CHAPTER EIGHT

SUMMARY, CONCLUSION

AND

SUGGESTIONS
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8:1 INTRODUCTION

An attempt is being made in this chapter to present the summary, conclusion and suggestions.

8:2 SUMMARY

The problem of regional disparity is a universal problem. The national economy of India is not an exception to this. The industrially advanced nations such as United Kingdom, United States of America, Italy, France, etc., did not encounter the problem of regional disparities but these economies could overcome this problem by subscribing to stiff location policy, granting investment subsidies, fiscal concessions, etc.

The planned economy of India, in its process of industrialising the national economy, is seriously entangled with the problem of regional disparities. After having passed through more than four and a half decades of economic planning, the picture that emerges today is one of pockets and zones of backwardness invariably encircled by the areas of prosperity. The Indicators of Disparities reveal that there exist inter-state and intra-state disparities.

What is most discouraging is that the growth rate of industrially backward regions is consistently below the rates of industrially advanced regions. The result is that the country finds itself in a vicious
circle of high incidence of poverty, unemployment and poor quality of life.

Being abreast with the seriousness of the problem, the policy designers did make efforts to champion the problem of regional disparities. The Industrial Policy Resolution of 1956 stressed the need for reducing disparities through faster industrialisation of backward areas. The Third Five Year Plan outlined a special chapter on 'Balanced Regional Development'. The subsequent plans too emphasised on this aspect but all these efforts were no less than *ad hoc* and piecemeal prescription.

It was as late as 1968, a systematic attempt was made by constituting two Working Groups, namely; -

1. The Pande Working Group for identification of backward areas; and

2. The Wanchoo Working Group for tailoring fiscal and financial incentives for starting industries in backward areas.
In accordance with the recommendations of these Committees, the Central Government has been extending a large variety of subsidies and incentives such as fiscal concessions, transport subsidy, backward area development allowance, etc. Following the footsteps of the Central Government, even the State Governments are coming forward with a package of incentives and subsidies to eradicate intra-state disparities.

The State of Karnataka, which is considered as one of the industrially advanced States, is seriously beset with the problem of regional disparities. Of the twenty-seven districts, it is the capital place Bangalore which is enjoying a significant position industrially. The remaining districts come under the bracket of industrially backward districts.

With a view to tackling the problem of intra-state disparities, the Government of Karnataka has been drafting several developmental programmes.

Of late, it has crafted a new Industrial Policy in 1996 outlining an attractive package of subsidies and incentives for the year 1996-2000. With a view to tapping the resources of potential backward areas advantageously the Government has undertaken a pragmatic approach of identifying the Growth Centres. Accordingly, it has identified the district of Dharwad, Hassan and Raichur as the Growth Centres.
The review of research studies, both abroad and in India, has revealed that the scholars have made efforts to examine the impact of subsidies and incentives on parameters such as location, etc.

The studies conducted by Finger, N., (1971) in Israel, Smith David (1971) in USA; Rodgers, A., (1979) in USA, have the impact of subsidies and incentives on dispersal of industries from industrially advanced regions to industrially backward regions and also in generating employment.

In the realm of Indian studies, the scholars of the eminence, Godbole (1978), and Kulwinder (1983) have directed their studies to project implication of infrastructural facilities in industrialising the backward regions.

The research studies conducted at regional level by Sadak (1986) in Aurangabad district of Maharashtra, Bharatan (1990) in the backward region of Tirunelveli district, Khanka (1990) in the region of Kumaun of Uttar Pradesh, have projected the role of financial incentives on locational decisions of entrepreneurs, growth of industries and employment. But no such study was directed to examine the effect of subsidies and incentives on parameters such as spread of industries, employment, etc., in the district of Dharwad which is a resource-rich but industrially poor region of State of Karnataka.

The district of Dharwad is one of the premier districts of the State of Karnataka. It offers befitting environment for the location of
agro-based, forest-based, chemical-based, engineering, electricals and electronics industrial units. Industrially, the district falls into the bracket of backward region.

With a view to harnessing its growth potential and alter its economic map, the Government of Karnataka has enlisted it as “ZONE III GROWTH CENTRE” while the Central Government has placed it in the category of “ZONE –B”. To flourish the industrial belt, the State Government has developed five industrial estates. These industrial estates include:

1. The Tarihal Industrial Estate;
2. The Gokul Industrial Estate;
3. The Lakmanhalli Industrial Estate;
4. The Belur Industrial Estate; and
5. The Ramankoppa Industrial Estate.

