CHAPTER II

INDUSTRIAL DEVELOPMENT OF ANDHRA PRADESH

Introduction:

Andhra Pradesh has some distinct advantages over other states in respects of quality of the soil, the climate and geological structure of the land. It occupies a central position in the country's economy and the natural resources like water, agricultural and mineral resources offer great scope for industrial development. Andhra Pradesh has always been an important agricultural state, producing a large variety of food grains and other raw material for industrial use. Taking advantage of the favourable conditions, there is no reason why the state should not diversify her economic base to take a respectable place in the industrial map of the country. It is due to its agriculture oriented economic structure and due to absence of the necessary climate and conditions for rapid and sustained growth of industries that the state has been somewhat late in enterent in the field of industrialisation. Prior to the first Five Year Plan period, the industrial structure of the state dominated by processing industries like rice milling, ginning, pressing and sugar factories. In the recent past, there has been a slow but steady growth of industries in the
organised sector of the state. In the following pages, an attempt has been made to review the industrial development during plan periods.

**PART-I**

*Industrial development during plan periods.*

During the First Plan period the development of industries covered vegetable oil, solvent extraction, vanaspati industries, while a beginning has been made in respect of textiles, sugar, oil, cement, power alcohol, and also agricultural and scientific implements. In Telangana a beginning has been made in respect of potaries and stoneware, porcelain and enamelware, rayon, paper, fertilisers, heavy chemicals, machine tools and engineering industries.

During the First Plan period 53 units were set up in the medium and larger industries section with a total industrial output of Rs.131 crores per annum. It is estimated that the overall increase in industrial output was about 33 percent.

During the Second Plan period, besides expansion of sugar, power-alcohol, oil, cement and textile industries, and oil refinery and a steel re-rolling mill at Visakhapatam and a plant for production of ferro-manganese at Garividi in Srikakulam district were started. In addition to the above,
licences were granted for starting of industries to manufacture items like forgings, steel structures, spun pipes, malleable castings, pipe fittings, laminated and coil springs, steelware, PVC cable and ACSR conductors, kerosene engines and power litters, sewing auto-ancillaries, fertilisers and heavy chemicals such as caustic soda, acids, chlorine etc. In all 26 units were set up in the medium and large industries sector during this period with a total investment of ₹4.6 crores, providing employment opportunities to over 11,000 people, Industrial production increased only by 16.4 percent against the national average of 40 percent. The annual production touched the mark of ₹70 crores.

It can be said that it was during this period that a humble beginning towards diversification of industrial structure was made.

During this period, expansion programmes for the government managed Andhra Pradesh Mills and the Gudur Ceramic Factory at a total cost of ₹4.5 crores were also initiated.

The expansion of sugar industry provided large quantities of molasses which enabled the distillaries to expand their capacity apart from providing scope of new units. In view of larger quantities of power alcohol expected as a result of expansion of distillaries entrepreneurs came forward to set up

alcohol-based industries such as acetic acid, acetic
check inspecting and a variety of plastic raw materials such
as polyestrene. Other new fields taken up by entrepreneurs
during the period were drugs, and pharmaceuticals, explosives,
asbestos, cement products, roller flour mill, glass products
and a new range of machine tools.

During the Third Plan period, though priority
was given to the development of agriculture, irrigation
and power, the need was felt to develop industries on a
sound footing. It therefore, can be said that the first
organised effort was made to give an impetus to the
industrialisation of the state during this period. Accordingly,
expansion was allowed in steel structural, steel castings,
paper, sugar, alcohol, roller flour mills, drugs and pharmaceuti-
cals, jute etc. During this period the textile industry
registered almost 100 percent expansion with 18 new spinning
mills coming up in different districts. The range of
industrial development also became wider. A number of units
were licensed in new lines like distribution transformers,
house service meters, alcohol based industries such as ethyla-
cetate chloro-sulphonic acid, insecticides, sheet glass,
2 welding electrodes, ball bearings etc.

In all 44 units were set up in the medium and large
scale sector with a total investment of Rs. 40 crores and an

1. J.Vengal Rao, Chief Minister, 'Andhra Pradesh, Geography,
infrastructure and Resources,' The Mail(Madras), July 1,
1975.

2. Ibid.
In case the industrial development, as envisaged under the Fourth Plan is implemented, at the end of Fourth plan or early Fifth plan period, it is estimated that the contribution of the industrial sector to the state revenues would be Rs.192 crores, as against Rs.91 crores at the end of Second Plan and Rs.11 crores at the end of the Third Plan period.

The following table shows the aggregate picture of the Industrial programmes for Andhra Pradesh during Fourth Plan.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Mining Industries and Mineral development</td>
<td>1200</td>
<td>9.74</td>
<td>23,000</td>
<td>5,000</td>
</tr>
<tr>
<td>2.</td>
<td>Metallurgical &amp; Metal based Industries</td>
<td>55.15</td>
<td>13.95</td>
<td>15,800</td>
<td>32,550</td>
</tr>
<tr>
<td>3.</td>
<td>Mineral based industries (non-metallurgical)</td>
<td>37.10</td>
<td>4.02</td>
<td>10,700</td>
<td>55,400</td>
</tr>
<tr>
<td>4.</td>
<td>Agricultural, livestock and Forest based industries</td>
<td>32.91</td>
<td>9.35</td>
<td>23.740</td>
<td>43.340</td>
</tr>
<tr>
<td>5.</td>
<td>Chemical &amp; allied Industries</td>
<td>87.38</td>
<td>22.71</td>
<td>18,100</td>
<td>70,430</td>
</tr>
<tr>
<td>6.</td>
<td>Small Industries</td>
<td>7.00</td>
<td>18.85</td>
<td>65,000</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>238.54</strong></td>
<td><strong>78.62</strong></td>
<td><strong>156,340</strong></td>
<td><strong>246,720</strong></td>
</tr>
</tbody>
</table>

During the Fourth Plan period, the growth of medium and large industries included such as dry batteries, electric fans, sugar, enamelled copper wires, weighing machines, steel forgings, ball bearings synthetic paints, plastic laminates, biscuits, starch etc. A major fertiliser factory licenced during the Third Plan was commissioned at Visakhapatnam. Similarly a new cement factory was set up in Karimnagar district. In the central sector a major heavy engineering unit for the fabrication of chemicals plant and equipment viz. Bharat Heavy Plates and Vessels has come up at Visakhapatnam, while the units of Atomic Energy Commission and Hindustan Aeronautics have gone into production at Hyderabad.

In addition to above, the Rs. 37 crore Visakhapatnam Outer Harbour Project is another ambitious plan. The harbour was opened to traffic in 1933. It has 18 berths today as against 3 in 1941. The port is fully equipped to serve the entire hinterland. In future tobacco exports from Andhra can be diverted through this port. This harbour is designed to handle ships of the size of 100,000 DWT initially and provision has been made for future development to cater for 200,000 DWT vessels. Again, the outer harbour will be in a position to load 10 to 12 million tonnes of iron ore as against the present capacity of 6 million tonnes. The port is expected to meet the requirements of the steel plant which is in the offing. The steel plant at Visakhapatnam is expected to produce

1. Ibid.
mild steel which will be a landmark in the state's industrial progress. This prestigious steel plant may cost ₹.500 crores and it will be designed by Indian engineers. The entire equipment will be manufactured indigenously. The selection of site and other formalities have been completed and it is expected to go into production at the end of sixth plan period. The Atomic Energy Department of the Government of India has established a rocket launching station on the east coast at Sriharikota island in Nellore district, from where India has recently put Aryabhata into the orbit.

Besides, a zinc smelter at Visakhapatnam and the Agnigundala Copper Project of Hindustan Copper Corporation are the two other public sector projects approved during this period.

Identification of backward districts in the states.

The Pande Working Group appointed by the Planning Commission has indentified Andhra Pradesh as one of the backward states in India. Within the state there are regions at varying degrees of economic development, and within regions there are bright and problem areas. In order to correct the regional imbalances in the state, the Government of India has identified 10 districts as industrially backward, and consequently eligible for certain concessions mainly finance for establishing industries in these districts. The ten districts are: Anantapur, Chittoor, Kurnool, Karimnagar, Khammam, Mahboobnagar,
Medak, Nalgonda, Nizamabad and Warangal. These districts put together account for half of the total area of the state representing two fifths of the state's population. Subsequently, Srikakulam, Visakhapatnam, Nellore and Prakasam districts were added bringing the total to 14 districts in the state.

