CHAPTER - 3

INDUSTRIAL POLICIES
AND
REGIONAL IMBALANCE
CHAPTER 3
INDUSTRIAL POLICIES AND REGIONAL IMBALANCE

3.1 INTRODUCTION

3.2 INDUSTRIAL POLICIES DURING BRITISH RULE

3.3 INDUSTRIAL POLICIES IN POST-INDEPENDENCE ERA
3.3.1 Industrial Policy Resolution, 1948
3.3.2 Industrial Policy Resolution, 1956
3.3.3 Industrial Licensing Policy, 1970
3.3.4 Industrial Licensing Policy, 1973
3.3.5 Industrial Policy, 1977
3.3.6 Industrial Policy, 1980
3.3.7 Industrial and Foreign Investment Policy, 1990
3.3.8 The New Industrial Policy, 1991

3.4 REVIEW OF INDUSTRIAL POLICIES

3.5 INDUSTRIAL POLICIES IN MAHARASHTRA

3.6 LINKAGES OF INDUSTRIAL POLICIES TO MIDC PERFORMANCE
3.1 INTRODUCTION

In this chapter an attempt is made to analyse the trend of industrial policies in India and its linkages with the performance of MIDC to correct the regional imbalance in the State of Maharashtra.

The term 'Industrial Policy' has a wide connotation. It signifies the principles, policies, rules, regulations and procedures, guiding and governing the industrial undertakings in a country. It helps in shaping the pattern of industrialization of the country.

However, an industrial policy is not an independent variable like any other economic problem. It, therefore, cannot be isolated from the economic phenomena and has to be considered and decided upon as an essential component of a whole. The industrial policy is as such affected by the prevailing socio-economic and political conditions moulded by the present and potential resources. Also it has to be directed by the needs and aspirations of the community and guided by the socio-economic goals.

The Industrial Policies have been changes over a period of time in the light of socio-economic and political changes. In India it has been used as a tool

Basically, the Industrial Policy is directed to exploit the idle resources for productive purposes and contribute to the national income. In this regard government plays an important role and promotes industrial development in the country. Normally, through this, the national resources are properly channelised into different types of industries.

India's being mixed economy, the industrial policies provide guarded industrial development in specified direction. However, other countries in the world have different targets to achieve through the industrial policies.

In Japan, industrial policy attempts to anticipate and accelerate response to market signals. Subsidization of research and development and guidance is deferred to growth sectors. The Ministry of International Trade and Industry offers differential help to sectors and firms, including tax incentives, export-import measures and technology subsidies.

In France, industrial policy measures are part of the national and sectoral plans. The largest bank in France provides finance to the largest industrial
projects as per these policies of the State.

In Germany, the three major banks have substantial industrial investment guided by industrial policies. Similarly, the German Ministry of Economy supports research and development as well as training through industrial policies.

In the U.S.A. the Industrial Policies are conducted at the State level. The popular policies have been for encouragement of big projects like 'Silicon Valleys' and also concentration on high technology industries.

Thus, Industrial Policy provides guidelines for the effective co-ordination and integration of the activities of various sectors of the economy with a view to achieving a balanced and self-reliant pattern of development that can ensure rapid growth of output and employment. In this connection the following points support the need for industrial policies in the country:

(a) It can help to correct the lopsided development of industrial structure and bring about desired, balanced and diversified development in the country.

(b) It can direct the flow of natural and other scarce resources in the most demanded areas of investment in accordance with national priorities.
(c) It can prevent duplication or wasteful use of our resources, so that the country can ensure conservation and judicious use of our scarce resources.

(d) It empowers the States to regulate and control the establishment and expansion of the industrial undertakings both in public and private sectors in accordance with our planned objectives.

(e) It can prevent, through industrial licensing and other supporting measures of fiscal and monetary policies, the concentration of wealth and economic power in a few hands, so that the emergence and evils of monopoly capitalism can be effectively curbed and controlled.

(f) It can also lay down policies towards the import of foreign capital and the conditions on which such capital would be permitted to operate in the country.

