities of the corporation were decentralised and four subsidiary corporations, one each in the eastern, western northern and southern regions were set up in early 1957.
Marketing Services of the Small Industries Corporation comprise three categories, general marketing, participation in government store purchases and development of small units as ancillaries to larger ones.

The Corporation assists the small scale units in marketing their products through mobile sales vans and wholesale depots and in the overseas markets by participating in foreign exhibitions and by offering selected small industries' products through other trade channels. To facilitate general marketing, the Corporation launched an experimental scheme in which wholesale depots for selected small scale industries in principal producing centres have been opened. The Corporation purchases goods of such industries according to certain quality standards, grades and sells the goods at market to retailers in adjacent areas and in other areas through mobile vans. The trade name Janasevak has been selected for such products. The objective is to provide standardisation and to give a general trade mark. Seven such wholesale depots have been set up till the end of the year 1956.\footnote{These seven centres are at Bombay for paints, at Calcutta for hosiery goods, at Khurja for pottery goods, at Ludhiana for bicycles, sewing machine parts and woollen hosiery, at Agra for footwear, at Aligarh for locks and at Renigunta for glass beads.} The Corporation also assists the small scale units in marketing their products in overseas markets. The first overseas order was received from Russia for 2.5 lakhs pairs of shoes. This order was executed and was followed by a repeat order for 65,000 pairs and a new order from Poland for 54,000 pairs. A third order from Russia for 52,000 pairs has recently been secured by the Corporation. Besides shoes, the Corporation has selected few other items for export promotion such as leather goods, cotton and woollen hosiery, sports goods, builders hardware,
locks and scissors, preserved food products, glass beads and bangles, toys, paints and varnishes, sewing machines and spare parts, diesel engines, electric press lamp holders, industrial fasteners etc.

But the most important function that the Corporation is expected to carry on is that of channelling a fair proportion of government orders to small scale units. For this purpose, it has been decided that all the indents received by the purchasing officers of government departments are to be classified into four categories according to the nature of the products. The first group is for those items which cannot be produced by small firms while in the fourth group, all the items which can be reserved exclusively for procurement from small scale units are included. The second group includes of that type of goods which though cannot be produced completely in small firms, but because of the nature,held substantial opportunities for subcontracting with small enterprises. Contracts resulting from such indents would contain small industries subcontracting notes regarding the contract by the contractor of a subcontracting programme, within his own plant. Indents for all other items are included in group three. Till the end of 1958, 2960 small scale units have been enlisted with Small Industries Service Institutes as being capable of supplying various stores required by Government Purchase Departments. Sixteen items of stores required by various Central Government Departments have been reserved exclusively for procurement from small scale units by the Director General of Supplies and Disposals. With a view to increasing the number of items in group four, sub-committees were formed in the Director General of Supplies and Disposals (D.G.S. & D.), New Delhi and its Regional offices at Bombay, Calcutta and Madras for maintaining a constant search for new items. These sub-committees have suggested to D.G.S & D.,
inclusion of further twenty four items in group four. D.G.S. & D. also considers price preference in the case of tenders from small scale units. The units receiving of Government Contracts are also given technical assistance by the Small Industries Service Institutes. Financial assistance is also sought to be provided by the State Bank of India, which has agreed to advance loans on pledge of raw materials even upto 100 p.c. of the value of such material against the Corporation’s guarantee to cover the margin.

The work of the development of the ancillary industries is being implemented with the active assistance of Regional Institutes. The work has been divided into two categories. Firstly the Corporation is attempting to develop, where possible, a number of small scale units around a large unit as perpetual feeders of components and parts of the large units. The pre-requisites for development of such small units would be the prior agreement of the large units to enter into long term contract with the small scale units, assuring a minimum annual offtake at predetermined prices, to enable the small units to run economically.

