

# FACULTY OF JURIDICAL SCIENCES

# Lecture-16



# Government Policy

In a planned economy like India, plant location is encouraged/discouraged at particular places due to government policy. For example, government offers several incentives for location of plants in backward areas. Again, government has put restrictions on granting licenses to certain industries to be set-up in metropolitan cities with a certain figure of population.

According to Spriegel, **“Plant location is often the result of a compromise among conflicting social, economic, governmental and geographical considerations.”** Choice of an optimum location requires judicious balancing of all factors affecting location.

## **Government’s Policy on Location:**

**The fundamental objective of government policy on location is to achieve balanced regional development of the economy through decentralization of industries, with a view to ensuring the following benefits:**

1. Reduction of inequalities of income and wealth, in various regions.
2. Provision of employment opportunities on an equitable basis.
3. Increase in the standard of living in backward areas through removal of poverty.
4. Avoid over-concentration of industries in particular regions for strategic defense considerations.
5. Controlling social problems like – development of slums, over-crowding, pollution, traffic-congestion etc.

**Measures taken by government towards dispersal of industries are of two types:**

- (I) Positive measures, for encouraging location of industrial units in backward areas
- (II) Negative measure, for restraining establishment of industrial units in over-concentrated areas.

**Positive Measures**

- (i) Provision of basic infrastructure and public utility services like – water, electricity, gas, transportation etc. in backward areas.
- (ii) Provision of social services like education, health, entertainment, training etc. for development of backward regions.
- (iii) Granting of direct subsidies (like supply of raw-materials and machinery at lower prices) and indirect subsidies (like reducing the cost of certain services to offset the influence of unfavorable factors), for industrial location in rural areas.
- (iv) Granting of income-tax, sales-tax and excise duty exemptions to the units set up in backward areas.
- (v) Public financial institutions to provide finance at low rates of interest to industrial units to be set up in 246 backward districts, specified by the government.
- (vi) Assistance to the State Governments for the development of infrastructural facilities in ‘no-industry districts’ of their respective States.
- (vii) Giving assurance by the government to purchase the products of industrial units established in backward areas.
- (viii) Development of industrial estates in backward areas, to provide benefits of common services like land, power, water etc. to a large number of industrial units located in the industrial estate.

(ix) Setting up of growth centre's throughout the country to attract industries to backward areas; each growth centre to be endowed with best possible infrastructural facilities like water, power, banking, telecommunications etc.

**Negative measures**

(i) Enhanced rates of local taxes in urban areas

(ii) Absolute prohibition to set up new industries in particular areas. Big industrial units shall not be set up within certain limits of big cities.

(iii) Not to allow establishment of chemical and other industries involving hazards to human life in populated areas; in view of Bhopal Gas Tragedy of 1984.