CHAPTER VI
FACTORS RETARDING RAPID INDUSTRIALIZATION OF ALLAHABAD DIVISION

Attempts for industrialization of Allahabad division began taking shape in late seventees or rather at the beginning of the eighties. Till this period only very few industrial activities in the small sector and unorganised attempts in the cottage sector were witnessed. It was only after the publication of the Pandey Committee Report for the identification of backward districts and implementation of the Wanchu Committee report that Kanpur Dehat, Fatehpur, Etawah were identified as backward districts. Frequent service and identical campaign were launched by different agencies and the govt. department and consequently some important public sector units have been installed in the area.

Besides various incentives and facilities which have been provided for the development of the small sector in general, this division is further entitled to all incentives and special concessions additionally provided for backward district. Inspite of all these, the division has not shown any material progress in the field of industrialization even after a period of 45 years since independence.

At this stage, it becomes necessary to analyse all those factors which had retarded the rapid industrialization of the division. These factors may broadly be classified as economic
and non-economic factors. Economic factors include the provision of managerial and technical know-how, finance infrastructure, material, power, markets and all attempts made by all governmental and semi-governmental development agencies. The declaration of various policies and their implementation merely on paper or their just formal implementation resulted in nothing but harassment and disappointment of the prospective of small entrepreneurs, who were once attracted by all these incentives and tried to come forward, finally they had to backout.

More important are non-economic factors like sincerity, honesty, devotion will toward advancement and progress and zeal for further leaning. It is these factors that determine the supply of skilled, intelligent, hard-working and committed work-force and enterprising entrepreneurs and finally shape the economic prosperity of the area. In absence of all these, any amount of direct or indirect incentives and facilities will fail to boost the economic development of the division.

The following analysis will be devoted to the study of the factors responsible for the backwardness of this division:

(1) **Lack of entrepreneurial, managerial and technical talents:**

The historical factors which divided this division in two parts Eastern and Western. The socio-cultural factors which had their impact on, will to work, progress and effected the living standard and traditional ways of life in this division have also
been the subject of study in an earlier chapter. Their impact still continues so far as the managerial, entrepreneurial and technical talents is concerned.

There will be little industrial growth where men do not have an eye to industrial opportunities and are not willing to stir themselves to seize them. As a matter of facts, attitudes and institutions are inter-dependent and they together influence people's desire to exploit industrial opportunities. Probably the most important one that influence man's desire for his betterment is his subjection to environment. The accumulated physical capital, the accumulated cultural capital/social customs, habits and ignorance are some of the chief determinants of the degree of this environmental limitation.

In a strategy of industrial growth, due importance has also to be given to the human factors. It is this factor which responds to the incentives and motivation best to be exploited by an entrepreneur. The entrepreneur fulfill two major functions namely (i) he discovers investment opportunities, (ii) he organises the enterprise and get it going and it is this factor that has been sorrowfully lacking in this division. The reasons are numerous. They can be summed up as the caste system factionalism, low level of literacy and low occupational mobility, which are all inherent in the traditional agricultural set up of the division. Consequently the incentives to the development of the entrepreneurial and managerial talents in this division remained at a two low level.
In the name of agricultural self-sufficiency the low level equilibrium trap kept the divisional economy static, merely on subsistence level. The will to get only what minimum is needed, kept persons of the division away from making advancement efforts in the industrial sector. The rural character of the economy with relatively rich persons engaged in the trade, did not allow the risk taking capacity take tools.

It is due to this limitation that entrepreneurial and managerial talents are not locally available. Whatever number of local persons have tried to come up for setting up their own industrial units, they have mostly preferred to confine themselves to the industries of small sector, particularly collected with the line of their own small business. The have an intetion more for their existing business rather than for any new venture. A few belong to that category of entrepreneurs who have tried moderate units in the small sectors and have flopped of inexperience of running the production unit and controlling the market.

For an entrepreneurs of small means it is not possible to employ expert and trained managerial talents to run the show. He can not afford to have white elephants in his small hole. Under such circumstaces, it is expected of an entrepreneur that besides covering the risk and cost of various allurements offered by the state. He should manage the show efficiently himself. However, as he has less attituditional background of entrepreneurship and
then no experience of management, he gets disappointed. The result is that most of the important activities in the small sector in the division are being owned, controlled and managed by persons from outside the division. The sad experience of tedious formalities consuming time and money in getting various assistances and non-co-ordination among various agencies providing these, has further deteriorated the conditions in this respect.