Secondly the Corporation is trying to encourage large units to purchase such stores from small units for which ample capacity already exists. In the case of large scale units in the private sector, it has been decided that the Institute should request the large scale units to place orders to the small scale units approved by the Institutes on being capable of manufacturing the components and parts required by them. The National Small Industries Corporation would also underwrite the contract or take the contract itself at the quoted price in cases where large scale

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2 Small Scale Industries Board - Agenda and Notes on items of the twelfth meeting held on November 1958.
unit is hesitant to place the order to the successful small scale bidder due to any doubt about its competency. In the case of large scale units in the public sector, the ministry of production has been approached for issue of a circular to industrial concerns under its control practically on the line suggested above and to give a price preference up to fifteen percent in favour of small units. Upto January 1958, three large industrial units in the Public Sector and eleven large units in the private sector have accepted the scheme.

Besides assisting the small industries in marketing their products, the Corporation has also undertaken the task of supplying machines on hire purchase system to small units on liberal terms through the Regional Institutes which has already been discussed. Hire purchase terms have been liberalised further in the cases of machineries required by small units for setting up ancillary units. The total number of applications accepted till the end of the year 1958 was 1425 for 4895 machines valued at Rs.4,05,59,009. Machines valued at Rs.1,60,15,344 have already been delivered to the hire purchasers.

As has already been mentioned, the Corporation, side by side with the provision of machinery, has been entrusted with the task of establishing two Industrial Estates and two Prototype Production-cum-training Centres. These Production-cum-training Centres would be set up at Delhi and Rajkot in collaboration with the West German Government and the U.S. Technical Cooperation Mission respectively. These Centres will produce prototypes of machine tools and distribute them for commercial production by small manufacturers. The Centre will also impart specialised training to the skilled personnel for manning small scale industries.
According to the time schedule laid down, the Centre at Okhla will start functioning by January 1960. For the training Centre at Rajkot, the workshop structures are shortly to be erected.

Review of the Working of the Agencies

It is too early to comment on the activities of the Agencies set up for assisting small industries. The scope covers a wide range of activities and the success would largely depend on two factors - recruitment of qualified personnel and wide scale publicity regarding the scope of activities and nature of assistance the Agencies are expected to offer.

The Institutes are not well equipped with qualified staff and non-availability of such personnel is stated to be the main difficulty experienced in the way of organisation of the Institutes and towards successful carrying out of their business.

Rendering technical assistance is the core of all the activities that the Service Institute is designed to perform. Consistent with this objective, technical servicing is placed foremost in the programme of work. The non-availability of laboratory and workshops often stood in the way of successful execution of works as the construction of Institutes workshops, Extension Centres etc. in most regions are yet to be completed. It has also been felt that technical problems are so varied in nature and other factors became inevitably involved with the technical work that technical servicing alone does not count in some cases. This is explicitly stated in the annual report of the working of the Institutes ... technical problems are sometimes found inseparably connected with other aspects such as lack of finance, scarcity of raw materials, inadequacy of accommodation.
etc., that technical servicing becomes very much limited in scope and the Institute could hardly render any effective assistance."

The inability of the Institutes to render direct financial assistance appears to be standing very much in the way of their success. Small industries are today specially handicapped for the shortage of finance and so marketing and technical and managerial guidance unless accompanied by direct financial assistance, would not produce the desired result. Steps have already been taken by the Central Government to provide credit to small industries on liberalised terms, the fruits of which are yet to be seen. But at present, lack of finance mainly preoccupies the minds of the small industrialists, and ignorant as most of them are, they are not feeling much encouraged about the other valuable assistances offered by the Institutes. Thus, by depriving the Institutes of the function of extending direct financial assistance, their serviceability has been considerably restricted. It is true that Institutes have already been burdened with too many functions and it is quite a justifiable policy to entrust the task of giving financial assistance to separate agencies. But it is also true that small industrialists, at least for the present, would not be encouraged to approach the Service Institutes unless they are assured of receiving some form of financial assistance along with other forms of services from the Institutes. If it is found undesirable to entrust the Institutes with the task of providing direct finance, at least the Institutes should be empowered to forward the applications for loans from small industries to the respectable agencies.

