

CHAPTER II
INDUSTRIAL ESTATES PROGRAMME IN OTHER COUNTRIES¹

Introduction

Although the concept of industrial estates originated about 102 years ago the first estates were established in the U.K. and the U.S.A. towards the end of last century. The progress in this field had been slow and halting until the 1950's and largely confined to these two countries. After the 1950's however, there has been a very rapid growth of industrial estates all over the world. At present, most of the countries in Europe, North America, South America, Asia and Far East and Africa - have either established industrial estates or have programmes underway. There is a sustained and growing interest in industrial estates both in the industrialised countries and in developing countries, where they are considered as a major tool of industrialisation.

1. This chapter draws heavily on some selected standard publications. Although these publications have been referred to at appropriate places, they may be indicated here as well:

- (a) U.N: 'Industrial estates: Policies, plans and progress'
 (A Comparative Analysis of International Experience), 1966.
- (b) ILO: 'Services for Small Scale Industry' 1961.
- (c) Vepa, Ram.K: 'Small Industries in Japan', Bombay,
 Vora and Company, 1967.
- (d) Vepa, Ram.K: 'Small Industry: The Challenge of Eighties'
 New Delhi, Vikas Publishing House Pvt.Ltd, 1983.

Several factors are responsible for the rapid and continuing development of industrial estates. In the advanced countries, the scarcity of industrial land near the major urban centres has long been a factor in the establishment of profit-motivated industrial estates projects. In recent years, the interest of public authorities in area and city planning, regional and local development, including rehabilitation of depressed areas, has provided growing impetus for the creation of decentralized community-sponsored schemes. In the developing countries industrial estates programmes have received attention as one of the important devices for the development of small scale and medium-sized industries. In some of these countries, industrial areas are also set up to encourage the establishment of industries of all sizes.

As already mentioned, the principal objective of the programme of industrial estates is to promote and guide industrialization. This has been regarded as an institutional technique, potentially useful to decentralise the industries in different parts or regions of the country, so that already developed urban areas will not be over-congested and the depressed areas will be getting a chance to flourish with the establishment of different new industries. According to Dr.W.Bredo,¹ "Industrial estates provide a method by which governments can guide the geographical location of industry in accordance with the objectives of broad regional development plans". Regional development policies may be pursued as the

1. Bredo, William: "Industrial Estates - Tool for Industrialization", Stanford Research Institute, U.S.A, 1960, p.40

governing factors in the establishment of industrial estates, with the following objectives:

1. to contribute to the creation of employment opportunities through out the country, specifically in economically backward regions;
2. to reduce congestion in heavily industrialised and populated areas and to induce new industrial enterprises to locate themselves in undeveloped areas; and
3. to distribute industrial activity according to the pre-conceived policies of regional balance in development for achieving certain benefits.

Industrial Estates in Some of the Developed Countries

The United Kingdom

During the early stages of development in U.K. industrial estates were mostly initiated by the Government as one of the means of combating unemployment in the depressed regions, particularly before the second world war. The main objective of the establishment of industrial estates was to rehabilitate certain areas known as special areas, for creating employment opportunities and facilitating the economic development of such areas.¹ This device was used to cover all

1. U.N : "Industrial estates: Policies, plans and progress",
(A Comparative Analysis of International Experience)
United Nations, 1966, p.4.

types of industries, big and small. During the war period, it was apprehended that the problem of industrial concentration in the big cities and industrial areas would certainly arise after the war and the government, therefore, adopted the policy of regulating industrial location. For this purpose, the industrial estates programme ^{was} considered to be most suitable.

Before the 1st world war, most of the industrial estates established in the U.K. were privately-owned, profit-motivated and commercially operated. The changing trend from privately sponsored to government-constructed estates took place in the 1950's, when the Government took the initiative to tackle the problem of unemployment in certain "Special areas" through programmes of overhead investment, relief, construction of industrial estates, grants, loans and exemption from rent, taxes and rates. In the period following the 2nd world war, the Government adopted in 1945 a policy of regulating industrial location and inducing industrialists to set up or expand existing industrial undertakings in the "development areas" - which included, in addition to the former special areas, some other underdeveloped regions of the country through financial assistance and provision of sites and factory buildings in industrial estates. In 1947, full location control all over the country was introduced, and government permission, including building licenses for projects over 5,000 sq. ft. (469 sq. metres) were required. No permission

was usually granted for location in heavily congested and populated areas. New industry was steered towards the development areas, the unemployment areas, the New Towns and Northern Ireland through the provision of improved sites and factories for rent on industrial estates, smaller group sites without pre-built factories and services and individual industrial sites. Some changes in the policy took place in 1960, empowering the government to declare any area where the rate of employment is 4.5 p.c. or more as a "Development District" and providing financial assistance and industrial estates as inducements to industrialization in those areas. The policy objectives and the role of the government in the establishment of industrial estates in the U.K. have thus changed from aiding the rehabilitation of depressed areas in the 1930's, to regulatory distribution of industry over wider areas of the country in the 1950's and finally in the 1960's to maintaining a reasonable level of employment all over the country.

Industrial estates in U.K. now provide for a direct control of industrial location throughout the country and for implementation of measures of assistance to industrialists setting up their undertakings in different regions.

The admission and occupancy policies in an industrial estate are generally governed by the general industrialisation

policies, the industrial composition of the estate and by zoning and other regulations. Admission of an industry is often influenced by policies aimed at maximising employment. In the U.K., the principal objective is the promotion of employment in depressed areas and factories in industrial estates are let out to industrialists starting suitable new projects if the Board of Trade is satisfied that the amount of employment to be created justifies the expenditure involved.

In the U.K. as in other countries, industrial estates for small scale industries are often combined with industrial areas offering improved sites for heavy and large industries. In some cases, for instance in the New towns such facilities are part of new large scale Urban or Sub-urban developments. The integration of industrial estates and areas presents advantages from an urban planning standpoint, and affords economies in construction and operation and stimulates the establishment of small scale industries by opening up opportunities of sub contracting with large industries. In some cases, an industrial area may be a sufficient inducement to the establishment of small scale industrial units on expansion of the existing ones. Although semi-autonomous corporations build and manage the industrial estates, the ownership of land and factories, built with Government funds vests in the Government.¹

1. Ibid, p.18

The land and buildings are leased by the Government to the corporations. Any surplus of income of the corporations over their expenses on maintenance and upkeep of the estates is paid back to the Treasury.

Assistance to Small Scale Industry

Assistance to small scale industry in the U.K. is available from a variety of sources.

The Development commission is a government body whose functions include aiding and developing agriculture and rural industries, the development and improvement of fisheries, and other related functions calculated to promote economic development in Great Britain.¹ The main duty of the commissioners is to consider and report to the Treasury on applications referred to them for advances from a Development Fund. Advances may be made with the sanction of the Treasury (from which funds are received) by way of a grant, loan or contribution of both. In the field of small scale industry, the commissioners recommend financial aid for the development and encouragement of most rural and craft industries. Some services mainly advisory and instructional - are provided for rural industries in the smaller county towns. The principal technical agencies through which this work is carried on are

1. ILO : 'Services For Small Scale Industry', 1961, p.

the Rural Industries Bureau for England and Wales and the Scottish County Industries Development Trust for Scotland. Research and Development activity on the application of new methods of production and the use of new materials by small scale rural industry is undertaken on a limited scale. Advances are made to craftsmen by the Rural Industries Loan Fund Limited for the purchase of equipment and the construction and improvement of workshops. The revolving credits from which these advances are made were built up from the Development Fund and are from time to time replenished from the same source.

