CHAPTER V
Concentration of industrial activities around metropolises and already congested industrial centres is a normal feature of the private sector oriented economy. It enables everyone to get the competitive benefits of utilities and infrastructure readily available. Many social and cultural problems in and around the metropolitan cities come into existence due to such congestion. Various economic problems like housing and environmental pollution also emerged in due course of time. On the other hand various backward and underdeveloped areas suffer from a lot of drawbacks and lack of utilities. Some of these areas have various sorts of natural resources and potential for economic development, but are either not at all tried or not tried properly. The national economy thus remains deprived of its benefits. In such case the attention has to be paid to the industrialization of backward areas either for the sake of policy decisions or for making good the superhensive shortage of raw materials from hither to untapped area, or to stop the over congestion in the existing industrial centre.

The general case for the state intervention in the field of industrial location is based on the extent to which the private industrialists fail to consider the full costs involved in their
locational decisions. On the one hand although expansion in area congested by industrial concentration is attraction to the entrepreneur because the private costs are low, it involves social costs to the exchanger in the form of the provision of extra social capital and social disadvantages of over crowding. On the other hand the neglect of other area by entrepreneur, because of the high private cost, also involves social cost in the form of wasted social capital, wasted resources and the hardship and loss of local pride entailed. Many of these costs are, however, intangible, difficult to measure and impossible to allocate between individual firms. It is thus hardly practical for the state to intervene into the locational decisions of each private firm by making some assessment of the total private and social cost involved. It seems more reasonable for the govt. to leave the decision to the entrepreneurs to discourage the development in congested areas and encourage moments to other areas by offering various inducements at its disposal.

In the industrialization of backward regions the state has to play an important role. This is because of the need for rapid industrial growth which is faced with various kinds of obstacles in its way. It is more so because of the shyness of the local capitalists towards schemes of industrialization, desirability of balanced economic growth which the state alone can ensure by avoiding lopsided development. These are some significant physical, institutional and other barriers to the rapid
industrialization of the backward areas which can be removed only by the state govt.

The major taken by the govt. in respect of discouraging the concentration of industrial activities in and around already congested metropolitan cities and industrial centres and on the other hand encouraging this diffusion towards relatively backward areas have been two fold (1) preventive and (2) positive.

In the industrial policy statement issued in April, 1945, the govt. of India proposed to take measures to licence the industrial undertakings. The effect of unregulated freedom to promote industrial enterprises was the concentration of industries in certain areas. In some case, there were good grounds for concentration in this country which though suitable for industrial development could not be developed because industry had tended to flow, only in particular channels. However, the report of the committee appointed in 1945 became ineffective because of the partition of the country.

After independence, the Govt. proposed under the industrial policy statement to investigate how far industries which were highly centralized could be decentralized with advantages. To implement this proposal the industries (development and regulation) Act has been passed in 1951. The preventive aspect of the Act was covered by the provision with regard to the licensing of industrial undertakings. The licence to be issued might contain condition as regards the location of the unit since then this provision has not been defined in a self-explained manner.
although all the Five Year Plans has stressed the need for the balance regional growth by diffusion and decentralization of industrial growth towards the backward region. According to the industrial policy of the Janta Govt. as declared in December, 1977, no industrial licence is to be issued within limit of large metropolies having a population of more than one million and urban areas with a population of 5 lacs as per 1971 census. Denying the support of institutional financing for new industries in those areas and provision of special incentives to large existing industries willing to shift to relatively backward areas are man preventive as well as positive measures.

So far as to positive role of the state in a newly industrialising region is concerned, the state can be of immense help by removing the hinderances to rapid industrialization. In this direction it can do a lot by influencing behavioural, attitudinal and institutional changes by promoting skill formation and capital formation by making people aware of the developmental potentialities and advantages, by creating general conditions for development by resting the methods which explore, appraise and stimulate private investment and finally by making basic public investments.

It is in the interest of the rapid industrialization in a newly developed economy that the behavioural attitudinal and institutional barriers are pulled down. Therefore, by the help of publicity persuasion and legislation force the state should see
that traditional way of thinking should give way to the new modes. It should see the new order, that is new beliefs, habits, behaviours, attitudes and institutions become firmly rooted and new equilibrium is reached which is superior to the old static social equilibrium. People should be persuaded rather than made to bear burden of temporary but painful transitional phases. Attempts to make such changes are not made with reference to any particular region only. These attempts for changing for social institutions are made on the national level and take a long time to give fruits. However, some special and more pains taking efforts have to be made with reference to backward regions otherwise the fruits of such changes, already adopted by other developed regions may not be achieved.

Zamidari abolition ceiling of land, persuasion of unemployed agricultural labour towards factory areas, cultivation of habits, to make savings, inspiring commercial attitudes and use of non-traditional techniques are a few measure that shall influence the transition from the old static to new dynamic order. This may be initiated by the state only in the larger interests.

With regard to the promotion of skill formation, the state can adopt ways more than one. It can see that both public and private sector, investment in human beings is not sacrificed at the alter of investment in field and factories. The state can promote the growth of knowledge by encouraging the growth oriented educational institutions, including Science and Engineering schools and colleges e.g. helping the promotion of such institutions like
clerks, technicians, mechanics, engineers, electricians, chemists, managers, administration and so forth, making provision of banking and credit institutions network, the state can help in promoting the savings potentials otherwise wasted on traditional luxuries because of the lack of knowledge as to how to utilize them in better ways etc. The accumulated savings can be channelised in profitable investment of the private and/or of the public sector in the area.

In industrially backward or underdeveloped areas common facilities like developed transport, electric power, water supply, communication, education, health, police for protection, technical colleges and institutions, technical information and technical aid, financial facilities, a tradition of industrial skill and other external economies which are available in developed areas even to new entrants or conspicuous by their acute scarcity.