5 Annual Report for the year 1956-57 - Published by the Office of the Director, Small Industries Service Institute, Calcutta.
which would then provide the finances without any further delay. It is worthwhile to note here that in other countries where agencies have been set up to impart technical and managerial guidance to small industries, the agencies have been entrusted with the task of providing necessary finance. The Small Industries Development Corporation of Pakistan and the Industrial Development Corporation of Burma have direct lending power, while the Smaller Enterprise Agencies of Japan assist the Smaller Enterprises in securing the needed fund and by way of discharging this function, it assists in the enforcement of the Smaller Enterprise Credit Insurance Law, keeps accounts for the Smaller Enterprise Credit Insurance special account, attend matters concerning the Credit Guaranteeing Associations, the Central Bank for Commercial and Industrial Associations and the Smaller Industrial Finance Bank. The Small Business Administration of U.S.A. also can extend financial assistance to Smaller enterprises, if the funds are not otherwise available on reasonable terms from regular sources.

The working of the National Small Industries Corporation is also not as encouraging as it should be. It is true that the success of some of the programmes such as market research, development of ancillary industries would not be realised until with the lapse of some period. But yet it must be admitted that the experience so far gained from the working of some of these measures is not at all encouraging. What is more, small industries are not feeling as much enthusiasm as is expected to be. This is because there are considerable difficulties on the part of the small units in taking full advantage of these schemes. Correct appraisal of the actual conditions is the basic condition for the success of any policy and it becomes apparent that there is a lack of proper appreciation of actual condition of small industries.
The main difficulties with small scale units are lack of knowledge about the demand condition and lack of sufficient capital. In their report, the Small Industries Sub-committee, appointed by the Standing Regional Equipment Committee in Bombay, stated a number of reasons responsible for small units not taking their due share in the supply of stores and equipment to the railways as purchased by the Directorate General of Supplies and Disposals and the Controllers of Stores. Due to their limited capital, the small units are not in a position to submit tenders where large quantities of stores are required, nor are they able to deposit large amounts of money for the purpose. Further, due to the uncertainty of prices of stores, they are not in a position to plan and organise their production throughout the year. This makes them incapable of supplying large quantity of stores in the stipulated delivery period. These and many other difficulties compel the small scale units either to give up the idea of manufacturing railway stores or to make their supplies through a local contractor who takes the lion share of profit of the transaction. The Small Industries Service Institute in Bombay has come across a case where it was found that small scale unit concerned was manufacturing very useful parts for Government department, but did not know itself the ultimate use or the ultimate user of the same. Even if some service agency such as the Small Scale Service Institute made an attempt to get some railway stores manufactured through the small units, such attempts did not generally meet with success for want of definite direction of the purchasing authorities by the Railway Board. This committee recommended reserving a suitable portion of railway stores and equipments for procurement through the small scale industries and predetermine the price of stores to be procured through small industries.
sector. As has already been stated that measures in this direction are already been accepted in principle by the Government and some active steps towards their implementation have also been taken.

Regarding lack of capital, although various steps have recently been taken to increase the flow of funds to small units on liberal terms, the scarcity has not yet been eased in this sector. The Service Institute and National Small Industries Corporation have not been empowered to give financial help to small industries although the latter can lend machines on hire purchase system and can also supply raw materials. Although it is justified in principle not to entrust one agency with too many functions yet finance appears to be such a stumbling block to the small industries that they may not be able to take full advantage of the facilities offered by such agencies, unless the agencies have the power to give some sort of financial help directly or indirectly. It is also doubtful how far the State Bank of India's recent move to advance short term credit to small units receiving Government Contracts through the National Small Industries Corporation would actually help the small units as the rate of interest charged by the State Bank of India is much higher than the liberalised terms of the State Governments.

