CHAPTER – III

Small Scale Industries
SMALL-SCALE INDUSTRIES

Small-scale industries in Tamil Nadu had already received the attention and patronage of the state government during the first two years of the first five year plan even before Kamaraj took over as the Chief Minister of the state on April 13, 1954.¹ The ten-year rule of the composite Madras Province in the British India by the nationalist congress leaders like Prakasam from 1937 had already infused in the artisans and small entrepreneurs a hope for better days.² The artisans had been engaged in their small cottage industries whereas the small entrepreneurs had tried their hand in new ventures like foundries to undertake die-casting and forging works for other major industries, manufacture of hand tools, surgical goods, laboratory and scientific instruments, electrical goods, products of glass, dry batteries, sports goods etc.³ The enterprising small entrepreneurs kept examining the course of the society’s development and chose goods that the society and the possible future industries required. They made use of the opportunities that the government of the nationalist leaders provided to them during the period from 1937 to 1951. The industrial development began on a systematic note in 1951 when the first five year plan was launched.⁴

2. Thinamalar (Tamil Daily), dated 14-5-2006.
The Planning Commission headed by the then Prime Minister Jawaharlal Nehru identified the industries that the country needed in the 1950s to promote the standard of living of the people and also provide employment opportunities to the poverty-stricken people. In order to bring the industrial development under a well-regulated system, the Central Government enacted the Industries Development and Regulation Act in 1951.5

This act provided the basic framework for the post-independence industrialization strategy. So when Kamaraj took up the reins of the Government of Tamil Nadu (Madras State), the state had been poised for a leap in the industrial development. His Ministry of Commerce and Industry headed by M.Bhaktavatsalam gave the aspiring industrialists the much-needed impetus.

On its part, the Central Government kept taking efforts from 1954 onwards along the lines recommended by an international team of experts which was sponsored by Ford Foundation of the USA.6 The aim of the programme was to provide financial and technical assistance to the existing small-scale industries and to encourage the establishment of new ones. The three principal requirements of small-scale industries were (1) improvement in techniques of production and management, (2) credit facilities both for

5. Review Papers of the First Five Year Plan, 1951-1956, Government of India, New Delhi, p.222.
6. Ibid., p.223.
investment and for working capital and (3) provision of common service facilities.  

The Central Government, as the first step to help rise small-scale industries, set up Small-Scale Industries Board. This all-India organization had representatives from the states. As the next step, the Government appointed a Development Commissioner for Small-Scale Industries and established regional Small Industries Service Institutes.

The Central and the State Governments had been well aware that increased employment opportunities and diffusion of technical skill among the people of the state were possible only by the wide dispersal of small-scale industries, and the Government of Tamil Nadu took all the steps under its command to set up as many small industries as possible in the public sector and help entrepreneurs establish industries in private sector.  

However, the Central Ministry of Commerce and Industry had the onus of developing small-scale industries. As far as the State Government was concerned, it had to foster the small-scale industries of its own and provide assistance and encouragement to those set up by private industrialists. It was in this scenario that the Central Ministry of Commerce and Industry felt that there should be a clear-cut definition for small-scale industry. Consequently,


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the Small-Scale Industries Board was entrusted with the task of evolving a definition.  

3-1 Definition of Small-Scale Industry:  

The Small-Scale Industries Board adopted the first-ever definition of small-scale industry at its first meeting on January 5 and 6, 1955. It defined small-scale industry as one employing less than 50 persons, if using power, and less than 100 persons without use of power, and with capital assets not exceeding Rs. 5 lakh. The concept of small-scale industries has undergone periodic changes. The definition of small industries has also been modified from time to time since 1955.  

After a short period of time, it was felt that the working definition did not serve the purpose, particularly from the point of view of maximum utilization of equipment and of capital outlay. The question was discussed at the ninth meeting of the Small-Scale Industries Board in September 1957, and a revision of the definition was recommended. Accordingly, the Central Ministry of Commerce and Industry, under its letter No. 12-SSI (A) (136) 57, dated March 13, 1959, modified the definition so as to cover undertakings which employed less than 50 persons when using power and less than 100 persons when not using power per shift. Thus the scope of

10. Vasant Deasai, op.cit, pp.4-5.  
11. Ibid., p.6.
assistance was enlarged to cover units working on bigger programmes with shift system.\textsuperscript{12}

\textbf{3-2 Definition in 1960:}

As the tempo of the development of small-scale industries gathered momentum in the country under the aegis of the Central Small Industries Organization, a need was felt to modify the definition further. This time the employment limitation was found to stand in the way of the promotion of the programmes for the small-scale sector. The Small-Scale Industries Board had kept in mind the necessity for maintaining a certain amount of flexibility in its interpretation. The board welcomed the Government’s decision to revise the definition. The new definition as per the letter of the Ministry of Commerce and Industries, No. 12-SSI (A) (136)/57, dated January 4, 1960 read as follows: “Small-Scale Industries will include all industrial units with a capital investment of not more than Rs. 5 lakh, irrespective of the number of persons employed.”\textsuperscript{13} Small-scale industry was redefined once again in 1962 before Kamaraj relinquished office as the Chief Minister of Madras State.

The definition of 1962 was drawn by the sub-committee appointed by the Small-Scale Industries Board. The sub-committee recommended the enlargement of the definition to cover small units with capital assets ranging

\begin{itemize}
  \item \textsuperscript{12} Letter of the Ministry of Commerce and Industry of the Central Government, No. 12-SSI (A) (136) 57, dated 13-3-1959.
  \item \textsuperscript{13} Letter of the Ministry of Commerce and Industry of the Central Government, No. 12-SSI (A) (136) 57, dated 4-1-1960.
\end{itemize}
3-3 Institutions, Agencies, Processes of Central and State Governments:

The Central Government had given the due importance to technical know-how when it drew up plans to develop small-scale industries in the country. To provide the aspiring small industrialists with technical know-how, the Government had set up seven different institutions at various places in the country. The most important of them was Small Industries Service Institutes. The other six institutions were National Small Industries Corporation, New Delhi, Council of Scientific and Industrial Research, New Delhi, Productivity Councils, Small Industry Extension Training Institute at Hyderabad, Central Institute of Tool Designs at Hyderabad, Institute for Design of Electrical Measuring Instruments at Bombay.16