The state is required to create general condition for the development of industrially backward areas. For this, govt. has to make some basic investments in the public sector by bearing social and economic overheads like transport, communication, power public health, education and some other complementary services. Transport and power are needed in almost all modern industries. The history of industrial development of many countries bears witness to the fact that these essential services have been rendered by the public sector whatever may be the degree of these services.
State has to resort to methods which explore, appraise and stimulate private investment. It should search for technically feasible and economically sound industrial projects will be useless if their results are not communicated to all concerned. Authentically correct information in markets, on official measures, on techniques, on knowledge, on financial facilities and so on are of prime importance to an invester in the private sector of the area.

Some other methods of stimulating private investment in the backward areas are tax concession, subsidies, protection to a small industries, protection against large business houses, preservation of markets and marking certain items to be produced only in identified backward areas. It may give some promising results in diverting the entrepreneurs to these backward areas.

Subsidies are possibly the better course to follow. Subsidies excel protection in as much as they are a more open techniques. They can be annually discussed and so can not be unnecessarily continued and they do not distort the price structure specially when they are granted in lump-sum. Subsidy of a certain percentage towards the building cost or the labour cost or the land cost or the plant cost may be suitable for the purposes.

Various tax provisions or concession in taxes or some sort of licensing in tax collection either by the way of exceeding the period or by the way of providing necessary credit facilities to meet out the burden for certain period unless the unit attains the maturity will also help in boosting the industrial climate and
will be an additional incentives for new entrepreneurs or the established once to come to the backward areas.

Provison of credit facilities by the govt. and govt. sponsored public institutions plays a very vital role in filling up the credit gap in backward areas. These facilities induce the prospective entrepreneurs to invest their capital on a very marginal scale as the rest is available from these sources in one or the other forms. This brings the risk involvement to a minimum. Govt. participation in investment is also becoming day by day popular under mix economy system. These are various objectives which necessiated the direct state investment in various industrial projects of these, the objectives of reducing regional imbalances particularly in industrial sector primary one. These investments of the region, by providing employment and thus raising income levels by attracting persons of infrastructural and social overhead and by developing ancillary units for promoting the supply of raw materials or some parts of the main products or utilizing the waste items, as the case may be. Above has been given a bird's eye view as to how state can play vital role in shaping, initiating and promoting the industrialization of a backward area. How an attempt shall be made to show how for the state has successfully perform or is performing or has certains plans to discharge its obligation with reference to the backward areas of the Allahabad division.

The role of the state in as much as identifying the backwardness of the regions, the efforts to locate extract, prove
and explore the availability of various natural resources from agricultural, forest, mineral, livestock, fisheries and horticultural sectors for industrial use, identifying potential industries in various sectors in the division and lastly the provisions of economic and social heads which provide infrastructural provision, have already been discussed.

How we shall proceed to analyse the role of the state in providing other facilities for rapid industrialization of the division. These remaining provisions may be analysed in two parts. In the first part the investment made by the state in this division through some very important public sector units will be discussed, in brief. The other parts shall deal with the various institutional measures, taken up by financial and developmental agencies operating in the public sector for promoting industrialization, particularly in this backward division.

Some important public sector undertakings in the division:

I.E.L.:

Units of I.E.L. are located in Kanpur Nagar and Phulpur at Allahabad. The foundation stone of the unit located at Kanpur, was laid down in 1961 by Pt. Nehru. The construction was completed within record time. These units went in production in early 1966-67. These units have been installed with and later on using the most up to date indigenous technology, developed mainly within other units of such industry. In order to have maximum efficiency, economy and productivity and the best of the quality. These units have total capital investment of about Rs. 60 crores.
The plants affects a foreign exchange savings of about Rs. 45 crores per annum. Total production of these factories is about 675000 tonnes urea. These units are supplying 10% of the total demand of urea of the country.

There are also some units of Ordnance factories established in Allahabad division especially in Kanpur Nagar. One unit of HAL (Hindustan Aeronotics Limited) is already working in Allahabad division at Kanpur Nagar district.

**Provision of necessary fiscal and other incentives for rapid industrialization of Allahabad division:**

A number of fiscal and other kinds of concessions and incentives have been declared by the states for attracting entrepreneurs to this backward division. As far as the sources to these provisions are concerned, some of these have been provided by the central govt. and some by the state govt. Some of these incentives and facilities are of general nature and are being provided to all units concerned throughout the country or the state, the case may be, whereas, some of these are being provided to the backward districts only. Few incentives like capital subsidy scheme are applicable to very few selected districts only. Central govt. will provide 25% subsidy (maximum Rs. 25 lacs) to those industrial units which will be established in zero industry district like Kanpur Dehat and Fatehpur. State govt. will also provide interest free loan to these units. State govt.
will also consider 10% development rebate for 3 years. Sales tax rebate will also be available for 7 years on finished products.

All the districts of the division excluding one (Kanpur Nagar) have an advantage of applicability of all the concession supplied to backward district only. In addition to these, the district Kanpur Dehat and Fatehpur are also entitled to avail special facilities of the capital subsidy scheme. There are few incentives provided for the large and the medium scale units in private sectors. However, these are entitled for some concession, if established in an underdeveloped area like this. A large number of concessions, facilities and incentives are applicable treatment is also given to small scale units. Some special kind of favourable treatment is also given to village and cottage industries and also to the Handloom and Handicrafts sectors by various agencies of the state govt. in the backward area. The rural industries project (RIP) and rural artisan programme (RAP) of the central govt. which covered the district of Kanpur Dehat, also gave an importance to the industrialization efforts in the division. A total number of 85 projects were initiated under this programme covering typical industries of carpentry, goldsmithy and potteries etc. Very few of these incentives and facilities are provided by the govt. through its departments only. A good number of specialized financial and other developmental agencies have been set up on the national and the state level to implement all these schemes. These agencies operating in the public sector, are organised in the form of autonomous corporation. These
organisations are most autonomous bodies and have their own rules and regulations and the authority to take necessary decisions. These institutions have their own procedure through which they scrutinize and provide various facilities to identified units. Although neither space permits here, nor is the need to go in details of these procedures, a brief introduction of all these agencies before the detail discussions of facilities being provided by them will be worthwhile.

