SECTION VI

CONCLUSIONS AND RECOMMENDATIONS

In this section, we shall summarise the main findings of our study. We shall highlight the gaps in the present strategy, test the hypothesis and make a series of policy recommendations for further intensification of efforts for effective dispersal of industries in Maharashtra State.

6.1 Summary

Since 1951, the Central Government has underlined the importance of balanced regional growth in every successive five year plan. The few industrially developed states like Maharashtra, Gujarat, Tamil Nadu, West Bengal and Punjab have retained their dominant position. However, the degree of inter-regional disparities continue unabated. The districts and areas declared as industrially backward in each state according to the criteria laid down by the Planning Commission generally continue to lag behind in the process of industrial growth except in few cases like that of Nasik, Aurangabad, Nagpur, Kolhapur, and Jalgaon district in Maharashtra.

6.1 Some states made pioneering efforts at industrial dispersal. Maharashtra has been in the forefront of industrial dispersal efforts in the country. The initial impetus of these efforts was provided by
problems and pressures in the highly congested metropolitan cities like Bombay. Restrictive industrial location policy was introduced in 1967 and it was reviewed in 1974. Due to this, the growth of small-scale industries increased in the less developed regions of Maharashtra. It was clearly seen from the analysis of regional growth of small-scale industries as was shown in Table 14.

6.1.2 Letters of intent and industrial licenses data (Table 13) shows that share of Greater Bombay from almost one third during 1950-70, has been reduced to one seventh by 1981-82. The share of Pune declined from about one fourth during 1969-70 to about one sixth by 1981-82. This reflects the efforts of the Government to decentralise the industry.

6.1.3 With regards to employment, the share of the developed parts of the state came down from 67 percent in 1962 to 47 percent in 1984 and to 45 percent in 1986. This is mainly due to the dual policy adopted by the Government of containing the further concentration of industries in the Bombay, Thane Pune belt and liberal incentives and concessions made available in the developing areas of the state respectively.

6.1.4 However, the growth and structure of industries in
Hanarasntra (section 3.3) reveals that the industrial growth was further accelerated in seventies and there has been a significant shift in favour of capital intensive industries. About two third of the factories in Manarasntra belong to the non-corporate sector in which partnership firms pre-dominate.

6.1.5 Financial Assistance by Central Institutions

In the cumulative figures for financial assistance for the country (Table 17), Maharashtra accounted for approximately 19-20 percent in both sanctions and disbursements and held the premier share to reduce regional and inter-state imbalance by dispersal of industrial locations in backward states. The sanctions and disbursements of IFCI, ICICI, IDBI, NSFC and UTI over the period 1980-81 to 1990-91 showed an increasing trend.

However, the financial assistance of LIC and SICOM has reduced since 1989-90. Percentage increase in the financial assistance is highest (259%) in case of ICICI, and it is lowest (121%) in case of IDBI.

6.16 Promotional Role of SICOM & NSFC

SICOM had played a crucial role in promoting industries in the developing areas of Maharashtra. This was perhaps the first institution of its kind in the country and its success encouraged many other states to
March 31, 1991 marks JICNM's 25 years of service to industries in Maharashtra since its inception. The aggregate investment catalysed exceeds Rs. 157,000 million covering 6323 units. Cumulative financial assistance sanctioned up to 31-1-1991 amounted to Rs. 78,000.70 million. The employment provided by units in production increased to 3,70,000 persons.

MSFC is operating mainly in the small-scale sector. M.S.F.C.'s total assistance up to 31-3-1986 to small scale units amounts to Rs. 34,320.32 lakhs. Regionwise financial assistance (Table 23) reveals the lack of specific efforts on the part of MSFC to assist the industrial units in backward districts and regions.

6.1.7 Dispersal of Industries

Regionwise number of enterprises as on 31-3-1990 (Table 24) shows highest number of enterprises (41%) in western Maharashtra. However, the total share of Marathwada and Vidarbha in the number of enterprises was only 32%. No of persons usually working in different regions of the state in 1990 (Table 25) indicates the same picture. Maharashtra's position in the country thus remained second to none, but this was mainly due to the contribution of Bombay, Pune Thane belt to Maharashtra industrial economy.
6.1.8 Incentives by Central Government

To remove regional imbalances and to encourage industrial growth, especially in backward areas, Central Government offers Central Investment subsidy, Concessional finance, Transport subsidy, Assistance for infrastructure development, Tax concessions etc. Central capital subsidy was applicable to 125 districts which resulted in spreading of efforts too thinly over too large an area. It was not possible to promote any significant industrialisation in these districts due to lack of urban and other infrastructure. The scheme was continued on a year to year basis. Therefore, entrepreneurs were unable to know whether they would get the subsidy when the project materialises. There was considerable delay in the disbursements of subsidy. The scheme expired on 30th September, 1988.

