

# INDUSTRIAL DISPERSAL THROUGH SALES TAX INCENTIVES: AN INTER-REGIONAL PICTURE OF MAHARASHTRA UPTO 1995\*

P RAMESHAN

This paper aims at analyzing the inter-regional distribution of sales tax exemption and deferral benefits granted to industrialists in Maharashtra during 1979-1995. The incentives have been offered as a strategy for dispersal of industrial units into the less developed and undeveloped regions of the state. Sales tax incentives as a supplementary measure for dispersal has been in vogue in Maharashtra since 1964, when a package scheme of incentives was introduced to help industrialization of the state in general and the backward regions in particular. (See Srinivasan, 1967; IDBI, 1974; IICE, 1978; BCCI, 1981; GOM, 1984 for details). It was only in 1979 that sales tax incentives were transformed into a major dispersal tool when several modifications were effected in their structure and the *modus operandi* (GOM, 1980, GOM, 1982). That sales tax incentives emerged as an important government strategy for industrial development becomes very evident when we find that the total amount of sales tax benefits sanctioned in the state across regions between 1979 and March 1995 amounted to a huge sum of Rs. 7,034 crore (Department of Sales Tax, GOM, Mumbai).

The information available in various recent government publications, however, seem to suggest that there was no dramatic improvement in industrial activities in the backward regions of the state during the period mentioned above (GOM, 1993). Consequently, as late as in 1993, nearly 80 per cent of talukas, spread mostly across 16 districts in the Vidarbha and Marathwada regions of the state, remained the least developed or undeveloped. At the same time, just five districts, lying in the Konkan and Western Maharashtra regions accounted for all the 29 fully or highly developed talukas (roughly 9.3 per cent). Further, between 1979 and 1993, industrial development in several talukas in the backward districts declined from a higher level to a lower one. Thus, there are reasons to doubt the effectiveness of sales tax incentives as an industrial dispersal measure in Maharashtra.

The major objective of this study, therefore, is to focus on the efficacy or otherwise of sales tax incentives as an effective dispersal measure in Maharashtra. This has been done through an evaluation of (a) inter-regional distribution of sales tax exemptions and deferral benefits during 1979-1995; (b) spatial distortions in the accrual of sales tax benefits to the disadvantage of the most backward districts; (c) the role of natural

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resources as a factor supplementing the effect of sales tax incentives; and (d) changes in the developmental grades of talukas across districts.

The data used in this study are secondary, provided by the Sales Tax Department, Government of Maharashtra, Mumbai. The period of analysis is 1979 to March 1995. All monetary values appearing in the paper are at current prices. The study has employed only simple techniques of analysis such as percentages.

The analysis is presented below in the following format. The next section provides a brief account of the major features of sales tax exemption and deferral benefits in operation since 1979. The third section outlines the various advantages of sales tax exemption and deferral benefits to enterprises. Inter-regional distribution of sales tax incentives granted during 1979 to March 1995 has been discussed in the succeeding section. Then, we have taken a look at the distortions in the distribution of benefits across regions and their consequences. Finally, the conclusions have been briefly summarized for policy purposes.

### **Classification of Talukas**

Sales tax incentives were first introduced in Maharashtra in 1964, as part of the package scheme for promotion of industries. Sales tax benefits until 1979 were mainly a modest percentage of interest-free loan granted out of the sales tax paid by the industrial units. When this package scheme was thoroughly revised in 1979, an option was introduced into the sales tax incentive system, whereby an enterprise could choose either an exemption or a deferral. The talukas were now classified into four zones—A, B, C and D, which represented respectively fully developed, partly developed, developing and backward regions. The scheme was revised subsequently in 1983, 1988 and 1993, to make it more effective as a dispersal measure (GOM, 1983; GOM, 1988; GOM, 1993). In 1993, a D+ zone, covering the most backward regions lacking in infra-structural facilities, was added.

The talukas coming under different developmental zones have been offered varying rates of sales tax exemption or deferral ceilings. The D+ zone talukas have been given both maximum ceilings and incentive periods. Similarly, new units and small-scale units have been granted a higher proportion of ceilings than the expanding/diversifying units and large and medium units.

