CHAPTER - 1
INTRODUCTION

Like any term, it is difficult to accurately define the terms “industry” and ‘industrialisation’. Scientific definition of any term or concept is difficult.

An industry is thus characterized by the conversion of raw materials into final product with the help of human efforts working with machines, themselves the product of past human labour.

‘Industrialisation’ refers to large-scale modern industries which are characterized by the use of complex modern machinery, a large number of people or work-force handling those machines under one roof or in a big plant, factory system of production, mass production of goods and services at rapid speed, use of electricity or such other power on a large-scale, and wide domestic and often foreign markets for goods produced in such factories or plants.

Industrialization also means a change in the value-system. Industrialization will introduce new industrial culture – discipline, hard work, competitiveness, team work, self-reliance, adaptability, inventiveness and organizational ability.

It will be observed that India’s agricultural population is characterized by idleness, superstitiousness, extreme dependence on natural forces, fatalism, etc. These qualities
will hardly make a country prosperous in modern times. Industrialization is wanted in
India as many features of industrial culture which will accompany the country's
industrialization are essential elements, if India is to live successfully in modern times
and in a highly competitive world.¹

In the case of agriculture, the operation of the law of diminishing returns starts
operating at a relatively early stage compared with industries. In the case of India, nearly
70 per cent of the country’s labour force is engaged in the agricultural sector.
Agricultural land in India just cannot absorb such vast number of workers in a productive
and profitable way even with the present traditional techniques of production, not to
speak of mechanized from of agriculture which in the United States employs just around
4 per cent of the labour in agriculture in India is zero, which means that there is much
disguised unemployment in Indian agriculture. The workers outwardly appear to be
employed, but in fact they add nothing to agricultural production; and even if a
substantial amount of labour force is withdrawn from the agricultural sector, production
of agricultural commodities will not decline.

Only the industrial sector can absorb workers displaced from agriculture; without
large, medium; and small-scale modern industries, India will not be in a position to solve
her problem of mass unemployment and mass poverty.²

² Ibid PP.3.
Industrialization is the only answer to India's mass unemployment and poverty. In industries, the law of increasing returns operates over a longer range than in the agricultural sector. This means that industries have a very large potentiality to provide productive employment opportunities are thrown back on agriculture where their marginal productivity is zero. Thus, industries will provide employment to vast masses of people and provide income and help alleviate mass poverty and ensure a vast number of people rising standard of living (as it has happened in developed countries.)

The Beginning of Industrialization (1850-1874)

The first industrial undertakings were established in India only after the first railways had been constructed in 1851. The progress, however, was exceedingly slow and irregular. The development in 1854 of the cotton textile industry in India the first important large scale Industry marks the dawn of a new industrial era in India. The industry was established at Ghossery near Calcutta in 1818 with predominantly Indian capital and enterprise. In 1855, the jute industry was established at Rishra near Serampore, 12 miles north of Calcutta with Scottish capital and enterprise. The paper mill industry was started at Bally near Calcutta in 1867. The glass and chemical industries were started subsequently. A small number of minor industries, such as rice and flour mills, woollen and silk mills and iron foundries were also set up. India continued to be an exporter of food and raw materials and an importer of manufactured articles. The progress of the jute industry was remarkable and spectacular.
The Period 1874-1914

The development of the coal mining industry towards the later part of the 19th century in the Damodar Valley inspired the development of various manufacturing industries in the country. The pig iron industry was started at Kulti near Asansol with foreign capital and enterprise in 1875. Towards the end of the 19th century a number of paper mills were established in the country. The Titaghur Paper Mill was established in 1882 and the Deccan Paper Mill was started at Poona in 1889.

In spite of the development of various industries, India continued to be an exporter of food and raw materials and an importer of manufactured articles. In the early part of the twentieth century the Swadeshi movement inspired industrial development to a great extent. With the establishment of the Tata Iron and Steel Co. Ltd., at Sakchi (now Jamshedpur) in 1907, a new era in the industrial history of India begin.\(^3\)

Development During the First World War (1914-18)

The war (1914-18) gave a great impetus to industrial development in the country. On the eve of the war, cement and sugar industries were also started. The supplies of essential consumer goods were cut off, either wholly or partially with the outbreak of the war. Due to shipping shortage imports of essential articles were also curtailed. Industries in India suffered considerably for want of machinery, spare parts and chemicals for which the country had to depend on foreign sources. Attempts to establish new industries were not very successful due to gaps and deficiencies in the industrial structure of the country.

The absence of basic engineering and heavy chemical industries was undoubtedly the weakest spot in the industrial structure of India during that time.

The production of pig iron and steel in Tata's factory at Sakchi (now Jamshedpur) helped the country considerably during the period of the First World War (1914-18).

Lack of indigenous capital, industrial leadership and technical skill and serious gaps in the supplies of raw materials and resources required for production, *inter alia*, were responsible for the meagre and ill-balanced developments of Indian industries. The supplies of mineral raw materials like sulphur, copper, lead and zinc were too inadequate. The concentration of the coalfields in the Damodar Valley which catered to the industrial needs of India was unhelpful to the development of industrial activities in the country.