This has very much retarded the industrialization efforts in the division. Outsiders do come here for certain advantages, but they do not re-invest the gains in other fields in the area. They encourage the practice of having entrepreneurship and managerial skill from among the potential talents available in the division. Once a top executive of one of the prestigious public undertakings in the division remarked that the spirit of entrepreneurship among the people of this division is very much lacking and without this spirit public sector units can do nothing in helping industrialization of the division.

So far as the availability of the skilled labour is concerned, the picture is not brighten. Unskilled labour is abundantly available owing to predominantly agricultural character of the regional economy and increasing population pressure on cultivation.

This acute shortage of specialized and trained personnel is the trained of all the district excluding Allahabad and Kanpur Nagar of the division. At the initial stage of the industrialization
efforts the demand was limited but with from the other industrial centres but at much higher wages, then these workers often have a vicious circle is formed. With the setting up of more industrial units, more specialized labour is required but the labour remain unskilled in absence of undertakings. This cycle goes on and small scale units are not able to efforts this essential but costly after if they do so and since they are bound to do so, the cost of production goes higher having an impact in these potentialities to stand in the competition.

Besides the lack of availability of skilled labour, there is another problem, the problem of lack of technical entrepreneurs which again forbids the area to profit by the large scale public sector units.

Sometimes ago, the question of appointing only local persons in non-technical and technical jobs arose but however, it could not be done because the managing personnels found youngesters coming out of local Polytechnic and ITI's ill trained and not well equipped. According to them and other entrepreneurs as well, persons trined in these local institutions have a training of general nature and not of specialized nature. Then the training is mostly theoretical. They are deprived of in the factory training. If local condition are taken into the industrial units on compassionate grounds. They find themselves in an backward situation, when they start their actual learning, which a small entrepreneur can not afford at any cost. These ill trained technicians are not expected to
give due return to a private entrepreneur and hence, they tried
to creep in to loopholes of some government jobs.

(2) **Lack of financial resources and credit facilities:**

Industrial units need two type of finances. They are (a)
for the creation of fixed assets and (b) for meeting working
expenses. Since the introduction of social control, specially since
the nationalization of 14 major commercial banks, small industries
have been getting larger facilities from them. State Financial
Corporation has also been more active in advancing assistances
to small industries. While U.P.F.C. helps small units with loan
generally for land, building and machinery, are for creating block
assets, the banks make provision for working capital. NSIC and
UPSIC make a provision for hire purchase of machinery on easy
terms.

Inspite of all these liberalised scheme to make finance
available easily to the entrepreneurs and that too on preferential
basis in this division, a number of practical difficulties are being
faced by the industrialists in availing them it is reported it is
very difficult to get loan from the scheduled banks, since they
insist on a number of formalities including collateral securities
which the small entrepreneur finds difficult to arrange in time.
In view of this difficulty the entrepreneurs has no option but to
approach private money-lenders who charge exorbitent rates of
interest.
As regards the fixed capital some existing as well as prospective entrepreneurs, complain of inordinate delay in the sanction and disbursement of loan. Entrepreneurs have often to make frequent visits to Kanpur city (Nagar) to furnish any additional information or to answer to any objection on their loan application. This involves also unnecessary expenditure.

The difficulties in getting all these financial assistance have been expressed by the existing industrialists, their organisation and even by the officials. The entrepreneurs have also been complaining of formalities and cumbersome process, demanding much time, resulting in the harassment of very small entrepreneurs, adopted by their UPFC for sanctioning loans of smallest amount.

An industrialist once explained that the UPFC refused loan to him after entertaining his application and making correspondence for about 7-8 months on the plea that the proposed industry was included in the list of banned items for loan. The entrepreneur had made a good investment in land and building and machinery, by that time and had to face severe difficulties in setting up that industry.

So far as banks are concerned the load of formalities is still greater. It has been found that banks are not able to dispose off the loan application well in time, particularly, since the introduction of rule of holding the managers personally responsible for the disbursed the loan, they have been in different
in this respect. However, banks have a complaint against industries officer concerned for not completing all formalities and checking entries before forwarding the application. They also complain of lack of support and administrative co-operation in realising the loan debts due to defaulter units.