The ceilings are calculated as a percentage of fixed capital investment of the enterprises concerned. If the firm opts for exemption, it need not pay its sales tax dues till it exhausts the ceiling or completes the specified period of incentives, whichever is earlier. In subsequent periods, it has to pay only the current dues and not the earlier ones. In deferral, sales tax dues are deferred until the completion of the incentive period, with an additional grace period allowed for starting the repayment of deferred dues. Finally, the enterprise starts paying up the past dues, along with the current ones, in instalments, but with no interest charges on the deferred dues. Thus, the deferral incentive is virtually an interest free loan.

Sales tax ceilings are granted as proportions of fixed capital. Such proportions are specified for each category of talukas. Hence, the volume of total industrial investment in each category of talukas could be roughly estimated from the quantum of exemption

and/or deferral benefits received by them, even when the investment figures are explicitly known. Obviously, a higher level of incentives drawn by a taluka imply a higher level of investment.

Sales tax incentives are available to enterprises in two parts. Part-I is applicable to entirely new units being set up, under the pioneer or non-pioneer nature according to the 1979 scheme, and to the expanding or diversifying units according to subsequent schemes. The 1983 scheme stipulates only deferral benefits to the latter units under Part-I. It is mainly the new units set up by existing units which are eligible for tax incentives under Part-II. Expanding or diversifying units are also eligible but subject to an investment limit. Incentives under Part-I are higher in magnitude than those under Part-II.

Sales tax exemption or deferral benefits provide various advantages to an enterprise. (See Rameshan, 1997, for a detailed analysis). In case of exemption, the profits of the enterprise are higher to the measure of the sales tax payable, as if the enterprise had been charging full tax from its customers. For new units established in the backward regions and for those which just break even or incur losses, the exemption of tax dues become an important relief measure. If the enterprise is facing competition, it can decide not to collect the whole or part of the sales tax leviable, thereby creating a price advantage over its competitors. Further, by not charging sales tax, the enterprise concerned increases its revenue through the price mechanism, depending upon the price elasticity of its product. Sales tax exemption is also applicable to inputs procured by the enterprise. This reduces the cost of production, thereby yielding a cost-advantage to the unit. From the social-welfare point of view, too, sales tax exemption is gainful because the resultant reduction in costs pushes the supply curve to the right and, thus, eliminates fully or partly the dead-weight loss caused by imposition of tax in the first place.

### **Availability of Working Capital**

The major gain from sales tax deferral is availability of working capital especially for those units which may not face much competition but are likely to face working capital problems. In addition to the working capital accrued by the amount of sales tax dues deferred, a significant amount of interest is also saved as there is no interest obligation on the deferred sales tax dues. Such savings take place not only during the deferral period but also during the grace and repayment periods, as the dues are repaid not in one go but in instalments spread over several years. Changes in market value over years are an added benefit. The retained sales tax amounts are of higher value than at the time of repayment in future when the value of money has fallen substantially.

Thus, sales tax incentives are of great advantage to the enterprises concerned. It is precisely why they were expected to play an important role in industrial dispersal in Maharashtra.

Now we focus on sales tax ceilings sanctioned between 1979 and March 1988. During this period only the 1979, 1983 and 1988 schemes were operative. The 1979

**Table 1**  
**Tax Exemption Benefits: District-wise Number of Units and Ceilings**  
**Granted (Ceilings in Rs. Crores)**