3-4 Small Industries Service Institutes:

The Central Government established the first Small Industries Service Institute in New Delhi during the first five year plan period, and before the end of the plan period, three regional Small Industries Service Institutes were set up in Bombay, Calcutta and Madras also.17 These institutes were set up with a view to guiding entrepreneurs in the selection of industries, suitable raw materials and necessary machinery. They provided the entrepreneurs with technical guidance in production of goods according to the prescribed standards. They helped the industrialists market their products by taking distribution aid surveys. They also enlisted the industrial units for

participation in the Central Government’s stores purchase programmes. They issued competence certificates to the units receiving government orders. They promoted ancillary relationship with large-scale and medium-scale units in public and private sectors. They also enlisted small units for participation under the export aid to small industry scheme of the State Trading Corporation of India. They helped the industrialists export their goods by giving them information about the items having export market and technical counselling service. In order to perform these duties satisfactorily, these institutes maintained a close liaison with the specialized agencies like export promotion councils. They offered management courses for senior managerial personnel. They also secured services of foreign experts for a number of industries such as foundry, hand-tools and surgical instruments.

3-5 National Small Industries Corporation, New Delhi:

The Central Government established this corporation in February 1955 with an authorized capital of Rs. 10 lakh. It entrusted to this corporation many of the commercial and marketing aspects of small-scale industries. The corporation supplied indigenous as well as imported machinery to industrialists on hire purchase basis. It offered advanced training in its prototype production-cum-training centres in the operation of modern machines. To help small-scale industrialists market their products,

the corporation secured contracts from the director-general of supplies and disposals, railways and defence departments and then procured such of the items from industrialists. By the end of the first five year plan when its work was still in its early stages, it had supplied machines worth Rs. 8 lakh to small-scale industries on hire purchase terms.21

Of the other institutions, Council of Scientific and Industrial Research developed new technological processes and disseminated the same to industries. Productivity Councils trained factory owners to increase productivity. Of the Hyderabad-based institutions, Small Industry Extension Training Institute gave full-time management training to managers and proprietors and Central Institute of Tool Designs specialized in providing technical consultancy and tool facilities, training in design and manufacture of tools. Institute for Design of Electrical Measuring Instruments at Bombay provided technical know-how and testing, calibration, laboratory, workshop and training facilities to electrical measuring instrument manufacturers.

Besides, the Central Government had established another institution called India Investment Centre in New Delhi to advise Indian entrepreneurs on foreign capital participation and technical collaboration. This centre gave to entrepreneurs guidance regarding Government policies, procedures, incentives and facilities, size of a unit, availability of new materials, etc.22

3-6 State Trading Corporation of India:

State Trading Corporation of India in New Delhi is the most important agency among the other institutions that the Central Government had set up to promote small industries in the country. It implements the scheme called Export Aid to Small Industry Scheme. The small industries, which wanted to avail themselves of this service, had to register themselves with the corporation. On its part, the corporation helped them in the preparation of sales leaflets, price lists etc. and then secured export orders for them.23

3-7 Trade Fair Authority of India:

This institution also had been set up in New Delhi. It organized National Small-Scale Industry Fairs, carried out publicity work for the products of small-scale industries, projected the image of small industries and assisted them to find markets for their products.24

3-8 District Industries Centres:

As per the industrial policy of the Central Government, the Government of Madras had set up a District Industries Centre in each district. This is the Governmental agency that dealt with all requirements of small-scale and village industries. Under the single roof of the District Industries Centre, all the services and support that small and village


entrepreneurs wanted were provided. The DICs had separate wings for looking after the special needs of cottage and household industries as distinct from small industry. Each DIC had a general manager and seven managers of different disciplines for looking after planning and economic investigation, credit, marketing, etc. at the initial stage.  

3-9 State Small Industries Corporations:

These corporations were set up to supply raw materials to the needy small-scale industrialists. They also worked as purchase agencies for the respective state governments. They purchased manufactured goods from small industrialists for different departments of the respective State Governments and semi-government organizations.

However, only a small amount of money, Rs 12 lakh, was allocated to small industries in the state during the first five year plan. When the second five year plan was launched in 1956, the State Government impressed upon the Planning Commission and the Union Government about its potential for industrial development and sought a higher allotment to the sector. Finally the State Government could allot Rs 3.96 crore to small-scale industries and another Rs.1.54 crore to establish industrial estates. The Government had taken up building industrial estates to house small-scale

industries and so the allotment made to this sector was in reality went to the
development of small-scale industries.

3-10 Industrial Estates:

Neither the State Government nor the Central Government could
claim credit for conceiving the idea of establishing industrial estates. It was
the government of the United Kingdom that had established the first
industrial estate in the world.29 Britain set up its first industrial estate in
South Wales in 1936. It was launched in an effort to attract new industries to
South Wales which had come under a blight because of the slump in the coal
and steel industries. This area which had been known as a ‘depressed area’
with nearly 400,000 people unemployed became by the late fifties a
flourishing bee-hive of industry turning out an astonishing range of goods
from comptometers and motorcycles to bolts and nuts and children’s
clothing.30 Though the British were ruling India during this period of time,
they never thought of establishing an industrial estate in this country. It is
not a matter of surprise, because the British government did not evince any
interest in developing India industrially. The textile mills that they had set
up and the plantations that they raised were with an eye on developing their
own country.

The Government of India headed by Jawaharlal Nehru found the
industrial estates of the United Kingdom serving that country well by

29. Ibid., Vol. IXIII, No. 6, Madras, June 1959, p.5.
promoting industrial growth and therefore it decided to establish such industrial estates in India also.\(^{31}\) In fact, the then minister of finance in the Union Government, Mr. T.T. Krishnamachari, visited the United Kingdom once in 1957 on the invitation of the Commonwealth Relations Department and during this visit he went to an industrial estate in that country. He was much impressed by the growth and development of new towns under the Towns Act of 1946. One of the primary objects of the English act was to attract industries to areas away from the old congested cities and to plan their development in such a way that ample provision was made for community life and healthy and pleasing surroundings for the working people.\(^{32}\)

The first set of industrial estates in India were established in Delhi, Allahabad, Rajkot, Ahmedabad, Mysore, Gauhati, Visagapattanam, Quilon, Trichur, Guindy in Madras and Virudunagar.\(^{33}\) Jawaharlal Nehru came down to Chennai to formally inaugurate the first industrial estate in the State on January 7, 1958.\(^{34}\) But even before the formal inauguration, the earliest industrial units in the estate had started functioning.