Of these, the Ramankoppa Industrial Estate of Kundgol is under construction. In addition to this infrastructural development, the Government has introduced an attractive package of subsidies and generate industrial employment

In the wake of these developments, it was deemed proper to examine the impact of these provisions in fostering industrial activities and generating employment in the district of Dharwad.
8:3 OBJECTIVES

The study was undertaken with a view to attaining following objectives:

1. To study the subsidies and incentives provided by the Government to enhance industrial activities in backward regions;
2. To study the subsidies and incentives offered by the Government in industrially backward district of Dharwad;
3. To study the impact of subsidies and incentives in flourishing industrial activities;
4. To examine the impact of subsidies and incentives on generation of employment in Dharwad district;
5. To identify the problems associated with the industrial units in Dharwad district; and
6. To suggest the remedies to overcome the problems.

All these objectives were accomplished.

8:4 HYPOTHESES

The following hypotheses were proposed and tested.

1. The subsidies and incentives act as a catalyst of change in the industrial scenario of the industrially backward regions;
2. Subsidies and incentives are necessary condition for establishing industrial enterprises but not the sufficient condition for the development.
3. Stipulated subsidy acts as the promoter of industrial efficiency.
**8:6 METHODOLOGY**

The research study on hand being an explorative study was designed to shed pointed focus on the provisions of governmental subsidies and incentives to industries and its causes and consequences. Being a micro study, its universe of investigation constituted the district of Dharwad.

The study was developed under the framework of both primary and secondary data. The primary data were assimilated employing research techniques such as questionnaire/unstructured interviews as also the observation method.

With a view to eliciting authentic information, an exhaustive questionnaire was tailored sprawling over seven sections. Since the universe of investigation, in its broad spectrum covered as many as four industrial estates, namely:

a. The Tarihal Industrial Estate;
b. The Gokul Industrial Estate;
c. The Lakmanhalli Industrial Estate; and
d. The Belur Industrial Estate.

It is, therefore, utmost care was taken to pick up the sample units for study.

The present study on hand was developed on the basis of information assimilated from as many as 200 sample units, i.e., 50 units
from each industrial estate. In the selection of sample units, the technique of Random Sampling was subscribed to.

Needless to say, the congenial industrial environment of Dharwad district, has attracted variety of industries such as agro-based, mineral-based, textile-based, chemical-based, forest-based, etc. It is, therefore, sincere efforts were made in covering a large variety of sample units hailing from small scale and medium scale enterprise. Thus, in the selection of units, the technique of stratified Random Sampling was adhered to. The legitimate information collected was analysed under the framework of various statistical tools and techniques such as the Averaging Analysis, Tan Ø value, etc.

The secondary data were assimilated from various Governmental organisations of the eminence of Directorate of Industries and Commerce, Government of Karnataka, Bangalore, Directorate of Economics and Statistics, Government of Karnataka, Bangalore, the District Industries Centre, Dharwad, the District Statistical Office, Dharwad, the Karnataka State Finance Corporation, Bangalore, etc. In addition to this the reports of various committees set up by Government of Karnataka, published and unpublished research works were consulted. Above all these, academic counselling was sought from the eminent scholars and the academicians.
MAIN FINDINGS

Following are the main findings of the study:

1. The Indicators of Regional Disparities have confirmed that the national economy of India is seriously entangled into the cobweb of inter-state and intra-state disparities.

2. These disparities are the direct offshoot of our neglect of spatial factors and lack of genuine regional planning.

3. Since a sound regional economy makes a sound national economy, there is a pressing need for some pragmatic approach to combat the problem of regional disparities.

4. The regional planning should form an integral part of national planning.

5. A sound regional planning is one which envelopes in its broad fold the regional variables and the resources in toto. The planning should not be sectoral but region-specific.

The conclusions pertaining to the profile of the Dharwad district are as follows:

1. The district of Dharwad is one of the premier districts of the State of Karnataka with a geographical area sprawling over 4,263 sq kms.

2. It offers suitable infrastructural facilities to help fostering the industrial enterprises.
3. With a view to harnessing the development potential and also to stimulate private investment flow, the Government of Karnataka has developed five industrial estates, viz.;-

i. The Tarihal Industrial Estate;
ii. The Gokul Industrial Estate;
iii. The Lakmanhalli Industrial Estate;
iv. The Belur Industrial Estate; and
v. The Ramankoppa Industrial Estate.

Of these the Ramankoppa Industrial Estate is under construction.

4. Certain specialised institutes of the eminence of CEDOK, SISI, KSSIDC, KSAIDC, Industrial Material Testing Laboratory, etc., have been instituted to serve cause of industries.

