

- CHAPTER : II -

§: ORGANISATION AND FINANCIAL ASPECT OF INDUSTRIAL ESTATE §:

TYPES OF INDUSTRIAL ESTATES :

There are various types of Industrial Estates, In India, Four types of Industrial Estates have been developed :-

- (1) Industrial Estates based on the types of Industrial Activity.

- (2) Industrial Estates based on Sponsorship.

(3) Industrial Estates based on Co-operative Industrial Estate.

(4) Industrial estates based on location Industrial Estates based on location are further classified into Three Categories.

(a) Urban Estates :

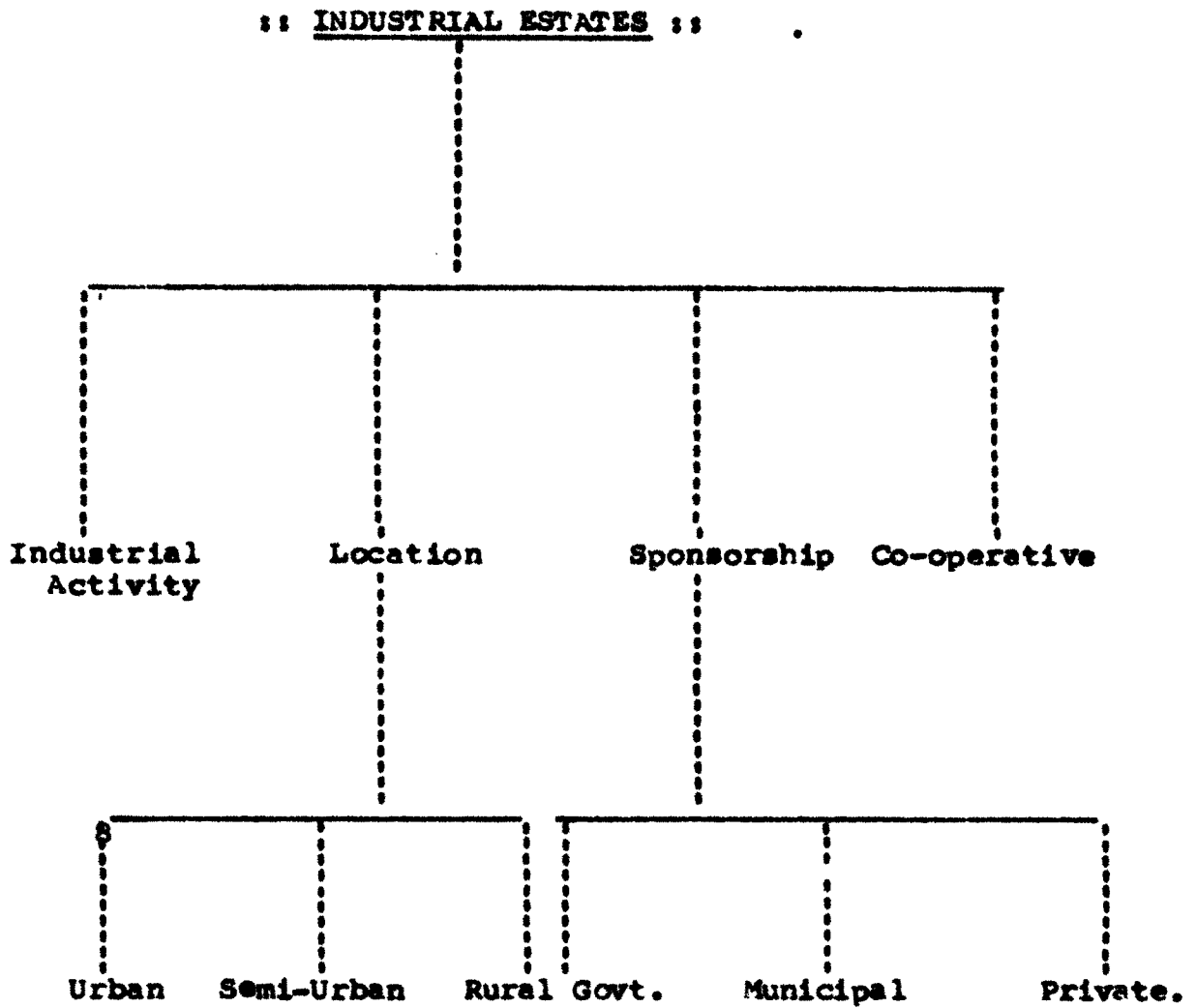
Those located in Cities, Large Towns, or in their vicinity.