Financial assistance from the Development Fund has been given for the provision of factories to alleviate unemployment in selected areas whose population is predominantly dependent upon agriculture or the fishing industry for its livelihood.

The Rural Industries Bureau is a governmental agency supported by an annual Treasury grant for the purpose of aiding small scale industries (excluding agriculture and fishing) in England and Wales. Individual assistance is given to small undertakings in the form of instruction and advice in both technical and business matters, including, among other things, advice on costing and simplified management accountancy. Individual training in manual skills is given to master craftsmen and journeymen in small workshops. Collective assistance is

given by publishing results of experimental works and through the testing of plant and materials. There is also a design service for certain industries and a market intelligence service.

The Scottish County Industries Development Trust is a semi-governmental organisation financed by the Treasury but having its own Board of Trustees. It is concerned exclusively with small scale industry, and particularly with undertakings employing not more than 20 persons, excluding apprentices. It confines its activities to rural industries and provides services relating to technical, managerial, commercial and financial problems. It serves as the agent in Scotland for the Rural Industries Loan Fund Limited, and in this capacity receives applications for equipment and workshop loans. A staff of instructors is employed in selected fields such as engineering and handloom weaving. A library of designs for craftsmen is maintained. While the Trust does not undertake research, it disseminates the results of researches undertaken elsewhere.

The Rural Industries Loan Fund Limited, to which reference has been made above, is organised as a non-profit industrial society operating on a national scale and dealing exclusively with small scale undertakings employing not more than 20 skilled men and situated in rural areas or small towns. It administers two Loan Fund Schemes (for which the capital has

been provided by the Government), under which loans can be granted for the cost of purchasing up-to-date equipments for installation in workshops, or towards the provision of improved working accommodation.

There is also a Revolving Fund for Industry operated by the Board of Trade and established as part of a conditional Aid Programme to help small and medium sized manufacturers in the U.K. to increase their productive efficiency.

An advisory service dealing with problems of increasing efficiency and productivity and intended principally for small and medium-sized firms had been set up by the National Union of Manufacturers with financial assistance under the conditional Aid Scheme mentioned above. In January, 1957, the National Union of Manufacturers' Advisory Service, Ltd., (NUMAS) was registered as a non-profit company. Its service is nation-wide. It employs a staff of industrial advisers, industrial engineers and cost accountants. It gives advice on problems of marketing, finance, costing and production and practical assistance in carrying out such advice. The assistance of the service has been sought in connection with a variety of problems. The practical assistance given by management experts and cost accountants is mainly in the fields of work study and costing. The need for such assistance usually emerges from a

survey by an industrial adviser, who subsequently assumes responsibility for a programme of assistance agreed with a firm.

The British Productivity Council and the British Institute of Management provide services and facilities for firms of all sizes, including small firms. The same is true of the Scottish Council, a non-profit organisation supported by contributions from local authorities, banks, industries, trade unions and private members, which provides assistance in procuring contract or sub-contract work, in tapping sources of finance for small concerns, in finding out export markets and in making available technical advice and information. Another organisation confining its activities to Scotland in this case, to the highlands of Scotland is the High land Fund, Limited, a non-profit organisation concerned with assisting small scale industrial undertakings, which desire to increase their production and efficiency. It provides advice on technical and organisational questions along with financial aid.

United States

The development of industrial estates in the U.S.A. began about the same time as in the U.K., i.e. some 102 years ago. In the beginning, some planned industrial areas were

developed, mostly sponsored by profit-motivated private groups. viz. industrial districts, corporations, industrial real estate brokers, contractors, architects and land-owners.¹ In fact, the development of industrial districts in the U.S.A. had taken place without the direct intervention of the Government. The objective of the establishment of industrial parks and industrial districts is quite different from that in other countries. They had been normally used as a promotional instrument of area planning, with the main object of providing factory accommodation to industries. They might not possibly attract new industries but they could satisfy the basic necessities of an optimum industrial location. Recently, this technique has achieved a considerable impetus in the U.S.A., with some more comprehensive objectives. Rapid industrialisation on a decentralised pattern has been recognised as inevitable, and the tool of industrial estates is being used towards this end.

After the 1950's certain changes have taken place in the field. One of the marked changes is the shift from privately-sponsored profit-making real estate ventures to non-profit industrial estate scheme sponsored by community organisations like Railroads and Utility Companies, often in cooperation with

1. Bharti, R.K : "Industrial Estates In Developing Economics",
(New Delhi National Publishing House, 1978), p.31.

State and Local governments. The Federal Government does not play any direct part in industrial estates development. Exemption from federal corporate income tax is available for the establishment of non-profit community industrial estates. State and Local Governments, especially in relatively less - developed states and cities, offer both direct and indirect inducements for the establishment of industrial estates. The policies and programmes of state and local Governments in the development of external economies, efficient public administration, development of roads and utilities, public transportation, fire and police protection, schools, hospitals, shopping areas, recreational and residential facilities and so on have an undoubted influence on the selection of sites for industrial estates, provided the primary location requirements like markets, raw materials or labour are satisfied. A number of direct inducements, for example, liberalised building regulations, low sales prices or rents, gifts of land and buildings, loans at low interest rates, financing through tax-exempted municipal lands, temporary tax exemptions or abatements and so on have also been provided in many cases.

So far the admission and occupancy policies in the industrial estates are concerned, sponsors of industrial estate usually bring out prospectuses or information brochures which include a list of prospective industries for which the

location is suitable, having regard to factors like market, availability of raw materials and labour supply in the area. Some State Governments provide free services to industries in the preparation of project reports, which include site selection, layout, market survey and so on. Generally the prospectuses thus published restrict the entry of those industries which do not seem to have market potential or which may have shortage of raw material or labour. Moreover, Zoning regulations provide separate areas for heavy, light and service industries, and place special restrictions on certain types of industries or processes. Certain restrictive covenants may be imposed by the developer of the estate to meet physical planning standard. Also, the size of factory plots and the availability of reserve land and utilities may restrict admission of certain industries.

Industrial estates in the U.S.A. are for the most part dominated by light manufacturing and assembly industries, warehousing and distribution and research and development corporations. A survey of 272 "Industrial Districts" indicated that about 60% of the occupants are engaged in non-manufacturing operations like distribution and warehousing facilities.

Financing

Industrial foundations or community development companies have been utilized in U.S.A. for financing the

establishment of industrial estates. These foundations are formed usually by collaboration of private groups and municipal authorities and are non-profit organisations. Some industrial foundations finance all the stages in the establishment of industrial estates and operations of enterprises therein - from buying land to completing factory buildings and installing plant and equipment in industrial enterprises. Such foundations raise money by issuing stock or notes, by receiving outright contributions, by organising charitable trusts and by using professional fund-raisers. Twenty nine State Legislatures in the U.S.A. have so far authorised local development groups(industrial foundations) established by city, town or county governments to issue industrial development revenue bonds. The bonds are retired through rents paid by the leasing company in an industrial area for facilities leased by the foundation usually for a period of up to 20 years.