Some of the specific difficulties in getting the benefits of financial assistances are raised by the industries department's personnel even:

(i) The UPFC sanction loan for plant and machinery only on condition that the lease deed for at least 20 years for the land on which the plant is established be produced. Since most of the small entrepreneurs have got their work established on rental land and building and the land-lord concerned does not agree to enter into such deeds, the entrepreneurs are deprived of obtaining this facility in general.

(ii) Most of the industrial units proposed to be set up in the rural area of the division, come in the category of investment upto Rs. 2 lacs. On plant and machinery after making provision to all concessions and refinancing facilities, the rate of interest charged by the UPFC is 9.5% per annum which is definitely not very much encouraging to attract entrepreneurs in the rural of the division.
(iii) The UPFC takes a very long period in disposing off the loan application. Still greater time is consumed in disbursement of the sanctioned loan. It is very long and tedious process and the entrepreneurs get disappointed during the course of formalities.

(iv) Many of the rural areas fall out of radius of 15 km from the branch offices of the nationalized bank and as such are deprived of the financial facilities being made available to them by banks.

(v) Different banks have different rates of interest and none of the bank provides loan in the backward district on less than 11% of the interest rate. This rate of interest is definitely too high to be afforded by small entrepreneurs in the rural area of the division.

The incentives of interest free loan being provided by the PICUP on behalf and on behalf of some other national financial institutions are available only to medium and large scale units registered under Factory Act. But most of the industrial units in this rural area come under the category of only small or cottage industry units and hence they all are deprived of every facility being provided by the PICUP.

**Hire Purchase:**

The facilities and concessions provided under the hire purchase system of NSIC and UPSIC are also neither easy nor cheaper for the small entrepreneur of this division. Both of these
corporations require the entrepreneur to deposit 10 to 20% of the value of the plant and machinery as earnest money. The facility of giving loans for earnest money and margin money is available to technically unemployed persons who are willing to set up their own industrial units. There is a dearth of technically trained persons in the division and hence of no use.

Further there is no concession being provided in service charges which are as high as 2 to 5% (by UPSIC) and 4 & 2% for imported and indigenous plants, respectively (by NSIC). No concession is being provided in the rate of interest to entrepreneur in the backward area by these corporations. These loans are required to be refunded within 5-10% in 10-20 half yearly instalments after one year. Not only this is the very short period but in view of the facilities in time, the date of repayment of the first instalment falls too early.

(3) *Lack of infrastructural facilities:*

We have already discussed the provision of various infrastructural facilities available and being made available in the division. It is very well known fact that the units established in backward areas have to suffer a loss on account of increased cost to the extent of 15-25% in comparison with their counterparts in the development areas mainly on account of the lesser infrastructural facilities. That is why various types of financial and other concession are declared for these backward areas. This way they can compensate the loss incurred by them. However, inspite of these concession the infrastructural set up in the
division has many short-coming and new entrepreneurs do not get any encouragement. These short-coming have also been raised in the meeting of DIC. Main of these difficulties and short-comings are discussed are as under:

i. **Industrial Estates:**

As per figure available, it is only Kanpur Nagar a district of Allahabad division where more than 90% sheds and plots in industrial estate have been allotted. The utilization of industrial estate in other districts of the division is very below 40%. It simply shows that the industrial estate programme has failed in attracting new entrepreneurs in the rural areas for varied reasons. The working group on the financial industrial estate set up by RBI as observed that the utilization ratio of number of sheds occupied by units to the number of sheds constructed was higher in urban and semi-urban estates than in the rural estates. The group attributed the failure of the industrial estates programme in rural and backward region to (a) the general failure to bring about dispersal of industries, (b) wrong locations of the estates, (c) faulty planning of the estates and poor execution (d) finally lack of ineffective machinery to supervise the day to day operation of the estate.

The industrial estates of this division, both in the urban and rural suffer from the short-comings of a number of infrastructural facilities for providing which these estates have
been brought into existance. This has added to the difficulties of existing entrepreneurs in these estates. Time to time industrialist of this division have been raising their voice regarding poor conditions of roads, distribution of power, water availability sanitation provision and security measures in addition to the non-availability of bank and post office facilities but in vain.

