

Scheme of Incentives and Industrialization in Maharashtra

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Abstract:

Industrial development is to be achieved for the purpose of economic development in order to satisfy the need of the people of every region, state or nation. In order to achieve industrial development, deliberate efforts are made at national level as well as state level. The Government of Maharashtra has been making deliberate and planned efforts for industrial development since its formation. For this purpose, the state has adopted different majors such as formation of several supporting institutions and adoption of different package scheme of incentives. At the time of formation of the state there was a great industrial regional disparity. In order to remove the disparity in terms of industrial development, the state government from its industrial policies from time to time for the purpose of dispersal of industries all over the state. The state also provided different package scheme of incentives for decentralization of industries across the state. Because of such planned and deliberate steps taken, a spectacular progress in the field of industry over the period from 1960-61 to this date. Considering different package scheme of incentives introduced by the state government for industrial development in backward areas, as one of the planned and deliberate effort, the present study is aimed at taking review of different such schemes in order to major it's impact of industrial development and dispersal across the state.

Introduction:

The State of Maharashtra has been offering various incentives since 1964 to the industrial units and after each five years amendment is made schemes and various incentives are offered for industries for establishing industries in specified areas. It is observed that the State government has been making good efforts since 1964 with the following points for incentives. Assistance to Pioneer Units/ Mega units, Assistance to other than Mega units, Industrial Promotion Subsidies, Stamp Duty Exemption, Power tariff subsidies. Government of Maharashtra offered package scheme of incentives (PSI) for above mentioned assistance: - Maharashtra state has categorized A, B, C, D, D+

areas, No Industry District and Naxalite areas for concerned PSI schemes according to industrial development i.e. the area A is industrially developed, the area B developed but less than the areas A and so on position in descending order and offered more incentive for D+, D, C, and B areas. The Maharashtra government spent huge amount of Rs.2250 crores in 2013-14.

Overview of Literature:

The research scholars have studied impact of incentives on industrialization. Godbole, M. D. (1978) examined that the impact of industrial dispersal policies (PSI) in Maharashtra state. His study has showed that industrial dispersal policy has positive effects in developing areas of state. He also viewed that the success of policy had very limited area in the state; impact of industrial dispersal policy on removal of industrial imbalance in Maharashtra was negligible. Fafale, (1987) concluded that the utilization of various incentives, problems regarding availing incentives of 98 units, surveyed 35 units availed more than one incentives He also studied followings points. Lokhande, M.A (2002) found that the financial and fiscal assistance rendered by the ;central and state Government has been the most effective motivational factor responsible for initiating and accelerating the pace of industrialization in Jalna district. He also observed that in a study the financial and fiscal assistance by the Government has been most responsible factor initializing, expanding the process of industrialization in backward districts of Maharashtra state. Paraniap, (1988) studied the factors influencing location in industrially backward region in Maharashtra and Gujarat. The study showed that subsidies, land & loan concessional rate are not sufficient for accelerating industries in very backward areas. The study revealed that incentives were availing by more units which had other facilities required for industries. Deolankar,V. (1989) reviewed that the problem of industrial incentives. He studied for Marathwada region in Maharashtra;. His findings of studies were as under. Impact of incentive was experienced after 10 years. Non locals entrepreneur got more incentives. Infrastructure was more in important for growth of industrialization and availing of incentives. Gurusamy, M (2005) found that West Bengal declined in eastern part of regions in industrialization. The study suggested that the government should give more incentives and investment flows to boost industrialization in West Bengal, so that could easily grow up fastest future. Mukhopadhyay, S. (2013) observed Gujarat industrial growth has also on point export oriented units and special economic zones they availed the various incentives and Government assistant, effects of the increase in employment and increase in GSDP. Lokhande, M.A (2015) in his study inferred that there are numerous emerging growth centers in rural and semi-rural areas wherein entrepreneurial activities are being undertaken by young persons having different socioeconomic backgrounds. The need of the hour is to guide, assist and support them properly to achieve the national goal of Make in India.

Objective of the study:

1. To take a review of incentive schemes introduced by the government of Maharashtra.
2. To study the various components of schemes of incentives
3. To study the role of implementing agencies of the scheme of incentives
4. To take review of incentive scheme impact on growth of industrialization in Maharashtra state in general.
5. To evaluate the performance of various incentive schemes introduced by the government.
6. To understand the problems and difficulties faced by the industries with reference to incentive scheme and make some suggestion in this regard.

Discussion and Result:

The Package Scheme of Incentives have played a crucial role in inducing industrial development in Maharashtra. There has been a significant growth in industries, industrial investment and employment. But the contribution of PSI in industrial development in Maharashtra requires further confirmation.