During the Fourth Five Year Plan, three districts one each from three regions. Srikakulam, Cuddapah, and Nalgonda were provided Rs. 1.5 crores each under the centrally sponsored Farmer's Development Scheme. Under another scheme for Marginal Farmers and Agricultural Labourers three districts namely Visakhapatnam, Chittoor and Nalgonda were provided with Rs. 1. crores each.

These are some of the steps taken by the Central Government to reduce regional disparities during the Fourth Plan period.

**Industrial development programme during Fifth Five Year Plan period.**

During the Fifth Five Year Plan period 85 medium and large scale units with a total investment of Rs. 327 crores will be established in the state. While formulating the industrial development programme, the basis strategy and the objectives of the Fifth Year Five Plan have been kept in view. It is admitted by all, that there is an urgent need to step up the rate of industrialisation in backward regions of the state with a view to generate more employment opportunities among the weaker sections of the society and to stop the inflow of rural labour to cities and also to create self generating growth centres in rural areas. Consequently it is proposed
that out of 85 units, 61 should be set up to hitherto neglected and industrially backward areas of the state. Out of the total investment of ₹.327.00 crores nearly ₹.267.00 crores (81 percent) will be invested in backward areas.

In order to achieve optimum utilisation of the natural resources of the state, and investment of over ₹211.00 crores is earmarked for resource based industries. It is 64% of the total investment during fifth plan period. Considerable weightage is given to the development of agricultural and live stock based industries. Out of the total, 29 agro-based units have been planned with an investment of ₹.46.70 crores. The important agro-based industries are Composit Textile Mills, Solvent Extraction Mills, Mini paper mills, the Castor complex and jute mill.

Six forest based industries with a total investment of ₹.102.00 crores have been planned in the state during fifth plan period, which constitute 31 percent of the total investment.

Besides, the above, 12 mineral based and 4 marine and salt based industries have been planned with an investment of ₹.62.00 crores. Sixteen chemical industries with an investment of ₹.6.00 crores are also planned. Electronic and Engineering industries will claim as much as ₹.29.00
crores as the share of investment during fifth plan period.

It is envisaged that the impact of this huge investment in the industrial sector during the fifth plan period will be significant. A direct employment potential of 50,000 will be created and indirect employment is estimated to be of 150,000 persons. It is estimated that the Central and State Government revenue generated by way of additional taxes will be of ₹50 crores.

Programme for industrial development during fifth five year plan period.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Total Outlay</th>
<th>Corporation Share</th>
<th>Employment Nos.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in Backward areas</td>
<td>24355</td>
<td>2426</td>
<td>37900</td>
</tr>
<tr>
<td>Investment in Agency and upland areas</td>
<td>2310</td>
<td>231</td>
<td>5500</td>
</tr>
<tr>
<td>Total</td>
<td>26665</td>
<td>2657</td>
<td>43400</td>
</tr>
<tr>
<td>Investment &amp; other areas.</td>
<td>6035</td>
<td>613</td>
<td>9141</td>
</tr>
<tr>
<td>Grand Total</td>
<td>32700</td>
<td>3270</td>
<td>52541</td>
</tr>
</tbody>
</table>

Source: APIDC Geared to the Future Acts Now-Book 1st issued by A PIDC, Hyderabad,
It is evident from the table that during fifth five year plan period, backward areas were given preferential treatment for the development of Industries.

The following table shows the region-wise investments during fifth five year plan period in Andhra Pradesh.

<table>
<thead>
<tr>
<th>Region</th>
<th>Total outlay (Rs. in lakh)</th>
<th>Corporation share (Rs. in lakh)</th>
<th>Employment Nos.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coastal Andhra Pradesh</td>
<td>10,000</td>
<td>1020</td>
<td>18840</td>
</tr>
<tr>
<td>Rayalaseema Region</td>
<td>9700</td>
<td>979</td>
<td>10120</td>
</tr>
<tr>
<td>Talangana Region</td>
<td>13000</td>
<td>1271</td>
<td>23581</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32700</strong></td>
<td><strong>32700</strong></td>
<td><strong>52541</strong></td>
</tr>
</tbody>
</table>

Source: Ibid.

**Position of Small Scale Industries in the State.**

**Introduction:**

Before we study the position of small scale industries in the state, it is better to know the official definition evolved in India for the purpose of development of small scale industries. Small scale industries were originally defined as industrial units with a capital of more than Rs. 5 lakhs, irrespective of the number of persons employed. In 1974, the maximum limit of capital
has been increased from ₹.5 lakhs to ₹.10 lakhs. An ancillary has been defined as a unit that supplies at least 50 percent of the requirements of any item to the mother unit. Such ancillary units can have capital up to ₹.15 lakhs.

Andhra Pradesh has been making a steady progress in the field of small scale industries. The number of small scale industries as on 30.6.1969 was 10,672 as against 2,346 in 1961. The progress made from year to year can be seen from the table below:

**TABLE-XX**

**Small Scale Industries in the state.**

<table>
<thead>
<tr>
<th>As on</th>
<th>No. of registered units</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.3.1961</td>
<td>2,346</td>
</tr>
<tr>
<td>31.3.1962</td>
<td>2,760</td>
</tr>
<tr>
<td>31.3.1963</td>
<td>3,255</td>
</tr>
<tr>
<td>31.3.1964</td>
<td>3,664</td>
</tr>
<tr>
<td>31.3.1965</td>
<td>4,114</td>
</tr>
<tr>
<td>31.3.1966</td>
<td>5,007</td>
</tr>
<tr>
<td>31.3.1967</td>
<td>6,176</td>
</tr>
<tr>
<td>30.6.1969</td>
<td>10,572</td>
</tr>
</tbody>
</table>

Source: Small scale Industries, Development Commissioner, Small Scale Industries, Govt. of India, New Delhi.
From the above it is clear that the number of small scale units registered with the Director of Industries during 1961-69 has shown a five fold increase. But the growth has not been evenly spread throughout the state. As per the census of small scale industries conducted by the Director of Industries, Andhra Pradesh in 1969, it is clear that there are regional disparities in the development of industries in the state. The same can be seen from the table given below.

Table showing the dispersal of small scale Industries units in Andhra Pradesh.

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Region</th>
<th>No. of small Employment units</th>
<th>Actual output Rs.Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>1)</td>
<td>Coastal Andhra</td>
<td>2,959</td>
<td>36,834</td>
</tr>
<tr>
<td>2)</td>
<td>Rayalaseema</td>
<td>877</td>
<td>12,364</td>
</tr>
<tr>
<td>3)</td>
<td>Telangana</td>
<td>2,784</td>
<td>26,743</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>6618</td>
<td>75941</td>
</tr>
</tbody>
</table>

Source: Small scale Industries, Development Commissioner, Small Scale Industries, Govt. of India, New Delhi, p.363.
From the above table, it is clear that in Andhra Pradesh, Rayalaseema region is far behind in industrialisation when compared to coastal Andhra and Telangana regions.

The following table gives the numbers of registered small scale units in various districts of the state up to 30th June, 1969.

**TABLE-XXII**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Region</th>
<th>Name of the district</th>
<th>No.of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Coastal Andhra</td>
<td>Srikakulam</td>
<td>304</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Visakhapatnam</td>
<td>484</td>
</tr>
<tr>
<td></td>
<td></td>
<td>East Godavari</td>
<td>1,137</td>
</tr>
<tr>
<td></td>
<td></td>
<td>West Godavari</td>
<td>464</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Krishna</td>
<td>1,560</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Guntur</td>
<td>1,570</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nellore</td>
<td>443</td>
</tr>
<tr>
<td>2.</td>
<td>Rayalaseema</td>
<td>Chittoor</td>
<td>603</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cuddapah</td>
<td>452</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Kurnool</td>
<td>304</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Anantapur</td>
<td>505</td>
</tr>
<tr>
<td>3.</td>
<td>Telangana</td>
<td>Hyderabad</td>
<td>1,145</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Warangal</td>
<td>183</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Karimnagar</td>
<td>316</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Khammam</td>
<td>128</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mahboobnagar</td>
<td>136</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nizamabad</td>
<td>270</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nadi</td>
<td>141</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nalgonda</td>
<td>312</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Adilabad</td>
<td>113</td>
</tr>
</tbody>
</table>

Source: Ibid, p.363
Output and Employment:

The contribution of output from industrial sector to the states income was 9.29 percent in 1966-67. The capital investment up to June 1969 in machinery and equipment production capacity and employment generated were as follows:

1) Capital invested in machinery & equipment 287.6 million (in rupees)
2) Production Capacity 1624 million (in rupees)
3) Employment (in persons) 142,000

A master plan for the development of agro-industries in semi urban and rural areas in the state was drawn up by the Small Industries Service Institute Hyderabad for the purpose of inclusion in the State Fourth Five Year Plan.