None of the industrial estate, all of which are located for away from main localities, have any security provision and postal & telegraphic facilities resulting some time in very awkward situation and also the wastage of time. There is no provision of public canteens for labour even, working in different units of these estates. The rates on which the plots are made available in these estates are much higher than the rates on which the plots are available otherwise, because of this entrepreneurs are not willing to take these plots.

There is also a provision of charging Nazrana @ Rs. 20 per sq.yd. for transfer of sheds and plots. This has created a problem of transferring these plots and sheds which have been allotted to those units which have not able to make use of these plots/sheds. How entrepreneurs who want to take up the establishment of new units in those sheds/plots are reluctant to paying this Nazrana and hence, are not able to get the required facilities. The problem of acute shortage of water supply for the industrial area at Farrukhabad is also worth considering here.
It is not possible for the new prospective entrepreneurs in the rural area particularly all growth centre in the division to make their own arrangements for land and building. Small sheds of about 4000 sq.ft. are required by them, are not available, nor is their any programme to make them available. Rather, industrial estates with larger accommodation at some rural growth centre of this division are being considered by UPSIDC and other developmental agencies. They will be of no use if the lack of usual amenities persist there as they are in other industrial estates.

ii. Raw material:

One of the greatest handicraft in the path of rapid industrialization and development of small industries in this division is the inadequate supply of raw material. UPSIC, depot of iron and steel items for supplying raw material to the units manufacturing steel furniture and other allied products has been opened at Kanpur Nagar. Now, prior to this many units had suffered from the disadvantage of high cost. The high cost had also been due to the transport cost involve in getting these raw material supplies from outside or on higher prices. Even now this facility has just been provided, one of the leading manufacturer in steel furniture complained that with the opening of this depot and issue of permits, prices in the local markets had gone down and as such those manufacturers who were not favoured with such permits, had gained a cost advantage while the permit holders had to suffer since they were bound to take the costlier supplies
from the depot. The problem of non-availability of some other raw materials such as plastic granules, coal and cement etc. continues to be there and various industrial units have to face lot of difficulty in availing these materials. The govt has stopped allotting coal to individual units. No quota of cement for the industrial purposes has been fixed up for the division by the govt. Now, policy of controlling cement has been lifted by the govt. All this results and delaying in the construction of building and/or launching the production in between while the labour and other costs have their continues share to the total cost. If the entrepreneur does not want to delay the production and hence purchases all these items from the open market, he has to pay exorhitant rates and consequently suffer from the point of view of competition.

The policy of partial control of scarce raw material is a boon to black marketeers and curse to the industrialists. the material which is hardly available to the industrialists on controlled prices to govt. agencies is abundantly available at black prices. It has also been reported that many so called entrepreneurs having an industrial unit on the paper only.

(3) Transport:

The transport network in the division is moderately sufficient so for the divisional and district head quarters are concerned. All these are connected with railway lines on the main roots. All the growth centres and tehsil head quarters are also connected with road lines. The G.T. Road, the Kalpi Road, the Hamirpur Road, Mughal Road, Lucknow-Kanpur Road are some of
the important road line which serve the division. The Northern Central and North-Eastern Railways connect the division with other parts of the country. With an aerodrome at Chakeri, Kanpur and at Bamrauli in Allahabad, the division has also the facility of air transportation.

More attempts are being made to develop road links by constructing bridges to improve the transport facilities in the division. But at present, the industrial units established in the division are not able to enjoy the benefits of spread over of raw material and markets earn profit only by selling their permits to black marketeers and do not at all enter in the production by using the permitted material.

The small units engaged in manufacturing items out of paraffin wax have to take essentially a part of their requirement in the form of imported wax costing Rs. 10 thousand per metric tonne as against the indigenous wax costing Rs. 2600 per metric tonne only. These small units find it very difficult to lift their quota of this imported wax.

(4) Power:

It goes without saying that power is also one of the most important input required for the operation of mechanised unit whether small/medium or large. Although very resourceful in the generation of power through Panki Thermal House and though Obra Power Project, this division always acute shortage and frequent
break down in the power supply. This has resulted in severe difficulties faced by small units in the past. Units were not able to utilize their full capacity, there was a blanket ban on new connection for some time. In some cases machinery of lacs of rupees was installed and workers were recruited by they had to remain idle on account of the bank on new connection or prolonged power failure. The shortage of power has created a very adverse climate for industrial growth. The position has not improved so far as is concerned. The sanction of new connections and equally the delay which is caused in actual getting of the connection. It takes about 6 monthss of 1 year in getting the power connection installed in the premises.

