
CHAPTER-II: THEORETICAL BACKGROUND OF
INDUSTRIAL ESTATES



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2.1 Meaning of Industrial Estate

The meaning of Industrial Estate differs from country to country and place to place and has been changing from time to time. It assumes new dimensions with changing circumstances.

Definition of an Industrial Estate

In general an industrial estate is a track of land developed and sub-divided into plots according to a comprehensive plan, with provision for roads, transport and public utilities with or without built up factories, sometimes with common facilities and sometimes without it for the use of a community of industrialists.¹ It is a method of ... organising, housing, and servicing industry.² It has been designed out of necessity in the economically advanced countries of Western Europe and America towards the close of the nineteenth century. A Many organisations have been set up for acquiring land, developing it, erecting factory buildings and for providing utilities, facilities and services. The sites and buildings are sometimes sold, sometimes leased and sometimes also rented. Zoning and restrictive covenants are incorporated by the developing agency (sponsor) into the deeds of sale or lease, which are weapons of control over the area, buildings and overheads. Those are in order to protect the investments of developers and occupants on the one hand and to ensure the compatibility of the

industrial activity of the members on the other. Such undertakings are not taken up as isolated projects but are fitted into the framework of the countries' industrialisation and urbanisation policies.

Though the establishment of industrial estates is not considered a substitute for an economic development programme of broader scope, the industrial estate project is necessary to be integrated with the general development plans. The integration at the level of the region is considered the most useful as it fits into the framework of co-ordination of local development with national development. The industrial estate is concerned, generally with establishing, maintaining and preserving a proper balance between an industrial economy and an agricultural economy. Therefore, the industrial estate is viewed as an instrument for diverting industry from over-populated or over-industrialised area to places which are either depressed, in order to industrialise throughout the country.³

2.2 Policies of Industrial Estates

One of the most crucial matters in the development of many of the under-developed countries is that a large number of inhibiting factors retard their growth process and create adverse circumstances in their economies. In the initial phase of development, due to factors such as disequilibrium and absence of congenial economic environment in a country, the process of

economic growth faces a number of obstacles in the way of imparting momentum and efficiency to economic objectives. If these underdeveloped countries initiate measures to induce changes and adopt a number of development approaches towards the desired ends, they have to be confronted with the problems of industrialisation. Since the last few decades, the underdeveloped countries have shown increasing interests in economic growth and have adopted various ways and means to accelerate the growth rate and to improve the living standard of the people. Towards this end, several institutional approaches, planned as well as unplanned for solving various developmental problems have become prerequisites and they call for an appropriate place in national planning. Among the several scientific and rational techniques, the industrial estate is treated as one of the most potent institutional techniques in any major industrialisation programme. For this reason, many developed and underdeveloped countries have adopted this technique and are making use of it for promoting the development of industries, guiding industrial location, modernising industrial enterprises and raising industrial productivity.

2.3 Functions of an Industrial Estate

In general, the industrial estate is a multi-purpose tool or a technique as it takes care of a number of problems, namely, provision of suitable factory premises, economy in the investment on social overheads and the provision of utilities, facilities

and services, increased scope for interservicing and intertrading, development of complementarity in production and creation of the spirit of co-operation, decentralisation of industry for the development of backward areas, rural industrialisation, achieving a specific locational pattern, town planning, removal of slums and so on.⁴ In the context of a developing economy the industrial estate has additional significance.⁵ The concept of the industrial estate is as old as the steam engine, but its systematic application to the challenge of the times is new as the sputnik.

2.4 Industrial Estates and Regional Balance in Industrial Development

Industrial location is one of the most important factors in economic development and for attaining industrial progress expeditiously and with a sense of orderliness, the planning and control of industries are inevitable. Suitable measures have been adopted successfully to deal with the intricates of initiating and sustaining industrial development and special attention is being paid to accelerating the growth of industries by a conscious selection of site, adequate arrangement for basic necessities, effective market organisation and proper supply of raw material and labour. This would naturally yield a higher degree of productivity in industrial units established in the said manner, and the integrated area can be developed by creating further opportunities to new potential entrepreneurs and mobilising

private investment of capital. In fact, most of the underdeveloped countries, which have recently launched the programmes for economic development have followed the locational policies primarily aimed at the development of backward regions and the exploitation of their productive resources in order to bring a better balance in industrial structure. In the advanced countries like the United States and the United Kingdom the countries of Western Europe and Japan too after the Second World War, a clear indication has been found regarding the growing interest of public authorities in regional development. They have recognised the need of decentralised development of industries so that the industrial units might be removed from large industrial centres to backward regions. Dispersal of industries on a regional basis has been regarded as fruitful and the policy of decentralisation of industrial development has to be adopted by the countries which are trying to bring economically stable and regionally balanced industrial development. Decentralisation of industries may be advantageous not only to the urban area but also to country itself. It assists in avoiding severe congestion of industrial units in some centres and big cities and relocating new units in carefully planned industrial sites.

Prof. M.C. Shetty has rightly observed⁶ "The decentralised pattern of industrial development while reducing local or regional unemployment and rural underdevelopment will also be instrumental in distributing income and economic power more equally among the people and evenly among regions thereby contributing to the

emergence of economically sound, politically and strategically stable and regionally democratic society". Generally, the following are the basic objectives of the decentralised regional, industrial development:

- 1 To avoid congestion of industrial units in industrial centres and in big cities,
- 2 To correct the phenomena of regionally unbalanced economy with pockets of industrial centralisation surrounded by vast backward areas,
- 3 To make an efficient and productive use of underdeveloped resources available in the different depressed regions of the country by establishing new enterprises and thus to increase employment opportunities,
- 4 To bring about, in general, an all round rise in per capita income and living standards and to make wider distribution of economic power among the masses, and
- 5 To expand and diversify the industrial base of regions suffering from prolonged industrial depression.