Districts: Partly/ undeveloped/developing	Benefit period completed		Benefit period in progress		Total			
	Num- ber	Cei- ling	Num- ber	Cei- ling	Num- ber grand total	As % of	Cei- ling	As % of grand total
<b>Fully developed</b>	—	—	—	—	—	—	—	—
<b>Greater Bombay</b>	—	—	—	—	—	—	—	—
<b>Some parts fully developed</b>	91	146.32	151	790.15	242	43.06	936.47	26.09
<b>Thane</b>	57	85.76	82	272.92	139	24.73	358.68	9.99
<b>Raigad</b>	22	30.79	35	312.08	57	10.14	342.87	9.55
<b>Pune</b>	12	29.77	34	205.15	46	8.18	234.92	6.54
<b>Some areas par- tly developed</b>	16	22.00	20	106.53	36	6.41	128.53	3.58
<b>Nashik</b>	15	16.20	16	80.09	31	5.52	96.29	2.68
<b>Ahmednagar</b>	1	5.80	4	26.44	5	0.89	32.24	0.90
<b>Adjoining Pune, but partly developed areas</b>	10	15.17	17	108.66	27	4.80	123.83	3.45
<b>Satara</b>	4	4.55	4	3.78	8	1.42	8.23	0.23
<b>Sholapur</b>	6	10.62	13	104.88	19	3.38	115.40	3.22
<b>Partly developing, partly least developed</b>	45	301.04	107	1385.40	152	27.05	1686.44	46.98
<b>Ratnagiri</b>	4	3.26	19	449.00	23	4.09	452.26	12.60
<b>Sangli</b>	7	16.28	10	24.17	17	3.02	40.45	1.13
<b>Kolhapur</b>	4	19.86	16	183.57	20	3.56	203.43	5.67
<b>Aurangabad</b>	13	153.40	38	581.06	51	9.07	734.46	20.46
<b>Amravati</b>	2	68.72	2	19.38	4	0.71	88.10	2.45
<b>Nagpur</b>	15	39.52	22	128.22	37	6.58	167.74	4.67
<b>Mostly/fully least developed</b>	27	127.16	44	388.25	71	12.63	515.41	14.36
<b>Sindhudurg</b>	1	0.96	3	112.02	4	0.71	112.90	3.15
<b>Jalgaon</b>	4	9.09	11	42.24	15	2.67	51.33	1.43
<b>Parbhani</b>	4	10.67	—	—	4	0.71	10.67	0.30
<b>Osmanabad</b>	3	14.82	4	17.91	7	1.25	32.73	0.91
<b>Buldhana</b>	—	—	3	17.07	3	0.53	17.07	0.48
<b>Akola</b>	5	10.42	4	21.28	9	1.60	31.70	0.88
<b>Yavatmal</b>	—	—	3	47.23	3	0.53	47.23	1.32
<b>Wardha</b>	2	3.34	10	87.10	12	2.14	90.44	2.52
<b>Bhandara</b>	3	8.73	3	3.13	6	1.07	11.86	0.33
<b>Chandrapur</b>	5	69.13	3	40.27	8	1.42	109.40	3.05
<b>Partly least developed and partly undeveloped</b>	8	39.53	20	127.76	28	4.98	167.29	4.66
<b>Dhule</b>	2	11.32	12	38.20	14	2.49	49.52	1.38

Beed	—	—	1	24.31	1	0.18	24.31	0.68
Nanded	4	14.59	4	52.30	8	1.42	66.89	1.86
Latur	2	13.62	3	12.95	5	0.89	26.57	0.74
H Mostly/fully un- developed	4	17.13	2	14.71	6	1.07	31.84	0.88
Jalna	4	17.13	—	—	4	0.71	17.13	0.48
Gadchiroli	—	—	2	14.71	2	0.36	14.71	0.41
<b>Total (A-H)</b>	<b>201</b>	<b>668.35</b>	<b>361</b>	<b>2921.46</b>	<b>562</b>	<b>100.00</b>	<b>3589.81</b>	<b>100.0</b>

Source: Sales Tax Department, Government of Maharashtra, Bombay.

scheme became operative later. The 1979 scheme started operating only in 1981. So the analysis would actually reveal the dispersal process between 1981 and 1995.

While analysing the sales tax incentive distribution and the underlying dispersal trends, we followed the 1993 classification of talukas, which we have already mentioned. This was for the purpose of focusing on the latest situation of industrial backwardness in spite of the implementation of the sales tax incentive schemes across talukas, over a long period of time.

This analysis covers the incentives granted to the large and medium units. This is because of non-availability of relevant data on small-scale units drawing the incentives. Incidentally, the available data show that from 1979 to March 1994 the small-scale units had claimed just 12.5 per cent of the total sales tax exemption and deferral benefits granted in Maharashtra, though they accounted for almost 90 per cent of the total, 11,459 units set up under the scheme.