Industrialists have been raising their grievances in this respect for a very long period. It is their common complaint that even after the acquiring of land, machinery and construction of the building with an investment of lacs of rupees, their units are not able to start production merely for want of power. This causes an unnecessary cost burden since units have to pay interest, rent and wages on all other inputs for the period of idleness. Because of this difficulty of existing units, the new entrepreneurs do not feel inclined to invest for other inputs until they get the power connection first, and thus this tax the actual production process further away to commence.

Even if they are fortunate to have all things set right they are not able to consume the power even to the extent of maximum charges (owing to frequent power failure). This reuslts
in higher per capita cost of production because they at least have to pay the minimum charges. Sometimes the govt. is also to blame for its discriminatory policies. This caused a great deal of harassment to the new entrepreneur during that period.

Then, the power subsidy is applicable to some selected units having connections upto 20 H.P. This facility has further been extended to all SIDO and non-SIDO units using power upto the connection of 20HP but the selected growth centres only. As such, units located at places other than these growth centres and not covered by the specific list of industries are not able to avail this facility. Thus the anticipated establishment of the new units on the expansion of new units in the division as well as other division of the estate. Not to say of this, these units are not in a position to supply the demand even in the interior parts of the division alone.

This is also one of the cause of unbalanced growth and expansion of industrial activities in different district of the division. It is Kanpur Nagar and district Allahabad that attract the major share of new investments. It is for their good rail and road connections. There is an acute shortage of truck services and wagon allotment for transporting the agricultural produce and finished goods to different markets except Kanpur Nagar. Specially in Farrukhabad district they have to wait for a very long period for wagon loads of agricultural produce as potatoes. Ultimately they have to opt for the truck services, which not being available as and when required, involve much time and heavier transport cost.
Lack of coordination among various Govt. departments and Development agencies:

Of the factors which are responsible for the retarding the industrialization of this division till the day are concerned the lack of coordination among various govt. departments and development agencies is most vicious to blame. Entrepreneurs complained that though the govt. has made to elaborate scheme to assist them, in actual practice many time either the assistance is not effectively available or there is too much delay in getting it.

On paper however, the small entrepreneur and particularly those belonging to the backward areas like Kanpur Dehat Fatehpur and Etawah district have been showered all the facilities. They are giving loan on easy term, land and sheds and machinery on hire purchase priority in the supply of the material, the guarantee of a market by requiring govt. and public sector enterprises to buy a certain percentage of their requirement from them and privileges of the like nature. In practice, they face the problems from the very outset. To set up a single small plant, they have to be with a dozen or more entirely separate govt. bodies. Land for the location of the factory has to be granted by the Municipal Corporation/UPSIDC, power by the State Electricity Board and registration by the State Directorate of Industries and Sales Tax Commissioner. Other govt. agencies have to be cont acted for securing raw materials, banks and state financial institutions for
loans. All these numerous formalities cost them a lot of time as well as money because they have to wade through a lot of forms, rules and regulations and no less the bribes.

The biggest bottleneck for the small scale men of a backward area is the disappearance of suppliers credit. He is slowly being strangulated because he has to sell on credit and buy in cash. Large industries and govt. department which buy products manufactured by small units delay payments for month which a small unit can ill-afford. The credit squeeze may think more difficult. In theory the banks and other finance corporations are expected to meet their needs on a priority basis. But in practice, loans are not available, easily.

All this has happened because of the non-coordination among various departments and developmental agencies. There are examples, in this division of complaint made by some entrepreneur that they have to run from one department to another for having various facilities. If the market is available, the power is not if the loan is available, machines and equipments takes their own time to reach the project site. The installation takes its own time, non-availability of repair since facilities to these costly plants is another handicap to cope with. The unit remains idle for all the period, the plant needs repairing services.

The joint director of industries, the sole representative of the State Industries Directorate and catalyse of the industrial development in the division, does not have full information and
ready statistics on account of non-coordination. When approach for certain important informations for the present desertation, it was found that the office concerned did not have the up to date information of the existing units, investment, employment, value of the current production in different district of the division. Facilities being provided by different developmental agencies are not necessarily intimated to office of the Jt. Director. All agencies and Banks being statutory bodies act in the most autonomous style of their own. However, now with the establishment of district centre it is expected that the position in this respect may improve to some extent.