India being a developing country, has several problems like unemployment, over population, poverty etc. The Industrial Policies laid emphasis on certain issues which would help to solve some of these problems to the extent possible. Thus, each industrial policy announced from time to time was framed with certain
objectives. Some of the common objectives were as under:

(i) Increasing productivity and production especially in priority sectors

(ii) Bring about regionally balanced industrial development

(iii) Encouraging small-scale industries

(iv) Pursuing self-reliance through import substitution, export promotions etc.

3.2 INDUSTRIAL POLICIES DURING BRITISH RULE

During the pre-Independence period India, with its vast natural resources along with men and material, remained industrially backward which was indeed misfortune of the people. British rule in India was conspicuous by its lack of appropriate policy formulation in respect of industrial development. The only exception to the apathetic attitude of government was in the development of Railways and tea industry, where some positive steps for encouragement were taken. In the later period mainly jute, steel and cotton textile industries were established. During this period India remained mainly a raw material exporting country to feed the machines of the Britishers, and, in turn, used to buy finished goods from them.
During 1916, the Indian Industrial Commission was set up by the British Government for conducting a comprehensive survey of Indian resources and potentialities for industrial development. However, it did not result positively in any attempt towards formulation of a well-planned industrial policy for India.

During the Second World War period, the British Government became acutely conscious of the need for industrial expansion and research and development. In view of this the government established the Board of Scientific and Industrial Research during 1940. Thereafter the Department of Planning and Reconstruction at the centre was created but it did not make much of a headway in the industrialization of the country.

3.3 INDUSTRIAL POLICIES IN POST-INDEPENDENCE ERA

Soon after the Indian economy was free from British Rule, it was replaced by a progressive economy with sound fundamentals, directed to bring economic stability to the nation and prosperity to the people at large. In this regard, a clear Statement of Policy in the sphere of industry for Planned development of economy was passed by the Government of India, which was popularly known as Industrial Policy Resolution (IPR). It carried new hopes for bringing about a rapid economic transformation
in the process of industrialization.

3.3.1 Industrial Policy Resolution, 1948

The Industrial Policy Resolution of 1948 strongly believed in a mixed economy wherein both private and public enterprises co-exist and effectively contribute to the overall economic development of the country. It aimed at promoting a rapid rise in the standard of living of the people by exploiting the talent and latent resources of the country, in order to increase production and create opportunities for employment.

All the industries in the country were classified into four groups² such as State Monopolies, Basic Industries, Regulated Industries and Private enterprises. Manufacture of arms and ammunition, production and control of atomic energy and ownership and management of Railway transport appeared in the first category and became the exclusive monopoly of the Central Government. Coal, iron and steel, aircraft manufacture, shipbuilding, manufacture of telephones, telegraph and wireless apparatus, and mineral oils were listed under basic industries. Certain basic industries other than those mentioned earlier, such as salt, automobile, machine tools, cement, sugar, cotton and woollen textile, paper

etc. constituted regulated industries. The rest of the industries, not carried by any of the categories mentioned above, were to be left normally to the private enterprises.

The resolution also stressed on increased production with a precondition that it should not lead to concentration of economic power and wealth in a few hands. It also evinced a fair measure of interest in foreign capital. It believed that a free flow of foreign investment would come to ensure the supply of capital goods and of technical know-how. However, it further stated that the conditions under which foreign capital would participate in Indian industry should be carefully regulated and monitored in the interest of the nation. Thus, while recognizing the need for foreign capital in Industrialization of the country, the government insisted upon the progressive Indianization of foreign concerns. It also enunciated a policy of promoting sound and harmonious industrial relations between labour and management through the provision of profit sharing and workers' participation in Management.