The industrial leadership also known as the Managing Agency system could not also prove helpful to the development of Indian industries. In many instances the managing agents avoided risking money on new and unsafe ventures inasmuch as they could earn liberal commissions as importers of machinery and mill stores and as traders and insurance agents. In fine, the *laissez faire* policy was inadequate for a poor country like India which can only be developed by proper planning, by the Government. Industrial development under private capitalism was unsuited to Indian conditions.

The First World War afforded only temporary gains to a few established industries. The country could not set itself firmly on the road to industrialization till the end of the
First World War. A few industries which developed during the post-war years (after 1918) either stagnated or decayed since they could not face foreign competition. The recommendations of the Industrial Commission of 1917 that the Government must undertake responsibility for industrial development were also not implemented.

**Between the Two Wars: (1918-39)**

Under the Reforms Act of 1919, industry became a provincial subject. The provinces, ill-equipped financially and technically, were not equal to the task of developing industries. The policy of discriminating protection adopted in 1922 on the recommendation of the Indian Fiscal Commission, considerably helped the growth of Indian industries. Between 1922 and 1939, the production of cotton piece goods more than doubled, that of steel ingots increased 8 times and of paper $2 \frac{1}{2}$ times. The grant of protection to the sugar industry in 1931-32 helped its development considerably so that between 1932 and 1936, the country became self-sufficient in sugar. The Indian jute industry, the most important earner of foreign money, lost markets abroad during the years of world-wide economic depression in 1929-32 inasmuch as many countries had produced substitutes of jute for making gunnies and Hessians in order to avoid purchase of such goods at a higher price from India. The Bengal Jute Enquiry Committee was appointed by the then Bengal Government under the Chairmanship of Mr. R.S.Finlow, in 1934 for investigating the problems of the jute industry and for exploring avenues for marketing jute products in the country. The Committee submitted its report in April 1937. But the recommendations of the Committee could not be implemented due to the difficulties created by the outbreak of the Second World War in 1939. As will be
mentioned in the sequel, many of the recommendations of the jute industry in India. The development of the cement industry during this period was phenomenal and by 1935-36, it was also able to meet about 95 per cent of the total needs of the country. The production of matches, glass, vanaspati, soap and several engineering industries also increased considerably during this period.

During the Second World War and After

The Second World War added a great stimulus to the development of Indian industries to their maximum capacity. Several new industries such as Ferro-alloys, non-ferrous metals, diesel engines, pumps, bicycle, sewing machines, soda ash, caustic soda, chlorine and superphosphate came into existence. The manufacture of machine tools and simple machinery, cutlery and pharmaceuticals also started.

The post war years (after 1945) marked the development of a new range of industries including ball and roller bearings, carding engines, ring frames and locomotives, Industries like the fertilizer, cement, sheet glass, caustic soda and sulphuric acid expanded considerably during the post-war period.

Industrial Policy after Independence:

The attainment of independence by India on Aug 15th 1947 made a tremendous difference in the industrial landscape. Indigenous enterprise was no longer required to function as the camp follower of foreign interests. Production in India had declined but
its population was on the increase. Inflation got worse, because of the economic upheaval, due to the partition of the country and the problem of refugee rehabilitation. In view of the need to step up production and counter inflationary tendencies, it became essential to announce an industrial policy which could create conditions of economic security so vital for the growth of the industrial structure and produce a climate for stimulating investment in industry. In view of various crosscurrents that confused the industrial climate, a statement of industrial policy was necessary to clear the foggy atmosphere.

The industrial policy resolutions of 1948, 1956, 1977 and 1980 have emphasized the following aspects:

1) To bring about rapid economic development of the country by accelerating the growth of industries and industrialization of the country.

2) To provide increasing opportunities for gainful employment and skill formation of various types required for modernizing society.

3) To help to achieve the goal of the socialistic pattern of society as accepted by the Indian Parliament in Dec 1954.

4) To bring about the expansion of the public sector as a dominant sector of the Indian economy;
5) To bring about development of basic and heavy industries with a view to reduce
dependence of the country on foreign country in the case of essential and vital
goods and services such as defence production and various metals, heavy
chemicals, heavy and light engineering goods and the like to make the country
self-reliant in all such matters;

6) To give encouragement to small-scale, cottage and village or rural industries and
handicrafts and also to Co-operative industrial sector of the Indian economy;

7) To take steps to promote exports of industrial goods, to upgrade India to have its
due share in world export trade;

8) To bring about reduction in regional disparities especially, by establishing public
sector industries in economically backward regions of the country and also
promoting industries in backward regions of the country; and

9) To bring about the development of modern industrial culture by establishing
scientific, technical and professional institutions of education, as all such skills
are essential and basic to modern type industrialization.
Small-Scale Industries and Government Policy:

The salient features of the various industrial policy resolutions in the respect of small-scale industries have been summed up so to trace how small-scale industries have been protected, Promoted and Developed by the government over the last four decades.