Life insurance companies provide mortgage financing and real estate investment on a lease back arrangement. A large part of the Los Angeles Airport Industrial Tract was developed with life Insurance Aid. Also, insurance companies have purchased industrial buildings in several industrial estates and have leased them back to the manufacturers on a long term basis.

Moreover, in the U.S.A. a private company, a corporation or a foundation sponsoring and developing an industrial estate can, after providing initial equity capital, obtain financial assistance not only from mortgage banks and insurance companies, but also from pension funds, investment syndicates and real-estate development and construction companies. The larger industrial districts are thus able to offer a package deal to occupi-er tenants to finance not only the land and factory building, but also the plant and equipment. Different types of financing could be utilized for different stages of an industrial estate. The equity capital of the sponsor may be used for improving the tract and installing utilities and services; private financing companies could then finance the construction of buildings and installation of plant and machinery.

The Small Business Administration¹ in Washington is an independent federal agency working at the national, regional and local levels. The Administration was created in 1953 by the Small Business Act of that year. The Administration is authorised to serve small business concerns exclusively (but these are defined as undertakings employing fewer than 500 persons) and provides assistance both on an individual and on a collective basis.

1. ILO : op. Cit, p.

Its activities include:-

- (a) enlisting the help of State and municipal government agencies, civic and business groups and private firms, including lending institutions and encouraging the formation of local groups through which local experts can advise neighbouring businessmen. Advisory groups operate at national and local levels to assist the Administration in developing and carrying out its projects and also help to provide on-the-spot assistance.
- (b) Cooperation with government purchasing agencies to determine which of their purchasing contracts shall be awarded to small firms. Advice and assistance is provided to small firms in selling to the federal Government.
- (c) A vast publication and pamphlet service on important managerial subjects. These materials are produced jointly with the Department of Commerce.
- (d) Financial assistance through the authorisation of loans from a revolving fund is appropriated by congress for this purpose. Business loans are made to finance construction, expansion, the purchase of equipment and to supply working capital. In addition, so-called 'disaster loans' may be granted for purposes of rehabilitation; and

- (e) managerial counselling and help with technical production problems.

Japan

One of the significant techniques employed in Japan for strengthening the small and medium enterprises is the Industrial Estate Assistance Programme operated by the Government. But the programme differs in many ways from similar programmes operated in India and other developing countries of Asia.¹

Generally, industrial estates are operated by Business Cooperative Associations set up under the Cooperative Association Law and receive assistance from the Government under the Modernisation Funds Assistance Law.²

The Industrial Estate Cooperative of Medium and Small Enterprises is organised as a Business Cooperative Association to take up certain plots of land for establishing factory units as well as communal and welfare facilities so as to develop the economy and provide greater competitive strength to the small enterprises.

1. Vepa, Ram K. : 'Small Industries In Japan',
(Bombay: Vora and Company; 1967), p.67

2. U.N. : "Industrial Estates In Asia and Far East" 1969, p.282.

In view of the dual structure of the economy, an expression which includes wide disparities between large and small enterprises in value added, wage scale and techniques, the policies of the Government are designed to assist the small business through modernisation and other programmes. The Cooperative has been designed as one of the most effective means for such encouragement and industrial estates for small and medium industries have come into being for the development of backward areas as well as to strengthen the competitive position of the small enterprise. The national and prefectural Governments have taken various steps in the last few years to establish industrial estates, which are located away from densely populated urban areas to take advantage of cheaper local labour and other facilities obtainable in semi-urban areas.

To be eligible for financial aid from the Government, the following conditions must be satisfied:¹

- (i) Number of participating enterprises must be at least 20.
- (ii) Participants must fall within the definition of small and medium industry i.e. capital with less than 50 million yen and 300 employees.

1. For more detail, See, Vepa, Ram, K.: op.Cit... p.69.

- (iii) Organisation for all the participants in a single cooperative with common facilities.

The industrial estates fall into three categories according to their origin and functions. The first type covers the estates established in the suburbs of a local town to which the traditional industries moved in a group; the second type includes estates located away from big cities to avoid difficulties due to insanitation and the third group of enterprises are sub-contractors to a large scale factory and make ancillary items. The last group has been estimated to be the most successful since more than 80% of the small industry in Japan functions in a sub-contracting status to the big enterprises. The enterprises in all estates are faced with financial difficulties because they depend on outside loans for modernisation. However, production has been rationalised with new equipment and layout improved through expansion of factory space.

Generally, it is found that the success of an industrial estate depends to a large extent on the personality and organisational ability of a leader who places group interest above his own. The team work of the participants is an indispensable requisite to success. The group location of enterprise enables workers to form a strong union which

demands higher wages, but in turn it must be recognised that higher wages usually lead to increased productivity.

Government Assistance Programme

Under this programme, Government extends to industrial estates loans without interest through local governments. Such assistance is usually extended to three continuous years. The collectivisation plan which qualifies for such assistance must be a Business Cooperative Association (or sub-association) organised by small enterprises and whose business is manufacturing (including processing and repairing). Such a plan must conform to certain conditions and must be recognised as contributing to the promotion of small enterprises.

The necessary conditions prescribed by law are as follows:-

- (i) The Business Cooperative Association should have as members only those who establish business on the proposed site and not outsiders. Other small enterprises such as commercial trades, services, transportation, Warehousing etc. are not allowed as members, except in cases where such services are integrally related to the manufacturing process, which is the primary objective of the industrial estate.

- (ii) The number of participating enterprises in any estate should be more than 20. In the case of Federation of Business Cooperative Association organised by two business associates of different types of business, the members of such enterprises must exceed 10(ten).
- (iii) The members proposing to set up an estate must be from the same type of business or from such types of business which are mutually and directly related to each other.
- (iv) More than 2/3rds of the associate members participating in the estate should move to the estate once it is set up. Where such enterprises are now located in a commercial area or residential area, all should move there to relieve congestion in the Urban areas. Transfer implies the transfer of the production division.
- (v) The Business Cooperative Association must install common facilities and set up common operations depending on the nature and scale of industry.
- (vi) The layout of plants and business sites of associate members within the estate must be in such a manner that the industrial estate can be operated as a rational unit, including the Common facility.

- (vii) Buildings should have the structure of light-type iron frame and should conform to safety specifications prescribed by the Government. It must also satisfy the working conditions laid down by government factory regulations.

The capital required for the cooperative will be the necessary funds for the purchase of land, ground formation and establishment of commercial facilities. Hence it must be ensured that at least 20% of the total funds are set apart for cooperative purposes either in a lump sum or in annual instalments. If it is difficult to obtain capital at one time, a certain amount of funds should be in reserve from the moment the collectivisation plan is formulated and this should be available whenever necessary.

Government loan assistance is available for

- (a) Land and its development.
- (b) Plant, building and
- (c) Common facility.

Financial Assistance Available to Small Industry

State measures designed to alleviate the financial difficulties of small industry in Japan have mainly taken two forms: the provision of funds directly through governmental and semi-governmental financial institutions and the provision of credit guarantees.