3.3.2 Industrial Policy Resolution, 1956

The Policy Resolution was placed in Parliament on April 30, 1956 and it had proposed for adoption of the socialistic pattern of society and the need for planned and rapid industrial development. It had also stated that the State will progressively assume a predominant and direct responsibility for setting up new industrial undertakings and for developing transport facilities in view of the principles laid down in the constitution and objectives of socialism.\(^5\)

The resolution laid down three categories to classify the industries. Schedule-A included those industries which were to be the exclusive responsibility of the State. Those were atomic energy, iron and steel, coal and lignite, mineral oil, mining, ores of specified metals, aircraft, air transport, railway transport, ship-building, telephones, telecommunication cables and generation and distribution of energy. These are 17 industries whose future development remained to be the exclusive responsibility of the state.

Twelve industries listed in Schedule-B were to be progressively State owned. Some of them are aluminium, machine tools, ferro-alloys, antibiotics, fertilizers, synthetic rubber, chemical pulp, road and sea transport. The state was expected increasingly to establish new

undertakings in these industries, while private enterprise
could at the same time have the opportunity to develop
in this field either on its own or with State participa-
tion.  

Remaining all other industries were scheduled
in 'C' category. The future development of these industri-
es was left to the initiative and enterprise of the
private sector, although it was open to the State to
enter into any field, if necessary. It would be the
policy of the state to facilitate and encourage the
growth of these industries in private sector, in accordance
with the programmes formulated in successive Five Year
Plans, by ensuring the development of transport, power
and other services.

This policy also emphasized on:

-- Cottage, village and small-scale industries
-- Removal of regional disparities, and
-- Developing cordial labour-management relations.  

3.3.3 Industrial Licencing Policy, 1970

In February 1970, the government announced
its new industrial licencing policy in the light of
various recommendations made by the Planning Commission,

6. Government of India. Industrial Policy Resolution,
7. Ibid., Para 14.
the Administrative Reforms Commission, Hazari Commission and Dutt committee. It was assumed that industrial licensing would be an effective measure to promote industrialization in desired direction. As per this policy, the industries were divided into four groups, viz., (1) Reserved Sector, (2) Core and Heavy Investment Sector, (3) Middle Sector, and (4) Delicenced Sector. A reserved sector included industries listed in Schedule-A of the Industrial Policy Resolution, 1956 which was to be developed exclusively in public sector.

A Core and Heavy Investment Sector consisted of industries which were basic, critical and strategic to the economy including all industries involving a new investment of over Rs. 5 crores. Some of the representative industries were agricultural inputs, iron and steel, non-ferrous metals, cooking coal, heavy industrial machinery, ship-building, newsprint and electronics.

In the middle sector, all industries which required new investment of Rs. 1 to 5 crores were included. The large industrial houses and those units which required substantial foreign exchange allocation were banned from this sector.

All other industries involving investment upto
Rs. 1 crore were included in Delicensed Sector. This sector also included the small investment of Rs. 7.5 lakhs and ancillary industries with investment of Rs. 10 lakhs.

3.3.4 Industrial Policy, 1973

The Industrial Policy, 1973 reaffirmed that the basic tenets of the IPR 1956 would continue to guide, but the scope and applicability of the resolution had been further tightened against the large industrial houses. It also elaborated the concept of 'Joint Sector' and made it clear that, it would not be used to allow larger hands, dominating undertakings and foreign companies to enter in the fields from which they were otherwise precluded.

S. Bhoothalingam\(^8\) has rightly pointed out that the joint sector has already aroused deep suspicions on both public and private sectors. Some people fear that, it may be a device to put public resources into those very hands in which economic power has already been concentrated. Whereas, other people fear that, it may simply be a kind of disguised nationalization by which political interference may be secured in the management of large enterprises now in the private

---

sector.

3.3.5 Industrial Policy, 1977

On December 23, 1977 the Janata Government announced its new Industrial Policy. This Policy aimed at accelerating the pace of industrial growth, rapid increase in the levels of employment, productivity, income of industrial workers, and a wide dispersal of small-scale industries. The main features of this policy were as under: ⁹

- Development of small-scale sector
- Reservation for large-scale industries
- Discouragement towards large business houses
- Expansion of the public sector enterprises
- Promotion of technological self-reliance
- Discouragement for the foreign collaborations
- Restriction on family control of industries
- Professionalization in management
- Social attitude towards sick units.