The government has also formulated a Divisional Industrial Committee which has been functioning for a very long period in the division. The commissioner of Allahabad division is its Chairman, the member being all D.M.s, District Industries Officers and representative of all banks in the division, local officer of the UPFC, representative of other development agencies, leading industries from all districts including representatives of industrialist's organisation and public representatives, particularly M.P.s and M.L.A.s from the division. This committee meets quarterly in a year with the objective of listening to the problem of the industrialists and threshing out them immediately in the presence of the representative of the concerned departments.

However, it has been the main complaint of the industrialists that the govt. officers do not show any particular
interest in attending these meetings. There have been hardly any meeting in which any representative of any of the several development agencies with head quarters in Kanpur and Lucknow even attended it. All the problems which industrialists wanted to bring to their notice, since the official concerned have to deal with their own sake. They are forwarded to the concerned department for the necessary action which is hardly taken.

There is also a lack of coordination among various state govt. in formulating the policies regarding the assistance and concessions. Besides, the general nature of central schemes, there are wide differences in development, scheme in various state particularly in the neighbouring state of the division.

Problem related to the Cottage and Village Industries Sector:

Village industries, handloom and handicrafts cottage industries sector are the best bone of rural industrialization. In a region, predominantly rural by nature like that of Allahabad division, the development of this sector is of primary importance. The existing conditions with various protections and facilities being provided to this sector have already been discussed. It is a matter of great concern that excepting handloom industries other industries in the sector have not shown worth recording progress.

The village industries are patronized by U.P. Khadi and Gramodyog Board, Lucknow. Inspite of concerted efforts the village industries have not reached every hut of the village. Except few
traditional sort of jobs like leather tanning, carpentry, blacksmithy, oil expelling, bamboo articles and soap which are organised in form of co-operative and also in the individual capacity other items did not gain any ascendancy in the division.

It is felt that some organised and systematic efforts have to be made in this direction. No survey of socio-economic condition of the rural sector of the division has been made so far to assess the rural needs and capacities in order to set a definite policy of development in this sector. Banks do not take interest towards the sanction and disbursement of loans to the persons engaged in this sector since they neither have anything to mortgage or give any collateral guarantee, nor is the govt. anxious to bear guarantee against the loans.

So far as the technical knowledge is concerned, persons in this sectors have to depend largely upon the knowledge they had from their fathers and grand-fathers in succession. They can ill-afford to send their wards to various training and extention centres because of the meagre amount of the stipend. Besides they are also reluctant to send their wards to these centres because they are able to earn what they get as stipend, even without the said training.

The demand for agro based products of this sector remains there in the market throughout the year. However, various types of raw material seasonally produced by the agricultural sector can not be stocked by these petty entrepreneurs simply for reasons
that neither do they have proper accommodation nor any funds to procure these stocks. It is also felt that the better attention is being paid to the small sector than to this sector. In fact they should not be treated as rivals. It is a fact that from the view point of employment potentials, the cottage sector is much more important.

At present there is no reservation of any item for manufacturing in the cottage sector only, nor is any price or purchase allowed to the products of this sector, is govt. purchases at the district or divisional levels. This sector does not have facilities like exemption from sales tax on purchases of the raw material, excise duty, concession and rebate in power use, registration and licence fees. The provision of different rate of interest is not applicable in all cases.

Some of the handicrafts of the division like wooden toys, clay toys, brass items and soap have vast potentialities for the development and if given proper protection and incentives, some of these may have export potentialities even. Inspite of the attempts made by the Handicraft Board of U.P. and other agencies like U.P. Export Corporation, these are not showing promising results except very few items. This is because of the artisans belonging to the traditional families connected with all these handicrafts are by and by taking up other jobs and many of these handicrafts are dying out slowly. The main reason of this outgoing or of the ancestral art is due to the market competition and the exploitation by the middleman.
There is acute shortage of finance and whatever financial facilities are available involve much complication and little advantages. Many handicrafts have organised themselves into co-operative societies. There are about 825 societies with membership of about 1175000. Under the RBI scheme, these societies are provided with through the co-operative banks loan to the minimum of the share capital subscribed by the members. Because of this limitation these societies are not in position to get necessary loans. The department furnishes the guarantee to the extent of 90% of such loans. This loan has to be refunded within the guarantee period which is for one year, without this timely repayment of this loan, fresh loans are not sanctioned.