The three major financing institutions for small and medium business are the People's Finance Corporation (PFC), established in 1949, Small Business Finance Corporation (SBFC) established in 1953 and the Central Bank for Commercial and Industrial Cooperatives (CBCIC) established in 1936.¹

The first two institutions carry out the lending policies of the government with loans on favourable conditions in terms of interest rates, repayment and maximum amount of loans. In addition, the People's Finance Corporation, which is meant for the smaller enterprises, advances loans without collateral or surety under its management improvement fund lending system for small scale firms financially complementing the management guidance to the small firms. The institution also furnishes emergency loans to small scale enterprises wherever necessary, in order to cope with business fluctuations, such as the appreciation of the yen exchange rate and business failures.

The Central Bank for Commercial and Industrial Cooperatives (CBCIC) extends loans to its members, both directly and through Associations. In addition to the financing through SBFC, PFC and CBCIC, there are other government affiliated financing institutions for providing finance.

1. Vepa, Ram. K: "Small Industry: The Challenge of Eighties." Vikas Publishing House Pvt, Ltd, 1983, p.163.

Organisation of Extension and Similar Services for
Small-Scale Industry

The Small and Medium Enterprise Agency established in 1948 is the focal point for the planning and implementation of policies for the promotion of small and medium enterprises. There is also a Policy Council to advise the agency on policy measures that need to be taken.¹ The Agency acts jointly with the concerned ministries. In addition, the agency interacts with local governments (prefectures) which have an important role to play in formulating and implementing government policies.

The Small and Medium Enterprise Agency works in the following areas:

- (a) modernisation and structural improvements.
- (b) organisation of counter measures - such as various forms of cooperative systems.
- (c) correction of disadvantageous positions in business activities through sub-contracting, greater business opportunities in government contracts.
- (d) measures for the improvement of business management and technical levels.

1. Ibid :p.159.

- (e) special measures for the very small business amongst the small and medium enterprises.
- (f) financial measures through the three government controlled Institutions-Small Business Finance Corporation, National Finance Corporation and the Central Bank for Industrial cooperatives as well as credit supplementation, and
- (g) tax system various laws have been enacted for the above purposes.

Important Measures(to assist the small and medium enterprises):-

The Modernisation Policy aims at the modernisation and structural improvement of small and medium enterprises through the establishment of the Modernisation Programme based on the Modernisation Promotion Law. Under this programme, the industrial sectors needing such modernisation are specified and a programme worked out with specific directions as to which enterprises to follow. Financial assistance is provided for this purpose. Structural improvements may take the form of development of new products by the establishment of the optimum level of production through joint action, by grouping into cooperatives as well as through mergers and the adoption of common brand names. Preferential tax measures are also undertaken for this purpose.

The guidance services include both management consultancy and technological consultancy. Research for such guidance and training of consultants is conducted by the central and local governments and the Small Business Promotion Corporation. The Corporation was founded in 1967 to train personnel in charge of small and medium enterprises in local public corporation and research projects in addition to providing guidance and financing in the modernisation of small firms. The central Association of Small and Medium Enterprises, a Cooperative Organisation, also provides similar services to the Chambers of Commerce and Industry and SME associations.

Local governments provide consultancy on request through professional consultants located at the General Guidance Centre. The services include general consultancy, which provides small and medium enterprises with specific recommendations on how to solve their management problems and rationalise their management operations. Such consultancy is also provided in connection with the lending of equipment modernisation funds by the small Business Promotion Corporation.

The corporation itself provides many guidance services: education and training of personnel in charge of SMEs at the local government level, deputation of professional consultants for the formulation of sophisticated projects,

surveys and documentation necessary for management of small and medium scale enterprises.

The Small and Medium Business Centre is also an active organisation in this field which offers through various guidance organisations information on possible diversification, pollution control and export marketing. Such information services help to bridge the 'information gap' between big businesses and small entrepreneurs. The Centre is also active with "brains rental service", or recruitment services for acquiring the talented personnel with specialised skills for the SMEs.

The small enterprises are thus provided with a wide network of consultancy services for expansion and diversification as well as for quality improvement.

Management consultants posted with the Commerce and Industry Association and the Chambers of Commerce and Industry provide such firms (with 20 employees or less in manufacturing, and five or less in the retail sector) with advice and guidance on matters ranging from finance and taxes to labour, management techniques and business transactions. In addition, specialists in book-keeping provide small business operators, guidance in book-keeping, which is indispensable for small scale management.

Chambers also give financial assistance to small firms for leasing electronic computers for mechanisation of book-keeping.

To provide assistance to small business on a wide range of problems, counsellors are posted at the small and medium enterprises agency (small scale business consultation office) and regional trade and industry bureaus. At the prefectural levels, counsellors are available daily for consultation by interview, telephone or mail. They also visit the small enterprises for consultation and advice.

In the Tax Administration Agency, "Window guidance" is provided on tax problems of smaller enterprises. The Chamber of Commerce and Association of Industry also provide such services.

Industrial Estates In Some of The Developing Countries

India

In India, the programme of industrial estates aims at integrated, intensified and coordinated development of small scale industries. It is recognised as a positive operational means of achieving decentralization and dispersal of industry to sub-urban and satellite areas, particularly in areas which are less developed with a view to mitigating unemployment and raising the standard of living in these areas

as well as creating an industrial outlook and stepping up investment in consumer goods industries.¹ Industries in this country are usually concentrated in big cities and this concentration produces its adverse effects in the form of over crowding leading to complicated social problems, such as dearth of housing, shortage of water and electric supply, lack of sanitation etc. More than these, there is the menace of unbalanced growth of industry, which has its own evils. In the rural areas, the position is still worse as agriculture is but a seasonal occupation. The dispersal of industry in the undeveloped areas in this country by establishing industrial estates is, therefore, considered very important. The programme of establishing industrial estates has, therefore, been launched with the following objectives:-

- (a) To promote a rapid development of small scale industries and in that process, to create the necessary industrial outlook and to foster actively the development of industries in undeveloped areas and
- (b) To promote the dispersal of industry to such areas i.e. economically backward regions and rural areas, in order to raise the levels of living therein.

1. Bharti, R.K: op. Cit.; p.49

Industrial estates offer to small industrial units suitably planned factory accommodation in favourable environments with facilities of electricity, gas, steam, compressed air etc. Such factory accommodation conforms to the rules and regulations prescribed under the Factories Act. Besides, other essentials and overheads for running an industrial establishment, such as transport, communications, banking facilities, godowns, first aid, watch and ward etc. are also provided simultaneously. Further more, the occupants of the sheds can provide for themselves such services as common maintenance and repair shops, opening of raw material and finished goods depots, and widening of the scope of their business by their cooperative efforts. Last but not the least, common facility services too are provided by the Government in many industrial estates.

The Central and State governments have not so far formulated any proposal for transferring complete estates to private ownership and management. However, within certain estates the occupation of individual worksheds by industrial units on the basis of lease on payment of rent, outright sale or hire purchase has been allowed. In a few estates, plots of land have been developed for outright sale or hire purchase. If an estate comes under a rural industries project, the entrepreneurs to whom the plots are allotted are allowed to act as government contractors for the construction of the

worksheds and to occupy them either by outright purchase or hire purchase.