Under this Policy, it was decided to give special attention to units in the tiny sector, that is, units with investment up to Rs. 1 lakh and situated in towns and villages with a population not exceeding 50,000. District Industries Centres (DIC) were

---

proposed to be set up in each district to reserve as the focal point of development for small-scale and cottage industries.

It also provided that the large business houses would be required to rely on internal resources for financing new projects or for the expansion of the existing ones instead of relying heavily on public financial institutions. Further it was stated that the government would favourably consider the proposals for export-oriented manufacturing units. It also made it clear that, in the case of foreign companies, the provisions of Foreign Regulation Acta (FERA) 1974, would be strictly enforced. In respect of sick units the policy stated that the government would contemplate selective take over of the management of these sick units. The results of the earlier Policies in the field of industries could not meet the desired objectives. The average growth rate for all these years was not more than 3 to 4 per cent per annum. Besides this, the incidence of industrial sickness was found to be widespread and some of the major industries were worst

affected, unemployment had increased, rural-urban disparities had widened and the rate of real investment had stagnated. Hence for removing these distortions, this Industrial Policy focuses on the following:

(1) Increasing the growth rate of national income from 3.5 per cent to 7 per cent per annum.

(2) Increasing the growth rate of industrial production.

(3) Creating employment opportunities.

(4) Reducing wide regional disparities and imbalances.

3.3.6 Industrial Policy, 1980

On 23 July, 1980 new Industrial Policy was declared by the Government of India which promoted rapid industrialization in the country. The policy intended to provide maximum benefits to the common man in the country. In this direction the policy measures suggested to reduce the cost of production and provide goods and services at fair prices. It proposed to increase employment opportunities and provide higher per capita income. The importance was given for creating infrastructural facilities to industries like energy, transport etc.

The specific socio-economic objectives of this policy statement were as under -

(1) Optimum utilization of installed capacity
(2) Maximum production and achieving higher productivity
(3) Higher employment generation
(4) Correction of regional imbalances on a priority basis
(5) Strengthening agro-based industries.
(6) Promoting optimum inter-sectoral relationship
(7) Faster promotion of export-oriented and import substitution industries
(8) Consumer protection against high prices and substandard quality.

Redefining of Small Units
In order to boost the development of small scale industries and to ensure their rapid growth, government have decided -

(i) to increase the limit of investment in the case of tiny units from 1 lakh to Rs. 2 lakhs
(ii) To increase the limit of investment in the case of small-scale units from Rs. 10 lakhs to Rs. 20 lakhs
(iii) To increase the limit of investment in the case of ancillaries from Rs. 15 lakhs to Rs. 25 lakhs.
The highlights of the Policy are as follows:

(1) Introducing professional management of the Public Sector
(2) Promoting industries in rural areas
(3) Removing regional imbalances
(4) Establishment of 100 per cent export-oriented units
(5) Control of industrial pollution and preservation of ecological balance
(6) Simplified procedure for industrial licensing
(7) Encouragement to Research and Development.

Due to the pragmatic approach of this industrial policy, it created artificial divisions between small and large industries under the misconception that their interests were essentially conflicting.

In this respect, H.K. Paranjape\(^\text{12}\) pointed out that the policy statement is ambiguous in many respects. For instance, maximising production was stated as a major socio-economic objective but there was no clear indication regarding the type of production to be maximised with regard to recognition of capacity on a selective basis, the basis for selection had not been fully spelt

Similar views were expressed by Mongia\textsuperscript{13} that the industrial policy had been conditioned by the level of economic growth, the prevailing economic issues and the socio-economic environment at relevant times were not considered. Further he suggested that the performance has to be judged in the light of overall achievements.

\textbf{3.3.7 Industrial and Foreign Investment Policy, 1990}

In pursuance of national objective to re-orient growth with employment, the Industrial and Foreign Investment Policy was announced in parliament on 31 May, 1990. The Policy Statement believed that it would create conducive investment climate, enhance inflow of foreign investment and technology, stimulate industrial growth and generate more employment.