An industrial estate is a developed site with buildings and all other necessary facilities to establish different industrial units and run them effectively. The chief obstacles that a prospective small industrialist

\(^{31}\) Ibid., Vol. IXIII, No.6, Madras, June 1959, p.6.


confronts are scarcity of capital, long delays and troubles involved in having to approach different authorities for necessary facilities such as water supply, electricity etc. A small prospective industrialist may drain away a good part of his capital in acquiring all these facilities. If his Government provides him with factory space with all facilities, he will be in a comfortable position to start his industrial unit. A big site with such factory space for several industrialists is called an industrial estate.

3-11 Industrial Estate at Guindy:

When the Government of India suggested to the State Governments to build industrial estates in the country during the first five year plan, the Kamaraj Government of Tamil Nadu wholeheartedly accepted the idea. It got for the state two of the eleven industrial estates proposed by the Union Government. It set up one of the two at Guindy in Chennai, the area in the metropolis where the State Governor’s residence, Rajbhavan, is situated. It built the second one at Virudunagar.

The industrial estate built at Guindy was the bigger one. Originally, the State Government intended to build an estate to offer industrial space for 90 industrial units. The fact that the industrial estate at Guindy was built and made available for prospective entrepreneurs first in the country shows

the degree of enthusiasm that the then State Government had for it. The Government allowed the highly enthusiastic entrepreneurs to start their units in the estate even before the completion of all the 90 factory units. As soon as the construction of 52 units of them was completed, the Government allotted them to the earliest applicants.\textsuperscript{39} However, its formal inauguration was held only on January 7 the next year as has been stated above.

The response of the entrepreneurs and industrialists to the concept of industrial estates was so great that the State Government started expanding its estate at Guindy without wasting time. Before long, it acquired more lands and finally, the acquired lands went up to 400 acres. By the year 1962, the State Government could make available factory space and facilities for 128 units at the industrial estate at Guindy.\textsuperscript{40}

The industrial estate provided a very wide range of services such as canteen, post office, telephone exchange, showroom, fire station, recreation centre, common tool room, precision workshop, foundry, raw material depot, technical information section with library etc.\textsuperscript{41} An added advantage to the industrialists who had set up their units in the estate of Guindy was the marketing facility for their products that the big and ever-growing Chennai

\textsuperscript{39} Ibid., Vol. XX, No. 1 – 7, Madras, dated 2-3-1959, p.128.
\textsuperscript{40} M.S.A.Report., 1961-1962, Part II, Madras, 1962, pp. 143-144.
had been affording. On the whole 3,400 people had worked in the estate during the year 1962.\textsuperscript{42}

The industrial estate kept up its tempo of growth during the next three decades after the exit of Kamaraj from the political scene of the state in 1963.\textsuperscript{43} During this long period newer and newer industrial units kept coming up in the estate. By the turn of the new century, the industrial estate housed 600 industrial units, but most of them were sick owing to several reasons.\textsuperscript{44}

\begin{itemize}
\item \textsuperscript{42} MLC Debates, Vol. XLVII, No. 1-10, Madras, dated 1-8-1962, p. 572.
\item \textsuperscript{43} The Hindu (English Daily), dated 4.10.1975.
\item \textsuperscript{44} The industrial estate, Guindy, is now 49 years old. Now in 2006, it presents a study in contrast as it enters its golden jubilee year. Government units are located in 126 acres of the 405-acre estate. Private units are located in 129 acres. It is a house of hundreds of sick units of old economy and it emerges as a destination for more and more Information Technology firms. The difference in the landscape, ritzy new buildings compared with old concrete structures, the divide is apparent in the varying levels of contributions by the units towards the new Rs.12.6-crore public-private partnership scheme to upgrade the estate's infrastructure.

While 210 of the 600 units reeling under the impact of industrial sickness could not pay for the scheme to be implemented by Tamil Nadu Road Development Company Limited, eight of the new entrants have offered to contribute Rs. 2 crore. Of these, five companies have been promoting Information Technology Buildings.

Leaders of the Industrial Estate Manufacturers Association say that the interest evinced by the IT companies and the infrastructure upgrade together will change the face of the estate. The programme and the decision of the IT firms have led to a rise in the land price from Rs. 2.5 lakh per cent in 2002 to Rs 10 lakh in 2005. This provides a good exit option for owners of the sick units and will help entrepreneurs of other old units to get more working capital from banks on the security of land. (The Hindu (English Daily) dated 20.6.2005).
The State Government evinced great interest in setting up more industrial estates and industrial colonies at various places in the state in view of the great response of the small industrialists to the first two estates at Guindy in Madras and Virudunagar. Madurai, Erode, Pettai in Tirunelveli, Tiruchirappalli, Thanjavur, Marthandam and Katpadi were the places where the State Government set up industrial estates during the second five year plan period itself, and with this achievement, it became the pioneer in this field. All these new estates together housed 111 small industrial units. When the Government found the entrepreneurs' positive response to these mofussil industrial estates, it went in for seven more estates during the third five year plan. Besides, industrial colonies had also sprung up at Tiruchirappalli, Madurai, Tirunelveli, Tanjavur and Marthandam during the reign of Kamaraj.

