IV. State assistance for industrial development

Soon after merger, the Administration initiated several measures to speed up the industrial development of the Territory. The establishment of an Extension Centre, three Industrial Estates and three Service-*cum*-Common Facility Workshops was designed to encourage the growth of small-scale industries in the Territory. The Area Survey Report of 1959, the Techno-Economic Survey of 1965 and the Industrial Potential Survey of 1973, among others, sought to highlight the industrial potential of the Territory. Through the Intensive Campaign of 1969 a better climate for rapid industrialisation was also sought to be created.

Apart from these measures, several incentives are offered to entrepreneurs coming forward to set up industries in the Territory. An account of the various incentives offered by the Administration is furnished in the next few paragraphs.

The Small Industries Service Institute of Madras which studied the industrial climate of Pondicherry in 1959 pointed out that Pondicherry had many important locational advantages for establishing cottage, small-scale and large-scale industries. Among the advantages, the institute mentioned the availability of capital, a large local market and a network of good marketing channels. The Institute further pointed out that the mineral and agricultural resources available in the area could be utilised for developing many industries. However it found the formalities to be gone through for registering new industries both cumbersome and time consuming. The Institute, therefore, recommended that certain areas should be declared as industrial areas where industries could be started without much procedural formalities. It was also emphasised that an **arrêté** for providing financial aid to industries should be passed as early as possible.

Accordingly the State-Aid to Industries **Arrêté** was issued in 1959 providing for the grant of loans upto Rs. 50,000 to small-scale industries and industrial co-operatives for the purchase of land, construction of factory building, purchase of tools, equipment, machinery, etc. The **arrêté** also provided for the payment of a subsidy on interest.

This **arrêté** was replaced by the Pondicherry State-Aid to Industries Act, 1970. Under the State-Aid to Industries Act, loans are made available upto Rs. two lakhs for starting small-scale industrial units. An interest of only 3 per cent is charged for loans upto Rs. 25,000. Details of loans released to private industrialists since 1959-60 are furnished below :

Year	Amount of loan in Rs.	No. of industries/ industrial co-operatives	Subsidy on interest in Rs.
1959-60	63,500	6	Nil
1960-61	1,16,450	14	Nil
1961-62	80,000	11	1,047.64
1962-63	80,000	21	1,765.00
1963-64	60,000	8	2,015.75
1964-65	1,21,600	14	2,476.29
1965-66	73,000	10	3,461.29
1966-67	1,78,500	17	5,318.49
1967-68	3,32,000	18	6,143.29
1968-69	2,49,000	17	5,189.93
1969-70	2,27,000	17	6,297.94
1970-71	2,75,000	28	9,893.49
1971-72	3,58,650	31	8,374.13
1972-73	2,00,000	30	14,999.58
1973-74	3,00,000	31	19,902.49
1974-75	2,99,000	37	24,751.27

Tamil Nadu Industrial Investment Corporation : Under the State-Aid to Industries Act, 1970, loans upto a limit of Rs. 2.00 lakhs alone could be extended to industrial units. In the absence of a State Finance Corporation which could extend loans over Rs. 2.00 lakhs, the entrepreneurs had no other source of institutional finance. It was in this context that an agreement was reached with the Government of Tamil Nadu in 1968 to extend the jurisdiction of the Tamil Nadu Industrial Investment Corporation, Madras to this Union Territory. Following this agreement the Pondicherry Administration acquired shares worth Rs. 15.00 lakhs in the Corporation. The Corporation now considers applications for loans upto Rs. 25.00 lakhs from small-scale industries.

Moreover, the Industrial Development Bank of India and the Industrial Finance Corporation of India, extended refinance facility to industrial units in the Territory. The Tamil Nadu Industrial Investment Corporation allows a special concessional rate of interest at 9½ per cent with a four year moratorium period and a ten-year amortisation together with other concessions. The Industrial Finance Corporation and the Industrial Development Bank of India offer a lower rate of interest, longer moratorium and amortisation periods and accept a lower margin of security.

Pondicherry Industrial Promotion, Development and Investment Corporation Ltd. : The Corporation was incorporated under the Companies Act, 1956, on 17 April 1974 with an authorised share capital of Rs. 50 lakhs. Its objective is to work for the industrial development of the Territory. The Corporation is managed by a Board of Directors appointed by the Lieutenant-Governor.