In the prevailing international context and the need to participate in globalization process, deregulation of industry was an urgent necessity. The government took a bold step to open up a considerable sector of industry to free enterprises. This would introduce a greater element of competition and make industry relative-

ly more efficient.

In this policy an attempt was made to remove bureaucratic shackles and controls hampering industrial growth. This was being contemplated by considerably freeing the entrepreneurs from the licence and permit regime as well as giving them relatively free hand in decisions pertaining to the choice of technology and foreign collaborations. It also gave free hand in respect of investments and production limits, so as to make the domestic industry rationally competitive.

Among the other salient features of this policy were the liberalized norms for foreign collaboration including automatic clearance up to 40 per cent alien equity, easier norms for import of capital goods, raw materials and components etc.

As per this policy, all new units up to an investment of Rs. 25 crores in fixed assets in urban areas, and Rs. 75 crores in centrally notified backward areas had been delicensed. Similarly, delicensing scheme was extended to 100 per cent export-oriented units (EOUs) and units to be set up in Export Processing Zones (EPZs) up to an investment limit of Rs. 75 crores. Such investments were to be exempt from the convertibility clause applicable to financing by the domestic institutions.
The Policy also raised the investment ceiling on plant and machinery for small-scale industry from Rs. 35 lakhs to Rs. 60 lakhs. Similarly, the limit was raised from Rs. 45 lakhs to Rs. 75 lakhs in the case of ancillary units. Likewise, the investment limit for the tiny units was increased to Rs. 5 lakhs so that a larger number of units would be given the benefits for their development.

3.3.8 The New Industrial Policy, 1991

The New Industrial Policy tabled in Parliament on 24 July 1991 seeks to radically liberalise the Indian industry and to unshackle it from rigid administrative and legal controls. The policy represents a renewed initiative towards consolidating the gains of national reconstruction and efficient realization of policy objectives such as rapid agricultural and industrial development of the country, rapid expansion of activities for removal of social and economic disparities, removal of poverty and attainment of self-reliance.

In pursuance of the above objectives, the government decided to take a series of activities in respect of the policies relating to five main areas –

- Industrial Licensing
- Foreign investment
Industrial Licensing

Industrial licensing earlier was governed by the Industries (Development and Regulation) Act, 1951. Over the years, the licensing procedure was simplified keeping in view the changing industrial scene in the country. The Policy of 1991 abolished the licences for all industries except for a short list of 18 industries which needed regulation due to several reasons like security, chemical hazards, environmental protection etc.

The exemption from licensing was particularly helpful to many dynamic small and medium entrepreneurs who had been unnecessarily hampered by the licensing system. As a result, the whole Indian economy would benefit by making entrepreneurs more competitive, more efficient, modern and will take its rightful place in the world of industrial progress.

Foreign Investment

The Policy of 1991 attracted foreign direct investment upto 51 per cent in the form of foreign equity in the high priority list containing 34 industry
groups. These industries include commercial vehicles, inorganic fertilizers, chemicals, man-made fibres, paper, tyres etc. All other foreign equity proposals which do not meet the criteria mentioned in this Policy, will continue to need prior clearance.

**Foreign Technology Agreements**

There was a great need for promoting and protecting an industrial investment by acquisition of technological capability. Hence, the Policy of 1991 streamlined the rules governing foreign technology agreements. It proposed automatic permission for foreign technology agreements in high priority industries. Also the policy stated that, no permission is needed for hiring foreign technicians and foreign testing of indigenously developed technologies.

**Public Sector Policy**

The Policy Statement says that, there will be no bar for reservation of industries for public sector and such areas to be opened for private sector selectively. The public sector also to be allowed to enter into the areas not reserved for it.

**MRTP Act**

MRTP Act was amended to remove the threshold limit of assets in respect of MRTP companies and dominant
undertakings. This eliminated the need for prior approval of the Central Government for establishment of new undertakings and also expansion of such units. The Act was strengthened to control and regulate the monopolistic, restrictive and unfair trade practices.