3-11-1 Co-operative Industrial Estates:

The enterprising industrialists in different parts of the state who had been watching the progress of their fellow entrepreneurs in the already functioning Government industrial estates wanted to have such estates in their places also. As the Government could not cope with the rising demand

for more industrial estates, the aspiring entrepreneurs in Tuticorin, Sivakasi, Vyasarpadi and Udumalpet and their surrounding places came together and established co-operative industrial estates. The onward march did not stop there. One wholly private industrial estate in Coimbatore and another one at Tiruvottiyur in Chennai in the model of the Government industrial estates also came up before the end of the second five year plan period.49

During the period from 1957 to 1961, several state governments established 60 industrial estates.50 But the Kamaraj Government alone built nine of them. Besides, it encouraged the above-mentioned co-operative sector and private sector industrial estates to come up.

3-11-2 Industrial Estate at Ambattur:

On taking note of the great demand for industrial sites at the industrial estate of Guindy, the State Government decided to build another bigger one in Chennai itself. The Government did not waste time and in right earnest it acquired a two-square mile site at Ambattur in the suburbs of the city by the end of the second five year plan period. The construction of this estate began in 1963. The special feature of this big estate was that it could provide sites even to medium and large industries.51

Ambattur industrial estate is now within the limits of newly carved Tiruvallur District. When Small Industries Development Corporation

49. Ibid.
50. Vasant Desai., op.cit, p.59.
SIDCO) was formed, Ambattur industrial estate was entrusted to it. Considering the great demand for factory space in the estate, SIDCO built four more industrial estates in the District. The four industrial estates are located at Chennai 98, Kakalur, R.K.Pet and Gummidipoondi. Besides these, the Government has built industrial estates at Madhavaram, Vichoor and Mugappair.  

Private organizations have five industrial estates in the district now. They are G.K. Industrial Estate at Porur, M.M. Industrial Estate at Alapakkam, Moccaram Industries at Velappan Chavadi, Nagappa Industrial Estate at Puzhal and Ekambara Naickar Industrial Estate at Alapakkam.  

The trend that the industrial estate of Ambattur had set in the 1960s has been continuing even today and now the new Tiruvallur district has 16940 small-scale industries. The notable industries among them are food, wood, textile, chemical, engineering, non-metallic and leather industries. 

3-12 Characteristics of Small-Scale Industries:  

Small-scale industries, as the name suggests, are small in the sense that they require small capital to establish them and a small number of workers to carry on the production in them. They create immediate and permanent employment on a large scale at a relatively small cost and they meet a substantial part of the increased demand for consumer goods and

53. Ibid.
54. Ibid.
simple producers’ goods. They also facilitate the mobilization of resources of capital and skill, which might otherwise remain under utilized. They bring about an integration of the development of these industries with the rural economy on the one hand and with large-scale industry on the other. These industries act as a leveler by offering a method of ensuring a more equitable distribution of the national income and avoiding some of the problems that unplanned urbanization tend to create. By these criteria small-scale industries are differentiated from major industries, which are generally called large-scale industries.

A large-scale industry requires several ancillary units around it to manufacture the components that it requires to produce its main item. For instance a large-scale factory that produces a brand of automobile vehicle requires ancillary units to produce pistons, rings, valves, tyres and tubes to its specifications, batteries, electrical items like various types of bulbs, lamps, switches, wire etc., upholstery items, locks, glasses and so on. It was one of the country’s premier industrial houses, Birlas, which set up the first car-manufacturing industry in Chennai. Hindustan Motors (HM), which started off as an auto component maker, graduated to making cars in 1949.

55. Vasant Desai., op.cit, p.20.
57. The former President, Mr R. Venkataraman, who, in his capacity as Minister of Industry on the Kamaraj’s Cabinet from 1957, was primarily responsible for placing Tamil Nadu on the country’s industrial map during the second five year plan period, dreamt of making Tamil Nadu the Detroit of South India. But the State has travelled a long way, far beyond his dream. To this achievement, several personalities have contributed. Primarily the list should include T. V. Sundaram Iyengar (TVS group of industries); Mammen
Each ancillary industry is a small-scale unit. The Kamaraj Government took keen interest in establishing new large-scale industries also in the state. Accordingly, it secured Central Government’s clearance for setting up two factories to manufacture automobiles in 1962. When licences were issued for these two factories, simultaneously another licence was issued to start a factory to produce automobile diesel engines and a number of components like pistons, rings, valves etc.

Ancillary units have been defined as industrial undertakings, which produce parts, components, sub-assemblies and tools for supply against known or anticipated demand of one or more large units manufacturing/assembling complete products and which is not a subsidiary to or controlled

Mappillai (MRF); Raghubir Saran (Ashok Leyland); Gopalakrishnan of Union Motors (Standard 10, Standard Companion, Standard Herald and Gazel and Standard 2000); N. Mahalingam, (Anamalai Body Building Works for trucks and buses and Anamalai Tyre Retreading); L. G. Brothers (body building and auto equipment); Easwaran (Royal Enfield/Bullet Motorcycles); L. L. Narayanan (Rane Group of Industries making steering wheels and brake linings); Anantharama Krishnan (India Pistons, Tractors and Farm Equipment and SRVS).

There is an interesting story behind the origin of Sundaram Industries going in for a spate of foreign collaborations as early as the 1940s. This was narrated by the late Soundaram Ramachandran, daughter of T. V. Sundaram Iyengar, and a former Deputy Minister of Education in the Nehru Cabinet. According to Soundaram, her mother once sharply reacted to her brother T. S. Krishna buying toys for children from England when Gandhiji had given a clarion call for burning all things imported. Sundaram Iyengar, however, preferred a middle path: while he agreed with his wife’s views on foreign goods, he said that as times were changing, it was necessary to update the industry with state-of-the-art technology and decided to go in for foreign collaborations for various auto components. Mammen Mappillai, who started off with a toy balloon unit in a small shed in Tiruvottiyur in Chennai in 1946, rose to become one of the largest tyre manufacturers in the country.