The Government announced development of 100 Growth Centres in 1988 to be set up all over the country over the next 5 years. Emphasising that the latest package aims to disperse industrial growth, away from the present urban conglomerates, the policy lays down population and distance criteria for units to avail of the new benefits. Central Government also provides concessional finance and assistance to state Government for infrastructural development in No-Industry Districts. Industrial activity and factory employment data in Gadchiroli district in Maharashtra indicates
the negligible effect of Central Government schemes in rural industrialisation.

6.1.9 State Government Incentives

Package scheme of incentives are offered by the Government of Maharashtra. The scheme, have undergone several revisions since 1964, in the light of the experience gathered of its working in the course of time. The present schemes give graded incentives depending on the extent of backwardness of the area. But the basic characteristic of the scheme have remained the same in that they are related to capital investment in the project, irrespective of its employment potential.

One major reason why the package scheme of incentives have not been so effective to disperse the industry much beyond the boundaries of Bombay-Pune was that they did not distinguish between industrially backward areas which were near Bombay/ Pune and which were far away. Therefore, in the 1988 package scheme of Incentives, Talukas in the state have been classified in Groups A/B/C/D and No Industry Districts based on their distance from Bombay-Pune and degree of industrial development therein. However, the spread effect of this scheme is negligible up to 31-3-1992.
6.1.10 District-wise Finance and Incentives by SICOM

SICOM endeavours to promote industries in the developing areas of Maharashtra since 1966, through project identification and promotion, plant location service, equipment leasing, Industrial escort Division etc. Besides, it extends financial assistance in the form of underwriting, capital participation, term loans, guaranteeing etc.

Through a mix of services and incentives, SICOM has succeeded in putting its growth centres at Nashik, Nagpur, Aurangabad, Tarapur and Dona on the industrial map of India. Package scheme of incentives are operated by SICOM for medium and large scale industries on behalf of the Government. SICOM's aggregate disbursements under the various package schemes till 31st March, 1992 amount to Rs. 252 crores. Table 27 reveals the considerable delays in disbursements as also there is wide difference in the amounts sanctioned and disbursed.

Major share of incentives of SICOM goes to six districts i.e. Nashik, Aurangabad, Nagpur & Ahmednagar. The share of remaining districts is only 5% (Table 27).
6.1.1 W.M.D.C.

W.M.D.C. was incorporated in 1971. Since then, it has helped the small-units by establishing mini industrial estates. It provides seed capital and incentives for employment promotion in its area. W.M.D.C. acts as an agent of the Government for implementing the package scheme of incentives for small-scale units. Progress of package scheme of incentives (Table 33) indicates that 50% units are not successful in getting the benefits of incentives, if we compare the number of applications received with number of eligibility certificates issued by W.M.D.C.

Requirement of funds of W.M.D.C. at the end of 31.3.1991 under different package schemes indicates that the benefit of incentives is not made available to SSI units who are in need of such funds. Unless and until, Government provides sufficient funds to the incentive implementing agencies, the very purpose of incentives, i.e. decentralisation cannot be served.

There is large variation in the disbursement of special capital incentive (subsidy) over the period of 14 years ending on 31.3.1992. 55% amount was disbursed one year (1984-85). Uneven distribution of subsidy indicates the need of proper planning and execution of incentive schemes on the part of the Government.
Small-scale units prefer to take sales tax exemption rather than sales tax deferral. Sales tax exemption enables the entrepreneur to sell their new products in the market at low price.

6.1.1 Infrastructural facilities by M.I.D.C.

It is expected that MIDC should provide industrial infrastructure at Taluka and District levels in the developing areas to achieve balanced growth throughout the state. MIDC concentrated its attention on industrial development but did not take care of the problems of urbanisation. After 30 years of its establishment, MIDC should not develop the industrial estates near big cities.

Upto 31.3.1967, 35 Industrial Estates were developed in various parts of Maharashtra, of which 10 industrial estates were in Thane and 7 industrial estates were in Raigad. It indicates that 20% estates were located near Bombay. 30 industrial estates were developed in Western Maharashtra. No. of plots developed and allotted (Table 47) were comparatively more in Thane and Pune districts. Not even a single plot was developed in Osmanabad and Gadchiroli district by MIDC.