5. Several large, medium and small scale enterprises have sprung up on the industrial scenario of Dharwad district. Along with certain large scale enterprise, some of the nationally reputed private sector enterprises such as TELCO, Godrej India, Liptons India, etc., have been participating in the industrial activities of the district.

6. The resource-rich but industrially-poor district of Dharwad has been enlisted in the category of "ZONE-B" by the Central Government. The Karnataka Government has identified it as the "ZONE – III GROWTH CENTRE".

7. With a view to harnessing the growth potential, the Government has introduced an attractive package of incentives and subsidies such as investment subsidy, transport subsidy, fiscal concessions, subsidies for the development of infrastructural facilities, export-participation, etc.
A comparative study of the Package of Incentives and Subsidies between the Period First 1980-81 to 1987-88 and Period Second, i.e., 1988-89 to 1997-98 has revealed that:

1. there is a significant increase in the Package of Subsidies and Incentives during Period Second compared to Period First;
2. the increase is over five times more during Period Second; and
3. viewed from the angle of Rate of Increase Tan $\theta$ value and the slope of the curves, it is confirmed that there is perceptible increase in the rate of subsidies and incentives during Period Second compared to Period First.

Over the period of seventeen years from 1980-81 to 1997-98, the Growth Centre of Dharwad could realise a phenomenal increase in the flow of private investment. A comparative study between Period First from 1980-81 to 1987-88 and Period Second from 1988-89 to 1997-98 has led to following conclusion.

1. There is significant increase in the flow of private investment in industrial activities during Period Second compared to Period First.
2. The increase in investment is to the tune of eleven times more than during Period First.
3. Viewed from the angle of Rate of Increase, Tan $\theta$ value and the slope of curves, it is confirmed that there is a phenomenal increase in the private investment flows during Period Second compared to Period First. The obvious reasons for the big spurt
in investment may be attributed to, *inter alia*, the perceptible increase in the package of subsidies and incentives.

The analysis of legitimate data for a period of seventeen years from 1980-81 to 1997-98 in respect of industrial units has shown that there is significant increase in the growth of enterprises per year. The comparative study between Period First (1980-81 to 1987-88) and Period Second (1988-89 to 1997-98) has revealed that:

1. there is significant increase in the number of industrial enterprises per annum during Period Second compared to Period First;
2. the increase in the number of units is nearly two-folds compared to Period First; and
3. adjudged from the angle of Rate of Increase, Tan $\theta$ value and the slope of curves, it is confirmed that the increase in the number of industrial units is more during Period Second compared to Period First. This increase may be attributed to the enhancement in the Package of Incentive and Subsidies during Period Second leading to a big spurt in the flow of private investment.

The obtained results in the realm of Package of Incentives and Subsidies, flow of private investment and the growth of industrial enterprises have substantiated the hypothesis that the subsidies and incentives act as a catalyst of change in the industrial scenario of the industrially backward regions.
The analysis of data for the period of seventeen years from 1980-81 to 1997-98 has revealed that in spite of granting of subsidies and incentives to stimulate efficiency and strengthen industrial enterprises, there exists the problem of industrial sickness. A comparative study between Period First (i.e., 1980-81 to 1987-88 and Period Second (i.e., 1988-89 to 1997-98) has revealed that:

1. the percentage of industrial sickness during Period First is indeed very high compared to Period Second;

2. the reasons attributed for sickness may be attributed to the absence of monitoring the functioning of units, absence of counselling facilities in the realm of marketing, etc.;

3. the obtained results have confirmed the hypothesis that subsidies and incentives are necessary condition for establishing industrial enterprise but not the sufficient condition for industrial development. In other words, along with these provisions, there is need for creating necessary infrastructure for achieving sustained industrial growth.

The findings pertaining to subsidies and incentives and industrial efficiency are as follows.

1. The economy of Dharwad has witnessed a phenomenal growth in the number of industrial enterprises.

2. There are small, medium and large scale enterprises.

3. A variety of industries such as agro-based, textile-based, chemical-based, mineral-based, electricals and electronics units, leather and leather products have stemmed up.
4. Adequate infrastructural facilities and an attractive package of subsidies and incentives have given rise to Mega projects. The national structured private sector enterprises of the eminence of TELCO, Hindustan Lever Ltd., Air-tech Industries, etc., have sprung up.

5. There is significant increase in the export-participating units.

6. The rise and growth of industries has led to a significant increase in the industrial employment.

A comparative study between Period First from 1980-81 to 1987-88 and Period Second from 1988-89 to 1997-98 in the realm of growth of industrial units, nature of industries, export-participating units and the generation of employment has laid to following conclusions:

1. The growth of industries in respect of Period Second is more than during Period First.

2. The increase in the number of small scale industries during Period Second is nearly three-folds compared to Period First.

