

CHAPTER VII

SUMMARY, FINDINGS AND RECOMMENDATIONSSummary

In Nepal, the Industrial Estates Programme was started in the year 1960, with the establishment of Balaju Industrial District in Kathmandu. Through this Programme, the Government of Nepal aimed to bring about improvement, basically in industrial production and employment opportunities available in different zones of the country. But, the Programme has registered a very slow progress in the country, as only seven industrial estates in six districts of Nepal were in operation and two more were under construction by the end of 1983. This study has attempted to review the performance of the existing industrial estates so that the shortcomings both in the Programme and in its implementation can be identified and remedial measures taken for making it more effective.

From the experiences of seven countries discussed in Chapter II of this thesis, it is noteworthy that the Programme was undertaken with varied objectives and under different management patterns. The objectives of the Programme differed from one country to another, mainly because of the differences in their social, economic and political conditions.

However, along with many dissimilarities, the Programme in the developing countries (i.e, India, Pakistan, Sri Lanka and Malaysia) has been undertaken with similar objectives and under similar management patterns. One of the major objectives of this programme in these developing countries has been the promotion of small scale industries. Likewise, industrial estates are sponsored by the Government and managed by state-owned corporations in these countries.

In Chapter III an account of industrialisation in Nepal has been given. This account indicates that the HMG/N has been making planned efforts to promote industrialisation in the country. For this purpose, the Government formulated the industrial policy in 1956. It has been amended thrice since then with a view to providing additional facilities to industrial units in the private sector. In accordance with the provisions of the Industrial Policy different supportive facilities are provided through institutions like NIDC, ISC, commercial banks and Agricultural Development Bank. Recently, the industrial Policy has put special emphasis on such aspects as promotion of private sector industrial investment, diversification of labour force to industrial sector, enhancement of entrepreneurial, managerial and technical capabilities of the people and development of indigenous technology along with import of appropriate technology. The

development of these aspects is expected to contribute to the general economic development of the country in the long run.

Chapter IV is devoted to selected specialised institutions which are directly or indirectly involved in Industrial Estates Programme in Nepal. The Nepal Industrial Development Corporation (NIDC), operates as an industrial bank principally concerned with equity participation in and advancing medium and long-term credit to industrial units. Another institution viz., Industrial Services Centre (ISC) provides research and consultancy services to the industrial units. As an exceptional function, the Centre is also charged with the responsibility of operating all the industrial estates within the country. Besides these two specialised agencies, the commercial banks and agricultural development bank have been providing financial facilities to the industrial units under different development schemes.

Chapter V has been devoted to analyse some aspects of the Industrial Estates Programme. The analysis is based on the data collected from a field survey conducted by the researcher. It shows that the Programme has been successful to attract local entrepreneurs from the private sector to set up industrial units. Besides, these entrepreneurs or

managers were found to be experienced in some trade or business before coming to industrial estates. The Programme has also been instrumental in encouraging small and cottage scale industrial units in private sector. The industrial units have also reported that a good number of skilled and even highly skilled direct labour required by them could be obtained from the adjacent areas or towns in each estate. This apart, investment made by industrial units had exceeded the amount of investment made by industrial estate administration.

The foregoing account gives only favourable aspects of the Industrial Estates Programme. However, there have been some constraints in this Programme. As a result, the industrial estates did not show any impressive growth in respect of number of units, volume of production and production per unit. Similarly, two-thirds of the enterprises were producing goods based on foreign or imported raw materials. In addition, most of the cottage and small scale units were dependent on imported raw materials. Most of the cottage and small scale units were dependent on imported machinery rather than on indigenous one. Moreover, no perceptible change could be seen around industrial estates with the exception of BID and PIE in Kathmandu. However, the changes seen around these two estates also cannot be attributed solely to this Programme.

In Chapter VI, some major problems of industrial units located in different industrial estates have been discussed. Most prominent problems are related with indifferent management of industrial estates, faulty Government policies and delays caused in granting facilities by Governmental and semi-governmental organisations. This state of affairs seems to have showed down the pace of the Industrial Estates Programme.

Finally, this chapter brings out major findings of the study and makes a number of recommendations to improve the Industrial Estates Programme.

Findings.

After having summarised the preceding Chapters, we now turn to the conclusions that have emerged from this study. The major findings are given below under two broad heads, (a) favourable aspects in the working of Industrial Estates and (b) major shortcomings of Industrial Estates Programme.

(a) Favourable Aspects in the working of Industrial Estates:

It appears that the Programme has been successful to attract several local entrepreneurs from the private sector to set up units though the pace of their entry into the estates have been rather slow. The Programme has been successful in encouraging a good number of small and cottage scale units. The total investment made by the entrepreneurs in industrial estates has exceeded the investment made by industrial estate administration. The only exception was Butwal Industrial District. This seems to be the outcome of the recent policy to allot plots (instead of factory sheds) to entrepreneurs, who wanted to expand their units or needed specific type of factory structure to suit their requirements. It appears that infrastructural facilities within the industrial estates were instrumental in encouraging the establishment of industrial units.