So far as the general marketing is concerned, marketing help has been restricted so long to a few selected groups of industries the number of which will be gradually extended with the increase in experience. But it must be admitted that the problem relating to marketing cannot be solved even partly by the efforts of the outside agencies unless the small industries themselves become alive to it and act in cooperation.
This is by no means to undersate the value of the assistances sought to be rendered by such Agencies and to this end the attempts on the part of the Government is commendable. But still it is true that the real success would depend on the fact of convincing the small industries of the necessity of management and technical guidance for their efficient and successful operations. As has already been pointed out, the problem is not only to make services of such type available to the small industries, but to impress upon the small industrialists of the need for such guidance. As a matter of fact, lack of adequate response from the small industries has already been felt by the Service Institute. Small industries have not so far shown sufficient enthusiasm in availing themselves of the assistances offered. As a practical matter, information and guidance supplied by Government agencies is used most effectively by big business. It is very difficult for outside agencies to contact large number of small industries in order to impart such guidance.

The best way is to encourage the formation of associations among small industries through which such assistances can be offered. But representative associations are rarely found in the small industries sector. In our country, small industrialists are generally unaware, if not ignorant, of the value of forming associations among themselves. The best way to encourage the formation of such associations among the small industries is to offer all forms of assistance to the individual concerns through their associations. The Institutes are already trying to follow this policy as they do not favour entertaining applications from individual concerns but encourage the individual concerns to approach them through their representative associations.
Ultimate success of any scheme of assistance to small industries depends on how far this succeeds in raising the educational background of the small industrialists. Perhaps the most valuable form of assistance that can be given by a Government to small industries is the provision of training and educational facilities. Most of the agencies set up in other countries are offering some form of training facilities to small enterprises. The Industrial Development Corporation of Burma is responsible for providing training facilities by opening educational classes and undertaking research works. It performs its duties by constituting subsidiary boards and the small industries are assisted by one such subsidiary boards. In cooperation with the Small Business Administration, collegiate schools of Business and other educational institutions in U.S.A. offers owners of small business firms courses in currently business administration subjects.

At present most of the entrepreneurs in the small scale industries in our country have little or no training in business management and industrial administration. Until recently, there was practically no facilities for training of small industrialists. There is no doubt about the urgent need for organising training facilities for small industries personnel in business management and administration, which alone would provide a satisfactory solution to the managerial problem.

Following the recommendation of the Small Industries Board, a course for training of proprietors and senior representatives of small units were started at all the Regional Institutes from February 1957. The duration of the course is from four to six months. Lectures are given on a number of subjects such as problems of small scale industries and steps taken by the government to solve them, marketing and advertisement, financial, cost accounting, business management, banking and credit,
industrial legislation and other general subjects connected with the management of small industries. Upto January 1958, 338 persons have been trained and 55 are undergoing training.

The Small Scale Industries Board has also suggested that Government of India should institute scholarships in existing training institutions and award these to selected proprietors and managers from small industries. As training given by most of these institutions are not suitable for personnel from small industries, it is further suggested that arrangement should be made with existing institutions or commercial colleges etc., to run special courses and for the grants be made to such institutions. In accordance with this suggestion, it has now been decided to start training courses for industrial extension officers (management training) under the auspices of the University of Bombay. Under this scheme, selected industrial extension officers of the Small Industries Service Institutes Development Commissioners office, and the Industries Departments of the State Governments would receive training in management which will enable them in turn to assist small industrialists in their management problem. Their activities would include the followings:

(a) organising and conducting evening classes in management methods and problems, (b) serving as advisers and consultants of management problems of all industrialists and imparting new ideas through frequent visits to plants (c) organising and conducting conferences, seminars, exhibitions, demonstrations, film shows and meeting with visiting experts, (d) encouraging formation of associations of small industrialists in sponsoring management improvement activities, (e) establishing and cultivating contacts with the pertinent educational institutions and associations related to management, (f) on any other feasible ways promoting awareness of the benefits of better management and familiarising the small industrialists with technique of better management.
State Government's Schemes

Apart from the schemes of giving positive assistance to small industry by different agencies, the State Governments have been entrusted with the task of organisation of small industry. The Central Government has been rendering financial assistance to the State Governments for the implementation of their small industry schemes from 1950-51 onwards. The quantum of assistance in the initial stage was not substantial and was mostly in the nature of grants in aid. The assistance so rendered was not in accordance with any set of financial pattern. Nor was there any ceiling placed for any state for financial assistance; loans were also placed at the disposal of State Governments on an ad hoc basis for disbursement to small industrial units under the state aid to industries Acts/Regulations. This method of ad hoc basis of assistance was adopted because apart from this assistance programme being a new experiment and mostly of unplanned nature, there was not many schemes from state governments regarding assistance.