The following industries were registered for intensive development in Andhra Pradesh after studying the scope of agro-industries in agriculturally surplus areas.

1) Food preservation
2) Straw Board from paddy straw
3) Fuel Biquettis
4) Pictin and papain
5) Casheh, apple products and shell oil
6) Castor oil based products.

7) Particle Board from groundnut shell and other Agricultural products.

8) Spices, specially chilly powder.

**Industrial Estates:**

The establishment of industrial estates in Andhra Pradesh in 1955 was a part of All India Programme for development of Industrial Estates in the country. By the end of Third Five Year Plan period an amount of ₹34.6 million was spent on different industrial Estates in the state. During the annual plan period 1966-70, consolidation of existing estates was taken up at a cost of ₹4.58 million.

The following are the types of industrial estates established in Andhra Pradesh as on 1.4.1970.

1) Conventional Estates 18

2) Rural Industrial Estates 2

3) Assisted Prive Industrial Estates 15

Total 35

In addition to above a cooperative industrial estate was established at Hyderabad during 1964-65 at a cost of ₹4.284 million.

Today, the state has 37 industrial estates of various types distributed fairly over all the district of the state.

1. Ibid., p. 366.
The region-wise distribution of Industrial estates is as follows:

<table>
<thead>
<tr>
<th>Region</th>
<th>No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Coastal Andhra</td>
<td>12</td>
</tr>
<tr>
<td>2) Rayalaseema</td>
<td>8</td>
</tr>
<tr>
<td>3) Telangana</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37</strong></td>
</tr>
</tbody>
</table>

On the average, there are about 2 estates in each district of Rayalaseema and Telangana, while Coastal Andhra has 1.7 estates.

Regarding the location pattern of these estates in the states, more than 50 percent are located in urban, 33 percent located in semi-urban and the rest in the semi urban areas. Of the 8 estates in Rayalaseema 5 are located in chronically drought effective areas. The success of these estates in these areas largely depends upon the governmental help in providing the required infrastructure facilities which are totally absent.

As all the four districts of Rayalaseema are now eligible for special assistance from the Centre, under the special development programme, we can hope for increased industrial activity in this region of the state.

The success of any industrial estate largely depends
upon the location factor while locating the industrial estates in the state, following factors may be considered viz, careful selection of site and place, availability of capital and entrepreneurship.

**Ancillary Industries:**

Recent development of large and medium sized industries in the state has given rise to the urgent need for the development of ancillary industries also. Certain parts and components required by the these large and medium scale units can be met by the small scale units. Efforts have been made by the Small Industries Service Institute to render intensive technical assistance to standardise their products and improve the qualities to meet the specifications stipulated by the larger units. Hyderabad and Visakhapatnam are the two important sized industries offering good scope for establishment.

It is estimated that during 1966-67 parts and component valued at about Rs 537,000 were supplied by 98 small scale enterprises to the Andhra Pradesh State Road Transport Corporation, Hyderabad, Allwyn Metal Work Ltd., Praga Tool Corporation, Hyderabad, Usha Works all located at Hyderabad and Caltex oil Refineries limited Visakhapatnam. Details of ancillary supplied made to large scale units by the small enterprises during 1963-70 are given below interms
<table>
<thead>
<tr>
<th>Year</th>
<th>Value in orders received (Rs. thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963-64</td>
<td>600</td>
</tr>
<tr>
<td>1964-65</td>
<td>520</td>
</tr>
<tr>
<td>1965-66</td>
<td>819</td>
</tr>
<tr>
<td>1966-67</td>
<td>537</td>
</tr>
<tr>
<td>1969-70</td>
<td>4,927*</td>
</tr>
</tbody>
</table>

On the recommendations of the Bhabha Committee the Central Government has already established two big public undertakings namely the Electronics Corporation of India and the Hindustan Aeronautics Ltd. at Hyderabad. Besides these, there are three Defence Laboratories DLRI, DMRL and DRDL in the city. The Bharath Dynamics and Atomic Fuel Complex at the latest additions to the list of Public Undertakings. Hyderabad has already made a name in electronic industry in India. All these are sufficient to give necessary impetus for the growth of electronic industry in particular and ancillary units in general to manufacture components and spares required by this industry. In coming years, one can expect a good number of ancillary units in the State.

PART II

DEVELOPMENT OF VARIOUS CORPORATION IN THE STATE

With a view to create a climate more conducive to the growth of industries in the state, the state government from time to time has set up the following institutions.

1) Andhra Pradesh State Financial Corporation.
2) Andhra Pradesh Industrial Development Corporation
3) Andhra Pradesh Agro State Industries Corporation
4) Andhra Pradesh Industrial Infra-structure Corporation
5) Andhra Pradesh Small Scale Industries Development Corporation
6) Andhra Pradesh Mineral Development Corporation
7) Andhra Pradesh State Trading Corporation

The following pages are devoted to the study of some of the important institutions with a view to know clear idea about the objectives and the extent of help rendered by them for the development of industries in the state.

1) Andhra Pradesh State Financial Corporation:

The Andhra Pradesh State Financial Corporation was the first financial institution established in 1956 under the State Financial Corporation Act of 1951. The activities of the state Financial Corporation are complementary to those
of the Industrial Finance Corporation of India. The corporation is entrusted with the task of setting up of both new industries and expansion and/or modernisation of existing industries. Besides helping private and public limited companies and cooperative societies, the corporation also sanctions loans and advances to partnership firms, joint Hindu family concerns and industrial proprietorship concern. The Corporation's activities are extended to all parts of the state and entrepreneurs are served by four branches of the corporation situated at Visakhapatnam, Vijayawada, Tirupathi and Warangal. There is a proposal to start a branch at Anantapur shortly. Industrial concerns engaged in one or two of the following activities are eligible for financial assistance from the Corporation:

1) Manufacture of goods.
2) Preservation of goods
3) Processing of goods
4) Mining
5) Hotel Industry
6) Development of any contiguous area of a land as an Industrial estates.
7) Maintenance, repairs, testing or servicing of machinery of any description or vehicles or vessels, motor boats or trailers or tractors.
8) General and distribution of electricity of any other form of power.
9) Transport industry
10) Assembling, repairing or packing any article with the aid of machinery or power.
11) Fishing or providing shore facilities for fishing or maintenance thereof and

12) Providing special or technical knowledge or other services for the promotion of industrial growth.

The Corporation used to act as an agent of the state government for disbursement of margin money sanctioned by the Government. Since 1974 it has ceased to act as an agent to the state government for disbursement of loans granted under the Industrial Act.

The corporation also sanctions foreign exchange loans under IDA line of Credit (World Bank) to small and medium sized industrial units for the purpose of capital equipment and technical knowhow. The sanctions under this category are not increasing as the entrepreneurs are not still used to this credit inspite of the publicity given. The corporation has brought out a scheme for the benefit of technocrats and ancillary units on softer terms. Technically qualified raw engineering graduates setting up their own units based on their special-ised fields would be eligible for loan at 90 percent if the project cost of land, buildings and machinery does not exceed Rs.1.5 lakhs. Technically qualified engineering graduates with 3 years experience would be eligible for financial assistance at 90 percent upto 4.5 lakhs.

of project cost including building and machinery. In case two technically qualified engineering graduates with experience of 3 years join together, they will be eligible for loan up to 90 percent if the project cost does not exceed ₹ 8 lakhs.

Similarly a diploma holder with 10 years of experience is also eligible for financial assistance up to 90 percent of the project cost when the cost of the project does not exceed ₹ 3 lakhs. In case two or more diploma holders with 10 years of experience join together, would be eligible for financial assistance up to 90 percent of the project cost where the cost of the project on fixed assets does not exceed ₹ 5 lakhs.

Scheme to Identify entrepreneurs:

Recently the corporation has evolved a new scheme under which the corporation identified prospective entrepreneurs even at the college level and get them trained in setting up and management of units in the line of manufacture selected by them. The corporation meets the expenses for training etc. by which a new class of entrepreneurs is created. Three years back the corporation has introduced a scheme for sanctioning loans to ancillary industries. Under this scheme, the corporation allows 90 percent of the project

2. Ibid p. 7.
cost in fixed assets by way of loan. Due to this facility the public sector undertakings are coming forward increasingly to off load some of their requirements by encouraging ancillary units. Under this scheme the corporation has sanctioned term loans to 33 units amounting to Rs. 69 lakhs up to 31st March 1975. As on 31st March 1975, as many as 18 applications amounting to Rs. 47 lakhs were pending for sanction of loans with the corporation.