Industrial Policy Resolution of 1948:

The importance of small-scale industries was fully recognized after the conference on "Industrial Development" held in New Delhi in December 1947. The cottage industries board was set up as an advisory body. The approach of the Government of India forwards the small-scale sector was emphatically reflected in the industrial policy resolution of April 6th, 1948. The policy resolution outlined that cottage and small-scale industries had a very important role in the individual, village, or Co-operative enterprises and means for the rehabilitation of displaced persons. The objectives specified for small-scale and village industries in this policy resolution were:

To meet a substantial part of the increased demand for consumer goods and simple industrial goods through small industry;

To create large scale employment at relatively low capital costs;

To ensure a more equitable distribution of national income, including the spread of industry over different regions of the country; and
To counteract the tendency toward concentration of economic power by the widening of opportunities for new entrants to small-sized units.

Thus the thrust of the policy in respect of the small-scale sector was to generate employment on a very large scale at low capital costs so as to ensure equitable distribution of national income.

Industrial Policy Resolution of 1956:

The karve committee and the international Perspective Planning team envisaged decentralized industrial development to avoid the evils of concentration. The industrial policy resolution of 1956 fully endorsed this recommendation. Decentralization formed the essence of the policy relating to Small-Scale industries in the 1956 resolution. The resolution pointed out that the state was following a policy of supporting cottage and small-scale industries by restricting the volume of producing in the large-scale sector, through differential taxation or direct subsidy. The aim of the state policy was to ensure that the decentralized sector acquired sufficient vitality to be self-supporting integrating its development with that of the large-scale industries. The objectives for small-scale Industries Specified in the Policy Were:

a) The Provide immediate large-scale employment opportunities with low capital cost per unit of labour.

b) To Provide opportunities for encouraging new entrepreneurs and
c) To mobilize small Capital resources and skills, which might otherwise remain, unutilized.
Industrial Policy Statement of 1977:

The fifty-five-year plans (1974-79) emphasized the need for continuing policy measures of protection and incentives to the small-scale sector. This was reiterated in the industrial policy statement of December 23\textsuperscript{rd} 1977. The main thrust of the industrial policy was on the effective promotion of cottage and small-scale industries widely dispersed in rural areas and small towns. It was the policy of the Government that whatever could be produced by small and cottage industries should only be produced by them and, for the first time, it was stated like that. It was obvious that this policy resolution demanded a shift from the large sector to the small and cottage sector.

Industrial Policy Statement of 1980:

The industrial policy statement of July 23\textsuperscript{rd} 1980 emphasized the role of ancillary development in the small-scale sector and modernization of small-scale industries, ensuring rapid growth in backward areas. The concept of nucleus plants for upgrading the technology of small units was emphasized. The establishment of nucleus plants was to be supported by a suitable system of incentives. The basic objective of this policy was to ensure a balanced growth of economy where large, medium, small and cottage industries could play their respective roles in the growth of the national economy.

Industrial Policy of 1990:

The policy stressed the need for the promotion of small-scale and agro-based industries. It also emphasized a change in the procedure for grant of industrial approvals. The core decision of this policy was to ensure adequate and timely flow of credit for
small-scale industries through the small industries Development Bank of India (SIDBI), commercial banks and other financial agencies.

**Industrial Policy of 1991:**

The Government announced the new policy for the small-scale enterprises on August 6th 1991. The salient features of this policy document were the promotion of small-scale, cottage and village industries by enhancing. The cut off limits of investment in plant and machinery for the small-scale and tiny sector industries. The investment limit as per this policy in respect of the small-scale industries was Rs.60 lakhs.

The policy recommended the Provision of cheaper availability of credit and other facilities and more attention to the development of handloom, handicraft, khadi and other village industries.

The concept of “Economic Federalism” was evolved and a few nucleus units were set up in identified industrial backward districts to help and develop small and ancillary Units by Providing raw material and assembling, and marketing facilities through such units; and the gradual move towards liberatisation and marketisation.

The new industrial policy of 1991 contemplated several changes in the old policy relating to the small-scale sector with an intention of making small enterprises economically viable and financially strong. The new policy proposed several measures
for ensuring the supply of adequate raw material to SSI units. It also proposed to initiate steps for the creation of an effective marketing mechanism for SSI products. The small Industry Development organization was directed to act as a nodal agency for promoting the export of SSI products with regard to financial support, the policy envisaged adequate flow of credit to SSI units by non-SSI undertakings, provision for the supply of risk capital through limited partnership and measures to ensure speedy payments arising from the sale of products of SSI sector. For the viability of small industry, its production programmes were to be integrated with large private and public sector units. Tiny sector was allowed easy access to institutional finance.