3. In respect of medium scale industries the increase in the number is by two-folds during Period Second.

4. In case of the increase in the number of large scale is by more than two-folds during Period Second.

5. There is a significant change in the composition and direction of export trade of these units.

6. The increase in the realm of employment is to the tune of four-times more during Period Second compared to Period First. The reasons for such a phenomenal increase in employment may be
attributed to a perceptible increase in small scale enterprises which are primarily labour-intensive units. Further the growth of agro-based units and export building units have absorbed a large number of workers on their roll.

7. Viewed from the angle of Averaging Analysis, the Tan $\theta$ value, and the slope of the curve it is confined that there is perceptible increase in the rate of employment during Period Second compared to Period First.

The obtained results in the realm of the growth of industries, the nature of industries, the diversification of industrial units, the growth of Mega projects, export participating units and the generation of employment have confined the hypothesis that the stipulated subsidies and incentives act as a promoter of industrial efficiency.

Viewed from the angle of Average Analysis the Tan $\theta$ value and slope of curves, the comparative study of Triple-Growth Centres of Karnataka State, i.e., Dharwad, Hassan and Raichur in the realm of the flow of private investment, the growth of industrial enterprises and the generation of employment has led to following conclusions.

1. In respect of Dharwad growth centre, there is significant increase in the flow of private investment in industrial activities, when compared to other growth centres of Hassan and Raichur.

2. The increase in flow of private investment in respect of Dharwad growth centre is three times more than that of Hassan growth centre and four times more than that of Raichur growth centre.
3. The Dharwad growth centre has succeeded in attracting a large number of growths of industrial units compared to other growth centres.

4. In respect of Dharwad growth centre the increase in growth of industrial units is two-folds than that of Hassan growth centre and five times more than that of Raichur growth centre.

5. The increase in the realm of generation of employment Dharwad growth centre has succeeded in generating huge employment compared to growth centres of Hassan and Raichur.

6. Viewed from the angle of Rate of Increase, Tan $\mathcal{O}$ value and the slope of the curves, it is confirmed that the private investment flow is very high in respect of Dharwad growth centre compared to other two growth centres of Hassan and Raichur.

7. It is concluded that the district of Dharwad has succeeded in fostering a large number of industrial enterprises compared to the other growth centres.

8. The growth centre of Dharwad has succeeded in generating huge employment opportunities compared to other growth centres.

Viewed from the angle of Average Analysis the Tan $\mathcal{O}$ value and slope of curves, the comparative study of Bangalore urban district and Dharwad district, in the realm of flow of private investment, growth of industrial enterprises and growth of employment has led to following conclusions.

1. The comparative analysis between two districts reveals that the increase in flow of private investment in respect of Bangalore urban district is doubled with that of Dharwad district.
2. Viewed from the angle of Tan $\theta$ value and the slope of the curves, private investment flow in case of Bangalore urban district is lying above the Dharwad district.

3. Bangalore urban district has succeeded in attracting a large number of units compared to Dharwad district.

4. The flow of private investment in respect of Bangalore urban district is nearly two folds than that of Dharwad district.

5. Viewed from the angle of Tan $\theta$ value and the slope of the curves, Bangalore urban district has succeeded in fostering a large number of industrial enterprises compared to Dharwad district.

6. Study reveals that the annual rate of increase in employment in Bangalore urban district is more than double than that of Dharwad district.

   Adjudged from the angle of Rate of Increase, Tan $\theta$ value and the slope of the curves, the comparative study of four sample industrial estates of Dharwad district, i.e.,

   1. The Tarihal Industrial Estate;
   2. The Gokul Industrial Estate;
   3. The Lakmanhalli Industrial Estate; and
   4. The Belur Industrial Estate.

in the realm of flow of private investment and generation employment opportunities has led to following conclusions.

1. The flow of private investment in respect of Gokul Industrial Estate is the highest followed by Lakmanhalli Industrial Estate
and the Tarihal Industrial Estate has the lowest flow of private investment.

2. Viewed from the angle of slope of the curves, it is asserted that the flow of private investment aspect of Gokul Industrial Estate Curve is lying above the other three curves that is private investment flow is more compared to other industrial estates.

3. The employment generation is the highest in respect of Gokul Industrial Estate followed by the employment generation of Belur Industrial Estate and Lakmanhalli Industrial Estate has the lowest employment generation.