As regards the entrepreneurs, our survey shows that many of them belonged to younger age-group (30 - 35 years). This is especially true in case of new estates. It has also been noticed that most of the entrepreneurs were experienced in some trade or business before coming to industrial estates. Further, all the entrepreneurs were educated, though only a few of them had technical qualifications.

As regards employment, it is heartening to note that the Industrial Estates Programme has generated employment of all types at an increasing rate. It was noticed from the data collected in the field survey that a good number of skilled and highly skilled direct labour required by the industrial units was locally available.

It appears that, on account of the setting up of industrial estates, the local people instead of going out in search of jobs elsewhere, felt encouraged to train themselves in industrial vocations or skills.

Our survey shows that more than half of the total units in industrial estates had earned profit during the period 1982-83. It may be emphasized that this was possible even when there were several constraints in the Industrial Estates Programme. If the major problems as described in Chapter VI of this study are solved by the concerned bodies the performance of industrial units in terms of profit is expected to be much better than what it has been hitherto.

(b) Major Shortcomings of Industrial Estates

The leasable land in all the estates has been occupied by industrial units at a slow pace. This can be attributed to the undeveloped nature of the areas

concerned and lack of industrial culture amongst the people in general.

Our survey has revealed that 62 percent of the responding units produced goods based on foreign raw materials. A large number of units dependent on imported raw materials has resulted on account of the policy of 'first come - first served' followed by the estates. This has also made all the estates into composite ones consisting of heterogenous industrial units of varying sizes. This has hindered the very possibility of inter-unit linkages and trading amongst the units within the industrial estates.

BID, HID and PIE did not show impressive growth in any of these aspects, [—]number of units, volume of production and production per unit. The main causes behind this state of affairs in these estates are - frequent labour unrests created by strong labour unions within them and other constraints like unavailability of raw materials and finance in times of need. In contrast, DID, NIE, PID and But ID had shown faster growth in these respects as each of them has only a few small units without any labour unions.


Because of multifarious constraints, both external and internal, like lack of demand for the products, scarcity

of essential raw materials, competition from imported goods and products of large units of similar nature, roughly 41 percent of the total installed capacity of the industrial units situated within the industrial estates was reported to be lying idle during the period 1982-83.

The ISC officials deputed as managers of the industrial estates could have solved many of the problems being faced by the industrial units if they had acted as the representatives of an agency responsible for promoting industrial development in the areas concerned. But, as revealed from our survey, these officials hardly showed any initiative towards this end and did not make any significant effort for the overall development of the estates. They more or less acted as bureaucrats in Government Offices in the country and did not show personal drive and interest in their work.

Lastly, as reported by the entrepreneurs in general, the industrial units are left with no alternative except to approach commercial banks for short-term financial assistance. This situation prevailed mainly because NIDC, even though it is empowered to provide loan for working capital to industrial units established within the industrial estates, is interested only in providing long-term loans.

These shortcomings of the Industrial Estates Programme in Nepal can be removed provided certain remedial measures are taken. Accordingly, some recommendations regarding the lines on which the Programme can be improved and strengthened are given below. It may be noted that these recommendations are over and over the suggestions given in Chapters IV and VI.



Recommendations

1. The Industrial Services Centre should conduct detailed techno-economic surveys of areas or zones before establishing any industrial estate there. Such studies should lay emphasis on proper assessment of the availability of raw materials, skill, water and power along with the potentiality of market for the products. This practice will certainly reduce the number of problems at least in respect of basic needs of the units in industrial estates.
2. A block of sheds for tiny or nursery factories may be set up in spacious estates like BID and HID. The provision of such sheds in these estates will induce the entrepreneurs with certain skills but having moderate means to set up industrial units in the estates. Further, when these tiny units reach the maximum size of nursery factory sheds, they can be offered standard factory sheds in the concerned estate. This will encourage self-employment of skilled persons of moderate means and lead to the channelisation of small savings into the industrial sector. These changes will ultimately increase the job opportunities in the areas concerned.

3. While setting up industrial estates in rural areas, preference should be given to those areas which have some concentration of traditional skills or particular types of resources. Further, it is advisable to tie up the industrial estates programme in such places with programmes of other agencies for development of economic and social overheads, for example, technical training, education, transportation, electricity and so on. This practice will create consciousness amongst the people of these undeveloped areas for improving their standard of living. This consciousness may further drive them towards industrial activities either as entrepreneurs or as skilled workers.
4. Wherever suitable, attempt can be made to allot plots of land, sheds or factory buildings to successful industrial units under hire-purchase system, with certain restrictions on resale of the same. This practice will create in the entrepreneur a more settled commitment in the estate and his workshop than the rental system. This apart, in the long run, the release of investible funds from one estate can be utilized in setting up of a new estate.