By 1955, however, the programme had gathered momentum, and in 1955, the small scale industry scheme of the State Governments could be divided into four broad classifications: (a) departmental schemes run by the State Governments of a service nature where no profit is envisaged; (b) departmental schemes run by State Governments on a commercial basis; (c) small entrepreneurs and other types of small industrial units run by private enterprises and (d) industrial cooperation. The main types of the schemes are block loans for disbursement under state aid to industries act, service schemes, commercial schemes, industrial cooperatives, common service facility schemes, service cum commercial schemes, subsidy on power supply, training of technicians etc.

The main emphasis of the State Governments schemes is on the development of industries on cooperative basis, but it is recognised that
in many instances it would not be possible to start cooperatives and the schemes would have to be run departmentally until such time as that can be handled over to cooperatives. A number of service schemes have been launched by State Governments for providing technical assistance, Research Pilot and Demonstration Plants with financial assistance from the Centre. Such service schemes include establishments of training centres, training and service schemes, mobile demonstration units, training-cum-production centres, Central Workshops, Model Workshops for selected industries such as carpentry, blacksmithy, footwear, ceramics, wood working, cutlery, brick making, sports goods in different regions. The Directors of Regional Institutes wherever possible, are providing technical assistance to the State Governments for certain schemes, even when they do not strictly come under the purview of the Small Scale Industries Board.

The main features of the pattern of central assistance in respect of State Government schemes are that service schemes, where the element of training predominates and where profit is not envisaged in the transaction, are aided to the extent of 50 p.c. of the cost of land and buildings, 75 p.c. of the cost of machinery and equipments, 50 p.c. of the recurring expenditure for the first year as grant and 100 p.c. of the working capital as loan. As regards commercial schemes of the State Governments, the central assistance is limited to 75 p.c. of the total cost of the schemes as loan. In addition to the above, 50 p.c. of the cost of additional staff appointed in the State Directorate of Industries in connection with the implementation of the State Governments scheme is borne by the centre as grant. Special incentives in the way of financial assistance and reduced rate of interest are given for cooperatives. During 1956-57, State Governments have utilised Rs.235 lakhs of rupees for the development
of small industries out of the total amount of ₹359 lakhs sanctioned by
the Central Government by way of loans and grants. The amount utilised
in the next year 1957-58 was 531 lakhs of rupees. The failure of the
State Governments in utilising the funds allotted by the Central Govern­
ment is said to be due to the lack of trained staff.

Industrial Estates:

For the development of small industries on a decentralised
pattern, the most important scheme undertaken by the Central Government
is the setting up of Industrial Estates in different parts of the country.
On the recommendation of the International Team of Experts, Government has
decided to start a network of Industrial Estates and Colonies varying in
sizes from 15 acres to 50 or 60 acres. Small industrial units are
finding it difficult to get land and construct workshops equipped with
electricity, gas, telephone connections. Moreover a large number of units
are not in a position to invest funds in constructing their own workshops.
In order to remove these handicaps, Industrial Estates and Colonies would
be set up at such centres where there is demand from a sufficiently large
number of units and where wholesale marketing facilities are easily
available. The Government would acquire the land, develop it and would
construct road and factory buildings of different sizes according to the
requirements. Arrangements would be made for supply of electricity and
water for proper communications and for conservancy and drainage facilities.
Common services workshops would be set up by Government for items like
heat treatment, electric furnaces and the like which would reduce the
initial investment to be financed by each of the entrepreneurs and would
provide them with certain economies of scale. Provision would be made for
housing the workers. The factory buildings would be let out on rent or
given on hire purchase terms or sold out straight away if the occupant so desires. Loans for capital expenditure on machinery and equipment and also for working capital would be given on easy terms, that is upto 75 p.c. of the value of the securities offered, including assets and stock in trade created out of the loans and at a rate of 3 p.c. interest and for industrial cooperatives at 2½ p.c. The management of the Estates rests in the earlier stages with the State Governments, but it is likely that these would be handed over to autonomous corporations later on. The entire cost of the Estates would be met by the Central Government as long term loans to State Governments. In pursuance of this policy the Ministry of Commerce and Industry have sanctioned at first 10 industrial Estates, which would provide facilities to 900 small units. In the second five year plan a sum of Rs. 10 crores were allotted for building of Industrial Estates in the country which afterwards was raised to Rs. 15 crores.