59. Vasant Desai., op.cit, p.4.
by any large unit in regard to the negotiation of contracts for the supply of its goods to any large unit.\textsuperscript{60}

3-13 National Planning Commission:

No state in the Indian Union could work independently for industrial development as the National Planning Commission had assumed the responsibility of drawing up the schemes for industrial development. When the first five year plan was launched in 1951, it included the projects, which had already been in the course of execution in various states. As a part of this programme, all those small industries established by private individual industrialists and the Government of Tamil Nadu (Madras) until then were included in the first five year plan.\textsuperscript{61}

The commissioning of the first industrial estate at Guindy in Chennai (Madras) four years after Mr. Kamaraj had taken over as the state’s Chief Minister turned out to be the turning point in the industrial development of the state.\textsuperscript{62} Till the establishment of the industrial estate, the private industrialists who had set up their small industries like foundries, leather goods manufacturing units etc. had to make their own arrangements to meet all their requirements such as site, building, electricity supply and water. If they required the latest information on their industries, they had to get it on

\begin{flushright}
\textsuperscript{60} Letter of the Ministry of Commerce and Industry of the Central Government, No. SSI (A) 18 (5) 66 dated 31-10-1966.

\textsuperscript{61} Misra B.R., \textit{op.cit.} p.2.

\end{flushright}
their own efforts. Facing all these difficulties, private industrialists had set up their units in Chennai and other major towns in the State.\textsuperscript{63}

The Year 1958, which was the third year of the second five year plan, was one of renewed vigour for industrial life in the state. The industries, which had already been in existence, received assistance to develop further and more new units were started. The Government acted as the chief promoter of small-scale industries by starting 11 new units in it.\textsuperscript{64}

3-14 The Government-Owned Units:

3-14-1 Hand Tools Factory:

A service centre for the manufacture of hand tools was set up by the State Government in the industrial estate of Guindy at a cost of Rs. 10.3 lakh. Machinery worth Rs. 6.5 lakh were imported for this unit.\textsuperscript{65}

3-14-2 Sports Goods Unit:

The State Government established a unit in the industrial estate of Guindy to manufacture sports goods at a cost of Rs. 1.81 lakh. This unit started functioning in 1958 itself.\textsuperscript{66}

\begin{itemize}
\item \textsuperscript{63} Madras Information, Vol. IXIII, No. 1-10, Madras, October 1959, p.21.
\item \textsuperscript{64} Ibid, Vol. IXIII, No.10, Madras, October 1959, p.21.
\item \textsuperscript{65} MLA Debates, Vol. IX, No. 1-12, Madras, dated 17-3-1958, p.57.
\item \textsuperscript{66} G.O.Ms.No.140, Industries, Labour and Co-operative Department, dated 20.1.1958.
\end{itemize}
3-14-3 Servicing Corporation:

This was a Rs.4.5-lakh project. This corporation intended to supply raw materials etc. required by the other industrial units in the industrial estate. The State Government had registered it as a stock-holder of iron, steel and coal. The Deputy Chief Mechanical Engineer of Railways had agreed to supply railway scrap to the small industries through the Servicing Corporation.

3-14-4 Surgical Instruments Unit:

This unit to manufacture surgical instruments was set up at cost of Rs. 6.60 lakh. The Government aimed at meeting its requirements of surgical instruments in its hospitals with the production in this unit. Machinery worth Rs. 3.8 lakh were purchased for this unit.

3-14-5 Electrical Goods Unit:

Electrical Goods making unit was established by the State Government in the industrial estate, Guindy, at a cost of Rs. 17.7 lakh. The machinery installed in this unit had cost the Government Rs. 4.15 lakh. This unit was set up with the help of three Hungarian experts. Besides erecting the unit, these experts trained the workers of the unit as well.

67. MLA Debates, Vol. XX, No. 1-7, Madras, dated 7-3-1959, p.323.
68. Ibid, p.324.
70. MLA Debates, Vol. XX, No. 1-7, Madras, dated 2-3-1959, p.128.
3-14-6 Laboratory and Scientific Equipment Unit:

This unit also began working early in 1958. This unit aimed at manufacturing scientific instrument needed by educational institutions and Government establishments.\(^71\)

The other units that the Government had set up in the industrial estate were Technical Information Section, Pressure Die-Casting Plant, Model Foundry, Wood Work Unit and a Glass Factory.\(^72\)

3-15 Government’s other steps:

The Government sanctioned a central store as an adjunct to the Servicing Corporation to purchase and stock iron and steel materials required for the departmental units.\(^73\)

The department of commerce and industry of the State Government took special care to give licence to start only the much-needed small-scale industries in Government and private sectors in the beginning. The pressure die-casting plant, which the State Government set up in 1957, revealed the foresight and application of mind of the department in assessing the industrial requirements of the times. It also took care to avoid delay in carrying out its work connected with starting of new industries. When the second five year plan moved into its second year, the department sanctioned


\(^73\) Madras Information, Vol. IXIII, No. 1-10, Madras, October 1959, p.21.
13 schemes. Nine of them were new ones and the rest were for expansion of the already existing ones. As per the rules of the Government of India, the state governments had to obtain its clearance for the schemes, which they themselves had already sanctioned. But the department of commerce and industry of the State Government did not sit idle till the Central Government gave its clearance to the nine sanctioned industries. On the other hand it went ahead with carrying out the preliminary arrangements to set up these units, viz., acquisition of sites, issuing tenders for the required machinery etc. In majority of the cases, it had placed firm orders for the machinery.\textsuperscript{74}

The then fast-developing automobile industry, engineering industry and the units which had been manufacturing automobile components, business machines, home appliances, electrical equipments, toys and models etc., were in great need of components in the second half of the 1950s.\textsuperscript{75} The absence of any suitable arrangements to meet their requirements of pressure die-cast parts of machines hampered their growth in the state.

The pressure die-casting unit set up in Chennai in 1957 met the major industries’ requirements of components.\textsuperscript{76} Pressure die-casting was a...
landmark fabricating technique in those days and it contributed much to the economic and industrial development of the state and higher standard of living of its people.\textsuperscript{77}

Till the State Government took steps to encourage industrialists to open pressure die-casting units in the newly established industrial estate at Guindy, no entrepreneur had taken to this venture.\textsuperscript{78} As if to show his special interest in such ventures, Chief Minister Kamaraj in the company of Union Minister of Industries Lalbahadur Sastri paid a visit to the industrial estate to see for himself the quality of the cast components one day after his Government’s Pressure Die-Casting Plant had started producing components by pressure die-casting. Both leaders were very much pleased with the progress that the industrialists had achieved in producing quality goods.\textsuperscript{79}

casting was done the sand mould was destroyed. The search for a permanent mould that could be used to produce parts in quantity started in the Middle Ages. The process of gravity pouring of molten metal in iron moulds, made in two halves and opened and closed mechanically was evolved in the nineteenth century.