The most common form of tenure is lease on payment of rent. At the national level, 78% of the workshops are rented, 19% are occupied under hire-purchase agreements and 3% are owned by the occupiers. However, the premises may be disposed. But the estate remains a government estate and the management rests with the Government.¹

Government's Role²

The role of Central Government in establishment and maintenance of industrial estates is mainly that of laying down policies for the guidance of the State Governments and earmarking funds for implementation and monitoring of the programme. The selection of sites for location of industrial estates, development of areas, construction of factory sheds, provision of requisite services and facilities, allotment of sheds and plots to entrepreneurs and subsequent problems of management are looked after by the state Governments mainly through their industrial development corporations. Besides budgetary support, loans are made available, on government guarantee, to these corporations through commercial banks, financial corporations, life insurance corporations and so on.

1. UNIDO: The Effectiveness of Industrial Estates In Developing Countries, 1978, p.

2. Vepa, Ram.K.: op. Cit; p.7.(Small Industry. The challenge of the Eighties.)

Many State governments have been implementing the programme within the broad frame work of the objectives set forth by the Government of India. The emphasis in the objectives, however, varied from State to State depending on the interplay of a large number of factors peculiar to local economic conditions and developmental needs. For example, State Governments of Andhra Pradesh and Tamil Nadu set up industrial estates with a view to relieving acute unemployment in the area; whereas state of Maharashtra laid greater stress on the need for diverting industries from congested areas; while some industrial estates were set up at Nasik and Aurangabad with a view to encouraging the establishment of ancillary, feeder and auxiliary industries to serve and to utilize the by-products of local large scale industries.

Outlays

The total expenditure on the industrial estates programme since the beginning of the programme in 1955 till the end of the Fifth Plan i.e. March 1980, amounted to Rs.770 million. This excludes assistance obtained from the life insurance corporation of India, nationalised banks and other financial institutions. In the Draft Sixth plan 1980-85, an outlay of Rs.450 million is envisaged on the industrial estates programme in addition to the investments expected to be forthcoming from institutional sources.¹

1. Ibid : p.8

Provisions have also been made by the Industrial Development Bank of India for seed capital and margin money for the State Industrial Development Corporations to enable them to obtain institutional finance in the establishment of industrial areas and their development and for assisting small entrepreneurs to set up factory buildings. Other new features of the programme are construction of flattened factories for craftsmen and small entrepreneurs, construction of industrial estates complete with factory buildings in selected growth centres and construction of functional type of factory buildings.

Facilities Available In Industrial Estates

The facilities being provided to the entrepreneurs in the industrial estates include built-in factory sheds, power, water, roads, godowns, as well as common facility services, workshops and so on. Other facilities include subsidy on rent for factory accommodation, allotment of sheds on hire purchase basis as well as outright sale, concessional charges for supply of water and power, exemption from payment of octroi duty on building materials, transport subsidy, exemption from sales tax for certain categories of industries for a stipulated period of time, financial assistance to small scale units in the non-confirming areas for shifting to the industrial estates or areas located in the designated areas and so on. These

facilities are exclusive of general facilities available to small scale industries as a whole.

In addition to the basic utilities (water and electricity) which are provided in all estates, gas is available at 20% of the estates in Maharashtra; at 10% of the estates in Kerala and at 8% in Andhra. Steam is on supply at some estates in Maharashtra, Kerala and Tamilnadu. Common service facilities are not provided in all estates. 25% of the estates in Maharashtra have a central workshop and material-testing laboratory. In Kerala, there is a central workshop in 25% of the total estates, and heat-treatment and electroplating facilities in 15% of them. In respect of amenities, 30% of the estates have a raw materials-depot, warehouse facility, dispensary and fire protection. Banking facilities are to be found in only 35% of the estates and a post office in 40%.¹

The industrial estates programme was initiated to provide accommodation for small scale manufacturing enterprises regardless of their type. Apart from those servicing motor vehicles or trading, no enterprise was excluded. Work-sheds were allotted on a 'first-come first-served' basis. Over the years, however, there have been changes in the concept of an industrial estate and the advantages have been realised of an

1. UNIDO: op. Cit, Part two. P.65



admission policy that promotes complementarity of interests among tenant establishments. Eight types of industrial estates are now recognised:¹

- (a) The conventional general - purpose estate, in which a variety of unrelated goods are produced (by far the most common type);
- (b) The Ancillary estate, created by a large scale concern to house small scale establishments, making components for the parent company. The tenants generally receive technical guidance and sometimes financial assistance (e.g. the Hindustan Machine Tools Estate at Bangalore);
- (c) A single-trade estate, intended to house enterprises engaged in the same trade;
- (d) A functional estate, organised for small units in a particular industry (e.g. an estate for the production of sports equipment has been established near the Okha estate in Delhi);
- (e) A Technocrat estate - designed to accommodate enterprises employing advanced technology and owned by qualified engineers; special assistance is available to enable the engineers to launch their own businesses (e.g. Balanagar estate, Hyderabad);

1. Ibid : p.66

- (f) A craftsmen's estate, sometimes known as nursery estate, to provide the venue in which artisans may be assisted to become small-scale industrialists (e.g. Suryapat estate, Nalgonda District, A.P.);
- (g) A commercial estate - to house service operations and trading, which were previously excluded from industrial estates;
- (h) A cooperative estate, founded by a body eligible for registration as a cooperative organisation e.g. a chamber of commerce.

The organisation may borrow funds from a cooperative bank, to the extent of 10 times its own funds, for the purpose of building an industrial estate. A somewhat similar privilege is available to a joint stock company formed with the object of constructing an estate. Loan funds are available from the Cottage and Small Industries Organisation (CSIO) or from some industrial development corporation.

A few private estates have been developed by Punjab grain merchants, who have gone into manufacturing. The estates are small and built on the merchants' land. They are not in receipt of government assistance.

"Out of the total industrial estates sponsored till March 1975, semi-urban and rural industrial estates accounted for 24.5 per cent and 28.8 per cent respectively, as against urban estates which formed 46.6 per cent of the total number. It is note-worthy that out of 104 industrial estates not functioning, though completed, about 69.2 per cent are located in the semi-urban and rural areas together. Separately the rural industrial estates account for 55.7 per cent of the non-functioning industrial estates. 49 per cent of the total are located in the urban areas, 29 per cent in the semi-urban and 22 per cent in the rural areas. Out of 246 districts identified as industrially backward, industrial estates were functioning in only 168 districts."¹

"Analysis of the sheds occupied and working in the industrial estates shows that in urban areas the occupation was as high as 90 per cent against 86 per cent in semi-urban and 72 per cent in rural areas. However, units in semi-urban and rural industrial estates taken together account for 30 per cent of the total number of units working, 25 per cent of total employment and 31 per cent of the total production in the functioning industrial estates."²

The comparatively less encouraging performance of semi-urban and rural industrial estates can be attributed to

1. Vepa, Ram. K : op. Cit; p.12

2. Ibid : p.13.

a variety of factors such as lack of entrepreneurs, skilled personnel, and general economic development of the area where the estates have been located. However, the fact remains that through the industrial estates programme, a thrust has been made in the industrially under-developed areas and the programme has been instrumental in the creation of an industrial climate where none existed so far.