Two important locuanaes remained to be considered in the Maharashtra Industrial Development Act 1961. In 1958, the Government of Maharashtra restricted the expansion and diversification of new industrial units in Greater
a) There is no provision in the MIDC Act 1961 to restrict the expansion and diversification of industrial units in Greater Bombay.

b) Secondly, at the time of passing MIDC Act, it was well known that Marathwada and Vidarbha were the two backward regions. However, the obligation of MIDC to develop industries in Marathwada and Vidarbha regions did not exhibit in the MIDC Act 1961. The Act was passed for the whole state and there was no provision to give special protection to backward areas. Due to this, in the first 12 years, major funds of MIDC were utilised for the development of Bombay, Thane and Pune belt.

6.1.13 Type of units

The field study covered 60 small-scale units and 10 medium/large scale units. The highest number of units were found in partnership followed by proprietary and Private Ltd. Companies respectively. Major business activities were observed in Engineering, Plastic, Paper, Electronic and Chemical Industries.

About 93 per cent of the sample units were not satisfied about the present schemes of incentives and infrastructural facilities.
6.1.14 Location

The factors which affected the location of industrial units in order of preference were observed as follows:

* Existence of infrastructural facilities
* Incentives of Government
* Availability of land at low cost
* Proximity to Poona and Bombay
* Favourable labour climate.

The location decision by units near to Poona Municipal region brings out convincingly that the availability of infrastructural facilities is one of the most important considerations. We observed that Government incentives have also appreciable influence on location decisions of the firm. Availability of land at a concessional price, proximity to Pune and Bombay for purchase and sale of goods and cheap labour are the other important factors which decide the location in developing areas.

6.1.15 Sources of Finance

Medium and large scale units (70%) were successful in getting assistance from financial corporations. However, small-scale industries (65%) mainly depend upon bank loan for the purpose of fixed assets and working capital. High rates of interest by commercial banks lead to unprofitability and industrial sickness. Inadequate financial assistance results in shortage of
working capital and under-utilisation of production capacity in case of small-scale units. There is need for greater co-ordination between various lending agencies in the case of loaning formalities.

6.1.16 Capital Intensive Incentives
Incentives offered to attract entrepreneurs to backward area are all capital based. It tends to encourage growth of capital intensive industries. Most of the incentives of the centre and state focus on the use of scarce capital resources and not on the use of labour which is abundantly available in the region.

6.1.17 Employment Pattern
We observed that adequate skilled and technical staff is not available in rural area. In the developing area, the availability of unskilled workers is large. They not regular and satisfied. Workers blackmail employers through labour laws and labour court or by direct assault. SSI units in Maharashtra are handicapped on one side by corrupt officers and on the other side by workers who wish to make money without work.

6.1.18 Sales Tax Incentives
47% sample units have taken the option of sales tax exemption because this helps the units in marketing their products at less price. 21% units have taken the
option of sales tax deferral. In case of deferral, the amount is available in the form of interest free loan which helps to meet the working capital needs of the unit. However, 32% sample units are not eligible to get the sales tax incentives. Sales tax procedures are more complicated and they are time consuming. Paper work is more. Problems of sales tax assessment are under debate and pending for decision. Changes in Government circulars are not incorporated in sales tax Act, which result in recovery of sales tax of sample units. On this subject Government policy is not clear and uniform.

6.1.19 Special Capital Incentive (Subsidy)

32% sample units are not eligible to get subsidy. Out of the eligible 47 sample units, subsidy amount was received by only 16 units. There is considerable delay (3 to 4 years) in disbursement of Subsidy. Delay in disbursement arises due to non-availability of funds with Government. Subsidy is a claim of entrepreneur and it should be given in time otherwise the delay in disbursements, will kill the entire purpose of this motivation. Analysis of subsidy due (Table 54) shows that incentive in the form of the subsidy is of no use to attract the industries in developing parts of the state. Changes proposed by Government in 1993 package scheme will not be conducive to growth of backward area.
6.1.20 Other Incentives

Industrial consumers are compelled to contribute huge funds to MSEB. Power rates are not reasonable. Power failures are more in rural area. Incentives like octroi duty refund, stamp duty, feasibility study, housing, N.A. assessment, water royalty etc. are only on paper. They have been given to very few units.

6.1.21 Lack of Co-ordination

There is no co-ordination between different agencies which provide incentives and considerable time is lost in the follow-up for this work. Single window system should be properly implemented.

6.1.22 Infra-structure

MIDC and co-operative industrial estates are only providing roads, water lines and electricity in these areas. But, industries require many other facilities. The picture is discouraging. We reproduce the data on dis-satisfaction.