**Small-Scale Industries and Five Year Plans:**

The plan outlays for the development of small-scale industries in the successive five year plans are shown in table 1.0
### Table 1.0

#### PLAN OUTLAY FOR VILLAGE AND SMALL-SCALE INDUSTRY OVER THE PLAN PERIODS

<table>
<thead>
<tr>
<th>Plans and Year</th>
<th>Outlay (Rs. in Crores)</th>
<th>Percentage of Total</th>
<th>Outlay (Modern Small-scale Industries (Rs. in crores))</th>
<th>Percentage of Small-scale Industries investment on total investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Plan (1951-56)</td>
<td>42.00</td>
<td>2.10</td>
<td>520.00</td>
<td>19.90</td>
</tr>
<tr>
<td>II Plan (1956-61)</td>
<td>187.00</td>
<td>4.00</td>
<td>56.00</td>
<td>29.90</td>
</tr>
<tr>
<td>III Plan (1961-66)</td>
<td>240.80</td>
<td>2.80</td>
<td>113.06</td>
<td>46.90</td>
</tr>
<tr>
<td>Annual Plans (1966-69)</td>
<td>126.10</td>
<td>1.90</td>
<td>53.48</td>
<td>42.90</td>
</tr>
<tr>
<td>IV Plan (1969-74)</td>
<td>242.60</td>
<td>1.50</td>
<td>56.19</td>
<td>39.50</td>
</tr>
<tr>
<td>V Plan (1974-79)</td>
<td>592.60</td>
<td>1.50</td>
<td>221.74</td>
<td>36.30</td>
</tr>
<tr>
<td>Annual Plan (1979-80)</td>
<td>255.70</td>
<td>2.10</td>
<td>104.81</td>
<td>36.20</td>
</tr>
<tr>
<td>VI Plan (1980-85)</td>
<td>1,829.90</td>
<td>1.70</td>
<td>616.10</td>
<td>34.60</td>
</tr>
<tr>
<td>VII Plan (1985-90)</td>
<td>2,752.70</td>
<td>1.50</td>
<td>1,120.51</td>
<td>34.60</td>
</tr>
<tr>
<td>VIII Plan (1992-97)</td>
<td>6,334.20</td>
<td>1.46</td>
<td>#</td>
<td>#</td>
</tr>
</tbody>
</table>

# Data not available

Sources:


From table 1.0 it is clear that the plan outlay increased from Rs.42 Crores in the first five year plan to Rs.6,334.20 Crores in the Eight plan and the outlay for modern small-scale industries also increased from Rs.520 Crores in the first five year plan to
Rs.1,120.51 Crores in the seventh plan. During the third five year plan period, the percentage of the small-scale industries investment on total investment was 46.9, which shows the greatest percentage share of the investment on the small-scale industries during the post-independence period.

**Growth of Small-Scale industries in India:**

The phenomenal growth of the small-scale industries in India from 1978-79 to 1996-97 can be understood from a careful perusal of the figures furnished in Table 1.1
<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Units (Lakhs)</th>
<th>Value of Production (Rs. Crores)</th>
<th>Employment Number (Lakhs)</th>
<th>Investment Value (Rs.Crores)</th>
<th>Exports Value (Rs. Crores)</th>
<th>Share in Total Exports (Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978-79</td>
<td>7.3</td>
<td>15,790</td>
<td>63.80</td>
<td>4,431</td>
<td>1,069</td>
<td>28.7</td>
</tr>
<tr>
<td>1979-80</td>
<td>8.50</td>
<td>21,635</td>
<td>67.00</td>
<td>5,540</td>
<td>1,226</td>
<td>19.1</td>
</tr>
<tr>
<td>1980-81</td>
<td>8.74</td>
<td>28,060</td>
<td>71.00</td>
<td>5,850</td>
<td>1,643</td>
<td>24.5</td>
</tr>
<tr>
<td>1981-82</td>
<td>9.62</td>
<td>32,600</td>
<td>75.00</td>
<td>6,280</td>
<td>2,071</td>
<td>26.5</td>
</tr>
<tr>
<td>1982-83</td>
<td>10.59</td>
<td>35,000</td>
<td>79.00</td>
<td>6,000</td>
<td>2,045</td>
<td>23.2</td>
</tr>
<tr>
<td>1983-84</td>
<td>11.58</td>
<td>41,620</td>
<td>84.10</td>
<td>7,360</td>
<td>2,164</td>
<td>22.1</td>
</tr>
<tr>
<td>1984-85</td>
<td>12.42</td>
<td>50,250</td>
<td>90.00</td>
<td>8,380</td>
<td>2,553</td>
<td>21.7</td>
</tr>
<tr>
<td>1985-86</td>
<td>13.55</td>
<td>61,228</td>
<td>96.00</td>
<td>9,585</td>
<td>2,769</td>
<td>25.4</td>
</tr>
<tr>
<td>1986-87</td>
<td>14.76</td>
<td>72,250</td>
<td>101.40</td>
<td>10,975</td>
<td>3,167</td>
<td>29.3</td>
</tr>
<tr>
<td>1987-88</td>
<td>15.76</td>
<td>87,300</td>
<td>107.00</td>
<td>12,621</td>
<td>4,345</td>
<td>28.8</td>
</tr>
<tr>
<td>1988-89</td>
<td>17.12</td>
<td>1,06,875</td>
<td>113.00</td>
<td>15,229</td>
<td>5,681</td>
<td>28.1</td>
</tr>
<tr>
<td>1989-90</td>
<td>18.27</td>
<td>1,32,320</td>
<td>119.60</td>
<td>18,196</td>
<td>7,990</td>
<td>28.9</td>
</tr>
<tr>
<td>1990-91</td>
<td>19.38</td>
<td>1,55,340</td>
<td>124.30</td>
<td>19,302</td>
<td>9,100</td>
<td>28.2</td>
</tr>
<tr>
<td>1991-92</td>
<td>20.82</td>
<td>1,78,700</td>
<td>129.80</td>
<td>20,438</td>
<td>13,883</td>
<td>31.5</td>
</tr>
<tr>
<td>1992-93</td>
<td>22.35</td>
<td>2,09,30</td>
<td>134.10</td>
<td>21,816</td>
<td>17,785</td>
<td>33.1</td>
</tr>
<tr>
<td>1994-95</td>
<td>25.38</td>
<td>2,93,031</td>
<td>146.56</td>
<td>24,874</td>
<td>32,555</td>
<td>39.5</td>
</tr>
<tr>
<td>1995-96</td>
<td>27.24</td>
<td>3,56,213</td>
<td>152.61</td>
<td>26,726</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1996-97</td>
<td>28.87</td>
<td>4,18,863</td>
<td>160.00</td>
<td>-</td>
<td>40,355</td>
<td>-</td>
</tr>
</tbody>
</table>