Pakistan

In 1947, when Pakistan was formed as a result of the partition of India, it had extremely limited industrialisation. On account of heavy influx of refugees from India it became imperative for Pakistan to create job opportunities on a large scale. Such industry as existed was predominantly in private hands. It was the basic policy of the Government to leave Industrial development in the hands of the private sector, but to control its direction by licensing and allocation of foreign exchange. The Government was prepared, however, to take initiative if private interests failed to do so. In case of fertilizer, gnte, sugar, ship-building and paper and board industries, the Government took the initiative. No industry was specially reserved for the Government. It was conceived that Government-sponsored industries would be financed from public and private sources through the West Pakistan Development Corporation.¹

1. UNIDO: op. Cit. p.84.

It was not until the Second Five year Plan(1960-65) that much attention was paid to small scale industry. Previously, the Government had established the Industrial Trading Estates functioning with the object of developing the land and providing the utilities necessary for the operation of the industries. These were only for large scale industries.

Industrial Estates Programme

The main objectives of the industrial estates programme were:-

- (a) The economic development of comparatively backward areas by encouraging the establishment of new industrial units by small investors;
- (b) The modernisation of existing industries by advice and example through the provision of Technical Advisory Services;
- (c) Slum-clearance with the ultimate possibility of appropriate town-planning and prevention of haphazard and mushroom growth;
- (d) Creation of employment and training facilities for the increasing labourforce in a healthy environment;

- (e) Provision of adequate common facilities to equip the industrial units to achieve specialization and modernisation;
- (f) Provision of testing and retesting facilities to enforce and maintain standards;
- (g) Provision of technical and managerial counselling, training services and central processing and servicing facilities;
- (h) Provision of conditions favourable to a healthy development of internal and foreign markets;
- (i) Provision of the necessary supporting industries for the production of spares as well as repair facilities.

This is the most comprehensive list of objectives of industrial estates programme set out by any country. But such a comprehensive list of objectives had made the programme unrealistic.

The (then west) Pakistan Small Industries Corporation (PSIC) was founded in 1959 to implement the industrial estates programme. In 1962, it was merged with the (then west) Pakistan Industrial Development Corporation as its

Small Industries Division. In 1970, the four constituent provinces were established, but centralised control and development of industrial estates was retained by the Industrial Development Corporation. In 1972, Each province established its separate organisation to be responsible for existing and new estates in its territory. These were: the North-West Frontier Province Small Industries Development Board, the Punjab Small Industrial Corporation, the Sind Small Industries and Handicrafts Corporation and the Baluchistan Small Industries Corporation. They are still in operation.

To provide more work opportunities in Karachi, being the town most affected by the refugee problem, it was decided to set up an estate on the lines of one of the trading estates in the U.K. In 1948, the Sind Industrial Trading Estates Ltd.(SITE) was established for this purpose. SITE is a registered public limited company. It had no initial capital, but was financed by loans from the Government. The Board of Directors was made up of government officials and industrialists. Land(approximately 1850 hectares) was given to the company on a long-term lease. SITE was to undertake the development, which was to be phased over 20 years and to lease serviced plots to entrepreneurs. The company was expected to operate on a no-profit no-loss basis. The development

was virtually completed in 1962 and by 1969, a total number of 712 plots had been leased and 672 factories were in operation. There is no special provision for small scale establishments. Almost all units are in either the large or medium-scale category.

On account of increasing pressure on the social infrastructure in Karachi, the Government granted a tax-holiday to new firms establishing their factories outside the Karachi area. In 1952, SITE commenced the construction of an estate of about 504 hectares at Hyderabad. The following year, approval for an estate of about 62 hectares at Tando Adam was obtained and construction commenced soon there after. In 1963, SITE undertook the establishment of another estate of about 381 hectares at Kotri. All three estates are not very far from Karachi and were intended for large and medium scale establishments. The total estimated expenditure by SITE up to 1969 for all but the Kotri estate (for which information is not available) was P. Rs.48.3 million.

The success of the Karachi estate encouraged the Government to set up more estates for large scale industry throughout the country. Preliminary work was done in 1961-62 and on projects for six estates, one each at Peshawar, Sargodha,

Jhelum, Multan, Sukkar and Ritimyar Khan at an estimated total cost of P. Rs.43.5 million. At that time there were a few constraints on the availability of foreign exchange as well as foreign aid. The provincial Industries Department was directly concerned with the allocation of foreign exchange loans to parties desirous of setting up industrial units. Approval for the projects was given in 1963 but work could not commence until 1965. By that time, Pakistan was at war with India and the foreign exchange resources had greatly diminished. Foreign exchange loans could no longer be given by the Provincial Governments to industrialists. Work was started on three estates only viz. the Peshawar (about 357 hectares), the Multan (about 585 hectares), and the Sukkur estates (about 439 hectares).

The programme of construction of industrial estates for small scale industry initiated by the PSIC and continued by the Provincial Small Industries Corporations went on from 1969 through 1974. Along with the estates for large, medium and small scale industries, artisan worksheds have been erected in different estates, namely, 50 artisan-sheds in Gujranwala, 50 in Sialkot, 24 in Gujarat and 5 in Sukkur. All have been allocated.

New industrial estates were planned in all the provinces, three in the Punjab, 7 in the NWFP province, 8 in

Sind and two in Baluchistan. The estates in the Punjab would be relatively large (21 to 42 hectares). All but two in the NWFP province would be under 14 hectares. The Sind Small Industries and Handicrafts Corporation had planned to set up mini-estates of about 2.1 hectares in each district of the province.

No information is available on common service facilities, other than the basic infrastructural requirements that have been provided in the estates in Sind and Baluchistan. In the Punjab, a ceramics Institute had been set up in the Gujarat estate, a sports goods service centre and a rubber and plastics cell in the Sialkot estate, and a light engineering service centre in the Gujranwala estate. There are also a metal-industry development centre and a model fanning and footwear centre at Sialkot and Gujranwala, respectively. In the NWFP province, a wood working centre had been established in Peshawar.

Malaysia

Prior to the early 1960's, the economy of Malaysia was dependent mainly on the export of three primary products namely, rubber, tin and palm oil the prices of which were subject to wide fluctuations in the world market. The Government was faced with the need to diversify exports. At

the sametime, it was under pressure to check rising unemployment, and to eliminate or reduce the differences in standard of living between Peninsular Malaysia (predominantly industrial and ethnically Chinese) and the rest of the country (mainly agricultural and ethnically Malay).¹

The objectives of the industrial development policy, therefore, were:-

- (a) To increase and diversify production, especially of manufactured goods for export;
- (b) To increase employment, particularly among the Malay community; and
- (c) To reduce the disparities in the distribution of income between the various states of the Federation.

To achieve these, the Government instituted a liberal system of incentives to induce industrial investment; and an industrial estates programme to provide serviced sites for the enterprises it hoped to attract. Because the emphasis was on the promotion of exports and increased employment, the estates were mainly designed to accommodate large and medium scale foreign firms. Several of the estates were established as free trade zones. Later, estates were created as industrial bases for new towns.

1. UNIDO: Guidelines for the Establishment of Industrial Estates in Developing Countries, 1978. p.79.

The sponsorship of the industrial estates by percentage is: Government 92% and private 8%. The Government sponsored estates with one or two exceptions, do not cater to the small-scale sector. The private estates are small in size: in one or two cases they are little more than working clusters.