Central Government and National Financial Institutions:

(a) Kanpur Dehat district of this division is eligible for central outright subsidy, liberalized import of machines and raw material and priority in supply of machinery on hire purchase (Operated through the National Small Industries Corporation),

(b) simultaneously, the national financial institutions viz. The Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI) and Industrial credit and Investment Corporation of India (ICICI) offer finance at concessional terms to industrial units, industrialists identified as backward by the planning commission. District Kanpur Dehat and Fatehpur eligible for these concessions.

(c) all the Nationalized Banks particularly State Bank of India, Bank of Baroda, (Lead Bank for Kanpur Dehat) Punjab National Bank, Bank of India, Union Bank of
Table - W: Raw Material Facilitated units in Allhabad Division.

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<tr>
<th></th>
<th>Allbd.</th>
<th>Fatehpur</th>
<th>K.Nagar</th>
<th>K.Dehat</th>
<th>Farr.</th>
<th>Etawah</th>
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<tbody>
<tr>
<td>1980-81</td>
<td>10</td>
<td>-</td>
<td>12</td>
<td>-</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>81-82</td>
<td>8</td>
<td>2</td>
<td>8</td>
<td>-</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>82-83</td>
<td>12</td>
<td>5</td>
<td>14</td>
<td>-</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>83-84</td>
<td>10</td>
<td>4</td>
<td>10</td>
<td>-</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>84-85</td>
<td>8</td>
<td>6</td>
<td>13</td>
<td>13</td>
<td>8</td>
<td>8</td>
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<tr>
<td>85-86</td>
<td>11</td>
<td>6</td>
<td>10</td>
<td>10</td>
<td>11</td>
<td>7</td>
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<td>86-87</td>
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<td>8</td>
<td>10</td>
<td>8</td>
<td>8</td>
<td>7</td>
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<tr>
<td>87-88</td>
<td>10</td>
<td>9</td>
<td>12</td>
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<td>9</td>
<td>8</td>
</tr>
<tr>
<td>88-89</td>
<td>12</td>
<td>10</td>
<td>11</td>
<td>10</td>
<td>8</td>
<td>8</td>
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<tr>
<td>89-90</td>
<td>12</td>
<td>11</td>
<td>14</td>
<td>11</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>90-91</td>
<td>14</td>
<td>13</td>
<td>16</td>
<td>112</td>
<td>10</td>
<td>9</td>
</tr>
</tbody>
</table>

India, are also operating in the division with many other banks and through the wide network of their branches they are providing various credit facilities for speedy industrialization of the division. Now industrial development Bank of India has opened its branch office at Lucknow for these purposes and provide financial assistance to Small Scale Units.

(d) The National Small Industries Corporation (NSIC) New Delhi provide both indigenous and imported machinery on hire purchase basis to small scale units, assists small entrepreneurs to participate in the store-purchase programme of the central govt. and also procures and distributes scarce raw materials and components. It has a regional office in U.P. located at Kanpur Nagar.

(e) Till recently, before the implementation of the district industries centre (DIC) scheme, the rural industries project programme (RIP) was under operation in district of Kanpur Dehat. The scheme was directly governed by the central govt. and had all the technical and supervisory staff. The programme had remarkable achievements to its credit.

(f) The small industries service institute (SISI) an agency of the govt. of India, Ministry of Industry has been set up at Kanpur nagar which its branches at Allahabad. The main functions of the organisation are to provide technical, economic and managerial consultancy services
to the respective and existing entrepreneurs for setting up, expanding and modernising these units. For executing these functions effectively, the institute maintained lesion with all other govt. departments and developmental agencies at all levels.

The SISI has also been quite active in the division. To identify scope for development of small scale industries based on local resources and demand potentials in this divisions, the SISI conducted industrial potentialities survey of Kanpur Dehat and Fatehpur district with a view for accelerating the pace of industrial developments in the division, to create an awareness among entrepreneurs and to render package assistance to the entrepreneurs at their door steps, SISI launched an incentive industrial development campaign in all the district of the division.

The SISI recently conducted feasibility studies for setting up industrial estates at Chaubepur and Rania in Kanpur Dehat district.

State Government, State Financial and Development Institutions:

Under the Indian Institution, small scale industry is a state subject and as such the primary responsibility of all the executive activities in regard to the development of small sector and implementation of the programme of assistance rests upon the state govt. The govt. of U.P. carries out these functions through the Directorate of Industries located at Kanpur Nagar.
The Directorate of Industries covers all the districts of the state through Mechanical Managers of industrial estates, Regional Joint Director of Industries and General Manager of District Industries Centre. The state has been divided into 11 zones for the purpose. Besides, regulation of the small scale industries, regulation of development of industries in the state and granting of essentiality of certificate for import of raw material and components through its administrative network of the Directorate of Industries, the state govt. provides various types of assistance through the development agencies.

(a) **U.P. Small Industries Corporation Ltd. (UPSIC) Kanpur:**

UPSIC is a state undertaking. It provides only indigenous machines on hire purchase basis, distributes the scarce raw material allotted by the Directorate of Industries, provides technical guidance to entrepreneurs and information on ancillary items on sub-contracting from large sector to small entrepreneurs. It also registers small scale units for govt. purchase programme. The corporation has established a number of units in the joint sectors in the backward areas. The corporation has also set up various functional states and industrial complexes at different places of the division. The corporation also provides package assistance for establishment of ancillary complex. An iron and steel depot has also been opened in Kanpur Nagar by corporation.

(b) **U.P. State Industrial Development Corporation Ltd. (UPSIDC), Kanpur:**

This corporation is also a govt. undertakings, it
develops land in industrially potential areas and provides developed sites of the sheds to entrepreneurs on easy terms, infrastructural facilities to the entrepreneurs by developing industrial areas and also provides financial assistance in the form of underwriting of share capital. It has also started establishing joint sector industrial projects and industrial complexes in backward areas to give incentives to new entrepreneurs. UPSIDC has acquired so many acres of land in underdeveloped districts in the division for the purposes.

(c) The Pradeshiya industrial and investment corporation of U.P. (PICUP), Lucknow:

The PICUP grants medium term loans to new industries and works as an agent to the national finance institutional like IDBI, IFCI, and ICICI. As an agent to the State govt. the PICUP administers a credit guarantee scheme and conversional of sales tax into loan schemes. It also helps entrepreneurs to get technical advise on octroi duty, electrical susbsidies and central subsidies etc.