Eleven new Estates were sanctioned in 1956. The various State Governments and National Small Industries Corporation were given a loan of Rs. 31 lakhs out of which Rs. 82 lakhs were spent upto September 1957. 103 Industrial Estates have been planned all over the country out of which 36 have been sanctioned during 1957. Upto January 1958, 11 Estates have been completed and occupied. 33 factories are working in the Industrial Estates at Rajkot 29 in Guidny (Madras), 33 in Industrial Estates at Kerala. 36 factories have been constructed at Cuttack and another 36 factories at Allahabad industrial Estates. The first phase of the two Estates at Naini and Okhla comprising 34 and 35 factories respectively the construction of which was entrusted to the National Small Industries Corporation, has recently been completed. All the factories in these Estates have been allotted.
The scheme for industrial estate which is so excellent in paper at least, is a new experiment in our country. Industrial Estate or Trade Estates were started in the U.K. before World War II to steer industry and pump new life into what was called depressed or distressed areas, where high unemployment ruled. The Commission appointed for these special areas were empowered to promote and finance Industrial Estate Companies. Land was developed in the vicinity of nodal points of communications, roads and open spaces laid, water, gas, electricity etc. arranged and standard factory buildings were erected for leasing to a wide variety of industries. The ready build factories attracted a number of new ventures. During the war, the British Government's policy of dispersal of industries was considerably helped by the existence of such estates. In post war Britain, the powers of the Commissioners were taken over by the Board of Trade and used more extensively to develop areas and provide employment to war returned workers including women and the war disabled. The aim was further broadened to utilise the reserves of labour wherever they existed and today over one-sixth of Britain's population lives in the Developed Areas.

The scheme of Industrial Estate has been accepted in India as a means for planned growth of small industries in decentralised pattern. This is a measure for the provision of socio-economic overheads to small units. The facilities provided in the estates would influence the development of small industries in many ways. The ability to rent a factory and to hire other estate facilities reduces the amount of capital which a business man requires before he can start a new enterprise. This by providing these facilities, the Industrial Estates would, as Allen has
has pointed out, influence the growth of firm in two ways. Firstly, such facilities may enable a firm to start or to expand when otherwise this would not have been possible. Secondly, a firm on an estate can start sooner or can expand more rapidly than would be possible, if it were required to own all its land and capital equipment. The experience of the Trading Estates in Britain lend support to the view that the special facilities provided in the estates and specially the renting facilities do contribute to the development of industry in the area concerned.

Secondly, proper development of industrial estate is expected to put an end to the ugly haphazard growth of slump in and around our towns and cities.

But the most important advantage of industrial estate would be that, properly built factory conforming to factory laws and rules in respect of accommodation lightning, ventilation, washing and bathing facilities would come into being. We have discussed in the next chapter the pitiable working conditions of small industries in our country. General improvement in the working conditions would not only ensure the health of the workers, but also help to increase their efficiency. So, while the industries housed in the estates would be directly benefited, the safeguarding of the health of the industrial workers would promote ultimately the general health and well being of the people.