The next logical step was to improve accuracy and appearance of cast parts by the application of pressure to force the molten metal into strong steel moulds, instead of merely relying on gravity pressure. The metal was forced into the mould by means of a piston and cylinder immersed in liquid metal. The resulting castings were observed to be close-grained, homogeneous and dense. The large-scale industries, which came up in Chennai during the third five year plan, had their own foundries on their premises to carry out their pressure die-casting works. (Madras Information, Vol. XIII, No. 2, Madras, February 1959, pp. 12-13).

\textsuperscript{77} Ibid., p.12.

\textsuperscript{78} MLA Debates, Vol. XIII, No. 1-6, Madras, dated, 10-8-1963, p.268.

3.16 Tool Room Shop:

Use of improved and high precision tools is one of the principal needs of any industry. Then the industries must have technicians to use such tools. Tools and competent technicians were not available in the state in the early 1950s. To fulfil this need, the State Government set up six Tool Room Shops, 15 Common Service Facility Workshops, 18 Pilot Production Centres, Six Training and Demonstration Centres, one Technical Information Section, one Raw Material Depot, 13 Industrial Co-operatives and ten industrial estates and industrial colonies at various places in the state during the second five year plan period. In order to help the industrialists market their products, the Government set up 11 sales depots also. The Government did not forget the welfare side of the workers in the industries, and to take care of their interests, it formulated five social welfare schemes and implemented them.  

The Government set up the first Tool Room Shop in the industrial estate at Guindy. This shop undertook servicing work of precision grinding, jig boring etc. It also supplied special tools, jigs, fixtures, dies etc. The Government set up a designing section also in conjunction with the tool room. It set up the other five Tool Room Shops in the industrial colonies at

Erode and Madurai and the industrial estates at Pettai in Tirunelveli, Virudunagar and Tiruchirappalli.  

3-17 Common Service Facility Workshops:

The Government set up 15 Common Service Facility Workshops to serve the organized small industries and artisans in the state. The important of these workshops were Forging and Heat Treatment and Finishing Shops. They were set up in the industrial estate, Guindy, with the help of a Swedish Expert.

These workshops served the needs of organized private small-scale units as well as artisans. During the year 1961, about 500 small-scale industrialists availed themselves of the facilities that these workshops provided.

The concept of such a Common Service Facility Workshop was new to the Kamaraj Government in 1958. In fact, there had been a similar establishment in Chennai even before Mr. Kamaraj took over as the state’s Chief Minister in 1954. The name of the establishment was Government Industrial Engineering Workshop. This workshop continued to serve the small industrialists, artisans and farmers even after Mr. Kamaraj became the Chief Minister.

Mr. Andrews Fritts, who had been a consultant technician of the state for carrying out the Government’s proposal to manufacture power drill tools, had drawn up a scheme for expanding the workshop at a cost of Rs 11 lakh. The Government was positive to the scheme.  

3-18 Common Lease Shop:

When the Government found some of the industries set up in the industrial estate at Guindy being unable to carry on their production at full swing because of the non-availability of certain costly machineries, it came forward to help them overcome this bottleneck. The Government set up a Common Lease Shop in the industrial estate to hire out costly machines to the private industrialists who had their factories in the estate. The hire charge was affordable to the industrialists. The Government made available to the industrialists the services of its own workmen also to operate such machines. The Government never satisfied itself with the support it extended to the industries set up in the various industrial estates. It also helped all small-scale industrialists who had sought its help. It helped nineteen small-scale co-operative industrial societies in the state with a loan of Rs 23.72 lakh on easy terms in 1962. Beside, it gave the societies Rs 25,000 as grant in the same year. It considered positively all proposals from all quarters for

85. Ibid., p.100.
developing the industrial sector and patronized the groups of industrialists who had organized their own industrial co-operatives.\textsuperscript{88}

3-19 Industrial co-operatives:

There were four ex-servicemen industrial co-operative societies in the state in 1962. They manufactured goods worth Rs. 9.26 lakh in that year. Besides, there were 35 coir-co-operative societies in the state which together produced coir products worth Rs. 5,33,603 that year. The 38 co-operative carpentry societies and the 26 blacksmithy societies produced goods worth Rs. 8 lakh and Rs. 7.16 lakh respectively. The 17 metal co-operative societies produced goods to the value of Rs 2.86 lakh in addition to the four bell metal societies.\textsuperscript{89}

3-20 Pilot Production Centres:

Beside its 11 industrial units in the Guindy industrial estate, the Government set up another seven Pilot Production Centres during the second five year plan period. These centres produced articles such as galvanized structurals, pressure die-cast parts, ferrous castings, splints and veneers, bolts and nuts, bicycle parts, sheet metal articles, L.T.Insulators etc.\textsuperscript{90}

In addition to these Pilot Production Centres, a bicycle assembling unit at Thanjavur and a salt glazed pipes factory, quarts crushing plant and

\textsuperscript{88} MLC Debates, Vol. XLVII, No. 1-10, Madras, dated 30-8-1963, p. 572.
\textsuperscript{90} Madras Information., Vol. XII, No. 7, Madras, July 1962, p.31.
handloom parts unit at Salem and a unit for manufacture of fractional H.P. motors at Guindy were set up in 1962.\textsuperscript{91}

3-21 Wool Processing Centre:

The Wool Processing Centre, which came up at Vinnamangalam in North Arcot district in 1959 belonged to the third category of small-scale industry, the category of joint ventures. The Government of Tamil Nadu set up this unit in collaboration with the Mysore State Government and the Central Government at the initial cost of Rs. 13.10 lakh.\textsuperscript{92} The principal aim of the two State Governments in setting up this industry was to make available quality wool to drugget manufacturers of the two States. The building for this unit was built at the cost of Rs. 1.20 lakh and machinery and equipment costing about Rs. 1.50 lakh were imported and erected.\textsuperscript{93}