(d) U.P. Industrial consultants Ltd. (UPICO), Kanpur:

It is also a public sector organisation which has been set up in collaboration with the industrial development bank of India (IDBI) for providing the technical and management consultancy to industries being set up in the states. The corporation extends assistance to entrepreneurs in preparation of feasibility reports,
<table>
<thead>
<tr>
<th>District</th>
<th>Amount (Rs. in lacs)</th>
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<tbody>
<tr>
<td>Etawah</td>
<td>286.19</td>
</tr>
<tr>
<td>Farrukhabad</td>
<td>158.40</td>
</tr>
<tr>
<td>Fatehpur</td>
<td>222.66</td>
</tr>
<tr>
<td>Kanpur (Nagar and Dehat)</td>
<td>952.84</td>
</tr>
<tr>
<td>Allahabad</td>
<td>519.49</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2139.58</strong></td>
</tr>
</tbody>
</table>

Source: Annual Report of Uttar Pradesh Financial Corporation 1984-85
project reports and market survey etc. UPICO is also operating various developmental schemes of IDBI and IFCI benefitting small scale entrepreneurs, particularly for scheduled caste, women and technicians entrepreneurs on the behalf of industries department of U.P. govt. It is conducting a number of entrepreneurship development for 1½ months duration each.

(e) **U.P. Financial corporation: (UPFC), Kanpur:**

The UPFC, a state govt. undertakings provides loan of Rs. 5 thousand to Rs. 50 lacs for acquisition of block assets in establishing new units and/or renovation expansion or modernization of existing units. The corporation also acts as an agent for certain govt. schemes like provision of margin money, capital subsidy, assistance in selected backward areas, interest subsidy scheme, subsidy for generating sets etc. A number of functional industrial complexes are being set up by the state govt. in the state, sponsored by various corporations including UPFC. The corporation has its zonal office in Kanpur Nagar. The position of loan sanctioned by UPFC can be seen in Table-A/7.

(f) **Other corporations:**

The U.P. Export corporation Ltd provides assistance to units manufacturing items for export. The corporation also provides feedback to the entrepreneurs on the acceptability of the produced and demand in the international market.

The U.P. Electronics Corporation Ltd., Lucknow, a subsidiary to PICUP, functions for promotion and development for
electronic industries in the state. It has set up a number of projects in asserted joint sector units. The U.P. Leather Development Corporation has been set up in State to help and guide the units producing leather and leather products. It has opened three tanneries in the central zone of the state. The facilities provided by the corporation aims to encourage the leather artisans thereby leather based industries. The U.P. scheduled caste/tribes finance and development corporation ltd. Lucknow, provides loan and grant to entrepreneurs belonging to scheduled castes/tribes for operating and expanding their own industrial units, trade and business.

(g) **U.P. Khadi and Gramodyog Board, Lucknow:**

The Board was established in 1960 and it used to implement its projects through the Directorate of Industries. In 1966 the Board was made a statutory and autonomous body under the State Act No. 24 of 1966. Since, then the Board has overall responsibility for promoting and developing the Khadi and other Village industries in the state. It provides all sorts of financial technical and organisational assistance for the purpose through its district level administrative set up. The Board is taking up the note for the interest in the development of rural industries in this region also.

(h) **Other Schemes:**

Under new industrial policy of the government of India, the District Industrial Centres and Growth Centres Schemes have
been taken up in all districts of the division. The primary objective of the DIC Scheme is to provide all kinds of facilities, assistances and incentives to industrialists at one place on the district Head Quarters only. Now, the entrepreneur has not to wander like an orphan from office to office to obtain various clearances for the requirements of finance, raw material and power etc.

Under other scheme, one Growth centre in each district of the state has been selected in 1977-78 for promoting 10-15 small/cottage industrial units in a year. For successful implementation of the scheme a multi-disciplinary team for each growth centre was organised to identify various prospective industries and entrepreneurs who is to be guided and provided with necessary assistance.

The following additional facilities are provided by the Govt. to units being established in Growth Centres:

1. Margin money loan at a interest @ 5\%.
2. Interest subsidy upto 4\% on loan.
3. 100\% subsidy upto Rs. 2000 for technical consultation.
4. Rebate upto 2 paise per unit on electricity upto a period of five years.
5. Sanction of applications upto 25 H.P. at the district level only.

11125 units were established in these centres in the division by the end of 1986. These units belong to radio repairing, ready-made garments, bakery, cement making, oil
steel furniture, wooden furniture, engineering & welding, agricultural implements, pen refills, auto repairing, embroidery, grain and pulse processing etc.

**Various Assistance and facilities:**

After the above brief description of various developmental agencies and schemes, under operation in the state and the division we shall not proceed to the detailed analysis of various kinds of assistance, facilities and concession which are being provided by these agencies and govt. to the industrial units in different sectors, in general and in particular to backward areas, like areas of Allahabad division.

**Land and Building:**

Facilities and incentives concerning infrastructure particularly land and building facilities have already been discussed earlier. It is clear from these discussion that every efforts is being made to provide developed industrial sites having all other infrastructural facilities in and around those sites, at all important centres of the division. Sheds and plots at all the industrial estates are made available to entrepreneurs on rent/hire purchase or sales basis. In the hire purchase system the entrepreneurs are supposed to deposit 10% of the total value of the land and building at the time of allotment and the rest has to be paid in 15 annual instalments alongwith 5.5% interest on the sum due. The first instalment becomes due after two years of taking over the pland and building.
Financial Assistance:

There is a large bunch of general financial incentives and credit facilities being provided by various national and state financial and developmental agencies. In these additions to these some more facilities and concessions are provided for this division.

(A) By the Central Institutions:

All the districts of the division are eligible for concessional finance from the National Finance Institutions e.g. IDBI, IFCI, and ICICI. Briefly the concessional terms on which these loans are provided by these institutions include:

1. Lower rate of interest at 7% per annum against the normal rate of 8.5%.
2. Initial grace period for commencement of repayment of loan instalments is extended from the normal 2 to 3 years.
3. Repayment of loan is spread over 15 to 20 years as against the normally stipulated period of 10 to 12 years.
4. 50% reduction on normal service charges.