The net financial assistance sanctioned since its inception and effective as at the end of March 1975 is as follows:

**TABLE-23**

<table>
<thead>
<tr>
<th>Nature of Assistance</th>
<th>Number</th>
<th>(Rs. in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Term loans</td>
<td>2,297</td>
<td>4,023</td>
</tr>
<tr>
<td>2. Shares through under writing</td>
<td>22</td>
<td>81</td>
</tr>
<tr>
<td>3. Debentures through under writing</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>4. Debentures-Direct subscription</td>
<td>2</td>
<td>27</td>
</tr>
<tr>
<td>5. Deferred payments guarantees</td>
<td>33</td>
<td>221</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,356</strong></td>
<td><strong>4,359</strong></td>
</tr>
</tbody>
</table>

*Source: 19th Annual Report and Accounts 74-75, Andhra Pradesh Finance Corporation, op.cit. p.7*
From the above table, it is clear that the corporation has extended operations to all the three regions of the state. As on 31st March 1975, the corporation has assisted 2,356 units to the extent of Rs. 43.59 crores, out of which Rs. 29.12 crores were already disbursed to 1,798 units.

Region-wise distribution of assistance:

The region-wise over all sanctions as on 31st March, 1975 are as follows:

**TABLE- 24**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Region</th>
<th>Loans (No.)</th>
<th>Amount (Rs. in Lakhs)</th>
<th>Shares (No.)</th>
<th>Amount (Rs. in Lakhs)</th>
<th>Debentures (No.)</th>
<th>Amount (Rs. in Lakhs)</th>
<th>D.P.G. S. (No.)</th>
<th>Amount (Rs. in Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Coastal Andhra</td>
<td>903</td>
<td>1,491</td>
<td>6</td>
<td>25</td>
<td>2</td>
<td>17</td>
<td>11</td>
<td>73</td>
</tr>
<tr>
<td>2.</td>
<td>Rayalaseema</td>
<td>499</td>
<td>761</td>
<td>5</td>
<td>17</td>
<td>-</td>
<td>-</td>
<td>8</td>
<td>39</td>
</tr>
<tr>
<td>3.</td>
<td>Telangana</td>
<td>895</td>
<td>1,771</td>
<td>11</td>
<td>39</td>
<td>2</td>
<td>17</td>
<td>14</td>
<td>109</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2,297</td>
<td>4,023</td>
<td>22</td>
<td>81</td>
<td>4</td>
<td>34</td>
<td>33</td>
<td>221</td>
</tr>
</tbody>
</table>


It is clear from the above that the corporation had assisted 2,297 units to the extent of Rs. 40.23 crores by way of term loans. It has also underwritten issues of shares.
to 22 companies amounting to Rs. 81 lakhs and subscribed to debentures of 4 companies (2 underwritten) and 2 direct subscription) for an amount of Rs. 34 lakhs. The corporation had also guaranteed differed payments for 33 units to the tune of 2.21 crores.

The following table gives the details of assistance sanctioned and disbursed by the Corporation during the last five years.

**TABLE-25**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sanctions</th>
<th>Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 1970-71</td>
<td>368</td>
<td>229</td>
</tr>
<tr>
<td>2. 1971-72</td>
<td>401</td>
<td>268</td>
</tr>
<tr>
<td>3. 1972-73</td>
<td>653</td>
<td>328</td>
</tr>
<tr>
<td>4. 1973-74</td>
<td>828</td>
<td>409</td>
</tr>
<tr>
<td>5. 1974-75</td>
<td>993</td>
<td>571</td>
</tr>
</tbody>
</table>

**SOURCE:**
1. Southern Economicst, Bangalore, A.P. Number, April 1975.

It is evident from the above table that there is an rapid increase in the financial assistance and the amounts disbursed during the period 1970-75. During the five years
the Corporation sanctions increased from ₹358 lakhs in 1970-71 to ₹993 lakhs in 1974-75, while the amounts disbursed has registered an increase of 131 percent raising from ₹229 lakhs in 1970-71 to ₹571 lakhs in 1974-75.

**Small Scale Industries**

The Corporation has achieved a commendable progress in the promotion of planned growth of small scale industries in the state. Efforts have been made to promote small scale industries by giving incentives especially for the industries located in backward districts of the state. As on 31st March, 1975 the Corporation has extended its financial assistance to 2,038 small-scale units amounting to ₹1,905 lakhs.

The following table gives details of sanctions and disbursements made to small scale industries during the last five years.

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Year</th>
<th>No. (in 000's)</th>
<th>Amount (in 000's)</th>
<th>No. (in 000's)</th>
<th>Amount (in 000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1970-71</td>
<td>280</td>
<td>21,062</td>
<td>239</td>
<td>12,017</td>
</tr>
<tr>
<td>2.</td>
<td>1971-72</td>
<td>253</td>
<td>24,997</td>
<td>269</td>
<td>13,895</td>
</tr>
<tr>
<td>3.</td>
<td>1972-73</td>
<td>389</td>
<td>33,074</td>
<td>234</td>
<td>16,705</td>
</tr>
<tr>
<td>4.</td>
<td>1973-74</td>
<td>574</td>
<td>53,348</td>
<td>270</td>
<td>22,396</td>
</tr>
<tr>
<td>5.</td>
<td>1974-75</td>
<td>512</td>
<td>58,880</td>
<td>337</td>
<td>31,800</td>
</tr>
</tbody>
</table>


Ibid. 1974-75(8)10th Annual Report and Accounts, 74-75 A.P. EPC.
It is clear from the above table that there is rapid increase in the financial assistance given to small scale industries during the last five years. The amount sanctioned increased from 20 lakhs in 1970-71 to 589 lakhs in 1974-75. Though there is a fall in the number of units during 1974-75 compared to the previous years, there is a substantial increase in the amount sanctioned as well as is the amount disbursed. In terms of amount it works out to 59 percent of the total of Rs 993 lakhs and in terms of number 95 percent of the total of 5,41 lakhs.

**Default positions**

Regarding the default position during 1974-75, over dues have increased from Rs 46.43 lakhs in 1973-74 to Rs 67.05 lakhs in 1974-75. The increase and largely due to paucity of funds for working capital an account of credit squeeze and also due to power shortage in the state during 1974-75. The credit squeeze imposed by the R.B.I has affected the productivity and profitability of the industrial units for want of sufficient working capital. The corporation has stopped financing the modern rice mills as most of the mills financed by the Corporation could not fare well during 1974-75, due to the government levy system. Hence there is a need to revise the policy of rice procurement in the state. The

government should evolve a policy to encourage modernisation of rice mills in the state.

Conclusion:

The working of the Corporation is quite satisfactory despite the economic situation prevailing during that period. There is a need to open more branches to enable a large number of entrepreneurs to take advantage of the facilities offered by this Corporation in the state. The Corporation should make every effort to reach the smallest possible entrepreneurs living in rural areas. It would be better if the Corporation can be launch a scheme where trained and qualified supervisors may be deputed to each district for propaganda. Such supervisors may be asked to tour the district by a well planned programme, visit the industrial unit and make on the spot study to identify the deficiencies and difficulties faced by them.

Supervisors so appointed may be asked to cover all the small scale industries in the district, at least once during an year. This type of arrangement may bring small entrepreneurs close to the Corporation and its activities. This system may also help the Corporation to take some remedial measures for the healthy growth of industries, particularly small scale industries, located in rural areas.
2) **Andhra Pradesh Industrial Development Corporation Limited.**

Mainly due to its predominantly agricultural oriented economy and also due to lack of necessary climate for the industries to flourish and grow, Andhra Pradesh remained industrial backward for a long time. It is in this context that a need was felt for the creation of an organisation which can motivate people to invest their savings in industry by offering them "total service" which includes project identification, participation in fixed capital, securing land, water, power, managerial skills and loan capital, and also to assist in implementation of the projects and marketing their products.

The A.P. Industrial Development Corporation is the first of its kind to be established in the country (in 1961) with the following objectives. The main objectives could be grouped into two categories.

1) **Financial assistance to industries set up in Andhra Pradesh by way of direct participation both in equity and preference share capital and underwriting of new issues of equity and preference shares.**

2) **Direct promotion of selected industries in the public, private and joint sectors.**

**Financial Assistance:**

The Corporation has so far rendered financial assistance to 64 manufacturing units by way of direct participation,
underwriting, guarantee of differed payments and temporary loans aggregating ₹ 1,100 crores.