Sources:
2) Ruddar Datt and K.P.M.Sundaram, Indian Economy, S.Chand & Company Limited, New Delhi, 1999, P619.
Industrial Progress in Tamil Nadu:

Effective industrial planning in Tamil Nadu virtually started with the Techno-Economic survey conducted by the National Council of applied economic research, New Delhi, during 1958, although a beginning was made earlier with the commencement of National Planning.

The development of the industrial base of the state’s economy has been proceeding along systematic lines. The pragmatic approach by the central and state governments in creating the necessary infrastructure and climate for an orderly growth has been greatly responsible for this growth till could build up of only the textile and few engineering industries. But over the two decades: 1950-70, industrial licenses were issued to over 230 engineering industries 106 units of fertilizers and chemicals, 100 Agro-based and 226 different other industries like paper soap, cement, timber products, foundry etc.

Growth of Small-Scale Industries in Tamil Nadu:

The ending of colonial rule and the beginning of planned development served to open the floodgates of industrial investment in Tamil Nadu as in other Parts of the country.

The census of Small-scale industrial units 1977, reveals that Tamil Nadu state stood, first in the number of registrations of the Small-scale industries. In terms of gross out put (12.36%) value added (12.39%), investment in fixed assets (10.54%) and employment in SSI sector (13.02%), Tamil Nadu stood second next to Maharastra.
The share of the Small-Scale industries of Tamil Nadu Vis-à-vis India is given in Table 1.2.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Small-scale Industries (No in Thousands)</th>
<th>Percentage Share of Tamil Nadu</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All India</td>
<td>Tamil Nadu</td>
</tr>
<tr>
<td>1982-83</td>
<td>1,059</td>
<td>46</td>
</tr>
<tr>
<td>1983-84</td>
<td>1,158</td>
<td>50</td>
</tr>
<tr>
<td>1984-85</td>
<td>1,242</td>
<td>60</td>
</tr>
<tr>
<td>1985-86</td>
<td>1,355</td>
<td>72</td>
</tr>
<tr>
<td>1986-87</td>
<td>1,476</td>
<td>82</td>
</tr>
<tr>
<td>1987-88</td>
<td>1,576</td>
<td>91</td>
</tr>
<tr>
<td>1988-89</td>
<td>1,712</td>
<td>102</td>
</tr>
<tr>
<td>1989-90</td>
<td>1,827</td>
<td>114</td>
</tr>
<tr>
<td>1990-91</td>
<td>1,938</td>
<td>127</td>
</tr>
<tr>
<td>1991-92</td>
<td>2,082</td>
<td>138</td>
</tr>
<tr>
<td>1992-93</td>
<td>2,235</td>
<td>158</td>
</tr>
<tr>
<td>1993-94</td>
<td>2,385</td>
<td>178</td>
</tr>
<tr>
<td>1994-95</td>
<td>2,538</td>
<td>207</td>
</tr>
<tr>
<td>1995-96</td>
<td>2,724</td>
<td>234</td>
</tr>
<tr>
<td>1996-97</td>
<td>2,887</td>
<td>264</td>
</tr>
<tr>
<td>1997-98</td>
<td>*</td>
<td>295</td>
</tr>
</tbody>
</table>

Sources:
1) Eight five year plan, Government of India
2) Unpublished records of nucleus cell Division, Director of Industries and commerce, Chennai.
* Data not available.
From table 1.2, it could be inferred share of Tamil Nadu in the growth of small-scale units Vis-à-vis all India has increased from 4.3 percent to 9.3 percent during the period from 1982-83 to 1996-97.

Evolution of the District Industries Centre (DIC)

The Rural Industries Projects were centrally sponsored and initiated in 1962-63. On an experimental basis, the projects were started in 49 districts each covering three to five blocks. The objective was to generate employment in the non-agricultural sector and also raise the income of the people through the Promotion of rural industries. The Programme covered the Progress of entrepreneurs in rural areas, identification of industrial ventures and Provision of extension services. The program was finally extended to all districts, excluding towns with over 25,000 population.