In the case of IFCI and ICICI, the margin of security is reduced to 30-35% from the present 50%. Depending on the merits of the case, the IDBI (i) subscribed relatively heavily to the risk capital of the projects in backward areas. (ii) bears the cost of consultancy services initially, which may be
reimbursed later on when the project reaches the profitability stage, (iii) adopt a flexible attitude in respect of promoter's contribution, margin requirement etc. and (iv) agrees to suitable postponement of payment of interest in the beginning years.

The concession offered by these financial institutions are by and large, confined to their rupee operation and for projects with total assistance from IFCI is available only to public limited companies incorporated in India or to register co-operative societies with a minimum loan of 20 lacs, whereas, the concessional finance from ICICI is available to companies including private limited and companies implementing projects in selective backward areas. The concession announced by the IDBI have wider scope then those of IFCI and ICICI mainly in view of the facts that the operation of IDBI involves considerable refinancing facilities extended to medium and small scale industries through the State Finance Corporation and Commercial Banks.

(B) By the State Institutions:

(i) Term Loan:

The UPFC provides loan finance upto 1.5 lacs to private limited companies and upto Rs. 50 lacs to public limited companies for acquisition of block assets, for establishing new industrial units or for expansion and modernization of the existing plant and machinery under corporation loan scheme. The agency loan scheme is also operated by the corporation as an agent of the State Govt. for giving loans on liberal terms upto Rs. 1 lac.
to small scale industries. The period of loan varies from 7 to 12 years extendable upto 15 years in backward areas. A moratorium of 1-2 years extendable upto 5 years in the case of backward district, for payment of loan instalments, is generally allowed. The loan margin varies from .5% to 1.5% and the rate of interest from 7 to 9%.

PICUP also grants industrial loan to new industrial units for acquisition of assets or for expansion of the existing units in cases which are not covered by the UPFC. The effective rate of interest at present in case of PICUP industrial loan is 8%, repayable upto 9 years, with a moratorium upto 3 years in suitable cases.

(ii) Credit Guarantee Scheme:

PICUP is an agent of the state govt., operates a scheme for guarantee loan upto Rs. 7 lacs to medium scale industries by approved banks and financial institutions. The guarantee covers industrial loan to units with a capital investment of Rs. 50 lacs ordinarily and Rs. 1 crore in backward district. A guarantee commission of 0.5% per annum in the backward district is charged. It is half the rate charged from units located in non-backward districts.

(iii) Undertaking of Shares:

PICUP also takes up undertaking of issued share
capital, to the extent of 20% in the case of public limited companies either for the expansion or for establishment of new ventures in the state on a commission of 1.25% which is half the rate charged in the case of units located in non-backward district.

(iv) **Interest free Loan for payment of Sales Tax:**

PICUP operates this scheme on behalf of the state govt. for new and expanding units registered or liable to be registered under Factories Act and commencing production after January 1st, 1972. Long term interest free loan equivalent to sales tax paid by a new unit on the scale of goods made during a period of 3 years (5 years for backward areas) from the date starting production are granted. The loan is repayable in three equal annual instalments after 10 years (12 years in backward areas) from the date of first disbursement. The maximum amount of loan admissible under the scheme is restricted to 50% of the gross value of the fixed assets of a unit located in backward district. The overall ceiling on the loan is Rs. 40 lacs in ordinary districts and Rs. 50 lacs in backward districts. The technical entrepreneurs are supposed to repay loan in 6 equal instalments along with other concession provided to backward areas.

(v) **IDBI's, Seed Capital Scheme:**

PICUP is operating this scheme as an agent of IDBI where by assistance is provided towards promoter's contribution upto an extent of 50% of cost of the project or Rs. 10 lacs
whichever is less. This assistance is available in the form of contribution towards equity shares in the case of public limited companies and in the form of contribution towards preference shares in the case of private limited companies. This assistance is available to only professionally qualified entrepreneurs who are setting up an industrial unit for the first time.

(vi) **Project Assistance:**

The UPSIC renders financial assistance for the preparation of project report. The entrepreneurs are required to pay 10% of the amount as the first instalment and the balance in half yearly instalments with an interest of 12% per annum.

(vii) **Margin Money Loan Scheme:**

For reducing the educated unemployment, the state govt. started this scheme to attract unemployed but educated persons to establish their own units in small/cottage sector. Under this scheme, the department of industry, through UPFC provides a loan for margin money to the extent to 10% of the total project cost. The scheme of equity participation UPSIDC provides financial assistance to medium scale technical entrepreneur only by way of contribution in promoter's equity upto a maximum of 30% of the promoter's share. To obtain this facility, the project should be located in any of the backward district excluding in Ghaziabad and Kanpur Nagar.

(C) **By the State Bank of India and other Nationalized Banks:**

The State Bank of India and its subsidiaries provide loan to small scale entrepreneur for working capital purposes
against the place for raw material, finished and semi-finished goods either on "Lock and Key or Factory type" basis. Under another scheme loans are also provided for modernization, expansion and reorganisation of the unit. Industrial co-operatives are also advanced loans by the banks. Technical entrepreneurs and craftsmen are also extended the loan upto Rs. 2 lacs for setting up project concessional rate of interest. SBI also grants cash credit facility against the pledge of machinery installed by the small entrepreneurs. Other nationalized banks have also started the same type of scheme in different sectors.

The SBI grants loan to technical entrepreneurs generally at a concession ranging from \( \frac{1}{2} \) to \( 1\frac{1}{2} \) per cent and a concession of about 3\% for loans upto Rs. 25000 in backward areas. Allahabad Bank grants an outright concession of 1\% for all amounts of loan to technical entrepreneurs. The Punjab National Bank grants concession of 1\% on loan not exceeding Rs. 5 lacs to technical entrepreneurs. The Bank of India provides 0.5\% concession on all loan both to technical entrepreneurs and/or entrepreneurs in backward areas. The Bank of Baroda offers 4\% concession on interest rate to technical entrepreneurs in backward areas for which IDBI refinance the loan and 3\%\% concession in non-backward areas.