(b) Semi Urban :

Those located in villages with a population of 5,000 to 50,000.

(c) Rural Industrial Estates :

Those located in villages with a population of less than 5,000/-.



(I) INDUSTRIAL ESTATES BASED ON THE TYPE OF INDUSTRIAL ACTIVITY :

(1) Industrial Estate for General Purpose :-

These are Estates where all types of Industries are encouraged for admission which is made possible by

the provision of Standard factory buildings and common service facilities. The facilities are provided by the estate authorities on no loss no profit basis. The Technical Services Constitute a very significant aspect of promotion of small - industries in developing countries.

(2) Ancillary Industrial Estate :-

These are estates in which different small scale units manufacture components, parts and stores which are required by a large Industrial undertaking on a sub-contracting base. These are located generally in close proximity to the large industrial units to Technical supervision and Assistance and economic transport.

(3) Single Trade Industrial Estate :-

In this factory accomodation are provided to units. The Chief merit of this type is that technical common Service facilities can be planned according to the needs and put to efficient and economic use by unit talants. There are special economies in collective purchase of raw materials and sales of finished products. Such estates are generally useful where

particular resources, such as wood leather etc. are found.

(4) Functional Industrial Estate :-

In this type the functions of one Industry are subdivided among number of small scale units located in one place. The main advantage of functional Industrial Estate is that it provides to small scale units the economies and efficiencies of specialisation and large scale production.

(II) INDUSTRIAL ESTATES BASED ON LOCATION :

(1) Industrial Estates in or around Big-cities and Metropolitan Areas :-

Establishing Industrial estate in big cities is extremely potent for several reasons. For one thing, the big and metropolition cities have the advantage of external economies making the environment viable for small Industries to grow and prosper. Industrial necessities, Trained labour and markets for the product are available in metropolition cities. Now a days Industrial estates in big cities are being used for promoting medium and large industries too.

(2) Industrial Estates in Small Town :-

Industrial estates in small town are best set-up when the priorities of development are related to the disposal of Industries from metropolition centres. One of the preconditions for the - establishment of industrial Estate in small town, is that they should possess certain minimum - development of infrastructure such as water, power, communication, transport etc.

(3) Industrial Estates in Rural Areas :-

Main objective of this estate is that to rural industrialisation and provision of alternative employment oppourtunities to seasonally unemployed agricultural workers is encouraged. Insome cases rural industrial estates may also be setup to support a traditional craff or skill by providing such assistance as may be necessary.

(III) INDUSTRIAL ESTATES BASED ON SPONSORSHIP :

(1) Government Industrial Estate :-

This type of Estates is found in most developing

countries. Because uncertainly, weak enterprises and absence of capital resources can be contered in such countries only by the intervention of Government agencies and organisation. Industrial estates in the Government sector are effective instruments for achieving industrial and regional development.

(2) Private Industrial Estate :-

The Private estate is promoted by a private agency or an individual who may own the estate. The owner performs the managerial and proprietary functions in most of the cases.

(3) Private Assisted Industrial Estates :-

A private assisted industrial estate is operated by a private corporation. Govt. provides them with necessary facilities to enable them to construct such Estate. The most common form which a private Corporation takes is the establishment of a Co-operative Society. In which the right for shareholder is one vote to one man. The idea is that

the Co-operative Societies of small entrepreneurs will join hands to provide for themselves developed industrial plots, factory sheds and basic facilities at suitable sites at economic cost.