The Corporation has obtained a Letter of Intent for setting up a spinning mill with 25,000 spindles. The responsibility to set up new industrial estates in the Territory was also entrusted to the Corporation. The implementation of the Central Government's outright grant or Capital Subsidy Scheme was handed over to this Corporation which had disbursed till the end of 1975, a sum of Rs. 1,35,387.60 sanctioned till then. Schemes for financial assistance to small, medium and large-scale industries as well as technocrats have also been formulated by the Corporation.

Outright Grant : Following the declaration of the entire Union Territory as an industrially backward area in September 1971, entrepreneurs coming forward to set up industries in the Territory became eligible for certain concessions under the Central Government's 10 per cent outright grant or subsidy scheme. A seven-member State Level Committee was constituted to advise the Government in processing the applications seeking the 10 per cent outright grant or subsidy for backward areas. The scheme was subsequently revised, and industrial units set up on or after March 1973 became eligible for 15 per cent of the total fixed capital investment or after March 1973 became eligible for 15 per cent of the total fixed capital investment or additional total fixed capital investment, as the case may be, as outright grant. These units will be eligible for a subsidy upto a maximum of Rs. 15.00 lakhs.

Registration of Small Scale Industries with National Small Industries Corporation : Arrangements were made in 1959 to register small-scale industrial units with the Directorate General of Supplies and Disposal through the National Small Industries Corporation and Small Industries Service Institute in order to help them market their products. Upto 31 December 1975, the Government had recommended three local small-scale industrial units for registration with the National Small Industries Corporation.

Consultancy Service : Under another scheme, services of experts of the various Regional Productivity Councils of the National Productivity Council and other Organisations which offer consultancy services are made available to small-scale units in the Territory. The cost of consultancy service to the extent of 60 per cent is subsidised by the Government. But the concession is available only in fields for which Small Industries Service Institute is not in a position to render assistance.

Raw Material Depot : In order to supply small-scale industrial units with scarce raw materials, both imported and indigenous, a Raw Material Depot of the National Small Industries Corporation was opened at Pondicherry in 1970. The Raw Material Depot helps secure priority allocations for industrial and scarce materials.

Sales tax exemption/Concession : Small scale units which went into production on or after 6 November 1969 were exempted from the payment of sales tax for a period of five years upto 31 March 1974.

The Government further reduced by half the central sales tax payable in respect of all goods manufactured by small-scale industries other than those manufacturing cycles including their parts and accessories, but duly registered and located in this Territory. It was stipulated that such units should have gone into production before 6 November 1969. This concession which was initially available from 1 April 1972, for a period of one year was subsequently extended upto 31 March 1974. This concession was made available to units manufacturing cycles, including their parts and accessories with effect from 1973. The Government further liberalised this incentive by granting sales tax exemption to small-scale industries as well as large and medium industries for a period of five years from the date of starting production. These small-scale industrial units which started production before 6 November 1969 and those which started production after 6 November 1969 were also declared eligible for 50 per cent central sales tax concession upto 31 March 1977.

Remission of stamp duty : By way of another incentive the Administration declared that mortgage deeds executed by small-scale industrial units on or after 1 October 1970 under the State-Aid to Industries Act, 1970 would be eligible for concessional rate of stamp duty upto September 1973. The Government also announced remission of stamp duty for mortgage deeds executed at Pondicherry by the small-scale industries of Pondicherry in favour of the Tamil Nadu Industrial Investment Corporation Ltd., towards loans obtained. The Administration have also exempted all types of industries from payment of stamp duty for deeds executed in favour of the PIPDIC. This concession was made available with effect from 22 March 1973.

Exemption of registration fee : Small-scale industries in Pondicherry are exempted from the payment of registration fee on mortgage deeds executed at Pondicherry in favour of the Tamil Nadu Industrial Investment Corporation for loans obtained from the Corporation. This concession came into effect from 22 March 1973.

Power subsidy : As a further incentive, the Administration had announced a scheme of power subsidy for low tension and high tension power consuming industries set up after 1 April 1975 in the Territory.