A scheme of differential of rate of interest (DRI) for weaker sections of community to start business/industry/farming is operative in all backward district of U.P. through the nationalized banks.
Only 4% of interest per annum is charged against loan upto Rs. 1500 as working capital and upto Rs. 5000 as fixed capital.

Subsidies provided by the Govt. to the Backward areas of this division:

(A) Capital Subsidy:

Central govt. will provide 25% subsidy (maximum Rs. 25 lacs) to industrial units established in backward areas. The district of Kanpur Dehat of Allahabad division is covered by this scheme of the central govt. in building, plant and machinery, subject to a ceiling of Rs.15 lacs to new small scale units or existing units desirous to carry out substantial expansion, is available. The PICUP acts as an agent for units financial by it with any amount of investment and for other units involving an investment of Rs. 50 lacs or more. The UPFC takes care of this scheme for other than above units.

(B) Interest Subsidy:

The separate schemes are under operation in this respect. One of these is operated by the central govt. and kis meet for Engineer entrepreneurs i.e. graduate or diploma holder of any recognized institution. Under this scheme, the difference between the rate of 7% per annum and the normal rate of interest is charged on the loans advanced by financial institutions will be quantum of subsidy provided it should not exceed Rs.
20000 per annum. This subsidy shall be available for five years for the backward areas and three years in other areas from the date of first instalment of interest become due. Another scheme being operated by the State Govt. of U.P. is applicable to all SSI units in all areas of the states. Under this scheme interest subsidy upto 4% is given by the state govt. on loan upto to 50000/- for acquisition of assets to a maximum of 4%, over 6% of the interest being charged by the loan advancing institutions. The maturity period of these loans should be between 3 to 12 years.

(C) **Power Subsidy:**

Certain small scale units in different industries, almost all of which have been identified for the division, having a power load not exceeding 20 KWH are given a power subsidy upto a maximum of 9 paise which they have to bear themselves. The electricity supply undertaking will be eligible for subsidy only to the extent of net amount, claiming the rest from the industrial department locally.

(D) **Consultancy Subsidy:**

When the services of private consultants are required by small industries in backward areas of the state, the entire amount of fee charged for above services will be paid by SISI Kanpur. It is restricted upto Rs. 1000 a month. Only 25% of the consultancy is paid by the SISI for the units located in non-backward areas. The state govt. is also paying consultancy subsidy upto 50% in backward areas and 25% in non-backward areas.
Tax Concession:

(A) Income Tax Rebate:

Industries located in backward areas of the state are eligible for income tax rebate in the shape of a deduction of 20% from profits and gains for the purpose of computing the total income from the first assessment year after the year of commencement of the production. This incentive is offered by the central govt. which also provides exemption from excise duty to specific item of production.

(B) Sales Tax Exemption of Raw Material:

Raw material used in the manufacture of certain specified items are exempted from payment of sales tax in respect of new units for a period of 7 years, if the unit is located in the backward district (3 years in case of other districts) from the date of commencement of production. For certain type of other industrial units concessional sales tax rates are levied on the purchase of materials required for manufacture or packing of goods manufactured by them.

(C) Exemption of Octroi Duty:

All new industrial units are exempted from payment of Octroi duty, toll or terminal tax which is levied on plant and machinery and building material, for a period of 5 years from the date of grant of letter of intent or licence or sales tax registration. This incentive is also available to existing units.
carrying out substantial expansion. Certificate for the exemption is given by PICUP, UPFC and UPSIDC in respect of units which have been financially assisted by these corporations and by the Industries department for other units. Now, this duty has been lifted by U.P. govt. w.e.f. 1 Aug., 1990.

Power Concession:

(A) Electricity Tariff:

Large (with contracted demand above 75 KW) and heavy (with contracted demand above 200KW) power consumers are entitled for a rebate of 5% on the net amount calculated at the rate of charge provided the supply is obtained at a voltage above 11 KW. For supply at voltage exceeding 66KW, the admissible rebate is 7.5%. In addition industries falling in this category are also entitled to a development rebate of 15% on the amount of the bill pertaining to the demand and energy charges for a period of 3 years from the date of taking the supply and upto 5 years in backward district. The medium power industries (20KW-70KW) are allowed a rebate of 7% were the power supply is given at high tension.

(B) Exemption from Electricity Duty:

An industrial unit which installs a generating for use of electricity by itself, after Jan.2, 1973, will not have to pay electricity duty on such self generated electricity in future. Further, industrial units located in any backward district in the state and with a capital investment not exceeding Rs. 25 lacs
are exempt from payment of electricity duty for a period of 5 years. In other districts the concession is allowed for a period of 3 years.

**Machinery and Equipments:**

The NSIC and the UPSIC provide facilities to register small scale units for obtaining machinery and equipments on hire purchase. The former cater to demand of both indigenous and imported equipments and the later of the indigenous goods only.

The UPSIC requires entrepreneurs to deposit earnest money @ 10% of the value of the machinery in cash (technical entrepreneurs are required to pay only 5%). The rest of the cost is payable in half yearly instalments, the rate of interest being 10% with a rebate of 2% for timely payments. The maximum allowed for repayment is 7 years. The corporation charges 5% service charges (there is no fee for technical entrepreneurs). The equipment has to be mortgage to the corporation till the amount of hire purchase is fully repaid.

The NSIC provides the facility for purchase of machinery and equipment up to a value of Rs. 10 lacs on the same pattern. Preference is given for the application pertaining to capital subsidy district. Units having export potentials or producing the import of substitute requires material for modernization purposes are also given preference.

**Raw Material:**

**(A) Allotment:**

The supply of the raw material in categories of iron
**Table - A/9**: Raw Material Facilitated units in Allahabad Division.