Industrial Policy of 1991 was designed in such a manner to keep the place with the changing and challenging socio-economic and geopolitical environment in the country.

The glimpses of a change can be highlighted with the following points:

<table>
<thead>
<tr>
<th>Before 1991</th>
<th>After 1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Socialism oriented</td>
<td>Market oriented</td>
</tr>
<tr>
<td>2. Excessive Government regulations</td>
<td>Promoted deregulation</td>
</tr>
<tr>
<td>3. Economy government centred</td>
<td>Economy market centred</td>
</tr>
<tr>
<td>4. Twisted economics without much quality considerations</td>
<td>Promoted mainstream economics with quality perceptions like TQM, Kaizan, ISO 9000, Re-engineering etc.</td>
</tr>
<tr>
<td>5. Economy favoured nationalization</td>
<td>Switched over to denationalization</td>
</tr>
<tr>
<td>6. Existence of Indian market</td>
<td>Promoted global market</td>
</tr>
<tr>
<td>7. Existence of protected policy measures</td>
<td>Brought competitive policy measures</td>
</tr>
<tr>
<td>8. Existence of government regulations on economic operations</td>
<td>Existence of automatic market regulations</td>
</tr>
</tbody>
</table>
3.4 REVIEW OF INDUSTRIAL POLICIES

It can be seen from the analysis of successive policy statements that the Policy of 1948 provided strong industrial base for co-ordinated development of the Indian economy. The classification of all the industries into four groups (namely, State Monopolies, Basic Industries, Regulated Industries, and Private Enterprises) helped for achievement of industrial growth in desired manner.

Industrial Policy of 1956 developed the corporate sector for planned and rapid industrialization. Besides this, the Policy emphasized on cottage, village and small-scale industries, removal of regional disparities and development of cordial labour management relations.

Industrial Licencing Policy of 1970 was assumed as industrial licensing would be an effective measure to promote industrialization in desired direction. All industries were divided into four groups as reserved sector, core and heavy investment sector, middle sector and delicensed sector. Accordingly, the industrial licenses were issued to promote industrialization. The policy of 1973 provided restrictions on large industrial houses to prevent concentration of economic powers in the hands of a few people.
The Janata Government Industrial Policy of 1977 aimed at accelerating the industrial growth, increase in employment, productivity etc. These objectives were to be achieved by giving importance to the small-scale and cottage industries. Establishment of District Industries Centres has been the remarkable achievement of this policy.

The Policy of 1980 aimed at providing maximum benefits of industrialization to the common man in the country. Hence, the measures were suggested to reduce the cost of production and provide goods and services to the people at fair prices.

The Policies of 1990 and 1991 opened the doors for foreign capital and foreign investors to make Indian market as global market. It promoted deregulations and brought international quality perceptions like T.Q.M., Kaizan, Iso 9000, Reengineering etc.

Thus, all the industrial policies are appropriate in those days in relation to the current environment. The government has taken right steps through these policies to achieve the objective of fast industrialization except in a few cases where there was gap between
objectives and achievements.\textsuperscript{14}

3.5 INDUSTRIAL POLICIES IN MAHARASHTRA

Industrial development in Maharashtra is mostly governed by the Industrial Policy Resolutions of Central Government. However, an attempt was made in 1964 by the Government of Maharashtra when Industrial Policy Statement was passed for the State. It was on experimental basis to develop industries in semi-urban areas of the state.

In March 1958 the State Government appointed a study group on Greater Mumbai under the chairmanship of Shri S.G. Barve, to consider the problems relating to congestion of traffic, deficiency of open space and play-grounds, shortage of housing and concentration of industries in the metropolitan as well as suburban areas of Mumbai city and to recommend specific measures in this regard. The study group appointed five panels to find out various possibilities for rapid industrialization alongwith industrial dispersal in the State.

Analysing the situation arising from concentration of industries in Bombay, the study group recommend strict opposition for location of any further new

industrial unit in the Mumbai island area and positive encouragement along with incentives for shifting of any industrial unit from Mumbai island areas. This was the first exhaustive statement on industrial location policy in the State.

