

CHAPTER IIREVIEW OF INDUSTRIAL DISPERSAL POLICIES

According to the constitution of India the responsibility for regulation of industrial development is shared between the centre and the state, entries in the seventh schedule are

Union List (List I)

No.7 defence

No.52..... public Interest

State List (List II)

No.24 industries subject to provision of entries
7 and 52.

1951 I D R A - 1st Sch.Thus the central Govt. has a crucial and overall responsibility in the regulation and development of industry so as to achieve national objective.

Industrial Policy 1956 -- It referred to industrial development in backward area. "In order that industrialisation may benefit the economy of the country as a whole, it is important that disparities in levels of development between different regions should be progressively reduced. The locations industries in different parts of the country is determined by factors such as the availability of the necessary raw materials or other natural resources. A concentration of industries in certain areas has also been due to the ready availability of power, water supply and transport facilities which have been developed there. It is one of the aims of

national planning to ensure that these facilities are steadily made available to areas which are at present lagging behind industrially or where there is greater need for providing opportunities for employment provided the location is otherwise suitable. Only by securing a balanced and co-ordinated development of the industrial and agricultural economy in each region, can the entire country attain higher standards of "Living".

The emphasis was on the provision of infrastructure in industrially less developed areas.

1977 INDUSTRIAL POLICY

The Government attaches great importance to balanced regional development of the entire country so that disparities in levels of development between different regions are progressively reduced. Governments have noted with concern that most of the industrial development that has taken place in our country since Independence has been concentrated around the metropolitan areas and large cities. The result has been a rapid deterioration in the living conditions especially for the working classes in the larger cities and attendant problems of slums and environmental pollution."

In pursuance of this the Government decided to restrict licensing and financial assistance to new industrial units within certain limits of large metropolitan cities having a population more than one million and urban areas with a population of more than 5 lakhs as per the 1971 * census.



1980 INDUSTRIAL POLICY

"Correction of regional imbalances through a preferential treatment of industrially backward areas". The statement says that "special concessions and facilities will be offered for this purpose and these incentives will be growth and performance oriented." The latest statement also emphasises the importance of ancillarisation and states:

Refer not given page no.

"Industrial development has to be viewed in the broader context of generating higher production and employment. Overcoming the problems of poverty and backwardness need a multi-pronged approach. An integral part of this approach would be to create new focal points of industrial growth which have the maximum effect on the quality of life. This will have to be based essentially on the utilisation of local materials and locally available man-power. The ripple effect of substantial investments in backward districts in the past has in many cases not been adequate mainly because such investment did not have effective linkages with local resources. Govt. "proposes to encourage investment by public and private sector which will meet these criteria and would also promote a network of sprad out ancillaries"¹

The need of tackle the problem of industrial dispersal has been recognised in all the Plan documents.

1ST PLAN :

"Industrial development in India has so far been on an unplanned basis and it has been concentrated in a few select areas. Although there has been a trend towards wide dispersion

of some industries like cotton textiles and cement, industrial development in some parts of the country has lagged behind (1 page 8) seriously. The excessive concentration of industries brings in its train certain economic and social disadvantages and wider diffusion of industry is desirable from this larger point of view. Further, if industrial development in the country is to proceed rapidly and in a balanced manner, increasingly greater attention will have to be paid to the development of those states and regions which have so far remained backward. Under the industries (Development and Regulation) Act, the Govt. has powers to regulate locations. The extent to which the pattern of industrial location in the country can be changed within a short period is undoubtedly limited. For any industrial undertaking (1st plan P.442 para 49) to operate profitably, it must have easy access to raw materials, to labour, to power and to market. The tendency for industries to concentrate around certain areas where industrial development has already taken place is explained by the availability in those areas of a large number of "external" economies on account of the prior development of ancillary services and facilities like banking, transport and communications. It is difficult, therefore, in the initial stages to induce private industry to choose a new location where such facilities are inadequate. A considerable proportion of the industrial development envisaged in this five year period is by way of

expansion of existing industrial units. The question of the location of the new iron and steel plant is at present under consideration. The generation of electrical power by the major multi-purpose projects envisaged under the plan will open out large possibilities of industrial development in Punjab, Bihar, Orissa. There are large potentialities of industrial development in several other states, and it is desirable in order to secure a balanced regional development in the country, to give increasing preference to such areas in the matter of location of new industrial undertaking.