<table>
<thead>
<tr>
<th>Year</th>
<th>Allah</th>
<th>Fatehpur</th>
<th>K.Nagar</th>
<th>K.Dehat</th>
<th>Farru. Etawah</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>10</td>
<td>-</td>
<td>12</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>81-82</td>
<td>8</td>
<td>2</td>
<td>8</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>82-83</td>
<td>12</td>
<td>5</td>
<td>14</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>83-84</td>
<td>10</td>
<td>4</td>
<td>10</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>84-85</td>
<td>8</td>
<td>6</td>
<td>13</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>85-86</td>
<td>11</td>
<td>6</td>
<td>10</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>86-87</td>
<td>8</td>
<td>8</td>
<td>10</td>
<td>8</td>
<td>8</td>
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<tr>
<td>87-88</td>
<td>10</td>
<td>9</td>
<td>13</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>88-89</td>
<td>14</td>
<td>11</td>
<td>16</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>89-90</td>
<td>16</td>
<td>12</td>
<td>19</td>
<td>14</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: Report of DIC.
and steel, non-ferrous metals, chemicals and other items for smaller requirements are allotted by the Directorate of Industries (Raw Material Section) through its local and zonal offices, raw material will required for construction of the factory building is also allotted on the priority basis.

(B) **Depots:**

The UPSIC has opened its depot at different places for different raw material concerning small industries in and around the area of the depots. These materials are supplied on the permits issued by the Zonal Industries Officers, concerned.

(C) **Imports:**

On the basis of essentiality the import licences to the actual users by the Dy. Chief Controller of Exports & Imports, Kanpur, the UPSIC extends assistance to the licence holder on giving an authority letter in favour of the corporation and initially depositing 5% of the CIF value of material. UPSIC extends financial assistance for financing the import of the material and grants facility for lifting the imported material in instalments to the actual users, arranges insurance and shipment of the material, helps obtaining quotations from exporters dealing in these raw material and places orders at competitive rates and in bulk and completes all other formalities.

(D) The NSIC also grants advances to the industrial units registered with corporation for execution of govt. contracts and purchases of raw material. The corporation also undertakes the
functions of providing facilities for returning the railway receipt in respect of despatches of finished goods and raw materials to the units on the security of plant and machinery.

**Marketing Assistance:**

1. On the recommendation of SISI, Kanpur small scale units are enlisted by the NSIC for participation in the govt. state purchase programme for supply of different stores. Under the programme about 250 items have been reserved for the exclusive purchase from small scale sector. Enlisted units need neither get themselves registered with the DGS & D and railway separately nor pay any fee for tenders or any security deposit/earnest money. A price preference may also be given upto the extent of 15% for bonafide small scale units over the lowest acceptable tenders received from large scale units. The NSIC have also made arrangements with the SBI for giving credit facility under the credit guarantee scheme for executing orders secured under this programme.

(2) **By UPSIC:**

Under marketing assistance scheme, the UPSIC provides assistance to small scale units in marketing their products to the various departments of the central and state govt. and semi-govt. organisations, public undertakings and other bulk consumers. The State govt. gives a 5% price preference to medium and large scale units registered with UPSIC and located within the state over their counterparts in other states in respect of govt. purchases.
A similar preference of 5% to small scale units within the states, in addition to the 15% price preference given under NSIC scheme. The incidence of sales tax is not taken into consideration in govt. purchases in case the suppliers are located in the states.

(3) **Sub-contracting Exchange:**

To provide a link between large and small scale industries of U.P., the UPSIDC has set up a sub-contract exchange. The exchange registers the spare capacity list of machines installed and fields of specialization of small units in the state and helps them getting orders so that ideal capacity of the machine is utilized.

(4) **Export Promotion:**

The state govt. set up the U.P. Export Corporation with the objective of providing short term financial assistances to the small exporters. The corporation gives packing and post-shipment credit for export purposes and advances against shipping documents and inland railway receipts to the extent of 75% of the invoiced value. It provides packing credit against hypothecation deeds, irrevocable letters of credit and export credit, guarantee corporation comprehensive policy. The exporting unit can convert the re-shipment into post-shipment finance on presentation of export documents.

**Modernization:**

The modernization facilities to the existing units are provided through the modernization Directorate Dev. Comm. (SSI), New Delhi, SISI, Kanpur and modernization Cell of the state
Directorate of Industries. The objective is to improve the productivity and the competitive strength of small units, particularly in view of foreign markets, 10 items are identified every year for the purpose by a standing committee on modernization appointed by the govt. of India. In addition to all other facilities being provided on priority, the govt. of India bears the full fee of private consultants in case of units in the backward area.

**Quality control and Standardisation:**

For the purpose, the units are registered with the quality marking section of the Directorate, which awards the Q mark a symbol of quality and standard which raises the competitiveness of the product. The unit has to get itself registered with the Indian Standard Institution (ISI) New Delhi which awards its ISI mark on the product after thorough test by technical experts.

**Other Facilities:**

i. **Data processing centre:**

PICUP has organized a data processing centre which is a repository of data on various industries. The corporation has also prepared profile and feasibility reports on various industrial projects which can be profitably set up in the state, information regarding these and all other information is available in the centre.
ii. Feasibility and Market Survey:

Besides industrial potentialities survey of various districts conducted by SISI, the Directorate of Industries get 15 backward district surveyed by the NCAER, New Delhi. Market survey for various products e.g. textile, oil, chemical, medicines, autoancillaries, industrial fastners, hand tools, agricultural implements and electrical industries have also been conducted by the NCAER on behalf of the Directorate of Industries.

Feasibility reports on a varied range of items have also been prepare by the DC (SSI) New Delhi. These reports includes technical, financial and cost analysis alongwith information regarding supplies of raw material and machinery. These are available with the SISI, Kanpur also.

iii. Testing facilities:

Leather, glass, textiles, and engineering industrial units require testing and developmental facilities. They, as small units, are not financially capable of having all these facilities. Leather industry's laboratories and glass laboratories in Kanpur Nagar.

iv. Sick units study cell:

This cell has been established by the UPFC to study the problems and requirements of sick units and find out measures to recover their progress.
v. Package assistance:

For providing the package assistance to new industrial units financial and developmental agencies in the state have started various programmes of setting up industrial complexes and/or joint sector undertakings with public and/or private undertakings. The UPSIC has invested funds in many joint sector projects with majority participation. These have been set up in the partnership with local entrepreneur and/or public undertakings. PICUP and UPSIDC also have a long list of joint sector projects for backward areas.