As a result of the activities of the Corporation an investment to the tune of ₹ 120 crores has been generated in the state constituting nearly 85% of the total investment in the organised sector. This does not include the capital investment in public sector undertakings located in the state.

Joint Venture Projects:

In recent years the Corporation (A.P.I.D.C.) has entered the field of sponsoring and promoting joint ventures in the state. Of the total companies assisted, 14 units are in the joint sector prospects, involving a capital outlay of ₹ 65 crores. The Corporation share in these joint venture projects will be around 26 percent. These projects cover a wide range of industries such as plastic, engineering, textiles, sugar, fertilisers, pharmaceuticals, chemicals and mineral processing units. The Corporation has already obtained licenses for promoting 28 different types of industries as joint ventures in the states. These schemes under promotion will have an investment of the order of ₹ 327 crores of which the Corporation share will be of the order of ₹ 32 crores.

Employment:

As a result of the promotion activities and investment

2. Ibid.
estimated to help around 20,000 persons. Consequently employment opportunities created in secondary and territory sections may be of the order of 60,000 persons.

Statement showing the classified industry-wise investment in shares and loans up to 31st March 1974.

TABLE

<table>
<thead>
<tr>
<th>S.no.</th>
<th>Nature of Industry</th>
<th>No. of companies</th>
<th>Amount assist. in/ debentures</th>
<th>Loans total investment</th>
<th>Percentage of investment to total investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Engineering</td>
<td>24</td>
<td>319.90</td>
<td>251.25</td>
<td>57.15</td>
</tr>
<tr>
<td>2.</td>
<td>Fertilisers</td>
<td>1</td>
<td>110.75</td>
<td>-</td>
<td>110.75</td>
</tr>
<tr>
<td>3.</td>
<td>Jute &amp; Textiles</td>
<td>11</td>
<td>57.00</td>
<td>-</td>
<td>57.00</td>
</tr>
<tr>
<td>4.</td>
<td>Chemicals</td>
<td>13</td>
<td>117.07</td>
<td>78.53</td>
<td>195.60</td>
</tr>
<tr>
<td>5.</td>
<td>Paper &amp; Pulp Boards</td>
<td>2</td>
<td>16.20</td>
<td>-</td>
<td>16.20</td>
</tr>
<tr>
<td>6.</td>
<td>Cement</td>
<td>1</td>
<td>18.61</td>
<td>-</td>
<td>18.61</td>
</tr>
<tr>
<td>7.</td>
<td>Others</td>
<td>6</td>
<td>11.44</td>
<td>2.50</td>
<td>13.94</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>58</td>
<td>650.97</td>
<td>332.28</td>
<td>983.25</td>
</tr>
</tbody>
</table>


From the above it is clear that the Corporation's total investment in the share capital/debentures up to
31st March 1974 aggregates to Rs.650.97 lakhs in 58 companies.
(out of which 12 in sponsored/joint venture projects).

Out of the total investment as on 31st March 1974, engineering chemicals and fertilizers took the first three positions with 57.5% and 11.5% respectively. The share of jute and textiles was only 6% of the total investment. Of the total Rs.893.25 lakhs Rs.332.28 lakhs were given as loans.

Conclusion:

Though the Corporation has been established to promote, improve, establish and develop industries to the state, the Corporation should concentrate on promotional activities more vigourously to attract large number of entrepreneurs. The programme of joint venture in collaboration with the private sector should be aimed to promote and establish, such industries which are export oriented and where private investment is not forthcoming. The Corporation has already created the necessary climate and initiative for the development of industries in the state. With the experience it has gained, one can expect that this Corporation will bring increased industrial activity in to the state.

3) Andhra Pradesh State Agro-Industries Corporation:

Among the public institutions started to promote agricultural production programme, the A-gro-Industries Corporations have special significance. These corporation are organised at State level with a definite purpose more merely supply modern machines and implements.
but to train the farmers in adopting modern methods of agriculture. The Andhra Pradesh State Agro-Industries Corporation Ltd., was established in March 1968 and started functioning in July 1968. It is a joint venture of central and State Governments subscribing the capital in the ratio of 51:49.

The authorised capital of the corporation has been raised from Rs.2 crores to Rs.4 crores in 1969. The Corporation is empowered to issue bonds, debentures, borrow from commercial banks, State Finance Corporation, Agricultural Finance Corporation of India etc. The management units with the Board of Director nominated by the Central and State Governments non-officials representing industry and progressive farmers.

The Managing Director is in charge of the entire administration and he is assisted by technical and administrative officers, each incharge specific duties. The Corporation has its headquarters at Hyderabad and has set up branches in each district with men and machinery to facilitate easy approach to the farmers. Besides districts officers, it had established regional offices at Hyderabad, Bapatla, Jagtial, Nantapur and Vijayawagaram to cover the entire state to ensure close supervision over the district offices.

The function of the corporation has been defined so as to enable it to undertake work connected with the
development of agricultural activities and agro-industries. The Fourth Five year Plan emphasised that "for enabling farmers with meagre resources to acquire costly equipment, the corporation will take up sale of equipment and machinery on hire purchase basis. They are responsible for organising distribution of tractors, agricultural equipment and spare parts and setting up centres for hiring, servicing and repairing of agricultural machinery."

The main objectives of the Corporation are as follows:

1. To import several makes of tractors of different horse power from abroad and distribute the same to farmers.
2. To organise and undertake land shaping
3. To organise and undertake drilling operations for drinking and irrigation purposes.
4. To contribute share capital in the establishment of agro-based industries by private agencies.
5. To set up fruit and vegetable processing plants and to manufacturer low priced high protein food and
6. To assist the farmers by supplying spares, tyres, tubes and other modern agricultural implements like pump sets, oil engines etc. as well as GC and GP sheets.

Distribution of Machinery and Implements:

Consequent to the formation of Agro-industries Corporation the distribution of imported tractors has been entrusted to the Andhra Pradesh State Agro-industries Corporation in the state. The Corporation has been permitted to import several

makes of tractors from abroad. It has so far imported tractors from Russia GDR and Rumania.

The farmers intending to purchase these tractors have to register their names with the corporation. It also supplies tractors to loanees of land Mortgage Banks. The allotment of tractors is made district wise in the order of registration. The corporation undertakes the repairs and servicing during guaranteed period. The Corporation also undertakes the supply of spares needed.

**Hire Purchase activity:**

The Corporation has made arrangements with manufacturers of pump sets, electric motors and diesel engines for sale on hire purchase basis to cultivators. The distribution is undertaken by the district offices. The Corporation has already made arrangements with the state Electricity Board for supply of power to about 90,000 wells per year during the next 5 years. This scheme provides installation service and after sales service to its clients. The corporation also insures the equipment supplied to the farmers against any loss or damage. The Corporation also undertakes the replacement of spares which have failed during normal operations against nominal payments.

Agro-Subsidiary Limited, a subsidiary Company of the Agro-Industries Corporation has been established with the
dual purpose of making available standard oil engines, electric motors and pump sets to the farmers at competitive prices and to attend to after sales service of the pump sets.

The Corporation has also undertaken the scheme of proving agricultural machinery on hire at selected centres. Each agro-centre will have 60 wheeled tractors of 20-35 HP along with other implements and other attachments like 6 crawler tractors of 50-60 DB HP and 3 crawler tractor with 80-100 HP. All the machinery will be used entirely for the purpose of hiring out to cultivators at fixed charges. Besides, sophisticated attachments like tractors, mounting sprayers and dusters, deep ploughs and drilled machinery etc. are also maintained in these centres. Subsequently, International Harvester tractors are also added to meet the requirements of the farmers.

Bulldozers and crawlers and used for land reclamation and deep ploughing operations.

The Corporation has also taken up activities like land reclamation and ground water exploitation with particular emphasis on drinking water. The government has entrusted this task of purchasing and development of drills to the Corporation in view of drought conditions prevailing in certain parts of the state. In the field of land development, the Corporation had reclaimed and developed 47,000 acres of land
with the help of bulldozers during 1969-70 and 1970-71. It had planned to tackle 35000 acres of land during 1972-72.

