

## Chapter - VII

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# **An Analysis of the Tax incentives and SSI units - Thanjavur District.**

## **Introduction**

The central and the state governments have been pursuing a policy of protecting and promoting small industries for a long time. With the passage of time the policies and measures have become increasingly diversified and also more intensive. The government has reserved a large number of items for exclusive production by small industries. The objective is to improve the efficiency of small industries. The justification of the various programmes stems from one or more of the broad socio-economic objectives of the community, in the promotion of which small industries, has a special role to play.

The number and varieties of assistance available to small industry are large and many. A complication arises out of the fact that the incentives have been in operation for varying length of time. As a result, among the units which have availed the incentives, differences are in the type, extent and duration of assistance. Some of the assistances are non-recurring in nature while some are recurring in nature. In view of these variations and difficulties, the study has taken into account only three of the incentives that are offered in the district. They are capital subsidy, low tension power tariff subsidy and generator subsidy

## **Capital Subsidy**

Capital subsidy is being given at the rate of 20% on fixed assets subject to a maximum of Rs. 20 lakhs for all new industries set up in the most backward taluks. The new industrial units which employ more than 30% women in their workforce are eligible for an additional subsidy of 5%.

In the bifurcated district, Tanjore the amount of subsidy distributed is based on the availability of funds. The Table 7.1 shown the subsidy availed by the units in the Thanjavur district for the period 1990-91 to 1994-95.

Table 7.1 Capital Subsidy Distribution in Thanjavur District

Year	No. of applications received & amount involved		No. of applications registered & amount involved		No. of applications processed & eligibility arrived at		No. of applications for which amount has been disbursed		No. of applications yet to be disbursed	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
1991-92	23	26.02 lakh	2	1.02	12	10.00 lakh	12	10.00 lakh	9	15.00 lakh
1992-93	41	7.00	-	--	50	22.00	50	22.00	-	--
1993-94	53	21.24	20	10.54	33	10.70	33	10.70	-	--
1994-95	72	46.11	24	17.53	29	12.63	29	12.63	19	15.95
1995-96	45	33.22	8	5.65	37	27.57	37	27.37	37	27.57

Source : District Industries Centre, Tanjore.

In the table 7.1, the first year data relate to the amount distributed towards capital subsidy when the district was undivided. It may be observed that the number of applications received and the number of applications sanctioned differs in all the years. The DIC which is the distributing agency, after processing the applications, has rejected a part of the applications for want of required information. Among the eligible applications all of them have been sanctioned and the amount distributed. In the last two years of the study, there is a backlog of applications for want of funds. It is interesting to note that in these years taken for study, the total assistance has not crossed one crore. Thus, due to ignorance on the part of the small units as well as due to the non-availability of the funds this particular incentive has not made much impact on the development of SSIS. This is clearly evidenced from the Table 7.1.

### **Generator Subsidy**

Tamil nadu is not an exception to power shortage. The state has acute power shortage during the months of March, April, May and June, due to increased demand for agricultural requirements as well as decreased supply from the hydel dams. Therefore, the government has come forward, to meet the crisis by offering subsidy towards installation of generators. This is a non-recurring assistance by the government. The percentage of subsidy is 15. The Table 7.2 shows that the generator subsidy distributed during the study period.

Table 7.2 Distribution of Generator Subsidy in Thanjavur District

Year	No. of applications received & amount involved		No. of applications registered & amount involved		No. of applications processed & eligibility arrived at		No. of applications for which amount has been disbursed		No. of applications yet to be disbursed	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
1991-92	1	28,650	-	--	1	28,650	1	28,650	1	--
1992-93	2	37,000	1	29,400	2	37,000	2	37,000	-	--
1993-94	1	33,750	-	--	1	33,750	1	33,750	-	--
1994-95	1	15,375	-	--	1	15,375	0	22,500	1	13,825
1995-96	4	1,09,590	1	25,000	3	84,590	-	--	3	84,590

Source : District Industries Centre, Tanjore.

The Table reveals that the scheme has not been made much use. Except the years 1992-93 and 1995-96 in all the other years only one application has been received. Further, only in the second year two units have received the assistance and in the last year of the study, though the money has been sanctioned it has not been distributed for the reasons known only to the authorities.

### **Low Tension Power Tariff**

This is a recurring assistance provided by the government to help the small units in reducing the cost of production. This assistance is available only to SSI units consuming low tension power. During the first year of commencement of production, they are eligible for 40% in the tariff paid, in the second year, it is 30% and during the third and subsequent years it is 20%. It is based on monthly electricity bills produced by the applicants.

## Low Tension Power Tariff Subsidy

Table : 7.3 District Low Tension Power Tariff Distribution

Year	No. of applications received & amount involved		No. of applications registered & amount involved		No. of applications processed & eligibility arrived at		No. of applications for which amount has been disbursed		No. of applications yet to be disbursed	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
1990-91	92	2,50,000	-	--	92	2,50,000	92	2,50,000	-	--
1991-92	68	2,49,642	-	--	68	2,49,642	68	2,49,642	-	--
1992-93	46	1,22,957	-	--	46	1,22,937	68	1,22,937	-	--
1993-94	70	3,72,104	3	14,041	70	3,58,063	16	52,096	54	3,05,962
1994-95	126	3,79,772	22	1,11,830	104	2,67,832	-	--	104	2,67,832

Source : DIC, Tanjore.