(1st plan, p. 442, para 49)

2ND PLAN:

Stressed i) promotion of basic industries 2) promotion of labour intensive consumer industries.

"Rapid industrialisation and diversification of the economy is thus the core of development. But if industrialisation is to be rapid enough the country must aim at developing basic industries and industries which make machines to make the machines needed for further development."

(2nd plan, page 25, para 7)

"Investment in basic industries creates demands for consumer goods, but it does not enlarge the supply of consumer goods, but it does not enlarge the supply of consumer goods ^{repeated} in the short run; nor does it directly absorb any large quantities of labour. A balanced pattern of industrialisation . . . requires a well organised to utilise labour for increasing the supplies of much needed consumer goods in a

a manner which economises the use of capital."

(2nd plan, page 25, para 8)

With regard to industrial dispersal, the plan suggested "In the first place the National Development council has recommended programme for setting up decentralised industrial production. 2) ^Iit has been suggested that in the location of new enterprises, whether public or private, consideration should be given to the need for developing a balanced economy in different parts of the country. Some industries have to be located in particular areas in view of the availability of the necessary raw materials or other natural resources. But there are other industries in regard to the location of which, on economic consideration, there is a field of choice. Often the disadvantages of comparative cost are only reflection of the lack of basic development. Once this is taken into hand, the initial handicaps progressively disappear. A wide diffusion of development nuclei is essential from this point of view. 3) Steps have to be taken to promote greater mobility of labour between different parts of the country and to organise schemes of migration and settlement from more to less densely populated areas."¹

In second plan Industrial Estates and location of public sector projects were important.

THIRD PLAN :

Large Scale industries, specially basic and heavy industries, frequently serve as a spearhead of intensive and roadbased development. However, not all regions can offer equally favourable conditions for the development of industry. It is also possible to over-estimate the significance of the location of large industrial units in relation to the living standards of the bulk of the population. There are many examples both of countries and of regions within a country, in which with limited development in industry, an appreciable rise in living standards has been achieved through the fuller utilisation of local natural and human resources. There are instances of areas around massive projects where no great impact on the levels of living of the people is to be observed. Apart from the basic and capital goods industries and other large industries, there are other industries whose possibilities need to be fully explored such as labour intensive industries of the modern type, agricultural processing industries, forest industries, assembly operation and recreational industries. Each region should endeavour to identify plan for and promote industries which are specially suited to its conditions and for which it can provide relatively greater facilities.

(3rd plan, page 143, para 3)

The 3rd plan emphasised the importance of location decisions in the public sector and licensing policy as instruments for promoting industrial dispersal.

"The Industrial Policy Resolution visualised that facilities such as power, water supply and transport should be made available in areas which are at present lagging behind industrially or where there is greater need for providing opportunities for employment, so that suitable industries could be established there. To give effect to this suggestion, the Third Plan include a proposal for setting up " industrial development areas" in backward regions. In such regions in selected areas, basic facilities like power, water and communications are to be provided and factory sites developed and offered, for sale or on long lease to prospective entrepreneurs".

(3rd plan, page 149, para 17)

The 3rd plan forwarded the concept of large projects as nuclei for regional growth. "The benefits of a large project accrue in greater measure to the population of the region in which it is located if certain related or complementary programmes and schemes are undertaken. Therefore, as an essential feature of planning, every major project should be regarded as a nucleus for integrated development of the region as a whole. Around the new irrigation projects for instance a whole group of schemes aiming at the development of improved agriculture, horticulture, market centres and processing and other industries should be taken up. Similarly steel plants and other large industrial projects provide the basis for the development of small and medium industries and

programmes of education and training and other activities. Such possibilities of development exist in all large regions in which new resources will be developed during the Third Plan, such as Dandakaranya, the Rajasthan Canal area, and the regions served by the Tungabhadra, Nagarjun-sagar, Koyna, Chambal and several other projects.