**Spraying:**

The department of agriculture in cooperation with the state Agro-industries Corporation has undertaken a scheme to rid orchards of deadly pests called 'hopper' and a decease called 'Sooty mould' for the first time in the state, tractor spraying of pesticides was resorted to in a big way in Mango orchards with the objective of increasing the quality and quantity of the crop. Mango growers who undertaken tractor mounting spraying were given loans at Rs 25 per acre each. The per acre cost is about Rs 29 and the tractor is hired at Rs 20 per hour. The agricultural department in a brochure claimed that the production value realised from each spraying tree is three or four times more than that from an un-sprayed one. The Corporation has also taken up spraying work for dry cotton in Kurnool district on contract basis. The scheme of spraying will have a dual effect viz. pest control and supplying of nitrogen to plants. It is hoped that this scheme will extend to large tracts in future.

**Food Processing and Shortage etc.**

The Corporation has a food technology division set up for investigating the possibilities of establishing agro-based processing industries, conducting feasibility studies and
planning and implementing schemes for the promotion of such industries. The Corporation has already taken over the Government fruit preservation factory at Anantharajupeta of Cuddapah district with a view to diversify and expand the production of the factory. The Corporation has been planned to set up a large scale fruit processing unit in Lango area of Krishana district. The Corporation has already completed the investigation and other formalities in this regard. Setting up of one onion dehydration factory in Cuddapah district and a maize processing unit in Telangana and cold storage plant at Visakhapatnam for promoting export of prawns from Andhra Pradesh are under active consideration of the Corporation. A normal, portable type of rice milling machine imported from Japan for evaluating the performance with the varieties of the rice grown in the state is found to be satisfactory, and the feasibility of manufacturing it in collaboration is also under consideration. There is also a proposal to conduct a test marketing in twin cities in respect of vegetable tanned protein rich milk, which will be cheaper than the milk. If the test-marketing proves to be a success, the corporation may take up the production of milk substitute in a long way.

Cattle feed and poultry feed compounding factories are being set up in the state. The processing activities which the corporation undertake largely depends upon the needs of the particular area.
Miscellaneous activities:

The Corporation also securing CC.GP, sheets allotments towards agricultural quota from the Ministry of Steel and Heavy Engineering for agricultural use of the farmers. Besides, it is also supplying the tyres for imported tractors to the needy farmers.

Conclusion:

Through the Agro-Industries Corporation came into existence more than 7 years ago, its activities are confined mainly to cash sale/hire purchase of tractors and spare parts and other equipment. This facility is available to the well to do farmers, but, keeping in view the small and marginal farmers who from the majority of the agriculturists in the states, there is an imperative need to expand the present customer service in agricultural implements, hiring out of farm equipment etc. The Corporation should expand its activities to rural areas. Expansion of agro-centres should be taken up in order to make the services available to the common man. So far sporadic attempts have been made by the Corporation in this direction. The Corporation's role has been confined mainly to trading activities. Today, in India, we need farm doctors to spread the gospel of modern agricultural practices and to cure
the ills of rural economy. The Corporation can take a lead in this direction to train the rural farmers.

In certain states the Agro-Industrial Corporation have gone a step ahead, towards the production/sale of fertilizers, pesticides, seeds, poultry cum cattle feed etc. But in Andhra Pradesh the Corporation is yet to make a beginning. In view of the large variety of fruits and vegetables that are grown in Andhra Pradesh, the Corporation should intensify its activities in the line of processing. The Corporation can take up cashew processing on modern lines for export purposes.

Anabshahi, a most delicious grape is being grown in Hyderabad, Secunderabad, Mahboobnagar, Anantapur and Kurnool districts of the state. As result of massive investment of capital by gentlemen farmers from all parts of the country, Anabshahi is grown on an ever increasing acreage. It is estimated that an investment of Rs. 20,000 is necessary for grape cultivation of one acre. It has been calculated that about six crore rupees have been invested in this project in addition to the annual recurring expenditure of Rs. 1.8 crores. Each acre employs in a season about 1000 man days of labour for its maintenance, harvest and packing. This would mean that the grape cultivation in and around Hyderabad is providing employment to 30 lakh man
days of labour paying Rs 60 lakhs in the form of wages.

As there are few countries in the world harvest grapes between February and April, grapes grown in Andhra Pradesh have good export prospects.

Besides exporting grapes during season, the Corporation may set up a grape winery unit. The Corporation should try its hand in such of the agro-based industries which are export oriented.

The Corporation may set up the following agro-based industries for export purpose.

1) Cashew processing unit, Cashew shell oil.
2) Dehydration of fruits and vegetables.
3) Solvent Extraction plants for rice bran/cotton seed.
4) Canning of fruits and vegetables.

Andhra Pradesh Industrial Infrastructure Corporation Limited

The Andhra Pradesh Infrastructure Corporation is one of the two Corporations which were established in recent years. The need was felt to accelerate the development of the industries in order to catch up with the industrial development of the more advanced states in the country. Development of infrastructure facilities like water, power, roads, land etc.

1. Eastern Economicist, Special Number Vol. 55(21) p.44
are the important pre-requisites for development of industries in any area. To this end and to create a congenial atmosphere to attract new entrepreneurs particularly in under-developed and backward areas, the Govt. of Andhra Pradesh established this corporation in September 1973.

To start with, this corporation has been entrusted with the responsibility of managing the industrial estates which were existing on that date. Besides, the corporation has to provide the infrastructure facilities in areas where such facilities do not exist. Preferential treatment will be given to such areas which have been declared as industrially backward by the Govt. of India.

The Corporation has already put on board certain very important projects for the development of small scale industries in the state.

1) **Industrial Development area**

Certain selected areas of land which are suitable for industrial development will be taken over by the corporation and will be provided with facilities like water, roads, drainage, power etc. under this scheme. Patancheru near Hyderabad, Tirupathi, Renigunta belt in Chittoor district and Visakhapatnam have been chosen and work is in progress. Large scale industrial like Mini-Steel Plants, pesticides, tanneries, chemical units are coming up. Besides this, Shadnagar, Ramagundum, Guntakal, Vijayawada and Srikakulam have been identified.
as growth centres.

Besides the usual conventional industrial estates and assisted private industrial estates, the Corporation has programmed to construct Satellite Industrial Estate, self-Employment Estate, Technocrats Estate, Ancillary Estates and Commercial Estates in different parts of the state.

The Corporation has already undertaken the construction of houses for workers and various industrial estates and Industrial Development areas. Material depots have been opened at Viskhapatnam, Vijayawada, Tirupathi, Warangal and Hyderabad. Housing material like iron, cement, asbestos sheets etc. will be supplied to those industrialists who intend to construct their own industrial sheds on the plots allotted by the Corporation. The Corporation has also taken up water supply schemes for providing water to industries in areas where such facilities do not exist. At present, A.P.S.E.B is demanding voluntary loans contribution from the industries for supplying of power. The Corporation has prepared a scheme to assist the technocrates and self-employed persons who intend to set up industries on Industrial Development Areas and Industrial Estates. Under this scheme, voluntary loans contribution payable to A.P.S.E.B will be met by the Corporation and the amount so paid will be collected from the person concerned with interest on easy instalments. The Corporation also acts as an agent for the
disbursement of margin money under self-employment schemes and subsidy under the Central Scheme to industries.

The only criticism levelled against this Corporation so far, is that the rate charged by the Corporation in respect of land is very high. The rate of the lands that were acquired by the Government for industrial purposes is ranging from Rs.2 to Rs.4 per sq. yard and the same is being sold at Rs.15 to 20 per sq. yard on the plea that this is the local market rate. NO doubt, the Corporation might be spending huge amounts for the development of sites to provide the possible facilities, but it does not mean that the Corporation should sell the developed plots at such abnormal rates. The Corporation should build up a public image to attract a large number of entrepreneurs, specially, small scale industrialists. For the small scale industry to prosper in rural areas the Corporation should sell the developed plots at concessional areas, if not at least on a no profit and no loss basis.

5) Andhra Pradesh Small Scale Industries Development Corporation

Andhra Pradesh small scale industries Development Corporation with a capital of Rs. one crore has been registered in 1961. The Corporation has been rendering useful services for the cause of small scale industries in the state. The

1. G.V.S.Manl, Some Basic Problems of Small Scale Industries and Suggested solutions; Sovnenior, First Convention of Small Scale Industries of A.P., April, 1975, p.17,
following are the important objectives of the Corporation.

1) Providing financial assistance direct participation in the capital up to 50 percent in private limited companies.

2) Supply of machinery on hire purchase on liberal terms to educated unemployed through National Small Scale Industries Corporation.

3) Supply of scarce raw material through Raw Material Servicing Centres opened at six places namely Sanatnagar, Warangal, Samalkot, Vijayawada, Visakhapatnam and Cuddaph. These centres have been procuring and distributing scarce raw-material including ferrous and non-ferrous metals, to the small scale units.