2.2 LOCATION ASPECT OF INDUSTRIAL ESTATES :

The effectiveness of Industrial Estates as a part of dispersal and decentralisation policy is to a large extent related their location. From the point of view, the best location, for an Industry is that, which facilitates the securing of highest returns.¹

Accordingly weber classified the localised material as following :-

- (a) Pure materials e.g. Cotton, Wood.
- (b) Weight losing materials e.g. Sugarcane, Minerals.

Pure materials are those which add either whole or most of their weight to the finished product. On the other hand weight losing materials are those in which the major

1. Kuchal : The Industrial Economy of India

part of their total weight is lost in the process of manufacturing through waste.

While selecting the site of an Industrial estate, proper weight should be given to these locational factors. An Industrial estate at an ideal site may provide the basis of geographical location of Industry in accordance with the objectives of dispersal of industries and broad regional development.

The factors which are taken into account for the selection of site are :-

- (1) Physical features of the site.
- (2) Availability of skilled labour.
- (3) Availability of Power and Water.
- (4) Proximity to Railway and other means of transport.
- (5) Availability of Entrepreneurship.
- (6) Marketing facilities etc.

For the site of Industrial Estate a proper technoeconomic survey is framed as a part of the economic

survey is framed as a part of the economic, social development programmes at local, regional and national level. Economic development almost invariably accelerate the process of urbanisation. So it is necessary to integrate the policies of industrialisation and urbanisation.¹ For achieving the advantages of industrial development, proper location and development of industries is the foremost requirement and, therefore, in order to locate and promote, industries must be established in a suitable place where necessary facilities and services are available.

Government of Maharashtra has taken lead and sponsored the organisation of Co-operative Industrial Estate. The Directorate of Industries is now deciding the location after doing techno economic survey. According to this the Jaysingpur Industrial Estate was established in 1/12/1964.

The Industrial Estate on Co-operative basis was registered, it is the estate will prepare a full pledged scheme consisting of following items :-

- (1) Cost of land,
- (2) Cost of Development
 - (a) General preparation of site.
Preparations of Layout.

1. R.K.Bharati : Industrial Estate in Developing Economies.

- (c) Roads with side gutters or drainage.
 - (d) Water supply arrangement.
 - (e) Power supply.
 - (f) Street lighting.
- (3) Estate Office Building - Administrative Block.
 - (4) Factory Sheds.
 - (5) Canteen.
 - (6) Office furniture.
 - (7) General Equipments and Transport.

2.3 FINANCIAL ASSISTANCE :

Particulars of the Scheme regarding financial assistance for the promotion of Industrial estates evolved by the Central Bank of India.

(a) Industrial Estate to be set-up by State Govt. :

The state Government have a scheme for promoting Co-operative industrial estate on the following lines.

- (1) The society contributes 20% and the State Government contributes 20% and the remaining amount is being to obtained from Life Insurance Corporation.

(2) Bank participation would be to the extent of 60% of the total cost. The bank would consider changing interest at the rate of 3% minimum per annum subject to any over-call arrangement between nationalised banks.

(3) Repayment will have to be within a period of 7 years. In exceptional case, the period may be extended upto 10 years.

(4) Security : State Government, Co-extensive guarantee.

(b) Co-operative Industrial Estate :-

Under this classification we would consider financing of estate to be setup by private small scale industries - association.

(1) Participation : 60% of the cost of the land and 80% of the cost of construction, on principle, the sponsors shall have to contribute the balance of the cost.

(2) Rate of Interest : 8½% to be linked with bank rate.

(3) Repayment : Maximum repayment period will be above 7 to

8 years by equal half yearly instalments with accrued interest.

(4) Security : Equitable Mortgage by deposit of title deeds of the premises.