2.5 Species of Industrial Estate

The general features are known to the institutions as "Trading Estates", in the United Kingdom, "Industrial Parks or Industrial Districts" in the United States of America, "Industrial Zones or Industrial Nuclii" in Italy, "Industrial

Plaza" in Canada, "Industrial Regions" in the Union of Soviet Socialist Republic, "Industrial Sub-Division" in Puerto Rico, and "Industrial Cities" in Mexico. They are called "Industrial Estates" in Afghanistan, Algeria, Belgium, Brazil, Burma, Ceylon, Denmark, Federal Republic of Germany, The Federation of Malaya, Finland, France, Hongkong, Iceland, India, Indonesia, Ireland, Israel, Jamaica, Japan, Nepal, The Netherland, Sweedan, Taiwan, and Thailand. These various nomenclatures refer both to the organisations managing the project and to the sites and installations.⁷ These industrial communities are differentiated from "... portions of town reserved for industrial use by city zoning ordinances, from unimproved and unplanned tracts of land offered for sale as suitable for industry or from sites improved for the use of an individual industrial establishment or of a very small number of industries".

The industrial estate is a genetic term. Its species, namely, trading estate, Industrial Park, Industrial Plaza, Industrial Zone, Industrial Nucleus, Industrial Sub-division, and Industrial City differs from both in meaning and contents. This is because an industrial estate can be organised in many forms to provide many services. It can be a centre of an industrial city or an area of industrial development in the outskirts of small industries and handicrafts in a rural setting. It can be a landscaped park or an utilitarian tract. It may be zonal for heavy industry or for light industry. It may be reserved for a specific

industry or for just some ancillary industry. It may offer improved sites or custom built factories or general purpose factories or a combination of them or rent or hire-purchase or outright sale. It may provide only basic utilities or a variety of common facilities to make it the "Turn-key" type.

2.6 Industrial Estates in India

The establishment of industrial estates in India is mainly an economic lesson drawn from Britain. The idea of industrial estate was originally suggested by the International Planning Team - assembled with the aid of the Ford Foundation - which undertook a study of small scale industries in India and made recommendations for their future development.⁸ This technique of industrialisation was recommended by the "Small Scale Industries Board" at one of its meetings held in January 1955. It was decided that the tool of industrial estate should be adopted for the development of small industries.⁹ The industrial estate was not an integral part of Indian Planning until 1955, the end of the first Plan. It was almost a novelty for India. The first Industrial Estate in India was set-up at Rajkot (Gujrat) in Sept. 1955 and the first shed was allotted in December 1955.

The Importance of Small Enterprises in the Indian Economy

According to the international perspective planning team, the small enterprises accounted for seventeen per cent of the fixed capital of the registered factories and produced 33% of

the gross output, they accounted for 25 per cent of the net value added by the registered factories. This shows the importance of the small scale industries in the Indian Economy. Perhaps they were equally important in 1955 when the idea of the industrial estate was mooted. India has pioneered among the newly developing countries in the use of the industrial estate, as a tool for stimulating and assisting the development of those modern small enterprises. The industrial estate as a means of assistance to small enterprises has implications beyond the scope of an ordinary financial assistance.

2.7 Problems of Small Enterprises in India

The most serious of all the problems faced by the small enterprises was the inadequacy or absence of finance. Small enterprises invariably started their business from extremely limited capital obtained from their assets or borrowed at very high rates of interest from professional money-lenders. Lack of capital to acquire a good factory accommodation was one of the factors which hampered the attempts to organise the production efficiently inspite of the availability of entrepreneurial talent. The reluctance of institutional agencies to lend to the small enterprises led to the vicious circle of lack of capital and low efficiency. At this stage, the Government stepped into liberalise the State aid to Industries Act and took up certain institutional measures with a view to helping small enterprises to secure fixed and working capital. After some time it was realised that

providing mere financial assistance was not sufficient, particularly in the case of small enterprises which required factory accommodation. Even if they had the capital, the formalities of acquiring the suitable land, designing the building in conformity with form acceptable to the local authority, securing supplies of water, electricity, transport etc. would present insurmountable difficulties. Sometimes the entrepreneurs of the small enterprises would not have any idea of their requirements of manufacturing space. It was in these circumstances that the idea of Industrial Estate was thought of in India.

The estate was conceived as something more than a mere group of factories constructed on an economic scale, on suitable sites, with facilities of water, electricity, steam, transport, bank, Post office, canteens, watch and wards, hospitals and other common facilities. It combined all the important schemes of assistance to small enterprises and provided a tool for integrated development. The better conditions of work, better lighting, better air, and spacious rooms were expected to lead to higher productivity. It was also expected that economies in the production could be effected by inter-trading, inter-servicing and complementarity in production. In short the objective of the programme was to help the development of small industries.

2.8 Objectives of Industrial Estates in India

The objectives of the Industrial Estate Programme in India

is typical of the underdeveloped economy and is also peculiar to our country. The primary objective has been the rapid development of small scale industries. The subsidiary objective has been the dispersal of industries to rural and underdeveloped areas to raise their levels of industrialisation.¹⁰ With the progress of the scheme, additional objectives like relieving the cities of congestion and over-crowding, slum clearance, promotion of small industrial units as ancillary units to large industrial units and provision of various opportunities.

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