4) To help process the project report and schemes and recommend for financial assistance from banks.

5) To help small industries in marketing their products to Government, quasi-Government departments, undertaking and to other potential buyers.

6) Maintain liaison with the large scale industries and help in the development of ancillary industries.

The performance of the corporation has not been good throughout marked by ups and downs. From 1972-73 onwards the corporation has extended its activities to various fields. Some of them which are important are given below:

1) The corporation has taken up the supply of more varieties and larger quantities of scarce raw materials to the
small industrial units in the state through its raw materials servicing centres.

2) For the first time, it has also taken up the supply of indigenous machinery on hire purchase basis to small scale industrial units in the state.

3) In addition to iron ore, steel the corporation has started the supply of coke and pig iron to the small scale industrial units through its service centres.

4) Of late, the performance of the production units of the corporation has also started to look up.

5) The corporation has continued its scheme of capital participation in setting up of small scale industrial units in the joint sector. So far the corporation has agreed to participate in the capital structure of 50 private limited companies to the tune of Rs 98.29 lakhs of these 26 units have already gone into production.

6) During 1973-74 for the first time the corporation has also taken up marketing of the products in a big way.

Conclusion:

Though the corporation was established as early as 1961-62 it has participated in the capital structure of 50 private limited companies to the extent of Rs 98.29 lakhs which is rather unimpressive. More efforts are to be made to energise it to play a more dynamic role in direct participation in private limited companies and increase the supply
of scarce raw material to a large number of entrepreneurs.

The corporation's performance has not been satisfactory, during the course of eleven years of its existence the corporation has made a nominal profit, the highest being Rs 38,000. During eight years the corporation has incurred heavy losses, the highest being Rs 11.51 lakhs during 1970-71. In the following year (1971-72) the corporation has again incurred a net loss of Rs 11.30 lakhs. But during the year 1973-74 the corporation made a profit of Rs 54.95 lakhs adequate enough to wipe out all the accumulated losses and leave a surplus of over Rs 23.33 lakhs.

There is a feeling among the small scale industrialists that Andhra Pradesh has not been accorded due place it deserves in respect of raw material allocation to the state by the centre. In case of aluminium the allotment to Andhra Pradesh is roughly equal to the allotment made to Manipur and Pondicherry individually.

It is also said that margins charged by the raw material servicing centres are very high. It is desirable to fix a statutory limit for such margins for all the corporations in the state. The Industries Directorate should have a separate wing for the purpose of fixing the prices of essential industrial raw material for the benefit of small scale industry in the state.

1. APSSIDC produces Excellent working results for 1974-75, pamphlet issued by APSSIDC, HYDERABAD, p.3.
2. G.V.S. Mani, Some basic problems of small scale industries and suggested solutions, souvenier, First Convention of small scale industries of A.P. op.cit.
6) The Andhra Pradesh Mining Corporation Limited:

The Andhra Pradesh Mining Corporation with an authorised capital of Rs one crore has been started in 1961. This corporation is engaged in the exploration and extraction of a variety of minerals, such as Asbestos, Iron-ore, Manganese, Marble, Barytes, Lime stone, Clays, Quartz etc.

7) Andhra Pradesh State Trading Corporation Limited:

A need was felt for an institution to promote export trade and to serve as a direct channel for the products manufactured by the small producers and entrepreneurs in Andhra Pradesh. In order to make up the long felt need to aid the small exporters and to remove the middlemen who are profiting at the expense of small entrepreneurs, the state government has set up an Export Import Corporation, in 1970 with an authorised capital of Rs 2 crores. Subsequently, the name of the Corporation has been changed to Andhra Pradesh State Trading Corporation Limited. This Corporation has been looking into the problems of export and import of the state.

Besides the above, the state has two more corporations

6) A.P. Leather Industries Development Corporation, and,

9) A.P. Dairy Development Corporation (P) limited.

Industrial development under cooperative sector:

The above mentioned corporation aims to meet the growing needs of industries in the state. Besides these, the Andhra Pradesh State Cooperative Marketing Federation is also taking keen interest in the development of agro-based industries in
the cooperative sector.

The Andhra Pradesh State Cooperative Marketing Federation Ltd.

The State Cooperative Marketing Federation is a state level federation of the Cooperative Marketing Societies in Andhra Pradesh. It was established in 1965 with the main object of coordinating and promoting the marketing and trading activities of its constituent members and to undertake state trading in agricultural and other commodities. It supplies agricultural and other commodities. It supplies agricultural implements, seeds, manures etc. to its members and acts as an agent of the government to any agency for the purposes, sale, storage and distribution of agricultural requisites. It has been helping its member societies in the establishment and construction of godowns, rice mills, cold storage and medium sized agro-based industries like solvent extraction plants, cattle feed etc.

The federation plans to develop processing which is an ancillary and necessary adjunct. It has established a solvent extraction unit (rice bran oil) and is setting up a vanaspati complex, cotton ginning and processing units, and a cold storage. It is proposed to establish a large number of such medium sized agro-based units in all potential areas. Service activity like tractor hire cum service centres, multiplication and processing of seeds are being taken up. Such agro-based industries have given a lead to many industrialists to take up similar ventures in other areas.

1. Mustafa Husain, Service Role of the A.P. State Cooperative Marketing Federation, Souvenir, A Decade of Service; A.P. S.C.M.F. Hyderabad.
It is hoped that the A.P. State Cooperative Marketing federation will take up more agro-processing units throughout the state in coming years for economic utilisation of its secondary agricultural products. Such agro-processing units may provide better employment opportunities to the skilled and unskilled persons in rural areas.

Institutional framework for weaker sections:

The Andhra Pradesh State scheduled Castes Cooperatives Finance Corporation has been established to accelerate the pace of development programmes for the economic uplift of the scheduled castes and to channelise institutional finance and to provide credit facilities. The Corporation was registered in February 1974 with an authorised share capital to the tune of Rs 1 crore.

The inauguration of Andhra Pradesh Backward classes Cooperative Finance Corporation has been hailed as landmark in the history of weaker sections in the state. They constitute about 52 percent of the state population and therefore their welfare and amelioration are of paramount concern to the government wedded to the concept of the welfare state. It was, perhaps, for the first time in India that institutional finance will be channelised in a big way through the Corporation so that the weaker sections could participate in and promote agricultural development, animal husbandry, small scale, village and cottage industries.

Backward classes represent about 38 percent of the states' population and most of them are from the professional
groups such as weavers, fishermen, tailors, washerman, barbers etc. All these years they could not improve themselves due to the lack of technical knowledge and organisation, ignorance of modern managerial practices and paucity of marketing facilities. This corporation is expected fill the gap and work for planned economic development of backward classes in the state.

In this connection schemes have already been drawn, of which the following are important:

1) Readymade garments
2) Oil pressing
3) Help to fishermen
4) Help to washermen
5) Poultry farming
6) Sheep farming
7) Supply of milk cattle,
8) Development of agriculture
9) Development potteries
10) Petty trade or business etc.

These schemes, if properly implemented, not only result in increased earnings, but also lead to improve the standard of living.
Regional Disparities:

Growing disparities in prosperity among various nations are said to exist in one form or the other. In most advanced countries like U.S.A., U.K. France, Japan and Italy with a high degree of industrialisation, we find today the existence of regional disparities. Even Socialist countries like U.S.S.R. Yugoslavia, and Poland with centrally planned economics, are not free from this problem.

It is said that undirected and uncontrolled process of regional economic development will lead to various economic political, social and cultural inequalities. If unattended for long time it will come in the way of utilising the country's resources to the fullest extent. Consequently, it may become a tumbling block for the smooth running of the economy. In underdeveloped countries like India, such disparities are glaring and therefore economic and political problems are highly critical. If allowed to grow, it may even threaten the very existence of the state itself. This was what has happened in the case of Pakistan, which lead to the the partition of the country. In India it was in 1956 that the Planning Commission had recognized the problem
of regional disparities in the levels of development and accordingly balanced regional development was made on of the objectives of the second five Year Plan.

The concept of regional planning is a recent phenomenon and it is still in its infancy. So far no universal pattern on regional planning acceptable to all the nations has been evolved, as the conditions prevailing in different nations in this regard are not of the same magnitude.