A field survey was conducted to understand the extent of influence of incentives in the industrial development and their impact on industrial disparities, in spite of the introduction of PSI. In order to study the impact of incentives scheme of Government of Maharashtra, a sample of 351 industrial units which received financial and other incentives has been chosen through random sampling. The data collected through questionnaires and interviews are used to analyses impact of PSI. In industrial development in the backward area of Maharashtra.

Table No.1

Division-wise Distribution of Sample Entrepreneurs in Maharashtra

Sr. No.	Division	No. of Sample Entrepreneurs	Percentage
1	Konkan	50	14.25
2	Nasik	48	13.67
3	Pune	58	16.52
4	Aurangabad	114	32.48
5	Amrawati	28	7.98
6	Nagpur	53	15.1
	Total	351	100

Source : Field Survey, 2013.

Note: Figures shown in bracket indicate percentage to total.

For the purpose of study, in all 351 entrepreneurs have been selected from 32 districts of Maharashtra State on organization sampling method. As the number of small and tiny industries in Maharashtra was more than 1,00,000 on 31st March 2013 , it was not possible to study the whole population of industries , so the researcher has selected the samples as per the convenience. In

order to give due representation to more and more districts having D and D+ industrial zones attracting benefits under various schemes of incentives of the state governments, so the entrepreneurs were selected conveniently from 6 divisions. (table-1).

Region wise distribution of sample entrepreneurs is as shown below: Aurangabad division- 32.48%, Pune division-16.52%, Nagpur division -15.10%, Kankan division -14.25%,Nashik division - 13.68% Amravati division 7.98% (table 1).

Table 2
Division-wise Distribution of Sample Entrepreneurs on the basis form of Organization

Sr. No.	Division	Form of Organization				
		Prop.	Partnership	Co-Operative	Company	Total
1	Konkan	24(48)	17(34)	6(12)	3(6)	50(100)
2	Nasik	36(75)	9(18.75)	00(00)	3(6.25)	48(100)
3	Pune	46(79.31)	8(13.79)	2(3.45)	2(3.45)	58(100)
4	Aurangabad	82(71.93)	25(21.93)	5(4.39)	2(1.75)	114(100)
5	Amrawati	21(75.00)	5(17.86)	2(7.14)	00(00)	28(100)
6	Nagpur	32(60.38)	6(11.32)	11(20.75)	4(7.55)	53(100)
	Total	244 (69.52)	70 (19.94)	25 (7.12)	12 (3.42)	351 (100)

Source : Field Survey, 2013.

Note: Figures shown in bracket indicate percentage to total.

It is seen from table 2 that out 351 respondents, 244(69.52%) respondents had from prop.organisation whereas 70(19.94%) had from partnership organisation.25 (7.12%) Respondents were from co-op. form of organization .12.(3.42%) respondents from , company form organization. (table 2).

Table 5

Division-wise Distribution of Sample Entrepreneurs on the basis of Stamp Duty Exemption.

Sr. No	Division	Adequate Stamp Duty Aailed	Inadequat e Stamp Duty Aailed	Total No. of Responde nts	Stamp Duty Available on Time	Stamp Duty Aailed after time	Total No. of Responde nts
1	Konkan	45(90)	5(10)	50(100)	49(98)	1(2)	50(100)
2	Nasik	44(91.67)	4(8.33)	48(100)	45(93.75)	3(6.25)	48(100)
3	Pune	54(93.10)	4(6.90)	58(100)	50(86.21)	8(13.79)	58(100)
4	Aurangabad	109(95.61)	5(4.39)	114(100)	97(85.09)	17(14.91)	114(100)
5	Amrawati	21(75.00)	7(25.00)	28(100)	18(64.29)	10(35.71)	28(100)
6	Nagpur	46(86.79)	7(13.21)	53(100)	46(86.79)	7(13.21)	53(100)
	Total	319(90.88)	32(9.12)	351(100)	305(86.90)	46(13.10)	351(100)

Source : Field Survey, 2013.

Note: Figures shown in bracket indicate percentage to total.

Under the package scheme of Incentive (since inceneption1964) the eligible beneficiaries can get the benefits of stamp duty exemption @ 100% of duty payable.

It is seen from Table No.5, out of 351 respondents 319 (90.88%) where the opined that stamp duty exemption was very helpful while establishing business. They express that they got stamp duty exemption benefits adequacy. Where 32 (9.12%) the opined that of respondents were dissatisfied with in adequacy of assistance in stamp duty exemption scheme. They also express that their profit was increased due to assistance.

When asked about time in assistance of stamp duty exemption, 305(86.90%) the respondents concerned, they got timely benefits from stamp duty exemption. However 46(13.10%) the respondents were dissatisfied over late assistance of stamp duty exemption (table 5).