But as the facilities provided in the industrial estates would accentuate the growth of new firms, there is the danger that many uneconomic units would also start here. So the percentage of failure may be greater in such estates. This has actually happened in the Trading Estates in Britain at least in the initial period.

The setting up of industrial estates or colonies entails huge cost and the small units, who would be located here, are not expected to bear the whole expenses of running such estates at least in the initial period. In the case of Industrial Estate at Okhia, it has been found out that small industries would not be able to pay what may be termed as the economic rent and so the Estates would have to be subsidised by the Government. It is necessary therefore to be careful about the selection of units to be started in the Estates. The success of the scheme of Industrial Estate would thus depend on the proper selection of industries, which show definite scope for development.

This observation is also true in connection with the activities of the different agencies set up for the assistance of small industries. It is true that small industries would always require some form of assistance, such as technical, marketing etc. But the task of such

5 For the period 1920-34, 45 p.c. of all firms which settled in the estates at Slough in Buckinghamshire were 'failures'. - (Allen - op. cit., page 278).
For the period 1920-30, in the cases of Public Joint Stock Companies, mortality rate was found to be 33 p.c. of all firms started and dying in this period. (P.J.S. Andrews - Post war Public Companies - A study in Investment and Enterprise, Economic Journal - September 1937).
The comparable figure for Slough is 73 p.c.
agencies is to encourage the evolution of that type of small industry which show definite scope for development and thus would be able to succeed in the long run without any form of direct assistance. The investigation programme launched by the Central Government is expected to perform this function of selection of small industries. The Economic Investigation Teams are engaged in two types of surveys - (i) industrial surveys, that is, studies of selected industries with a view to prepare the industry outlook reports both regional and all India and (ii) area surveys, that is studies of industrial development potentials in selected areas, towns and cities where the State Bank of India is carrying out its Pilot project for extending credit on liberalised terms to small scale units and also the other areas suggested by State Governments. It is desirable that the different agencies, in carrying out their tasks of assisting small industries should be guided by these investigation reports.

In analysing the various forms of measures taken recently by the Central Government for the assistance of small industries, one can not help to have the impression that too many agencies have been set up with the same tasks, with the obvious result of a lack of coordination between their functions. The functions of the Regional Institutes and the State Governments schemes for the development of small industries are more or less similar. It is rather surprising that large sums of money have been allotted to State Governments for the development of small industries, when the Regional Institutes with their branch offices have already been set up with the same objectives in view. More concrete results could have been achieved if the Industries department of the State Governments and
the Regional Institutes were entrusted with different aspects of the small industries problems. Industries departments are also expected to assist the cottage industries. It would have, therefore, been much better, if industries department were asked to confine their activities in the sphere of cottage industries only. Reduction in the number of agencies is all the more necessary in view of the acute shortage of trained staff in our country. We have already noted how the activities of the different agencies are being hampered because of lack of trained staff. Government has of course taken certain steps to meet this shortage of trained personnel. But we think that mere tangible results could have been expected if lesser number of agencies were entrusted with the same functions.

Existing Agencies and Medium sized units

Although it has been stated by the Ministry of Commerce and Industry, that capital assistance should also be made available for these medium sized units which fall outside the scope of the definition of small industry, but the development of which is considered essential by the State Governments, no such case has so far actually been taken into consideration, nor there is any indication of the Government being seriously alive to the problems of the medium sized units. The distinction between the mechanised small units and the smaller section of the medium group is very narrow. This section is as much in need of technical guidance and research facilities as that of the smaller sized units. In fact the medium sized industries, such as soap, electric lamp, electric fan, oil pressure lamp, balting, hosiery etc. are already in a very embarrassing
position. Medium industry is now squeezed between the more efficient large scale industries on the one hand and Government pampered handicrafts and a selected group of small industries on the other. In order to bring this group within the scope of central assistance, the definition of the small industry must be widened. But if it is the intention of the Government to limit the activities of the present agencies within the small industries sector, then steps would have to be taken to assist the medium sized units not only with managerial guidance in the strict sense of the term, but with technical guidance as well as with research facilities.