(Ref 3rd plan p.p. 145-150, para 18)

On the human resources side, the Third Plan strategy for balanced regional development involved a) preferential treatment for backward areas in the location of facilities for training of engineers, craftsmen etc. b) technical training programme in areas of high density to assist in the development of these areas as well as to facilitate labour mobility and c) the development of competent administrative and technical personnel and the growth of small and medium entrepreneurs.

The Third Plan stressed the need to disperse small industries.

"Although several industries such as village industries Khadi, sericulture, coir, and to an appreciable extent, handloom, are already located in rural areas, the development of small scale industries has so far been by and large in or near the cities and the larger towns. Since one of the principle objects of programmes in this field is to provide opportunities of income and employment in a dispersed manner all over the country, emphasis in the implementation

of the programmes in the Third Plan will be on encouraging the further growth of industries in rural areas and in small towns as well as in less developed areas having a marked industrial potential. The first step in this direction should be to identify the areas in which various basic facilities such as electricity, larger supply of agricultural raw materials and improved means of transport will become available as a result of development envisaged in other sectors during the course of 3rd plan and to prepare programmes for assisting the growth of industries in such areas. The other essential step will be to provide various kinds of assistance such as training facilities, credit, technical advice, tools and machines, etc, in an integrated manner to those who set up industries in the rural areas and small towns" (3rd plan, page 434, Para 22).

But the results of these plans were not satisfactory. The Fourth Plan states.

"In terms of regional development, there has been a natural tendency for new enterprises and investments to gravitate towards the already overcrowded metropolitan areas because they are better endowed with economic and social infrastructure. Not enough has been done to restrain this process. While a certain measure of dispersal has been achieved, a much larger effort is necessary to bring about greater dispersal of industrial activity." (Fourth Five year plan, page 11, para 123)

The Fourth plan lays stress on industrial dispersal.

"The requirement of non-firm employment is so large and so widely spread throughout the country that a greater dispersal of industrial development is a matter of necessity. Even from the narrow and immediate economic point of view, the society stands to gain by dispersed development. The cost of providing necessary infrastructure for further expansion of existing large urban and industrial centres is often much larger than what it might be if development was purposefully directed to occur in smaller towns and rural areas." (Fourth Five Year Plan, page 303, para 14.14)

The fourth plan, in addition to earlier policy package, introduced capital subsidy and a concessional finance scheme for industries in backward areas.

The draft Fifth Plan stressed the need to ensure that the industrial development of backward areas is consistent with basic economics of location. It stated, "The main constraints in the industrial development of backward regions are that the strategy for the development of these areas has not been completely mapped out in terms of the inherent problems which have accounted for industrial backwardness and the organisational arrangements necessary to spearhead and support the industrial development programme in backward areas both at the centre and in the states are inadequate. An integrated approach covering the creating and expansion of basic infrastructure facilities and the

provision of an institutional framework to co-ordinate the essential component of the industrial development programmes constitute the basic pre-requisites for the more rapid industrial growth of the backward areas."

"In the Fifth Plan it is, therefore, proposed to create an appropriate machinery that is capable of identifying industries suited to the needs and potentialities of the backward areas through techno-economic surveys and feasibility studies, undertaking integrated planning and development of the infrastructure, such as roads, water supply, power etc. in selected growth centres located in the backward areas, providing a package of financial, marketing and other services to potential entrepreneurs for setting up new units in the backward areas. In the execution of such a programme, the concerned state level agencies have necessarily to be fully involved and committed, and indeed a major part of the resources and efforts in implementing such a programme must be provided by the state Govt/agencies. The exact nature of the machinery /both at the central and the state levels, to be used/set up for this purpose is under consideration. A special provision has been made in the Central Plan to initiate and support programmes drawn up on the basis of such an approach and to assist the state Govts/agencies in the industrial development of the backward areas.