5. Large scale industrial units should be allowed to enter the estates like DID, NIE, PID and But-ID as these units will induce the growth of depressed areas. The ancillary and other small units can stand to gain on account of the demand for their products by large units. However, only 20 to 30 percent of the total area of an industrial estate may be thrown open to large units.
6. For ensuring the success of new industrial estates even in developed areas, priority must be given to such places where some traditional industrial units are already in existence. This factor has to be emphasized mainly because entrepreneurs and other skilled persons are available only in such areas where some industrial development has already taken place. In areas, where such enterprises do not exist, industrial estates are likely to take much longer time to be popular amongst the local entrepreneurs and investors.
7. Before undertaking large-scale industrialization of an undeveloped area, it is advisable that a nucleus of industrial enterprises and skill is created through the establishment of work-sheds, where handicrafts and agro-based industries are started. Such industrial units must entirely depend upon indigenous raw materials and

cater to the demands of local or nearby consumers. However, the industrial estates in such areas must provide facilities like training, repair, maintenance and some machine-leasing.

8. It may be desirable to appoint an expert officer in ISC, who can interpret the various Government Acts and Incentive Schemes. His functions must relate to these, viz., informing the prospective and existing entrepreneurs of the existence of various Government Acts and Incentive Schemes and encouraging them to make the best use of the opportunities by interpreting the intricacies of the schemes. In addition, he must visit all the estates by rotation for inducing the less-informed and rural-based entrepreneurs to make use of the incentive schemes in time.
9. As opined by a number of entrepreneurs, Industrial Services Centre should attempt to manage the industrial estates under any of these alternative systems:
 - (a) After the preliminary processes of acquiring, developing and allotment of land are over in an estate, ISC should form a cooperative society of entrepreneurs with the proportionate representation of its own. However, certain restrictive rules regarding land use, terms of resale of unit or land, contribution to be made by individual

entrepreneurs for maintenance of the estate and such other essential aspects must be devised by ISC. This will check the cooperative society to deviate from the main purpose of the estate.

- (b) For achieving overall development of the region, where an industrial estate is situated, the administrative power over Industrial Estates Programme may be decentralised and delegated to the lowest feasible level (e.g. Zonal or Municipal), as is being done in some countries like Argentina, India, Malaysia and Turkey.¹

10. At present^{no} priority is given to the units located in industrial estates in the allocation of imported raw material. It is advisable that the concerned department of HMG/N should arrange for a Special Quota System for the benefit of existing estate-units requiring imported raw materials. This will help these units to function properly and speedily. Further, on account of the tight foreign exchange position and desirability to set up units which may use indigenous raw materials, the management of industrial estates should ensure that too many units dependent on imported raw materials do not come up in the estates.

1. UNIDO: "The effectiveness of Industrial Estates In Developing Countries" 1978, (Chapter IV).

11. The Estate Management of each estate should plan for granting suitable assistance in marketing of goods produced by small and cottage scale units in the estates e.g. setting up show-rooms, emporia, arranging for supply orders from the Government departments and corporations.
12. New industrial estates should be planned with a view to developing them into focal points of healthier industrial growth in an area rather than as a cluster of a merely inward-looking group of production units. They are to be so designed and managed that they may later be in a position to provide necessary common service facilities, technical advice and guidance to other industrial units in the area.
13. Within the first few years of the setting up of an industrial estate in an undeveloped area, the ISC should propagate the facilities available in the estate, guide the prospective entrepreneurs to set up units and provide them with the necessary assistance.
14. As PIE has been fully occupied and land value around its vicinity is quite high, it may construct a few flatted factory-buildings to house light manufacturing units producing goods like carpets, handloom products,

readymade garments, toys, stationery etc. It may prove a good alternative to accommodate more units economically.

15. During the course of this study, the researcher had to contact a number of Government departments and agencies to collect secondary data. Several publications of the different official agencies were also consulted. As mentioned in the 'Introduction' to this study it was found that there were certain discrepancies in the same type of data coming from two or more sources. This indicates that sufficient care is not exercised in bringing out statistics in Nepal. Added to this is the extreme inadequacy of important statistics relating to the performance of the economy. Needless to say that such a situation is extremely confusing, which hinders proper planning and controlling of economic activities.

As the scope of the present study is limited to industrial estates, it did not provide much opportunity to the researcher to look into all types of industrial statistics in minute detail. In view of the shortcomings mentioned above, something concrete must be done to improve the statistical machinery of the Government. Perhaps, the setting up of an 'Expert Committee' to examine the availability of industrial

and other statistics in Nepal, their short[comings and the measures required to improve the existing system and to expand their coverage would be proper at this stage.

The Government may also examine the possibility of holding a Census of Manufactures, which may contain data on capital employed, employment of Workers and non-workers, Wages and Salaries, Value and Volume of production by major products, etc. This Census of Manufactures may be conducted every alternate year. However, if this is not possible because of the shortage of resources with the Government, at least a quinquennial Census of manufactures in Nepal should be conducted. Needless to say that trained persons be deputed to initiate the work in this regard and to organise it properly. If this suggestion is followed, it would improve the industrial statistics in Nepal to a considerable extent.