As a promotional measure for dispersal of industries, Government of Maharashtra passed a resolution for the establishment of growth centres. This was an additional step to disperse the industries from the developed areas of Mumbai-Thane and Pune belt to the developing areas like Nagpur, Aurangabad, Nashik, Kolhapur etc. of the State. In this connection MIDC developed selected 65 growth centres with adequate infrastructural facilities to the industries. The State Government also provided the Package Scheme of Incentives to the industrial units established at such growth centres.

The Government of Maharashtra is pleased to direct that the Package Scheme of Incentives as last modified in 1988 and continued upto 30th September 1993 has been extended further upto


30 September, 1998.

This scheme is in existence since 1964 providing incentives to the units in private sector, State Public Sector or Joint Sector and the Co-operative Sector.

The scheme of package of incentives (1993) to industrial units, classified the areas of the State (Tahsils or Talukas) into five groups (that is, Groups 'A', 'B', 'C', 'D', and 'D+') as per the degree of development. In the less developed areas, there are more incentives offered to the industrial units which helps for the balanced regional development. These Groups and talukas of the State are cited in Appendix-2.

In Group 'A' there are most developed areas of the State, viz., Mumbai Metropolitan Region and Pune Metropolitan Region. No further industrialization is encouraged in these areas of the State and hence no incentives are given to the industrial units established in these areas.

Group 'B' comprises those areas where insignificant development has taken place and industrialization is encouraged on a limited scale.

Group 'C' consists of those areas which are less developed as compared to the earlier groups. The industrialization has been encouraged in these areas by giving more incentives under this scheme.

In Group 'D' there are least developed areas which are not covered under the above groups. Under Package Scheme of incentives, more benefits are offered in these areas to attract more industrial units.

Group 'D+' comprises backward regions in which even basic infrastructure is not available for the industries. Thus, industrialization is a dire need of these areas to develop and bring about balanced regional development. Hence maximum incentives are offered by the government in these areas to the industries.

The implementation of Growth Centres and Package Schemes was being channelized through M.I.D.C. on behalf of the State Government. As a result of the Package of incentives, many new industrial centres emerged in Maharashtra State; some of them are in Nashik, Aurangabad, Jalgaon, Satara, Akola, Ahmednagar and Nagpur. During the last three decades, considerable industrial development has taken place around these centres. This is the direct impact of the deliberate policy measures on the attraction of industries.
New Policy of Maharashtra, 1993

The New Industrial Policy of Maharashtra, 1993 announced by the State Government on 22 April 1993, seems to have received a good response. Perhaps Maharashtra is the only State to have a separate industrial Policy for the State making many more proposals to attract the entrepreneurs to set up their industrial units in the State.

The Policy provides a number of financial and other incentives for development of various industries like agro-industries, export-oriented industries, mineral-based industries and small-scale industries. The policy also proposed establishment of special industrial complexes for leather, hosiery, software, electronic, hardware, diamond cutting etc. It has simplified the rules and procedures for setting up industrial units in the State.

The significance of the drastic change in this industrial policy is due to more emphasis on provision of incentives rather than development of infrastructure for attracting industries in under-developed areas. Similarly, emphasis was laid on industrial dispersal rather than industrial decentralization in Maharashtra. The new industrial policy offered a package scheme
of incentives in respect of Sales Tax, electricity duty, Octroi and capital investment to industries in Maharashtra. This was, however, in addition to the Central Investment Subsidy scheme of Government of India.

The Policy Document has also placed great emphasis on private sector participation in the development of infrastructure such as power stations, roads, bridges etc. and it has simplified the registration procedures for small-scale industries, too. These incentives have opened new avenues for entrepreneurs and in this set up the various types of industries in Maharashtra will have a significant role to play. Further, it will cater to the requirements of the already existing as well as the expanding demand in the market.