<table>
<thead>
<tr>
<th>Area of dis-satisfaction</th>
<th>Percentage</th>
<th>Area of dis-satisfaction</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking facility</td>
<td>35</td>
<td>Availability of</td>
<td>64</td>
</tr>
<tr>
<td>Transport facility</td>
<td>40</td>
<td>Fire Station</td>
<td></td>
</tr>
<tr>
<td>Local raw material availability</td>
<td>57</td>
<td>Communication</td>
<td>51</td>
</tr>
<tr>
<td>Skilled labour</td>
<td>50</td>
<td>Power facility</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Water facility</td>
<td>41</td>
</tr>
</tbody>
</table>
Availability of Roads & Rail | 31 | Technical guidance | 43
Research and Development | 34 | Training facility | 49
| | Housing facility | 66
Provision of Hospitals | 61 | Canteen facility | 59
| | Educational facility | 46
Recreation facility | 63 | Availability of Police Station | 43
Drainage facility | 61 |
Local Politics | 17 | Octroi | 66

6.1.23 *Outlet Problems*

Octroi is one of the greatest barrier. It is time and money consuming. It is a source of corruption. It should be abolished. Turnover Tax is the option to it.

6.1.24 Entrepreneurs have to face number of difficulties to obtain registration, A.A. permission, Certificate from Pollution Board and other licences. Paper work is more which should be reduced.

6.1.25 Industries located on the fringe of the cities create additional problems of transport, housing, etc, without actually helping backward area.

6.1.26 Transport costs for raw material/finished goods are higher. They are all getting their raw material from outside.
6.1.28 Major problems faced by the entrepreneurs are:

<table>
<thead>
<tr>
<th>Problem Type</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Raw Material</td>
<td>30%</td>
</tr>
<tr>
<td>Labour problems</td>
<td>30%</td>
</tr>
<tr>
<td>Capital shortage</td>
<td>40%</td>
</tr>
<tr>
<td>Technical and managerial personnel</td>
<td>14%</td>
</tr>
<tr>
<td>Market problems</td>
<td>17%</td>
</tr>
<tr>
<td>Government policies</td>
<td>32%</td>
</tr>
</tbody>
</table>

6.1.29 Government policy regarding the incentives is not clear. Sudden changes in incentives and declaration of zones creates number of problems before entrepreneurs.

6.1.30 Districtwise industrial activity in Maharashtra reveals the concentration of industrial activity (51%) in Bombay, Thane, and Pune district. Remaining 43% industries were registered in 27 districts which is not an optimistic picture. 664 factory workers were employed in Bombay, Pune and Thane. Nasik, Nagpur, Aurangabad, Kolhapur, Solapur and Jalgaon are the districts where the industrial growth has taken place. However, the industrial development of all other districts is lagging behind.
On paper, the incentives look very good. However, in reality the entrepreneurs experience nothing but problems.

6.2 Testing of the hypothesis

Based on the above research, we draw the conclusions as given below:

The policy of incentive has not been much effective to disperse the industry in backward area. The industrial development takes place near Poona Municipal Region i.e. Chakan, Jejuri, Pirangoot, Sanaswadi, etc. as compared to other areas of Pune and Ahmednagar Districts. One reason why entrepreneurs are not prepared to go in the interior is the total lack of infrastructural facilities. Mere financial incentives or loans on concessional basis do not attract industries to backward area. They need proper infrastructural facilities. The small towns are very poorly connected by roads or by rail and there are absolutely no communication facilities worth the name.

Unfortunately, MIDC has not taken an integrated approach to the development of industrial areas and has not thought of providing the infrastructure in the backward areas. One major reason why the package scheme of incentives has not been so effective to disperse the industry much beyond the Bombay-Pune belt is that it does not distinguish between industrially backward
areas which are near Bombay-Pune and which are far away.

The research findings confirm the hypothesis.

6.3 RECOMMENDATIONS

6.3.1 Mere financial incentives and concessions cannot attract industries to the backward areas. Therefore, Growth centres approach is not applicable to a country like India which has a serious constraint of resources. Growth centres at block level which already have same basic infra-structure would be the best way of deploying scarce financial, technical as also general manpower resources of the state.

6.3.2 We would urge that the earliest consideration should be given to revising the incentive schemes. Present schemes are capital intensive. Therefore, labour intensive schemes should be introduced. Labour subsidy can be worked out on the basis of wage bills of the unit. Subsidy should not be uniform, creation of additional jobs in backward areas should get the highest weightage.