The programme for rural artisans was started in 1971-72 through which skills of artisans were to be upgraded through training to raise their productivity. Eighty-five projects were initiated under this programme, covering typical industries like carpentry, gold smithy, Pottery repairing agricultural implements and the like. Till March 1976, 1.74 lakhs units cropped up, involving an investment of Rs.176 crores, generating Employment for 5.45 lakhs persons. Although these Programmes have made fair Progress, yet by the late seventies, certain deficiencies in the structure had become apparent. In Particular, the small entrepreneur was deprived of package of services from the government. As many of the functions were concentrated in the state headquarters, the small entrepreneurs found it difficult to go to the state capital again and again. More
importantly little attention was given to follow-up services to assist the small units in solving their teething troubles.

Thus, it was clear that there was a need

a) To cover rural hinterland rather than a few districts in the country;

b) To unity some of the points of contact between the official machinery and the small entrepreneurs;

c) To provide the entrepreneur with a more comprehensive package of services including follow-up services, after the establishment of the unit and

d) To decentralize authority at least to the district level.

These factors were taken care of by the industrial policy resolution of 1977. The organization of rural industries projects (RIP) was replaced by that of District industries so that rural industries could be set up throughout the country and necessary support could be provided to them.

In pursuance of the industrial policy resolution 1972, a programme was evolved for setting up DIC as effective nodal agencies for the promotion of cottage and small-scale industries, widely dispersed in rural areas and small towns. The policy emphasis was to shift the focal point of development of small-scale and cottage industries from big cities and state capitals to the district headquarters. The programme was envisaged to provide
all services and support needed by the small and village entrepreneurs and artisans under a single roof.

The District Industries center programme was started on may 1st 1978, as a centrally sponsored scheme. Under the programme, each district was to have an agency known as the district industries center to deal with all the requirements of small-scale and village industries.

**Definition**

**Concept of the District Industries Center**

A DIC is an institution at the district level which provides all the services and facilities to the entrepreneurs at one place to help them to set up small and village industries. These services and facilities include the identification of a suitable scheme, the preparation of a feasibility report, arrangements for the supply of machinery and equipment, provision of raw materials, credit facilities and input for marketing and extension services, quality control, research and entrepreneurial training. The district industries center would ensure all the facilities to the entrepreneurs under one roof at the district and sub-district levels. At present, an entrepreneur has to go to several agencies, many of them far away from his district, in order to get these facilities. Suitable departments of the state governments to DIC so that entrepreneur may get from one agency all the assistance he needs.
Objectives of the District Industries Center
The main objectives of DIC are:

1) To make available the various assistance and clearness required under one roof:

2) To promote rural industries;

3) To develop small and cottage industries in the country and to generate greater employment opportunities, especially among the real and backward areas in the country;

4) To develop close linkages with the rural development blocks and developmental institutions which are involved in gross roof activities and integrate their activities with DIC set up and

5) To act as the nodal agency for providing support services to the village and small entrepreneurs.

The main thrust of DIC programme is on the development of such industrial units which create larger employment opportunities in rural and semi-urban areas.

Functions of the District Industries Center (DIC)

a) to survey the existing, traditional are new industries, raw materials and human resources to identify schemes and make market forecasts for different items; to prepare sample economic feasibility reports, and offer investment advice to entrepreneurs;
b) to assess the machinery and equipment requirements of small-scale, tiny and village industries; to indicate the locations where the required machinery and equipment for different plants may be available for entrepreneurs; to maintain liaison with research institutions and to arrange for the supply of machinery on hire-purchase basis;

c) To arrange training courses for entrepreneurs of small and tiny units and to maintain a liaison with small industries service institute to keep abreast of research and developments in selected product lines and quality methods;

d) To ascertain the raw materials requirements of various units, their sources and prices, and to arrange for their bulk purchase and distribution to entrepreneurs;

e) To maintain liaison with lead banks and other financial institutions, appraise applications, monitor the flow of industrial credit in the district, and arrange for financial assistance to entrepreneur;

f) To organize marketing outlets, maintain liaison with government procurement agencies, provide market intelligence to entrepreneur, organize market surveys and market development programmes; and

g) To give particular attention to the development to khadi, village and other cottage industries to maintain liaison with the state khadi board and organize training programmes for rural artisans.
Organizational set-up

Each district industries center is headed by a general manager who is supported by functional managers and other supporting staff to begin with, seven functional managers were supposed to assist the general manager but the number was later reduced to four or five, subject to the need of the districts the areas of seven functional managers are:

i. Economic Investigation

ii. Machinery and equipment

iii. Research, Extension and Training

iv. Raw material

v. Credit

vi. Cottage industries

The following figures show the staffing pattern of DICs.
STAFFING PATTERN OF DISTRICT INDUSTRIES CENTRE

GENERAL MANAGER

FUNCTIONAL MANAGERS

SUPPORTING STAFF

GENERAL MANAGER

FUNCTIONAL MANAGER

MANAGER ECONOMIC INVESTIGATION

MANAGER MACHINERY EQUIPMENT

MANAGER CREDIT FINANCIAL MANAGEMENT

MANAGER COTTAGE INDUSTRY TINY SECT

MANAGER RESEARCH EXTENSION TRAINING

MANAGER RAW MATERIAL

MANAGER MARKETING
The general manager holds a key position and is responsible for the over-all co-
ordination and development of the industries in the district. The main functions and task
assigned to the various functional managers in a DIC are:

Manager (Economic Investigation)

i) To survey the potential of various types of industries in the district;

ii) To tap the sources of raw materials and human skills available in the districts;

iii) To identify the product lines and prepare sample techno-economics feasibility
    studies;

iv) To collect the available data and

v) To offer investment advice to the entrepreneur.