Small industries occupy an important place in the economy of the country. Government recognises that the objectives of the new economic policy regarding eradication of poverty and restructuring of society can be enhanced only through the promotion of small scale industries because of the following characteristics:¹

- (a) being labour-intensive, they provide gainful employment opportunities.
- (b) They require small amounts of capital and a low level of technology and indigenous entrepreneurs can be encouraged to set up small units.
- (c) They can be established in the less developed areas, thus helping in a regional balanced development and a more equitable distribution of income.

1. Vepa, Ram. K: op. Cit; p.194.

The 1973 Census of manufacturing industries shows that 32.4 percent of all manufacturing units established belongs to the small sector. It also employs 22.8 percent of the total number of paid employees: in regard to part-time employment, it accounts for 35.4 percent. Small entrepreneurs contributed 19.5 percent of the gross sales in 1973 and 16.5 percent net value added in manufacturing. Apart from their direct contribution to the economy, small entrepreneurs play an important role from the socio-economic point of view, as training ground for local entrepreneurs, provide better opportunities for employment and have a more favourable distribution impact.

The Government provides incentives to the small firms to overcome the problems faced by them in the areas of finance, training and consultation.

Being alive to the need for granting special support to the small scale sector, Government established as early as in 1951, the Rural Industries Development Authority (RIDA) primarily for the promotion of rural and small scale industries. This has been replaced by the Majlis Amanat Rakyat Authority (MARA), which also looks after urban small industry and business.

Besides the MARA, there are a number of agencies that help the small units. These are the Federal Industrial Development Authority (FIDA), National Productivity Centre (NPC), Standards and Industrial Research Institution of Malaysia (SIRIM), Industrial consultants, Credit Guarantee Corporation (CGC), Bank Pembangunan Malaysia (BPM) and the Agriculture Bank of Malaysia (ABM).

An advisory council was set up in 1973 and was reconstituted in 1976 as the Coordination Council for development of Small Scale Industries. Some of the important activities of the Council are based on quarterly reports on applications received by member institutions; an analysis is made and problem areas identified. Based on such an analysis, specific courses and seminars on project preparation and project planning have been organised. A proposal to establish a Technology Transfer Centre has been formulated in consultation with a firm in Germany. The Government has agreed to constitute a Coordinating Council for transfer of technology. An Information Centre has also been set up for small industry to provide specialised guidance on documentation relating to small units for member institutions and for the public.

In view of the increasing importance of this sector, the Government is examining the possibility of setting up a

single Agency to deal with its promotion and development. It is also proposed to expand the Coordination Council and strengthen its Secretariat. The present Development Programme is constantly under review to see how far the full potentialities of the sector can be realised.

Sri Lanka

Ever since its independence in 1948, successive governments in Sri Lanka have emphasized the importance of small industry development in their plans. The response of the country has been favourable to the liberal measures undertaken since 1977 and hence the estimated growth rate in 1978 had reached the level of 8.2 per cent per year. Besides a record paddy crop, substantial gains were registered in the manufacturing and construction sectors. Although Sri Lanka continues to be predominantly agricultural (which accounts for one-third of the GDP and over one-half of the employment) the full potential of manufacturing (which contributes 13% to GDP and 10% to employment) is yet to be exploited. Industries comprise a registered segment of 29 large public sector enterprises and 7700 private firms (of which 95% are in the small sector). Besides, there is an unregistered segment of 20,000 small and cottage industries. Contributions to the total industrial value added are divided fairly evenly amongst

the public sector corporation (33%) and private industries (34%).¹

Perhaps the single biggest resource in the island is the availability of trained and educated manpower, most of which used to migrate overseas in the past. Education in the island is free and literacy ratio is nearly 80%—the highest in the sub-continent. The National Apprentice Board provides stipends for training young persons in private firms. Labour productivity in this island is rated as one of the highest in Asia, second only to Singapore.

The General Industrial policy of the Government, has the following objectives:-

- (a) Creation of employment opportunities;
- (b) Expansion of production of essential commodities of mass consumption to meet the increased demand from low income groups.
- (c) Establishment of basic industries capable of providing inputs for other industries;
- (d) Bringing industry to the rural areas to provide employment and to better utilize raw materials in the rural areas;

1. Vepa, Ram. K: 'Small Industry: The Challenge of the Eighties', (New Delhi, Vikas Publishing House, Pvt. Ltd), 1983. p.219.

- (e) Minimisation of the use of foreign exchange in investment and raw materials;
- (f) Gearing industrial growth to the export market.

Industrial Estates Programme:

In 1960, the Industrial Estates Corporation was established to build an industrial estate. There appears to have been no intention on the part of the Government to set up several industrial estates at that time. The Corporation grant was fixed initially at S. Rs.2.5 million. Loan capital could be secured by borrowing from the Treasury at 4 to 4.5% interest. By having an arrangement with the Government, the U.S. Cooperation Mission made counterpart funds available equal to the paid up capital of the Corporation, and provided technical experts to assist it. Some 70 acres (28.8 hectares) were acquired at Ekala, near Colombo, for the estate. Construction started on the first stage in 1962 and the first units were in operation in 1963. Development of the second stage was started in the year 1966. Forty three factory units (varying in sizes from 96 sq.metres to 100 sq. metres) had been built, all of which were occupied by 26 firms employing 1,218 workers within a couple of years.

In 1966, the Industrial Development Board was created to provide assistance to small scale industry and to

coordinate programmes relating to its growth. In 1969, the Corporation which was constituted only in running the Ekala estate at that time, was merged with the Board. The Board sought and obtained the permission of the Government to expand the industrial estates programme by constructing estates at Kandy, Jaffna and Galle.

At Pallekelle, near Kandy, an estate of 75 acres (31 hectares) was planned. The first phase of development included 17.2 hectares of land and the first tenant started operations in 1972. The utilities and services were not completed until 1975. The estate contained 34 factory units of which 27 were occupied (not all by industrial firms). One textile firm occupied eight units, while two other tenants had two units each. Only four of the tenants were genuine small-scale undertakings.

In 1972, the construction of buildings was begun on a third estate at Atchuvvely, near Jaffna. Sixty five acres (27 hectares) of land had been acquired and 25 acres (10.4 hect.) were developed. Thirty six work places each of 127 sq.met. in area had been erected. Fourteen of the total units had been allocated, but only three firms occupying 10 units were in operation. 75 acres (31 hectares) were taken over at Boossa, near Galle, for development as an industrial

estate. Construction started in 1970 with the administration block and the superintendent's quarters. There was a change of opinion on the desirability of proceeding with the estate in the form originally planned. Hence, but 10 acres (4 hectares) had been handed over to a public sector agency.

Facilities¹

There are a few common facilities in the estates in Sri Lanka. All have a first-aid post and a canteen. None has a bank, post office, warehouse or a common use workshop. There is a conference hall in the administrative block at Pallekelle and Atchuvely and premises to house a workshop facility. There is no worker's housing on any estate. There is no industrial extension service operating on or serving any of the estates. A school is to be set up at Pallekelle to provide training for management and technical personnel.

Location

Both the Pallekelle and Atchuvely estates are badly located. The former was intended to provide the industrial area for a new satellite town, the development of which was abandoned later. In consequence, the estate is isolated, with poor transport and telephonic communication with Kandy, 7 miles away. Water was available only long after the estate was operational. Atchuvely has poor road, rail and as yet no telephonic connections.