The package assistance deals to all such complexes generally includes product identification and preparation of the project reports, provision of developed land and infrastructural facilities, construction of factory building, selection and purchase of plant and machinery, technical consultancy training facilities on technical and financial management and finances, sales and purchases facilities etc.

Facilities in village and cottage industries sector:

The role of village industries using various raw material at the cottage industries level, mostly pertaining to artisans and craftsman are no less important in industrialization of any area. This is more true when a backward area having more than 70% of its population in villages and largely depending upon agriculture and allied sector, is under consideration. These
industries are also important in view of removing partial unemployment and reducing the direct pressure of increasing the rural population on agricultural resources. These industries also utilize those resources which may be lying unexploited because their quantity may not be large enough to set up a large/medium/small industries. Also may be that the resources spread over throughout the division are abundant in quantity but their transportation cost to the nearest production centre may be high. Under these conditions it becomes more suitable to use these material locally on cottage level according to the local needs.

These industries are connected with people having no means and resources of their own. They also have either no skill or only traditional skill which they had have from their ancestors in heredity as such, they are those people who are in earnest need of capital and skill more than people engaged in some other sectors of the industrial activities.

Assistance of a smaller quantities to entrepreneurs of this village and cottage industries sector, bring happiness to millions spread over the entire area and also the disposal of industries resources and prosperity through them. In view of the above, various facilities and incentives provided for this sector of the industrial economy in the state and particularly in the Allahabad division, will be discussed as under:

The Khadi and Gramodyog Board is the main source of various sort of assistances and incentives for the development
of this sector in the state. Its patterns of facilities is based upon that of All India Khadi and Gramodyog Commission to which it is affiliated. Mainly, through co-operatives and registered units, the board provides grants and interest free loan to small artisans, raw material produces and other persons of backward communities with an objectives of increasing production and improving the economic and living conditions of the rural population.

The Board extends the assistance through loans for working capital stocking of the raw material construction of building and warehouses, factory and workshop building, machine purchasing, equipment and tools, and share capital purposes. Grant is also given for organisational purposes.

The Board provides training facilities to workers of various cadres for different courses concerning different industries. These training programmes of different durations carry the stipend and these are conducted at different places. These courses are mainly concerned with industries like Khadi, Gur, Khandsari, rural pottery, cottage match work and Gobar gas plant. Courses concerning organisational purposes are also dealt with to trained workers for organising and managing co-operative functioning under the board. The Board also provide technical assistance to the co-operatives and units for running them efficiently. Technically qualified personnel of the Board provide technical consultation and assistance from the organisational to the sales promotion levels. The Board also operates various
departmental projects of the development and expansion of the concerned industries of the area.

The Handloom Directorate provides all sorts of assistance regarding financial, technical, marketing, training, modern production technique and improved tools and equipments for the development of handloom industries in the Allahabad division. These are mainly advanced through co-operatives, however, individuals weavers are also given financial assistance in form loans on easy terms and differential rate of interest. The weavers co-operatives are provided with loans for share capital, working capital under RBI scheme, financial assistance for purchase of improved equipment, managerial assistance to tone up the organisation of the co-operative assistance for consideration of calendering houses and workshops, special rebate on sales and publicity and training in modern production technique in the industry.

In addition to all these, the following facilities for the developmental of handloom industries are also available in the division:

(i) The U.P. Handloom Corporation has established a chain of production centres in Kanpur Nagar in the division for providing to weavers the regular work, higher wages and incentives for the quality production. These production centre supplies the quality fibres to the
Table - G: Person's benefited under SELF EMPLOYMENT EDUCATED YOUTH PROGRAMME.

<table>
<thead>
<tr>
<th>Year</th>
<th>Allb.</th>
<th>Fateh</th>
<th>K.nagar</th>
<th>K.Dehat</th>
<th>Farrukhabad</th>
<th>Etawah</th>
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<td>549</td>
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<td>339</td>
<td>181</td>
<td>1127</td>
<td>623</td>
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</tr>
<tr>
<td>85-86</td>
<td>945</td>
<td>343</td>
<td>-</td>
<td>179</td>
<td>247</td>
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<td>403</td>
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<td>988</td>
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<td>490</td>
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<td>1225</td>
<td>527</td>
<td>165</td>
<td>1250</td>
<td>819</td>
<td>275</td>
</tr>
</tbody>
</table>

Source: District Industrial Profile.
weavers and also purchase their production. Janta Dhoti, Saree, Chadar, long cloth are produced in the centre about 20000 weaver's family have been provided with the direct employment with improved techniques and higher wage structure.

(ii) About 15000 looms are engaged in producing terry-cot and terry-wool and polyester clothes in the division. They require large quantity of synthetic fibre to be used in these production. Presently, there demand is met by local traders exploit them. Now, UPICA is going to open a sales depot in Kanpur Dehat for providing these materials at lower price.

As discussed earlier, about 25000 artisans mostly organised in the form of co-operatives are engaged in various handicrafts in the division. However, their economic and financial condition is very pitiable. The state govt. and various developmental agencies are providing a good number of facilities and incentives for the improvement in their condition but that is not enough.

a. Training centre under master-craftsman project:

The training facilities are provided in deep interiors where upto 5% are willing to have training in some handicrafts. The department sends one of the skilled and expert master craftsman to these places for a period of one year. The master provides training to five craftsman during the period with a
provision of Rs. 50 per month to them.

b. **Grants:**

The handicrafts co-operatives are provided with a grant of Rs. 1500 per year for organisational purpose upto first four years of their registration.

c. **Loans:**

75% of the share capital is provided to the members as loan against their depositing 25% of the share capital in co-operation. The societies are also provided with the working capital loan under the RBI scheme. Finances are also available to the co-operatives on the basis of 50% grant + 50% loans for the construction of workshop building.

d. **Others:**

The govt. has also instituted an award of Rs. 2000 and merit certificate to expert craftsman in different crafts. The supply of the raw material and sales of production of different handicraft products are also managed by the department through co-operatives.

**