The emphasis placed on accelerated survey of industrial resources and the promotion of agro-industries, would also benefit the extension of industrial developments to backward areas" (Draft Fifth Five Year Plan, Page 134, para 5, 19(b))

The emphasis in this statement is on technoeconomic survey, the need for a growth centre approach the provision of a package of services to prospective entrepreneurs and the need for a new organisational approach. The extent to which this approach was translated into policy is very limited. However, the earlier policy package including the capital subsidy and concessional finance continued with the addition of a concession in the corporate tax for units in backward areas.

It is found that the problem of industrial dispersal has always been recognised but received very limited attention in the 1st phase of planning. The promotion of village, cottage and small units was also expected to lead to a more dispersed pattern of industrial employment.

The failure of licensing policy, location of public enterprise, infrastructural investment has been considered and in 4th plan, subsidies and restraints on expansion in metropolitan areas played important role. The growth centre approach as a nuclei for regional growth has been mentioned in the 5th Plan. Many of these approaches towards dispersal of industries have not in fact been pursued.

DISPERSAL POLICIES IN THE STATE OF MAHARASHTRA AND
POSSIBILITIES AND PROSPECTS OF INDUSTRIAL DISPERSAL
IN KOLHAPUR DISTRICT.

Industrial development in Bombay city caused number of problems, which led the Govt. to appoint studygroup like Bervey study-Group (1958) and committee like Gadgil Committee and the Bombay Metropolitan Regional Planning Board. These bodies advocated rigorous control on urban and industrial growth. The state Government announced its locational policy in 1965.

1965 LOCATIONAL POLICY OF MAHARASHTRA

"i) Starting new units or expansion of existing units in Greater Bombay to be permitted only on a selective basis and in general was to be discouraged.

ii) Such activities were expected to be located in other hitherto backward parts of the state bringing about speedy balanced regional development.

iii) Textile industry was made an exception and a soft view was taken about it.

iv) various incentives schemes were formulated for units being located in developing areas.

D.R.GADGIL COMMITTEE ON METROPOLITAN REGIONS 1965:

The committee stressed the need for avoiding over-concentration of economic activities at any point and development of depressed areas. It recommended decentralisation and dispersal of economic activities away from Bombay to other parts.

other parts.

The Regional plan was prepared by Bombay Metropolitan Regional Planning Board. One of the points mentioned by the board was,

"Dispersal and decentralisation of industries, should be achieved mainly through large incentives rather than compulsion should be the major guidelines in respect of industrial location.

In 1968, Government announced the industrial location policy. It is said that the policy reflected the recommendations of Barve study Group and Gadgil committee (1965). It was liberal. It permitted small-scale units to come up freely allowing expansion of existing industrial units to come-up freely and encouraging textile mills to take-up expansion programmes doors were infact opened for uncontrolled growth of industrial activity in Bombay".

LOCATION STUDY BY TATA CONSULTANCY SERVICES.

The Report endeavoured to determine the optimal location pattern on the basis of two objectives. One was a Social objective to distribute industrial employment in Maharashtra in proportion to the anticipated growth in labour force and Second was to develop a least-cost plan for this industrial growth. Apart from the infrastructure costs, the study takes into account inter-industry linkages, economies of scales and economies of agglomeration at least in a limited way. It has expressed the view that for 1980-2000, market oriented

industries should be permitted in New-Bombay to meet the needs of demands for consumer goods like bakery products, Soft drinks, milk-bottling, printing etc.

These industries have low location quotient and can be dispersed in industrially lagging regions.

INDUSTRIAL LOCATION POLICY 1974:

The state was divided into 4 groups. The 1st group includes developed area and this is not to be given incentives. and the remaining areas were to be given graded incentives.

PACKAGE SCHEME OF INCENTIVES 1983

In order to achieve dispersal of industries outside the Bombay-Thane-Pune Belt and to attract them to the under developed and developing areas of the state, the Government of Maharashtra has been implimenting "Package scheme of Incentives" to new units/Espansion set-up in the developing regions of the state since 1964, under a scheme of Incentives known as Package Scheme of Incentives. The 1964 Package Scheme of Incentives was continued upto March 31, 1983, with amendments from time to time. Now a modified 1983, Package Scheme of Incentive has been introduced from April 1, 1983, nationalising the scope, where as the scales and mode of reliefs of made available to the intending units promptly.