There is a provision of sanctioning the loan/grants only once in a year and the department takes a very long period towards the final disbursement of the loan and as such the loan which should have been utilized throughout the year, is never done. The sanctioned has to be repaid in 4 annual instalments. The sanctioned loan can not be used till some legal formalities are completed and sometime it takes almost complete a year. Under these conditions the first instalment become due without having any time to make use of that loan and the first instalment alongwith the interest has to be paid out of the loan iteself which further results in the shrinkage of the funds. Some of the handicrafts products in the division like brass idle and artistic articles are of the export standard. These are exported by the
middleman at the prices at least 5 times higher than the price they pay to these craftsmen. These craftsmen are also not able to take any advantage of this export demand in absence of finances, knowledge of the modern design and market organisation. Those who are provided with the training facilities through various programmes particularly master craftsman scheme, do not get the advantage of self-employment due to the paucity of funds and organisation and have to find out employment somewhere else.

The handloom industry in this sector, of course has been paid due attention, the terrycot polyester and terry-wool products of this division are becoming widely renowned in the market. However, the most important short-coming for still more repaid expansion and promotion of this industry is the non-availability of a processing house and calendering plant. In the absence of both of these facilities, these products can not be manufactured with the crease and shrink resistant quality. Therefore, they do not fetch high gains.

**Problem related to Cost and Efficiency:**

All the problems analysed in the foregoing discussions have their impact on the production cost and efficiency of respective units. Problems related to the financial sides have their sectoral impact according to the non-availability or complexity of formalities in getting it. The infrastructural shortcomings have the major impact over the small scale sector through the cottage industry sector is not left unaffected, lack of the
entrepreneurial and managerial talents is matter of Regional traditions and affects all sector in general in the degree of its requirements.

Non-availability of power and/or frequent power out and breakdown having its own impact over the cost of production. In the absence of power at least in the small scale sector all working capital has to be accounted for as overhead expenses only. Delay in getting power also come into the overhead cost. This will naturally have an increase in the total cost, it will increase average overhead cost per unit, as well. If, it is carried over to the prices, the market goes out of hands and if not, the small entrepreneurs and particularly a beginner, strangulated by multi-directional disadvantages can definitely not effort it.

Non-availability of power in the rural areas of this division, because of the very slow implementation of the rural electrification programme in the division is very big handicapped in improving the efficiency of the cottage and village industries sector. This sector at large is not able to use the improved techniques and small machines to give better out-turn and finish to their products. The hard labour i.e. put throughout the day for months together, does not bring them earnings to keep themselves committed to these industries. Thus having no suitable reward for their personal efficiency, they run away to urban areas in the mad search for some employment.
The scarcity of truck services on the road links also put the small sector in doldrums. They have to wait till they produce full wagon load and even if they do so they do not get the required facilities from railways. This waiting and stock piling also puts them in a very odd position. These capital invested and expenses incurred, they fail in getting the return timely. They have to arrange credit from open markets on heavy rate of interest in order to avoid heavy losses on account of idle labour. Thus, the burden of cost gets just doubled because of interest on capital invested in raw material, labour and other operational overheads.

When transport facilities from railways are not available or the wasting period is supposed to be a very long one, the entrepreneur has to opt for a costlier mode of transport i.e. truck services for the long distances. Not only this, it also involves longer duration and risk. Since agreements with the buyers are on the condition of either FOB or freight freights to be paid by rail whichever is cheaper provided the connections area available, the balance of the transport cost has to be borne by the entrepreneur. The rate of available truck because of shortage becomes higher in the interior, where rail connections are not available. Since entrepreneur in the cottage sector unless organised in the form of co-operatives or otherwise, are very poor. exploitation on this account is not worth affording.
The general lower level of literacy among the people in Allahabad division has made them an inefficient lot in these ones that they can not adopt the new changes in methods of working. Village and cottage industries employ the domestic labour equipped with traditional skills and visions. Likewise, most of the labour engaged in factories and small scale units belong to the class-IV category only. This has kept in general efficiency level of labour. Very low resulting in relatively higher cost of production, the artisans and craftsman engaged in the rural cottage industries and handicrafts still continuous to use. Old type of equipments and tools, may be that they do not have ample funds, whatever, meagre may be the requirement for the purpose. If, however, they are supplied with funds and the knowledge too for substituting these times old tools the new developed and improved instruments, they are not very keen to learn and adopt the same due to their metal lethargy and love of the traditional social customs. This simply keeps them highly inefficient. The progress of the industry is retarded and virtually it comes to a close.