Table 6

Opinion of the respondents regarding the benefits under Package Scheme of Incentive (PSI)

Sr No	Division	Adequate PSI Aailed	Inadequate PSI Aailed	Total No. of Respondents	PSI Aailed In Time	PSI Aailed After Time	Total No. of Respondents
1	Konkan	37(74)	13(26)	50(100)	32(64)	18(36)	50(100)
2	Nasik	31(64.58)	17(35.42)	48(100)	33(68.75)	15(31.25)	48(100)
3	Pune	38(68.52)	20(34.48)	58(100)	43(74.14)	15(25.86)	58(100)
4	Aurangabad	81(71.05)	33(28.95)	114(100)	83(72.81)	31(27.19)	114(100)
5	Amrawati	17(60.71)	11(39.29)	28(100)	17(60.71)	11(39.29)	28(100)
6	Nagpur	31(56.60)	22(43.40)	53(100)	38(71.70)	15(28.30)	53(100)
	Total	235(66.95)	116(33.05)	351(100)	246(70.09)	105(29.91)	351(100)

Source: Field Survey, 2013.

Note: Figures shown in bracket indicate percentage to total.

Under the package scheme of Incentive (PSI, 2005 and 2010) the eligible beneficiaries can get the benefits of PSI @ 35% of value of plant and machinery. It is seen from Table No.6 out of 351 respondents 66.95% (235 units) where the opined that PSI exemption was very helpful while doing business. They express that they got PSI benefits adequacy. Where 33.05% (116units) the opined that the respondents were dissatisfied with inadequacy of assistance in PSI scheme, they also express that their profit was increased due to PSI assistance.

When asked about time in assistance of PSI, 70.09% (246units) the respondents concerned, they got timely benefits from PSI. However 29.91 % (105units) the respondents were dissatisfied over late assistance of PSI.

Subsidy for SC & ST raised to 50% of plant & Machinery so that entrepreneurs are benefited in initial stage of their venture.(table 6).

Table 7

Division-wise Distribution of Sample Entrepreneurs on the basis of according to Land at
 Concessional Rate (LCR) in Respondents Industry

Sr. No	Division	LCR Aailed at Adequate	LCR Aailed at Inadequate	Total No. of Respondent	LCR Aailed at In time	LCR Aailed at Aftertime	Total No. of Respondents
1	Konkan	44(88)	6(12)	50(100)	37(74)	13(26)	50(100)
2	Nasik	37(77.08)	11(22.92)	48(100)	40(83.33)	8(16.67)	48(100)
3	Pune	55(94.83)	3(15.17)	58(100)	46(79.31)	12(20.69)	58(100)
4	Aurangabad	88(77.19)	26(22.81)	114(100)	85(74.56)	29(25.44)	114(100)
5	Amrawati	22(78.57)	6(21.42)	28(100)	23(82.15)	5(17.85)	28(100)
6	Nagpur	41(77.36)	12(22.64)	53(100)	43(81.13)	10(18.86)	53(100)
	Total	287(81.77)	64(18.23)	351(100)	274(78.06)	77(21.94)	351(100)

Source : Field Survey, 2013.

Note: Figures shown in bracket indicate percentage to total.

Under the package scheme of incentive PSI (2005, 2013) eligible beneficiaries can get the assistances of PSI scheme. They can get land at concessional rate from MIDC. MIDC has been providing, water, land, at concessional rate to Enterprise. MIDC also providing roads and water facilities. It means govt. providing infrastructural facilities to Enterprises.

It is seen from table 7 that, out of 351 respondents 81.77%(287 units) had opined that land at concessional rate was very helpful with establishing new industrial unit. In the past decades land rates was very high, so ROI was high as compare to other. They got land at concessional rate exemption adequate level. While 18.23% of the respondents were dissatisfied with in adequacy of land at concessional rate . With regard to timely sanction & disbursement of land at concessional rate. It was observed that 78.06% (274uint) of respondents were got timely, however 21.94% (77 units) respondents were dissatisfied over delayed for getting land at concessional rate.(table 7).

Table 8

Type of Inspiration from PSI, LCR and Stamp Duty Exemption

Sr. No.	Division	Is there increase in production due to above schemes?		Total
		Yes	No	
1	Konkan	37(74)	13(26)	50(100)
2	Nasik	39(81.25)	9(18.75)	48(100)
3	Pune	48(82.76)	10(17.24)	58(100)
4	Aurangabad	85(74.56)	29(25.44)	114(100)
5	Amrawati	25(89.29)	3(10.71)	28(100)
6	Nagpur	38(71.70)	15(28.30)	53(100)
	Total	272 (77.49)	79 (22.51)	351 (100)

Source: Field Survey, 2013.

Note: Figures shown in bracket indicate percentage to total.