8:7 SUGGESTIONS

8:7.1 REDESIGNING OF SUBSIDIES AND INCENTIVES

The package of New Economic Reforms proclaimed in the wake of the Policy of Liberalisation demands that all our developmental efforts should be goal-directed. It is high time for the national economy to consider subsidies and incentives to act as a cushion and make the entrepreneurs to rest on. On the contrary, the exercise of granting subsidies and incentives should be need-based, objective-centred and target-bound.

In view of this, it is suggested that there is a pressing need for designing a PACKAGE OF STIPULATED SUBSIDIES AND INCENTIVES.
8:7.2 EXPORT PROMOTION

Needless to say that the national economy is placed uncomfortably on the front of balance of payment. In this context, what the Indian economy sadly lacks and badly needs is the acceleration of exports to enable it to pay for its imports. With a view to accelerating the exports:

1. the Government should redesign the package of subsidies and incentives to stimulate prospective entrepreneurs to participate in export-building activities;

2. the rate of subsidy/incentive should be enhanced beyond 5 per cent;

3. needless to say that a business firm is the product of environment. A healthy and competitive environment acts as a morale-booster. It is a sad commentary that absence of export-trading environment has handicapped most of the firms to harness their export potential.

It is, therefore, suggested that the Government takes initiative in creating certain necessary provisions such as the institution of EXPORT PROMOTION SUB-CENTRE, QUALITY INSPECTION CELL, MARKETING ADVISORY BOARD, etc.

4. During the course of study it was found that the export of fruit pulp from Tarihal and Dharwad have been stopped because their packing is not of international standard. Consequently these units have been witnessing serious problems.
It is, therefore, suggested that the Government stresses on modernisation of plants, RESEARCH AND DEVELOPMENT and ISO CERTIFICATION.

8:7.3 ELIGIBILITY CRITERION

The Government should outline certain eligibility criterion for the industries to grow eligible for the grant of subsidies and incentives. One such eligibility criteria should be that the unit receiving these provisions should function for a minimum period of five to seven years. In case this requirement remains unfulfilled, the entrepreneur should return (pay back) the amount received along with penal interest.

An effort in such direction would make the entrepreneurs to grow responsible and accountable.

8:7.4 FOREIGN INVESTMENT

Invitation of foreign capital would be a profused source of industrialising the regions like – Hubli and Dharwad. The Governmental authorities and the policy designers may work in this direction. It would be more appropriate if the CHAMBER OF COMMERCE may constitute a COMMITTEE OF EXPERTS to prevail upon the Government to direct some proposals in this region.

8:7.5 ANCILLARISATION

With a view to flourishing the industrial belt in the industrially backward regions and generating employment to the masses, there is a
pressing need for developing inter-sectoral linkages and inter-industry dependence.

It is, therefore, suggested that the policy designers should aim at promoting ancillary units. To promote ancillarisation, the Japanese formula of Parent Industry may be emulated, wherein the parent industry should pave way for employing some small scale units carrying out allied jobs for the parent industry.

The Mega Projects involving huge investment may be picked up to translate this objective into ground reality.

8:7.6 REGIONAL PLANNING

Since a sound regional economy makes a sound national economy, therefore, there is a need for some inter-woven and pragmatic approach to champion the problem of regional disparities. It is, therefore, suggested that:

1. the regional planning should form an integral and inter-woven part of the national planning;
2. the policy should not be sector-bound but region-specific;
3. it should incorporate all spatial factors;
4. it should envelope the regional resources in toto; and
5. inter-sectoral linkages and inter-industry dependence should form the core and kernel of the policy to translate the objective of generating gainful employment to the masses, into a concrete reality.
8:7.7 FINANCE

In the realm of finance, particularly the working capital, it is suggested that:

1. the Reserve Bank of India may direct the member banks to make provisions for granting working capital along with the advances for fixed capital investment.

2. the Government may prevail upon the term lending institutions to take lead in instituting the venture capital institutions helping the course of the prospective and need units.

8:7.8 MARKETING

Beyond doubt, the institutes like Small Industries Service Institute (SISI), Karnataka State Small Industrial Development Corporation (KSSIDC), etc., have been helping the cause of the industries to marketing the products. But in the best interest of the entrepreneurs that on par with the Commodity Boards, the entrepreneurs volunteer themselves to come forward to form THE MARKETING COMMITTEES INDUSTRY-WISE like –

1. Agro-based Marketing Committee,

2. Textile-based Marketing Committee,

3. Leather-based Marketing Committee,

4. Electronics Goods Marketing Committee, etc.
The responsibility of these committees should be to hunt for potential buyers in and around the State. A fair trial in this direction would strengthen the functioning of marketing Advisory Cells set up by Government.