The entrepreneurs in the small sectors have to depend upon outside supplies of the skilled labour and trained supervisors on the technical and managerial side. It is not easy to attract them because they are always in demand at one or the other place. Because of the higher rate of wages and also some other provisions and facilities to keep them interested in the concern, the cost of the production goes up. At the same time whatever wages and facilities are provided to persons engaged.
from outside, they are always trying to run away to their original places now and then, and as such disturbs the normal working. Thus a sword of Damocles is always hanging on the head of the local entrepreneurs and he remains in constant search for new. Therefore, he can not look after other process of the industry. Thus, the efficiency of the plant is always at a lower efficiency, it naturally has an adverse impact on the cost.

The in-experience and inability to afford the expensive market techniques have also caused the grip of middleman become stronger in all sectors of the backward areas. The cottage industries and handicraft industries sector engaged in either the collection of the raw material or producing of the finished goods are the worst sufferers. A gang of middleman operate right from the village 'Sahukar' and 'Baniyas' in weekly markets, 'Artiyas' in the organised mandies to the retailers in the consumers market. The order is reserved when these artisans have to purchase raw material for their production.

The entrepreneurs in the small sectors have to face still the worst condition. They have to purchase the material in cash because of their new entry in the purchase market and also on account of the less quantity of their purchases. On the other hand they have to say their products largely on credit to retailers and as such they are strangulated in between these two forces. Under the conditions, they come to the conclusion that instead of spreading over their credit sells among a large number of
retailers directly, it is better and safer for them to operate through these middlemen only and to allow them to suck their profits and also to increase the selling cost.

This sort of market tendency i.e. purchasing at higher and selling at lower prices, keeps the level of efficiency of the plant low and that of the cost higher, because after making out all efforts and crossing over various dark and tiring formalities when an entrepreneur reaches the last stage of marketing he finds that fresh disappointment are still awaiting him. Whether he dies out slowly or he takes up the challenges more vigourously, will depend upon the social, cultural and aptitudal background which we have already discussed is not very strong in the case of local entrepreneurs of this division. All this also entails upon the efficiency of his own skill and that of the plant and ultimately drawing high curve on the cost chart.

The Regional Bias:

Some of the above problems have arisen due to the excess of the regional buyers. There is nothing wrong with the idea of regional economic growth through industrialization, if taken in its true spirits. In the rapidly developing economy various sectors and regions may have to grow inter-dependently. One sector or region may develop in one way, the other sector may develop in the other way, thereby keeping an inter-regional and inter-sectoral balance but the states seem to have taken a different notion about regional growth. They'd want to see each
and every region achieve in self-sufficiency by developing small units in maximum possible industries. They invite the entrepreneur from other states to come and set units irrespective of the suitability of the climatic and industrial conditions. This is bound to lead to various adverse consequences.

The concept of industrial self-sufficiency in every respect in every region will have adverse effect on the entrepreneurs and the national economy, in two ways. Firstly, initially and industry is developed in one region. The entrepreneurs of that region try to meet the demand not only of their region but also for the other regions and states and therefore go on enlarging the capacity of production. But soon after the other region in the name of self-sufficiency, start setting units for the same product, they get a sharp set-back in market competitions at the national level. It causes harassment to the entrepreneurs and results in the national loss for the capacity, installed once for the capacity, installed once for meeting the large demand, in one or the other region. Secondly every industry needs a particular type of infrastructure in terms of labour, raw material and market etc. Those things can not be developed overnight in each and every region. Also the development of such facilities in all regions for each industry is neither feasible nor an economic proposition.

The Allahabad division is no exception to this mal-adjustment. The state govt. is trying to develop all sorts
of industries in all divisions of the state. This is more so in case of the consumer goods industries. Nothing to say about different divisions in the state, a good number of industries have been suggested commonly not only to backward districts of this division, but atleast 11 district, supposed to be zero industry district or the most backward districts in the state. This has cultivated a sense of regional competition and within near future may create a sense of inter-district competition within the division dangerous to all units in all districts and all regions.