(5) General :-

(i) It will have to be ensured that state Government have declared the area on which these - construction have to be set up as industrial Area.

(ii) Plans should be first approved by the authorities like Corporation, Industrial Department, Factory Inspector etc.

(iii) The bank also considers participation with state Apex Co-operative Bank in financing such industrial Estate.

2.4 ROLE OF LIFE INSURANCE CORPORATION IN FINANCING OF THE INDUSTRIAL ESTATE :

The life Insurance Corporation at present grants loans for setting up industrial estates only to Co-operatives and joint stock companies in the private Sector, against guarantees

by State Government. The amount of loan to an estate does not exceed 60% of the total cost of the Estate. Before any loan from the corporation is drawn, the Co-operative company is required to satisfy the corporation that it has raised the balance of 40% by the way of capital or State Govt. Loan. The period of loan is 15 years, the first instalment following due payments 3 years after the date on which the first - Instalment of the loan was disbursed. The rate of interest on the loan is prescribed from time to time. The loan is required to be drawn either in a lumpsum or in instalment within one year from the date of sanction of the loan.

The Life Insurance Corporation has been financing industrial estates for the last few years. The first loan being in 1963. The total amount sanctioned by the corporation as at the end of March, 1971 was Rs.2.24 Cr. covering 29 estates. The effective rate of interest on the loan sanctioned during 1968-1972 was 7½% out of 29 Industrial Estates, 14 are in urban areas, 14 industrial estates are in semi urban areas and 1 is in rural area. R.B.I. 1972 Report of the working group on financing Industrial estates.

2.5; ROLE OF STATE FINANCIAL CORPORATION :

Out of 18 State Financial Corporation, only 3 Corporations namely those of Maharashtra, Gujrat and Mysore

have so far financed Industrial Estates. Maharashtra and Gujarat Financial Corporation started financing in 1967 while the Mysore Financial Corporation did so in 1968.

As a matter of Policy Maharashtra State Finance Corporation financed only Industrial estates organised as Co-operatives. The Gujarat and Mysore assisted also estates organised as partnership forms and joint stock company.

Loans sanctioned by all these corporation were almost exclusively intended for the construction of sheds, the only exception was in respect of one urban Co-operative Industrial Estate where the Gujarat State Financial Corporation allowed a portion of the loan towards acquisition of land.

2.6 : ROLE OF COMMERCIAL BANKS :

Only five banks namely Bank of India, Bank of Baroda, United Commercial Banks, Bank of Maharashtra and Dena Bank have so far provided finance for setting up industrial estate. The loans were sanctioned only for construction of sheds.

2.7: ROLE OF CO-OPERATIVE BANKS :

According to data published by Reserve Bank of India, Co-operative banks at the end of 1969 June, Advance of Rs.25.4 lakhs for setting up co-operative industrial estates only in Maharashtra and Gujarat.

In case of Co-operative Industrial Estates in Maharashtra, the pattern of financial assistance is as follows :-

- (a) 20% of the share capital is raised from the member entrepreneur.
- (b) 20% is given by the state Government as matching share Capital contribution and remaining.
- (c) 60% is obtained as loan from Life Insurance Corporation or other financial agencies on the guarantee of the State Govt.

Capital thus raised is for the acquisition and development of land and Constructing of factory buildings.

Some industrial estates are having practice of creating the share capital amounts collected from the member to the following various accounts -

- (a) Construction Share Account.
- (b) Nonrefundable share Account.
- (c) Share Account.
- (d) Non divided bearing share Account.

C O N C L U S I O N :

In this Chapter Organisation and financial aspect of Industrial Estate is given from the above discussion we can conclude that most of the Industrial estates are located in urban areas. While going through the financial Assistance, mostly. Life Insurance Corporation assisted more than other institutions to the Industrial estates. To increase the rate of development other institution should increase their interest to finance industrial estates in rural areas also.

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