3.6 LINKAGES OF INDUSTRIAL POLICIES TO M.I.D.C. PERFORMANCE

The Industrial Policy Resolutions 1948 and 1956 provide the foundation for India's Industrial Policy. While the Policy Resolution 1948 emphasized the importance of securing a continuous increase in production and an active role of the State in development of industry. The Resolution of 1956 gave more precise direction towards accelerating the rate of economic growth and speeding up the process of industrialization.
It laid emphasis on the State assuming a predominant and direct responsibility for setting up new industrial undertakings and at the same time allowing private sector initiative to develop and expand.

Taking into account these issues, MIDC emerged in the State of Maharashtra to provide infrastructure to industries. This led towards constructive efforts for faster industrialization in the State.

The Industrial Policy of 1973 promoted Joint Sector organizations in industries. The Policy of 1977 emphasized the role of cottage and village industries including small-scale industries leading towards dispersal. As a result of this, MIDC promoted and developed many industrial areas in rural Maharashtra.

The Industrial Policy Statement of 1980 reiterates commitment to rapid and balanced industrialization of the country with a view to benefiting the common man in the sphere of increased availability of goods at fair prices, larger employment potential and higher per capita income. Special emphasis is laid on optimum utilization of the existing resources, optimum utilization of manufacturing capacity, maximizing production, achieving higher productivity, generating more employment, correcting regional imbalances, promoting economic federalism
and ensuring consumer protection.

With these directives of the Industrial Policy Statement, the MIDC acquired refreshing energy and developed industrial areas in every district of Maharashtra.

The Industrial Policy Resolution of 1990 gave special emphasis on setting up electronic Zones, Chemical Zones, Export Promotion Zones etc. On similar lines of industrialization, the MIDC also prepared a scheme and reserved certain industrial areas for specific types of Industries. This kind of reservation brought specialization in industries.

Thus, the Government of Maharashtra has been operating a dual Policy. On the one hand to restrict industrial growth in the Mumbai and Pune Metropolitan Regions and on the other hand, to promote industrial development in the areas outside Mumbai and Pune Metropolitan Regions.¹⁸

Government promotional role can be assessed with the following aspects:¹⁹

---


(i) Fiscal, budgetary and monetary Policies

(ii) Finance for industry

(iii) Providing infrastructural facilities

(iv) Extension Activities

(v) Government's purchase policy

(vi) The role of public sector

(vii) Providing essential raw materials for industry.

In this case, it would be worthwhile to consider the recommendations of the Fact Finding Committee on Regional Imbalance in Maharashtra.20 The Government of Maharashtra had appointed a Fact Finding Committee on Regional Imbalances in August 1982 under the chairmanship of Prof. V.M. Dandekar. The Committee submitted its report in April 1984. The relevant recommendations of the Committee on industrial location policy in Maharashtra were as under:

(1) Regarding the industrial location policy for the Bombay Metropolitan Region, it is necessary to pursue it with greater rigour and coherence. We suggest the following:

(2) In Zones III and IV, industries are presently allowed in areas earmarked for industries whether developed by MIDC or otherwise. We suggest that no new industrial areas may be allowed to be planned and developed in these Zones.

(3) In Zones I and II, which broadly cover the area of Greater Bombay and Thane, the Policy has been somewhat hesitant and inconsistent over the years. We suggest that, no new industries, except service industries, be henceforth allowed in these Zones. This means new small-scale industries should not be allowed even in vacant galas. In large and medium industries, expansion is not presently allowed but operations like modernization, replacement etc. are allowed even with some increase in power. While the need for modernization cannot be denied, such operations are often accompanied by expansion. Hence it will be advisable not to allow such operations for some time to come until the situation is stabilized.

Thus, the motivation behind industrial reforms is clear. The policy measures initiated by the Central
Government have set the pace for industrial development and implementation of these policies taken place in the State. Hence the emphasis is to be laid on providing appropriate physical infrastructure (that is, power, water, transport, telecom etc.), legal and financial infrastructure (that is, corporate laws, accountancy norms, banks, capital markets etc.) and social infrastructure (that is, good housing, public health and education facilities) by the State Government.