Situation in Andhra Pradesh:

Andhra Pradesh was the first state to be formed on linguistic basis bringing all Telugu speaking people together merging Andhra State with Telangana area. Common language is said to be the binding force for creation of such states in India. Paradoxically, events that took place in the recent past have clearly demonstrated that mere language by itself is not sufficient to hold them together on permanent basis. Besides politics, regional imbalances that exist in different regions of the state added fuel to the fire. The Telangana controversy that shook the very existence of the state lead to think that the time is not far away for the state to split into two. The deadlock was averted by the timely interference of the Prime Minister, who evolved the "six point formula" to break the deadlock and to and the

1. The six point formula has been incorporated in the constitution (Thirty Second Amendment) 1973.
controversy. No doubt it resulted in joy to politicians and some satisfaction to public, it has also some economic significance. Probably, for the first time in India, the concept of regional planning was given practical shape by providing institutional framework to ensure balanced regional growth.

Problems of regional development with distinct emphasis on spatial allocation of resources as compared to sectoral aspects of development, are given serious attention in the country in recent time. The main principle that governs regional planning in spatial relation is that "each region should be planned in coordination with the adjoining or farther regions, which are interlinked, physically, economically and socially." A scientific locational plan at micro level tends to reduce regional imbalances, promoting not only economic growth but generate employment.

Regional allocation resources:

The six point formula is aimed to bring out balanced regional growth in the three regions of the state namely Coastal Andhra, Rayalaseema, Telangana. For its implementation the centre has offered an assistance of Rs 90 crores and this amount would be made available during the Fifth Plan period for the development of backward areas of the state. Under this formula, allocation of resources will be some in the three regions of the state in the ratio of 2:3:5. The logic

behind this ratio is that coastal Andhra is relatively prosperous than the other two regions and hence, 80 percent of the resources would be spent in Rayalaseema and Telangana while the coastal Andhra's share will be 20 percent. To start with, an amount of Rs 18 crores has been allotted during 1975-76 for accelerated development of the identified backward areas in these three regions of the state. The three regional boards constituted by the state government have approved the various schemes. The schemes, aimed at the accelerated development of Andhra Pradesh lay considerable emphasis on monor irrigation, rural electrification, enhanced drinking water supply, industrial development agriculture and allied programmes including higher education. While approving the proposals, seventy five percent of the funds have been earmarked for district-wise schemes like irrigation, agriculture, economic aid programme for weaker sections, rural electrification, ground water development and the remaining 25% has been set apart for industrial development and higher education under the regional schemes.

The sector-wise allocation of resources under six point formula during 1975-76 as follows:

<table>
<thead>
<tr>
<th>TABLE-28</th>
<th>Rupees in lakh</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Medium irrigation</td>
<td>6.00</td>
</tr>
<tr>
<td>2. Minor irrigation</td>
<td>516.00</td>
</tr>
<tr>
<td>3. Agricultural, Dairy Development, Forestry and allied sections.</td>
<td>209.45</td>
</tr>
<tr>
<td>4. Rural water supply.</td>
<td>203.59</td>
</tr>
<tr>
<td>5. Economic support programme for weaker sections.</td>
<td>57.84</td>
</tr>
<tr>
<td>6. Rural electrification</td>
<td>300.00</td>
</tr>
<tr>
<td>7. Ground water development.</td>
<td>12.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1305.38 cr.</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Rs 13 crores.</strong></td>
</tr>
</tbody>
</table>

1. State Information Centre, Issued by Director of Information and Public Relations, Govt. of A.P., Hyderabad.
Out of the total amount earmarked for the district wise, schemes, amount of 2.89 crores has been allotted to coastal Andhra, 3.91 crores for Rayalaseema and 6.75 crores for Telangana region.

**Industrial Development:**

Of the total amount allotted, 25% has been set aside for the industrial development involving an outlay of 4.5 crores during 1975-76. Details of the allocation of this amount under various heads are as follows:

**TABLE -29**

(Rupees in lakhs)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Andhra Pradesh Industrial Development Corporation.</td>
<td>155.00</td>
</tr>
<tr>
<td>2) Andhra Pradesh Industrial Infrastructure Corporation</td>
<td>100.00</td>
</tr>
<tr>
<td>3) Andhra Pradesh Mining Corporation Ltd.</td>
<td>30.00</td>
</tr>
<tr>
<td>4) Textiles</td>
<td>25.00</td>
</tr>
<tr>
<td>5) Sugar</td>
<td>80.00</td>
</tr>
<tr>
<td>6) Leather industries Development Corporation</td>
<td>30.00</td>
</tr>
<tr>
<td>7) Small Scale Industries</td>
<td>28.00</td>
</tr>
<tr>
<td>8) Industries Development</td>
<td>2.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>450.00</strong></td>
</tr>
</tbody>
</table>

Of the 4.50 crores earmarked for the industrial development schemes, Coastal Andhra has been given 0.90 crores, Rayalaseema 1.35 crores and Telangana 2.25 crores. Regional wise approved list of schemes of industrial is given in the Appendix no.
Conclusion

It is established beyond doubt that Andhra Pradesh is industrially backward. An analysis of various indices reveal the comparative backwardness of the state in industrial sector. The per capita value added by the manufacturing industry was only ₹17 in Andhra Pradesh against ₹42 in the country as a whole and ₹120 in Maharashtra, ₹91 in West Bengal, ₹82 in Gujrat and ₹54 in Tamil Nadu. The average daily employment of factory workers per 1000 population in Andhra Pradesh in 1971 was only 6.0 against the All India average of 9.0 and 20.2 in Maharashtra, 18.8 in West Bengal, 16.6 in Gujrat and 10.7 in Tamil Nadu. The per capita consumption of electricity for industrial purposes in 1970-71 was 22.3 Kwh against the national average of 54.9 Kwh. According to the annual survey of Industries 1965, the exfactory value of output of the factory sector was of the order of ₹350 crores. In 1966 the corresponding figure seems to have been ₹400 crores. It is little over 3.5 percent of the correspondence figure of the entire country. In respect of the net value added also, the picture is broadly similar.\(^2\)

From the above, we can conclude that the Industrial backwardness is glaring when we take into consideration both the value added by the industries and the employment generated by them which are well below the national per

capita average figure. The most conspicuous among the reasons for this state of affairs, beside other factors, are mainly (1) power shortage and (2) meagre allocation of resources.

Power position is bound to improve in the course of 5 to 6 years since a large number of generating sets are coming up and an amount of Rs 413.35 crores representing 37.40 percent of the total plan outlay has been earmarked during the Fifth Five Year Plan.

Besides, there is a proposal to set up two thermal stations under the central sector, to make use of the coal available in the Godavari basin. There will be no difficulty for equipment for these plants as BHEL is prepared to meet the requirements.

The second reason for the relative backwardness of the state is low investment in industries sector throughout the plan period. This is an defect found in the state planning since the industrial sector has not been accorded due place in respect of allocation of resources. The allocation to industries never exceeded 5.4 percent of the total outlay, while agriculture and irrigation are accorded highest priority even during the Fifth Five Year Plan period.

Agriculture and irrigation put together account for 29.0 percent of the total plan outlay, while an amount of Rs 47.75 crores, representing 4.3 percent of the total plan
outlay was earmarked for industry and lines. But there is no reason for disheartening as the same is nullified to some extent by the assistance of Rs 90 crores offered by the centre under the six point formula during Fifth Plan period. Of the amount of Rs 18 crores provided during first year under six point formula, Rs 4.50 crores i.e. 25% of the total has been made available for industrial development. In the coming years this should be raised at least to 50 percent keeping in view of the needs of the industrial sector and the meagre resources allotted during Fifth Five Year Plan period.

A distinguishing feature of the state's economy today is that it has shown a rate of growth which should be the envy of other states. In 1973-74 Andhra Pradesh registered a growth rate of about 14% percent in the state income against the All India figure of just over 3 percent. State which have shown a high rate of industrial growth despite meagre plan allocation have done so either due to the influx of sizeable private sector investment or the location of sizable public sector units.

All these factors, mainly reflect achievements made in the production of food grains and high rate of industrial growth, may have beneficial effect on the industrial sector particularly on agro-based industries in the state.

The existing institutional framework appears to be quite sufficient to take advantage of the changes taking place in both the Agricultural and Industrial sectors of the

1. Southern Economist, Banglor, A.P. Number, op.cit. p 3
2. Ibid, p.3.
state and adequate enough to attract a large number of entrepreneurs into their fold to usher industrial prosperity to the state as a whole.

Thus, Andhra Pradesh has all the pre-requisites for industrial growth, including a progressive agricultural base, industrial raw materials, large markets, man power, both skilled and unskilled. The need of the hour is progressive entrepreneurship and flow of liberal finance into industrial sector.

An attempt is made in the next chapter to explain the development and the position of agro-based industries with reference to the facilities available in Andhra Pradesh.

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