Manager (Machinery and Equipment)

i) To assess the requirement of machinery and equipment needed by the various
    small-scale, tiny and village industries;

ii) To ascertain the sources of supply of machinery and equipment in the country;

iii) To keep the lists of suppliers and price lists and keep entrepreneur advised about
    these;

iv) To help in placing orders;

v) To liaison with research institutions regarding developments in machinery and
    equipment and

vi) To assess the need for simple machines in rural areas.
Manager (Research, Extension and Training)

i) To keep abreast of quality control methods and of research and development in the selected product lines;

ii) To identify problems of entrepreneurs, in regard to the quality of raw material, production methods and processes and

iii) To arrange for training courses in product on management for entrepreneurs engaged in small and tiny units.

Manager (Raw Materials)

i) To determine the raw material requirements of various units, locate their sources and ascertain their prices and.

ii) To arrange for the Co-operation or bulk purchase of raw material.

Manager (Credit)

i) To explain the features of the various credit schemes to the entrepreneurs;

ii) To help in preparing the applications to various financial institutions;

iii) To liaison with the lead bank and other institutions;

iv) To help in the appraisal of applications and

v) To monitor the flow of industries credit in the district
Manager (Marketing)

i) To organize market surveys and market development programmes;

ii) To organize marketing outlets;

iii) To liaison with the Government procurement agencies; and

iv) To convey market intelligence to the entrepreneur.

Manager (Cottage Industries)

i) To pay special attention to the development of cottage industries with special reference to khadi and village industries, handlooms and handicrafts;

ii) To liaison with the state khadi board and other state government agencies involved in this work and

iii) To organize training programmes for the rural artisans.

The functions of the functional managers are subject to change, as per the needs of the district in order to ensure that the general managers and functional managers have a clear idea of their duties and discharge their duties effectively special training programmes are conducted by reputed organizations in the country.

Centrally – Sponsored Scheme

The government attaches the greatest importance to the effective functioning of DIC. The setting up and functioning of DIC is, therefore, financed by the central government as a centrally as a Centrally-Sponsored Scheme.
With the introduction of DICs, the Present Rural Industries Project (RIP) Set-up in the RIP districts has merged with DIC. From 1978-79 onwards the RIP scheme function under DIC. However, in the staffing arrangements had been made along the lines of similar arrangement for the rural industries projects (RIPs).

The District Industries Centers function under the administrative control of the state governments. Each DIC is supported by an advisory committee consisting of legislators, elected representatives of the panchayat and voluntary organizations. There is, moreover, a monitoring committee headed by the industry minister at the national level and by the state industry minister at the zonal level. The central government gives an initial non-recurring grant of Rs.5 lakhs to each DIC to facilitate it to meet its expenditure on building, furniture, office equipment and vehicles.

The government of India bears 75 per cent of the recurring expenditure on the administrative staff of each center, which is estimated at Rs.5 lakhs per annum. The balance is borne by the state government.

Coordinating Agencies

The DIC, which has been envisaged essentially as a coordinating agency, seeks guidance from the existing agencies and utilizes the expertise gained, for the promotion of and service of small-scale units and cottage industries, by maintaining close liaison with the development blocks entrusted with the task of integrated rural development. The central khadi and village industries commission and its state boards coordinate their work.
with that of DICs which, in turn, coordinate the work of other central and state agencies. In other words, all the activities relating to Handlooms, Handicraft, Coir board, the Silk board and khadi and village industries commission (KVIC) are integrated with those of DICs. The general manager of a DIC operates all the programmes in his district. The following figure shows the coordinating agencies of DIC.

**COORDINATING AGENCIES OF THE DISTRICT INDUSTRIES CENTER**

- DEVELOPMENT BOARDS
- SIDCC
- RIP
- RAP
- BANKS
- DEVELOPMENT INSTITUTES
- KVIC
- SSI
- RURAL INDUSTRIES
- COTTAGE INDUSTRIES
- TINY SECTOR
LEVELS OF MONITORING OF THE PROGRAMMES OF THE DISTRICT INDUSTRIES CENTER

CENTRAL LEVEL

REGIONAL LEVEL

STATE LEVEL

DISTRICT

COORDINATION COMMITTEE

REGIONS

NORTH

SOUTHERN

CENTRAL

EASTERN

WESTERN

STATE LEVEL COMMITTEE

DISTRICT ADVISORY COMMITTEE
Linkage with Other State-level Organisations

The District industries center maintains also a very close link with other State-level organizations, such as, state financial corporations (SFCs), Small Industrial Development corporations (SIDCs), Small Industrial development corporations (SIDCs), State small industries corporations (SSICs), State trading corporation (STC), State industry extension training institute (SIETI), Small industries service institutes (SISIs), Industrial Development Corporations (IDCs), Industrial Infrastructure Corporations (IICs), Khadi and village industries boards (KVIBs), District Rural Development Agency (DRDA), Commercial Banks and other Promotional organizations.