On the observation of table 8, it is seen that, out of 351 respondents, 272(77.49%) respondents agreed that there production has been increased due to these scheme, 79 respondents (22.51%) are in opined that these scheme had not helpful for increasing production (table 8).

Table 9

Type of Inspiration from PSI, LCR and Stamp Duty Exemption

Sr. No.	Division	Is there increasing profit margin due to these schemes?		Total
		Yes	No	
1	Konkan	40(85.11)	7(14.89)	47(100)
2	Nasik	34(79.07)	9(20.93)	43(100)
3	Pune	40(75.47)	13(24.53)	53(100)
4	Aurangabad	81(75)	27(25)	108(100)
5	Amrawati	19(82.60)	4(17.40)	23(100)
6	Nagpur	38(71.70)	15(28.30)	53(100)
	Total	252(78.02)	71 (21.98)	323 (100)

Source: Field Survey, 2013.

Note: Figures shown in bracket indicate percentage to total.

It is seen from table 9 that, 78.02% (252 respondents) had view that due to above scheme their profit has been increased and 21.98% (71 respondents) had view that the profit margin had not increased by these schemes (table 9).

Table 10

Type of Inspiration from PSI, LCR and Stamp Duty Exemption

Sr. No	Division	Have you got incentive for production expansion activity?		Total
		Yes	No	
1	Konkan	45(90)	5(10)	50(100)
2	Nasik	44(91.67)	4(8.33)	48(100)
3	Pune	49(84.48)	9(15.52)	58(100)
4	Aurangabad	88(77.19)	26(22.81)	114(100)
5	Amrawati	25(89.29)	3(10.71)	28(100)
6	Nagpur	43(81.13)	10(18.87)	53(100)
	Total	294 (83.76)	57 (16.24)	351(100)

Source : Field Survey, 2013.

Note: Figures shown in bracket indicate percentage to total.

On the observation of table 10 it is seen that, 294 respondents (83.76%) had opined that, they were inspired for production activity due to these schemes and 57 respondents (16.24%) had view that, these schemes had inspired them for increasing production activity (table 10).

Findings:

1. It was also observed that out of 351 respondents 66.95% (235 units) opined that they got adequate amount from the package scheme of incentives where as 33.05% (116 units) were opined that they got adequate help from the package scheme of incentives. As far as timely assistance of Package scheme of incentives is concerned, 70.09 % (246 units) of the respondents got timely benefits from PSI, others (105 units) had not got timely benefit from PSI.(Table No.6)
2. As far as land at concessional rate is concerned out of 351 respondents, 81.77% (287 units) opined that the land at concessional rate was very helpful and got adequate land at concessional rate where as 18.23% (64 units) of them felt that the land got at concessional rate was not adequate.(Table No.7)
3. It was observed that out of 351 respondents, 272 (77.49%)of them agreed that their production was increased due to package scheme of incentives.(Table No.8)
4. It was found that out of 351 respondents, 78.02%(252) respondents had viewed that due to package scheme of incentives their profit was increased and 21.98% (71) respondents had opined that the profit margin was not increased by these schemes.(Table No.9)

5. It was found that out of 351 respondents, 294 respondents (83.76%) had opined that they were inspired for production activity due to package scheme of incentives and 57 respondents (16.24%) were of opinion that these schemes did not inspire them for increasing production volume.(Table 10)

Suggestion:

Some of the important suggestion based on findings of the study are as follows :

- 1) The Government should provide timely and adequate incentives to needy entrepreneurs through implementing authorities. So, the entrepreneurs get actualization.
- 2) In the era of globalization DIC & MIDC need to change their approach with trained and well qualified staff to assist entrepreneurs under the various fiscal and financial i.e. Stamp Duty Exemption, Capital subsidy, Land at concessional Rate, Water at concessional Rate, Electricity Duty Exemption, Income Tax Exemption.
- 3) The incentives and subsidies offered by the Government should be based on requirement of a particular industry and production capacity of particular industry.
- 4) It is strongly recommended that the imbalance had been pending in various divisions in Maharashtra for sanction and disbursement. The industrial dispersal should be removed on the priority basis, so the public can get benefit from it and industrial disparity in the state of Maharashtra will be removed.
- 5) It is strongly recommended that the Central Government should consider the weighted deduction or incentives of deduction under chapter VI- A of Income Tax Act-1961 from total income up to 200% for some infrastructural industries can grow rapidly.
- 6) The field survey concluded that the schemes of Package Scheme of Incentive, Land at concessional Rate and Stamp Duty Exemption contributed to working capital of manufacturing concern of respondent entrepreneurs. Therefore, it is suggested that the Government should continue such schemes and increase the quantum of help in this case in order to attract more and more new entrepreneurs to start their manufacturing activities and present entrepreneurs to expand their manufacturing activities for more industrial development in the state.

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