3-22 The Work and Orientation Centres:

When the Government found the vast employment opportunities in the small-scale industries set up in the industrial estates, it wanted to motivate the educated unemployed youths in the state to take to some kind of small industries. With this in mind, it established two Work and Orientation Centres, one each at Madurai and Coimbatore, in 1959. These

\textsuperscript{91} MLA Debates., Vol. XLIX, No. 1-7, Madras, dated 14-12-1963, p.878.
\textsuperscript{92} G.O.Ms. No. 1751, Public Works Department, Madras, dated 2-9-1959.
\textsuperscript{93} Woollen carpet making was allied to production of cotton fabrics and this industry thrived at several pockets in South India in the early part of the 20th century. In normal years about 600,000 square yards of druggets valued at Rs. 30 lakh was exported from South India. (Madras Information, Vol. XI, No. 6, Madras, June 1959, p.16.).
centres assisted the educated unemployed youths of both sexes to acquire the necessary training to set themselves as small entrepreneurs. One hundred seats were provided in each of these two training centres.\textsuperscript{94}

All these governmental initiatives coupled with private entrepreneurs' enterprise led the state to an industrial boom by the end of the second five year plan period. The number of small-scale industries in the state by the year 1961 had crossed 1000-mark. During the calendar year of 1961, there were 800 small industrial units registered in the approved fabricators' list for allotment of materials under small-scale industries quota.\textsuperscript{95}

On its part, the Central Government had lifted by this time the control over such materials (standard) other than steel sheets and wires in view of their improved supply position. As far as sheets and wire materials were concerned, the approved and private small industrial units required 7,680 metric tonnes of sheets and wires for every half year. But the development commissioner of the Central Government could supply only 2,580 tonnes for the first half of 1961-'62 and 1043 tonnes for the second half to the small industries in Tamil Nadu. However, the Central Government had taken note of the achievements of the state in the industrial sector and its need of higher allotment of sheets and wires. It suitably instructed its development commissioner in New Delhi. The development commissioner had arranged to allot to the state the imported materials through the State Trading


Corporation. He routed to the state 3627 tonnes of B.P. sheets and wires in two consignments in 1961-'62.96

3-23 Match and Fireworks Industry:

The match and fireworks industry is a synonym for the arid Sivakasi in Virudunagar district. The whole of Virudunagar district had been part of Ramanathapuram district before its bifurcation. Many a small entrepreneur in the town, which has been called fondly ‘Kutty Japan” (miniature Japan) by industrialists, had taken to producing matches and fireworks as a cottage industry quite long ago. The forerunners in this field themselves with the help of their family members had produced matches and fireworks and marketed them. As and when they captured wider markets they started employing labour from outside their family circles. The other industry that had been gaining foothold in the town in those far off days was litho-printing industry.97

Highly enterprising as they were, the entrepreneurs made use of all the facilities that the Kamaraj Government had made available to the aspiring industrialists. Most of the industrialists in the town opted for the latest models of machines used in the industries concerned and introducing such machines and innovations they cut down the cost of production and increased the quantity of finished products. By the end of the second five year plan period, the industrialists in Sivakasi made their town known all


97. Personal Interview with Mr. K.M.A. Arunachalam, Fireworks Industrialist, aged 80, residing at Sivakasi, dated 26.10.2005.
over the country for match and fireworks and very high standard of colour printing. 98

3-23-1 Fireworks Industry:

The fireworks industry in Sivakasi and the other places in Virudunagar and Ramanathapuram districts has been one of the flourishing industries since the beginning of the nineteenth century. 99 The use of potassium chlorate, nitrates of barium, strontium and other carbonates with salt resulted in the manufacture of fireworks which could display a variety of effects and colours. When the metal magnesium was used as another ingredient, more interesting fireworks such as those which could burn with a greenish light were manufactured. But perfection in the industry was achieved with the introduction of aluminium as an ingredient. Since then all the brilliant items of fireworks display have been produced in the factories of the district. 100

The fireworks factories which came up in the 1950s and thereafter were set up in the outer areas of the towns with a view to safeguarding dwelling houses and other buildings. A fireworks factory is not usually built as a big and sprawling building, but in small shed-like structures with light materials. The sheds are separated from one another by a specified distance as per the regulations. The law also restricts the quantity of chemicals to be

98. Personal Interview with Mr. Umakanth, Fireworks Industrialist, aged 45, residing at Sivakasi, dated 26-10-2005.


100. Ibid., p.344.
used or kept in each of the factories and the number of persons to be employed in them. The minimum age of the workers has been fixed at 16. These regulations are enforced in order to minimize the effects of explosions that may occur in such factories. The fireworks industry in and around Sivakasi employs around 20,000 people.\textsuperscript{101}

The fireworks manufactured in the district are sold all over the country, especially during festival seasons like Deepavali. A decade ago they were also exported to overseas countries like Aden, Sri Lanka and Iran.

\textbf{3-23-2 Litho Printing:}

Litho printing industry is another important industry in the district. This industry was first introduced in the year 1922 at Sivakasi to supply labels required for the fireworks manufactured there.\textsuperscript{102}

A small printing press called ‘The Nadar Press Limited’ was established in that year. By 1930 there was considerable development in the match industry in the district and the dependence of the match industry on the press industry for supplying the trade mark match labels and fireworks labels gave an impetus to the printing industry in the district. Moreover, the exorbitant delay in getting these labels from Bombay where they had then been printed earlier had led to the necessity of introducing the litho printing in the district. Thus in 1930 litho printing was introduced in the district as a subsidiary industry.