The scheme will remain in operation for a period of 5 years from April 1, 1983, to March 31, 1988. Consistent with the objectives of the scheme of the Government may at

any time any amendments to the scheme.

CLASSIFICATION OF AREAS:

The areas in the states have been classified into 4 Groups as detailed in the Annexure- In short Bombay Metropolitan Area and Pune Metropolitan Area are covered under group "A" where no incentives are available of the states in developed in three Groups, 'B', 'C' & 'D', depending on the industrial backwardness of the area concerned and the incentives are offered in these areas on graded scale minimum amount of incentives being available in Group "B" and maximum amount being available in areas covered under group "D". The industries covered under this scheme also covers Hotels, Cold-storage, Poultry alongwith the normal manufacturing industries.

ELIGIBILITY:

1) New Units : A proprietary concerned /partnership/ company in private sector/State Sector /Co-op.Society/Trust /Proposing to set up the industrial unit (In any of talukas where no existing units of the same entity prior to March 1983, will be considered eligible final effective steps after April 1, 1983.

EXPANSION/DIVERSIFICATION:

An existing unit in any of the area of Groups "B" Group "C" or Group "D" Desirous expansion /Diversification in the same Taluka where the existing unit is located, will also be considered eligible for incentives under the 1983

scheme. If it satisfied the conditions in the Government Resolution dated 4th May 1983.

There are two types of incentives:

PART I: Which included Special capital Incentives

and

PART II: Both parts of incentives are mutually exclusive and no unit will be eligible to get both the incentives simultaneously Option once exercised here under shall be final and binding on the unit.

INCENTIVES UNDER PART:

A New eligible unit under the part will be entitled to (a) Sales Tax incentives either by way of exemption or by way of difference and (b) special capital Incentives.

INCENTIVES UNDER PART -II

An existing unit satisfying the condition will be concerned under part II, for setting up a new unit (abite incentives -

- a) The existing unit has for the three years immediately prior to the year, in which the application for eligibility certificate is filed paid in respect of the products in Maharashtra Sales Tax in excess of Rs.15/- lakhs. (if the existing unit is located in group "B", "C", & "D" areas.) &
- b) The unit has not obtained Part I -

The eligible unit under Part II, will be eligible as per the scales mention G.R.dt.4th May 1983.

The details as required for the effective steps to be taken terms and condition and the assistance rendered the

under this scheme are mentioned in the Government Resolution. Industries Energy and Labour Department No. IDL-1082/(4077)/IND-8 dt, the 4th May 1983.

The 1983, package scheme of Incentives will be implemented by SICOM, in so far as Medium and Large Scale Industries, the scheme will be implemented by the Regional Development Corporation viz - Western Maharashtra Development Corporation Ltd. for Kolhapur District.

Besides the Development Institutions set up by Union Government some Development Institutions have been set up in Maharashtra. They are :

DIRECTORATE OF INDUSTRIES:

Its major role is in SSI Sphere, 1) assisting the units in securing land, water, power and transport facilities, 2) developing industrial estates, 3) granting financial assistance and subsidy on power 4) sponsoring grant of machinery on hire-purchase basis 5) securing imported and indigenous machinery and materials for units 6) assisting units in marketing their products 7) by implementing the quality marking scheme.

Mention can be made of some of the important development institutions that have been set up in Maharashtra. They are MIDC, MSFC and SICOM, besides other fiscal incentives given by the Govt. in respect of sales tax and octroi. A number of studies have pointed out that inspite of such facilities made available, backward areas could not develop

as expected as compared to the already developed districts, in the state. The reasons might be the inability of backward districts to derive the economies of scale as they have newly ushered in the era of state incentives. The developed district could get maximum benefit because of their ability to derive economies of scale from all sorts of infrastructural facilities and ~~a~~availability of experienced entrepreneurship, which the backward districts lack.