The Table 7.3 shows that it is one of the popular schemes promoted by the government. It is also satisfactory to note that the units are receiving the assistance on a continuous basis. The amount of assistance received has increased over the years. Another satisfactory point is that all the application received have been accepted and the amounts have been sanctioned. Only in the last two years for want of funds, the distribution has not been made. The major beneficiaries of the scheme are the chemical units which are in need of power and the nature of their consumption is also difference as they are continuous process industries.

#### **Incentives in the Nagai District**

After the bifurcation of the district, there was a delay of one year in the establishment of offices. The DIC of Nagai district came full-fledged and started its operations only in the year 1992-93. Hence, the data are available only for the four years i.e., 1992-96.

## State Capital Subsidy

Table 7.4 Distribution of State Capital Subsidy in Nagal District

Year	No. of applications received & amount involved		No. of applications registered & amount involved		No. of applications processed & eligibility arrived at		No. of applications for which amount has been disbursed		No. of applications yet to be disbursed	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
1991-92	25	20.40	25	20.40	25	20.40	25	20.40	25	20.40
1992-93	8	5.10	8	5.10	8	5.10	8	5.10	8	5.10
1993-94	26	28.95	26	28.95	26	28.95	26	28.95	26	28.95
1994-95	-	--	-	--	-	--	-	--	-	--
1995-96	32	43.32	32	42.32	32	43.32	23	45.77	23	45.77

Compared to Thanjavur district, Nagai district has more backward taluks. However, the capital subsidy distributed is lower than that of Tanjore district in respect of the number of applications. But, in terms of the amount sanctioned and distributed, it is higher than Thanjavur district. It only shows the priority given by the Tamilnadu government towards the new district and the efficient functioning of the DIC officials in this regard.

## Generator Subsidy Distribution

Table : 7.5 Distribution of Generator Subsidies in Nagai District

Year	No. of applications received & amount involved		No. of applications registered & amount involved		No. of applications processed & eligibility arrived at		No. of applications for which amount has been disbursed		No. of applications yet to be disbursed	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
1992-93	1	0.23	1	0.23	1	0.23	1	0.23	1	0.23
1993-94	1	0.06	1	0.06	1	0.06	1	0.06	1	0.06
1994-95	2	0.46	2	0.46	2	0.46	2	0.46	0	0.46

As in the case of Tanjore district, in this district also the number of applicants are poor and all those who applied have been sanctioned. But, no amount has been distributed for want of funds.

## LTPT Subsidy Distribution

Table : 7.6 L.T.P.T. Subsidies in Nagapattinam District

Year	No. of applications received & amount involved		No. of applications registered & amount involved		No. of applications processed & eligibility arrived at		No. of applications for which amount has been disbursed		No. of applications yet to be disbursed	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
1992-93	50	3.25	50	3.25	50	3.25	50	3.25	50	3.26
1993-94	44	3.16	44	3.16	44	3.16	44	3.16	44	3.16
1994-95	42	2.34	42	2.34	42	2.34	42	2.34	42	2.34
1995-96	46	8.60	46	8.60	46	8.60	46	8.60	46	8.60

Source : Dic, Nagapattinam

This district also follows the same formula of 40,30,20 percent as subsidy for the first, second, third and subsequent years respectively. The amount applied and sanctioned are higher than that in the Thanjavur district. However, no amount has been distributed during the study period for want of funds. Therefore, there is no progress in the number of applications received also.

### **Conclusion**

The district is distributing only three types of assistances, of them one is recurring and rest of the two are non-recurring in nature. The respondents have reported the unawareness of the scheme, the rigid formalities to be observed, the documents to be submitted along with the applications and the non-co-operation of the officials in getting the clarification as the reasons for not having taken the assistance. Though the district, has more than 800 permanent registered units and more than 1200 provisionally registered units, not even 10% of the total units have availed the incentives and facilities provided by the government. On the part of the DIC, the distributing agency it has been pointed out that the financial constraints, delay in getting the funds from the Tamil Nadu government and non-fulfillment of the conditions by the applicants as well as ignorance and delay in submission as reason for the poor utilisation of incentives and concessions.

**Table 7.7 Productwise SSI Registration in Thanjavur District**

<b>S.No.</b>	<b>Product</b>	<b>No. of Units</b>
1.	Food Products	787
2.	Tobacco and Tobacco Products	83
3.	Cotton Textiles	32
4.	Wool, Silk etc,	217
5.	Hosiery products	479
6.	Wooden products	243
7.	Paper products	334
8.	Leather Products	186
9.	Rubber & Plastics	342
10.	Chemical	220
11.	Non-metallic mineral products	181
12.	Basic Metal	75
13.	Metal	623
14.	Engineering	283
15.	Electrical	71
16.	Transport Equipments	2
17.	Miscellaneous	110
18.	Real Estate	32
19.	Other Manufacturing	10
20.	Personnel Service	78
21.	Repair	944
22.	Service	2
Total		5334



**Table 7.8 Taluk Wise Distribution of Small Scale Industries  
in Thanjavur District**

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<b>Taluk</b>	<b>No. of Units</b>
Thanjavur	1645
Thiruvaiyaru	126
Kumbakonam	2042
Thiruvudaimaruthur	240
Valangaiman	166
Papanasam	237
Orathanadu	189
Pattukottai	118
<i>Total</i>	5334

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122	First	I	Persuing	Pursuing
	First	v	objective is it	objective is
	Second	VI	these ariation	these variations
123	Second	I	Tanjore	Thanjavur
124	Table : Source District Industries Centre, Thanjavur - 1996.			
125	Second	v	This is an	This is a
126			Source : (Add year ) 1996	
128			Source : (Add year ) 1996	
129	First	VIII	difference	different
136	Source year 1996			
137	Source year 1996			