\textsuperscript{101} Ibid., p.344.
\textsuperscript{102} Ibid.
At first flat bed litho machines were introduced and later in 1949 automatic fast rotary offset machines were supplemented. The printing industry soon developed by leaps and bounds and became a major industry in the district. The printing industry in Sivakasi has earned a good reputation all over the country and meets the demands of several industries by printing pictures, posters and show cards, colour labels, calendars etc.\(^\text{103}\)

The printing presses in almost all the places in South India also flock to Sivakasi to get their works of multi-colour printing, especially the colourful cover pages for books, magazines etc.\(^\text{104}\)

### 3-24 Procedures that Entrepreneurs had to follow:

The procedures to start small-scale as well as large-scale industries in India had been formidable even during the formative period of the second five year plan.\(^\text{105}\) But the Kamaraj Government could do little to simplify them or do away with them as they were uniform for the whole of the country. Each and every entrepreneur was often overwhelmed by the multitude of procedures he had to face at every stage of the development of his small-scale unit. However, the Government could not do away with them as each of the procedures had a purpose and principle.\(^\text{106}\)

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103. Personal Interview with Mr. Rajendran, Proprietor of Sri Kalaivani Printers, aged 49, residing at Thiruthangal, Sivakasi, dated 16.3.2006.

104. Personal Interview with Mr. Karikolraj, Proprietor of Raj Fine Arts, aged 57, residing at Sivakasi, dated 17.3.2006.

105. Vasant Desai.\textit{op.cit.} p.89.

An aspiring entrepreneur had to first select a small industry and prepare a feasibility report along with a project report. Then he had to find infrastructural facilities such as accommodation, power, machinery etc. At the next phase he had to find a supply source for his raw materials. A source for finance is the next phase. He had to ensure ways for marketing his products. At the final phase he had to be aware of all incentives that the Government offered for development of small-scale industry. The specialty with the Kamaraj Government was that it went out of the way to help each and every aspiring entrepreneur with assistance to him to traverse all these phases without difficulty.

In order to extend a helping hand, the state government insisted on all small-scale industrialists to register their units with the director of commerce and industry. The industrialist had to send a copy of the application for registration to Small Industries Service Institute in his State. The State Government’s insistence on this was with a view to helping the industrialists avail themselves of its financial assistance to them and also to help procure machinery on hire purchase basis from the National Small Industries Corporation. The industrialists who had registered with the directorate of commerce and industry of their States were able to receive supplies of controlled raw materials, essentiality certificate for imported raw materials and components and facilities for exporting their products.¹⁰⁷

¹⁰⁷ Personal Interview with Mr. Balagangadharan, Industrialist, aged 47, residing at Sivakasi, dated 17.3.2006.
In the second year of the Second Five Year Plan the general election was held. Former president of the country, R. Venkataraman, who had been a trade union leader of repute, was elected to the Lok Sabha in this election, but he resigned his seat in the Lok Sabha to join the State Government of Madras as a Minister of Industries, Labour, Co-operation, Power, Transport and Commercial Taxes from 1957 to 1967. During this time, he was also leader of the Upper House namely the Madras Legislative Council. As the Minister of Industries, Mr. Venkataraman outshone his predecessor, Mr. Bhaktavatsalam. He rose to the expectations of the Chief Minister, Kamaraj. He infused into the already developing sector of small-scale industries a further impetus. Besides, it was during his tenure as the Minister of Industries that several public sector large-scale industries like Integral Coach Factory at Perambur, Ordnance Factory at Avadi and Neyveli Thermal Power Plant and private sector large-scale industries, like Ashok Leyland, were established in the state. The Government also set up a corporation named Small Industries Development Corporation to promote the Small Industry in the State.

3-25 Small Industry Development Corporation:

The Central Government, through its Ministry of Commerce, sent a communication to all the state governments recommending formation of an independent corporation for the development of small-scale industries. The Government of Tamil Nadu fulfilled the desire of the Central Government.

by establishing the Tamil Nadu Small Industries Corporation in 1966 (TANSI). This is the first Government-sponsored organization in the state formed for the cause of promotion of small-scale industries.\textsuperscript{110}

As TANSI was a manufacturing organization, the State Government constituted Tamil Nadu Small Industry Development Corporation in 1970 to give an impetus to the development of small-scale industries (SIDCO). Originally, SIDCO was a private limited company, but it was converted into a public limited company in 1971.\textsuperscript{111}

SIDCO was formed with the objectives of giving aid, counsel, assistance, finance, protection and means of promotion to the public and private sector small industries.\textsuperscript{112}

It also aimed at procuring and equitably distributing essential raw materials required by small-scale industries. It could supply machinery required by small industries on hire purchase basis. It was required to construct work sheds and make them available to small industries on hire purchase schemes. It had to work as the official technical consultancy for new entrepreneurs. It had to consolidate the import licences of small-scale

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industries and make bulk imports against them. Another aim of the SIDCO was to give small-scale industries marketing assistance.\textsuperscript{113}

As years rolled by more and more entrepreneurs kept coming up on the scene to establish new industries. As the number of entrepreneurs kept rising more and more industrial estates were also set up in the state. However, one can very well assert that the proper industrial climate in the state was created by the Kamaraj Government.

The impressive growth of small-Scale industries in Tamil Nadu during the second five year plan period stands revealed in the findings of State Industries Development Committee. The committee's seventh meeting was held on July 24, 1962 to discuss the progress made by the public sector projects in the state and the development of industries in the private sector.\textsuperscript{114} The committee considered the project reports on some important chemicals such as Ferrous Sulphate B.P., Diamino Diphenyl Sulphone etc., manufacture of fused magnesium phosphate fertilizer and the report on the finishing of East India Tanned Hides and Skins. The sub-committee for Drugs and Pharmaceuticals had prepared project reports on the manufacture of Nicotinic Acid, Nikothamide, Iso-Nicotinic acid, Hydrazide and Nicotinamide.

The industrial estates and the small-scale industries housed in them and the other private sector small-scale industries which had come up well

\textsuperscript{113} Tamilnadu, An Economic Appraisal, 1974-1975, Government of Tamil Nadu, Madras, 1975, p.52.

in other parts of Tamil Nadu because of the support and patronage of the Kamaraj Government acted as a buttressing force to the large-scale industries which were set up in the state during the third five year plan period.

The Small Scale Industries which existed in urban and rural areas in Madras State rendered meritorious services to improve the standard of life of the people and the state. Due importance is given to highlight the Industrial centers of District Level and the working of Industrial Corporations and Estates wider level. Special attention is given to highlight the functioning of Industrial estates at various level. In short the chapter give a clear picture about the working of various types of Small Scale Industries in the state.