6.3.3 Pioneer units getting located in the developing area have to undergo various difficulties. The first few units, therefore, need to be compensated adequately and this can be done by giving them land at concessional
price, water electricity, communication, sales tax incentives and other additional incentives.

6.3.4 State Government must evolve a package of incentives which would persuade units to shift to locations outside the congested Bombay, Thane, Pune area.

6.3.5 Provision for housing ought to form an integral part of planning for an industrial area. MIDC should take into account the housing component while acquiring land for an industrial area so that it would be possible later to provide residential housing nearer the places of work. A separate rural housing financing corporation on the lines of Gujarat Government should be formed by MIDC with the collaboration of SICOM.

6.3.6 Octroi is an unremitting source of harassment and corruption. It leads to loss of fuel. The levy has hindered the smooth functioning of trade and commerce. It should be abolished immediately in Maharashtra. Turnover tax or entry tax will be the substitute to it. Octroi should not be linked up with the finding of alternative source of revenue as it leads to concentration of industries in metropolitan areas.

6.3.7 Maharashtra Industrial Development Act should be amended and Bombay, Pune, Thane belt should be excluded from the area of operation of MIDC, on the lines of SICOM. MIDC should concentrate its attention in future
on the industrial development of backward regions by promoting employment oriented and value added industries in Maharashtra. MIDC area should not be involved in any nearby Municipal Corporation. Industrial Estate should be managed by the representatives of entrepreneurs. MIDC should not only satisfy on provisions of primary facilities like Roads, Electricity, Water and Plots. It should assist in providing Transport, Banking, Warehousing, Security, common facility centres and should avoid the problems of urbanisations.

6.3.8 The future incentive policies should aim at differentiation in the package of assistance and incentive among the backward areas of the country. Incentives and subsidies should not be uniform for all industries. What is necessary is a totally new and dynamic approach, tailor made to the different needs of different backward districts. What is being advocated is that the horse should be put before the cart, and not other way round.

6.3.9 It is suggested that medium and large scale industries located in the backward area should not be on the fringe of the metropolitan cities. Otherwise, the employees commute from the metropolitan city, creating additional problems for the metropolitance without actually helping backward district. The industrial licencing policy should work as effective tool against
6.3.10 Rural markets should be developed and resource based industries should be promoted in rural areas. Market intelligence is the basic input a new entrepreneur requires and this service must be provided with efficiency and responsibility.

6.3.11 Central Capital subsidy scheme has been discontinued since 1988. Therefore, central Government should provide infrastructure subsidy and should give the initial incentive to private bodies to take the responsibility of transport, lodging and boarding, raw material shops, hardware material and technical training schools etc. Infrastructure corporation may be framed by Central or State Government.

6.3.12 Financial corporations should revise their present financial policies. There should be no duplication of work. They should co-ordinate their efforts to provide working capital to small-scale industries. There is need to devise more realistic norms and procedures for granting working capital requirements in the context of the special problems of backward areas.
6.3.13 The most effective way of industrial development of backward districts, therefore, seems to be the regional and area-wise industrial planning, taking account of local resources and local manpower as well as technological interdependence of industrial units.

6.3.14 Delay in the disbursement of incentives should be avoided. In case of shortage of funds with the government, subsidy should be given in instalments.

6.3.15 Government policies should not be changed suddenly. The incentive scheme should, therefore, be continued for a long enough period of 10 years or so to remove any apprehensions in the minds of entrepreneurs. Harassment and corruption by Government officials should be stopped. Government officers should guide the entrepreneurs. Single window concept of industrial assistance should be immediately introduced and should be efficiently implemented.

6.3.16 Package scheme of incentives should provide protection against unions and labour in case of small-scale units established in rural areas. Workers in backward areas should be rewarded on the basis of their productivity.

Maharashtra has developed in spite of controls and wrong policies. It will develop much more with proper policies and less red tape. There is no shortage of
entrepreneurs. They are ready to take the business risks and surmount difficulties.

The government should concentrate on providing adequate encouraging environment and an excellent infrastructure. If the infrastructure cannot be provided by the government, then let some of it be provided by private sector. The private sector can, for example, construct roads, maintain them, can generate and distribute power, can even provide telephone and telex facilities and run city buses.

It is wrong to assume that for the size of our country, the public and the government sectors only could be most efficient. The role of government is really to guide and monitor development. The effective and rational government policies designed to stimulate the private and public sector industries will help to achieve speedier, quantitatively substantial and geographically more evenly distributed industrial development of Maharashtra.