The state-level promotional institutions work in close Co-operation with DIC and provide all the necessary assistance to their general managers to encourage the entrepreneur to avail all the inputs at these organisations.

The major function of DIC is to help the small industries and rural artisans in backward areas. Till now, various facilities for the development of small industries have benefited mainly the more well-to-do entrepreneurs who manufacture sophisticated items in the small-scale sector. The District industries center helps the weaker sections of the community in rural and backward areas to provide them all the assistance they need to set up village industries and improve their own economic condition.
District Advisory Committee

For an effective co-ordination between DIC and other state government department undertaking and local bodies, the district advisory committee has been constituted. The committee meets once in a month or once in two months. The committee approves the action plan prepared by DIC and reviews the implementation of various schemes under DIC programme, the progress in the establishment of the small and village industries and artisan development programmes. It periodically suggests measures for improving performance.

State level Committee

To supervise and monitor the activities of DICs, the state government has constituted a state-level co-ordination committee, with the minister of industries as chairman and the chief secretary, the industries secretary, the director of industries, secretaries in-charge of agriculture, rural development and energy, the development commissioner in-charge of panchayat raj institutions, and the director, small industries service institute (SISI), as members. The Co-ordination committee meets once in six months to review the activities of DICs and reports to the government of India on their progress, the problems encountered and the solutions identified with a view to enabling it to review the progress of the scheme from time to time.

Regional Committees

To Co-ordinate the activities of DICs in various states and for the exchange of information between the states and regional and all-India bodies, regional committees
have been set up. They identify marketing outlets and strategies, evolve financial linkages between central financial institutions and banks, and review DIC set up on a regional basis. There are five regional Co-ordination committee.

Central Co-Ordination Committee:

There is, moreover, a central Co-ordination committee with the central minister of industries as chairman, the representatives of the planning commission, the minister of finance, department of expenditure and banking, the secretary (ID), the chairman (IDBI), the commissioner, handlooms and handicrafts, the chairman, KVIC, as members and with the additional secretary (ID) as the convener. From time to time this committee reviews the policy and board framework of DIC set up in the light of the experience gained.

Evolving more effective alternatives to the programmes of the District Industries Centres.

The industrial policy statement of July 23, 1980 announced by the government envisaged seeking more effective alternatives to the present programmes of DICs. For this purpose an evaluation study was conducted.

The study was designed to collect information and views of all the state governments/UT administrations in respect of the performance and other promotional aspects of DIC programmes. In addition, it was decided to study in depth, the effectiveness of the present arrangement in five DICs-one selected from each of the Northern, Central, Western, Southern and Eastern regions of the country-by a study team comprising the representatives of the minister of industry ministry of commerce, ministry
of rural Re-Construction, Reserve Bank of India and the Development Commission, Small-scale industries. The selected five DICs were-Anantanag in Jammu and Kashmir, Alwar in Rajasthan, Surendernagar in Gujarat, Sundargarh in Orissa, and Ramanathapuram in TamilNadu. In addition, the state governments were requested to intimate their views and suggestions in respect of the Promotional and organizational aspects of DIC programme. The state governments were also requested to give specific suggestions to make DICs more effective.

Based upon the report of the study team and the information gathered from the state governments, the central government reviewed the working of DICs.

Restructuring the District Industries Centers

After reviewing the Programmes, in order to increase their project formulation and implementation capabilities, the study recommended a restructuring of DICs.

Accordingly, the ministry of Industries made many changes to ensure efficient functioning. The staffing pattern was made more flexible in order to increase their capabilities for project formulation. Under the restructured staffing pattern, each DIC has one General Managers four functional managers and three project managers in disciplines which are relevant to the requirements of a district. It was presumed that technical experts would give a proper direction to the programmes to be implemented.

Efforts have been made to cover each district in the country with an industries center. By the end of 1978-79, the number of approved DICs had gone up to 346. At the end of march 1993, there were 442 DICs.
Statement of the problem:

Industrialization offers a major opportunity and open new vistas of development for an economically backward region, which suffers from high population growth, chronic unemployment and underemployment on account of lack of adequate off farm employment opportunities. The path of industrialization is both complex and unique. Availability of material and financial resources and certainly advantages, but not sufficient for industrialization. Multiplicity in number of industrial units does not change the fundamental characteristics of a region and its people unless units set up with productive participation of labour and income generation. The small scale and cottage industries are having enough potential to solve the problem of unemployment. Due to the absence of proper government support they cannot flourish. Thoothukudi is one of the districts which is placed with fairly good basic infrastructure facilities and resources which could contribute towards the development of small-scale tiny and village industries besides the growth of medium and major industries. Organizational requirements are essential for any industrial development. Keeping this fact the researcher is interested in studying the relationship between the growth of industries and employment opportunities through the role of District Industries Centre.