1. UNIDO: op. Cit. (Part two).

There is some evidence that local materials are being used in production at Ekala and Pallekelle. The handicraft skills that abound in the region of Kandy are not reflected in the operations performed in the latter estate. Neither estate has given rise to ancillary industries or amenities in its neighbourhood. At Ekala, however, a new township has grown up and two multinational companies have established their plants adjacent to the estate.

The only estate products that are being exported are canned fruits and leather goods from Ekala. The value of exports is only about 3% of the total value of production in the estate. Some inter-trading takes place only between a few (nine) firms in the Ekala estate.

Incentives Provided To Small Industrial Units For Overall Development.

A number of fiscal incentives are provided to small industrial units in Sri Lanka. All units whose factories are located outside municipalities and whose annual profits are less than S.Rs.2,00,000 are entitled to a tax holiday of 5 years. In addition, all dividends paid during the tax holiday would be exempted from income tax. Those not entitled to tax holiday are entitled to other incentives. Small companies with an issued share capital of less than Rs.5,00,000 will

be taxed on a graduated scale increasing from 20% to 40%. There is a depreciation allowance on industrial machinery and equipment (up to 100%) and on industrial buildings (up to 50%). Small scale industries with a turnover of less than Rs.1,00,000 are exempted from business turnover tax which in any case is the lowest for labour intensive industries.

Tariff protection is afforded to products being manufactured in the small sector. However, Government does not wish to provide too large a protection which may only contribute to their inefficiency. The new schedule includes a low duty band covering essential consumer goods, most raw materials, spares and machinery, a high duty band for products which are produced in the island and a prohibitive rate on luxury items. In late 1978, a presidential Tariff Commission with a permanent secretariat has been approved by the cabinet with the objective of designing a tariff system based primarily on the principle of effective protection.

About 85% of institutional finance is provided by the commercial banks (of which there are 11, including two state owned-the People's Bank and the Bank of Ceylon). The Development Finance corporation of Ceylon (DFCC) supplies the rest. A National Development Bank has been set up recently to finance lending. It provides refinance facilities

to five commercial banks which have branches in various districts. Generally, Loan reimbursements are decided on the basis of viability of projects rather than on collaterals. Government guarantees up to 60% of loan. Small and medium-sized industrial units can obtain up to 80% of the cost of project (up to Rs.10,00,000) as a loan, with a recovery period up to 10 years adjusted according to the debt servicing capacity of the project. No special interest rates are provided, however, to discourage inefficient industrial units.

A major problem encountered by the small industries in the island is the lack of adequate technical support. The Ceylon Institution of Scientific and Industrial Research (CISIR) is the main Government agency which undertakes research into utilisation of local resources and adaptation of imported technologies. The Industrial Development Board is the premier industrial extension agency functioning under the Ministry of Industry and Scientific Affairs. The Department of small Industries is vested with the responsibility of servicing handicrafts and cottage industries under the Ministry of Rural Development.

The major programme of the Industrial Development Board relates to multifarious activities such as identification of new industrial products, development of entrepreneurship,

establishment of development projects, provision of extension services including technical advice, development of managerial skills, training, marketing and supply of industrial information, etc.

The National Institution of Management provides technical and management training to small enterprises in the country. Nearly 50 training programmes are offered every year to enhance the quality of services concerned.

The total employment provided in all three estates by the 37 tenant enterprises at the date of reporting was 2,199 (Ekala 1218; Pallakelle 875; Atchuvvely 106).¹ This represented only 1.9% of the labour force and 1.6% of the establishments in the manufacturing industries. The cost per job created, based on the investments of the Government and of the tenants (the latter for plant and machinery only) was S.Rs.13,670 (S 1,580) and S.Rs.27,700 (S 2,852) for Ekala and Pallakelle respectively.

The industrial estates programme cannot be said to have contributed significantly to the attainment of the objectives of the Government's industrial policy. There has been limited success in the creation of new jobs and the use of local resources. The Ekala estate may be regarded as a

1. Ibid.

success; only three of the tenant enterprises failed, but 15% of them moved away to larger premises. The rural estates have had a negligible effect on rural industrialization. In spite of the present condition, there is a considerable scope for the development of small and medium industry in Sri Lanka not only to contribute to the national economy but also to generate employment to absorb educated manpower in the country itself.

Summing up

A: Industrial Estates Programme in Developed Countries

As discussed above, the industrial estates programme in the U.K, the U.S.A and Japan had different purposes when it was undertaken in these countries. In the initial stage of development, industrial estates in the U.K. were privately owned or sponsored as in the U.S.A. The programme had originated towards the end of last century in both the countries. Neither the Governments in these two countries showed any initiative in setting up industrial estates nor did they interfere in their working. In contrast, the industrial estates programme in Japan was mostly operated by Business Cooperative Associations, though the Government extended financial assistance to these industrial estates.

Subsequently, the policy objectives and the role of the government in the establishment of industrial estates in the U.K. have undergone some changes such as from aiding the rehabilitation of depressed areas in the 1930's, to regulatory distribution of industry over wider areas of the country in the 1950's and finally in the 1960's to maintaining a reasonable level of employment all over the country. In the U.S.A. too, changes have taken place in this programme after the 1950's. Previously, the programme had been used as a promotional instrument of area-planning but later, as an instrument for dispersal of industries.

The practice in relation to the composition of industrial units in the estates in these two countries differ a lot. While in the U.K., industrial estates for small scale industrial units are often combined with industrial areas offering improved sites for heavy and large industrial units, industrial estates in the U.S.A are dominated by light manufacturing and assembly industrial units, firms dealing in warehousing and distribution, research and development corporations, etc. It is believed that about 60 per cent of the occupants in the American industrial estates are engaged in non-manufacturing operations.

B. Industrial Estates Programme in Developing Countries

The industrial estates programmes in the developing countries were more or less similar in many respects. Most of them started this programme during the period 1950 to 1960. Almost all of them had emphasized on similar aspects with slight variations, either in presentation or priority. One of the major objectives in these countries was to promote small scale industries.^m

However, in some cases, objectives have been altered for certain regions, depending on the interplay of a large number of factors peculiar to local economic conditions and developmental needs. Besides, a few estates in India were established with the objective of promoting technologically advanced industries or for attracting technically qualified entrepreneurs.

In all these countries, industrial estates are managed through autonomous bodies. The Government's role in the establishment and maintenance of the industrial estates is mainly that of laying down policies for the guidance of the corporations or authorities responsible for their growth. Besides the governments in these countries earmark funds for setting up the industrial estates and monitor their progress from time to time. Generally, various organisations at

central and State levels are engaged in providing different types of facilities to the small scale units in these countries. Also, they provide various incentives to industrial units.

It may be noted that the industrial estates in most of these countries cater to the needs of basically small scale units though, there has been deviation from this especially in Pakistan and Srilanka. In Malaysia, however, industrial estates have been designed to accommodate mainly large and medium scale foreign firms. This is because the programme itself aims at attracting foreign firms as well as promoting exports. India, on the other hand, has set up different types of industrial estates to cater to different needs of the areas in which they are located.