Tables 1 and 2 show the inter-district distribution of sales tax incentives for large

**Table 2**  
**Sales Tax Deferral Benefits: District-wise Number of Units and Ceilings**  
**Granted (Ceilings in Rs. Crores)**

Sr. No.	Districts: Partly developed/developing	Benefit period completed		Benefit period in progress		Total			
		Num-ber	Cei-ling	Num-ber	Cei-ling	Num-ber	As % of grand total	Cei-ling	As % of grand total
A	Fully developed Greater Bombay	—	—	—	—	—	—	—	—
B	Some parts fully developed	76	156.35	130	1679.51	206	41.26	1835.86	52.69
	Thane	30	39.80	46	230.18	76	15.24	269.98	7.75
	Raigad	18	64.11	34	1002.68	52	10.57	1066.79	30.62
	Pune	28	52.44	50	446.65	78	15.45	499.09	14.33
C	Some areas partly developed	29	44.63	56	229.61	85	17.68	274.24	7.87
	Nashik	27	41.28	40	124.70	67	13.21	165.98	4.76
	Ahmednagar	2	3.35	16	104.91	18	4.47	108.26	3.11

<b>D</b> Adjoining Pune, but no developed areas	14	52.04	28	47.25	28	5.33	58.33	2.55
Satara	11	37.08	8	21.13	19	4.27	58.21	1.67
Sholapur	3	14.96	7	26.13	10	2.03	41.09	1.18
<b>E</b> Partly developing, partly least/un-developed	35	242.52	99	887.38	134	27.44	1129.90	32.43
Ratnagiri	1	0.40	14	87.90	15	3.05	88.30	2.53
Sangli	2	7.66	2	1.81	4	0.81	9.47	0.27
Kolhapur	6	8.25	18	40.50	24	4.88	48.75	1.40
Aurangabad	13	204.76	49	612.24	62	12.80	817.00	23.45
Amravati	—	—	—	—	—	—	—	—
Nagpur	13	21.45	16	144.93	29	5.89	166.38	4.78
<b>F</b> Mostly/fully least developed	16	24.56	15	64.92	31	6.1	89.98	2.57
Sundhurdurg	2	2.66	1	1.65	3	0.61	4.31	0.12
Jalgaon	5	5.29	7	27.24	12	2.24	32.53	0.93
Parbhani	1	5.68	—	—	1	0.20	5.68	0.16
Osmanabad	—	—	—	—	—	—	—	—
Buldhana	—	—	2	21.46	2	0.41	21.46	0.62
Akola	—	—	1	1.16	1	0.20	1.16	0.03
Yavatmal	—	—	1	7.61	1	0.20	7.61	0.22
Wardha	1	5.49	1	3.94	2	0.41	9.43	0.27
Bhandara	4	3.94	1	1.61	5	1.02	5.55	0.16
Chandrapur	3	1.50	1	0.25	4	0.81	1.75	0.05
<b>G</b> Partly least developed and partly undeveloped	1	2.96	2	49.51	3	0.61	52.47	1.51
Dhule	1	2.96	1	47.74	2	0.41	50.70	1.46
Beed	—	—	—	—	—	—	—	—
Nanded	—	—	1	1.77	1	0.20	1.77	0.05
Latur	—	—	—	—	—	—	—	—
<b>H</b> Mostly/fully undeveloped	1	0.65	2	2.04	3	0.61	2.69	0.08
Jalna	1	0.65	2	2.04	3	0.61	2.69	0.08
Gadchiroli	—	—	—	—	—	—	—	—
<b>Total (A-H)</b>	<b>172</b>	<b>523.71</b>	<b>319</b>	<b>2960.23</b>	<b>491</b>	<b>100.00</b>	<b>3483.94</b>	<b>100.00</b>

Source: As in Table 1.

and medium units in Maharashtra during the study period. Obviously, those three districts, viz., Thane, Pune and Raigad, with at least some fully developed (A zone) areas, accounted for 43 per cent of the units drawing exemption and 41 per cent drawing deferral benefits. The corresponding ceilings granted were about 26 per cent in the case of exemption and 53 per cent in the case of deferral incentives. The share of districts with some partly developed (B zone) areas, i.e., Nashik and Ahmednagar, was nearly 18 per cent in respect of the number of units drawing deferral benefits, but lower in other respects. Eight districts with some C-zone areas (Satara to Nagpur) accounted for about 27 per cent each of exemption and deferral units and 47 and 32 per cent respectively of exemption and deferral ceilings granted. The 16 most

**Table 3**  
**Distorted Distribution of Sales Tax Benefits: Number of Industrial Units<sup>d</sup>**

Sr. No.	Category of districts	% of Industrial units <sup>#</sup>				
		Zone-B	Zone-C	Zone-D	Zone-D+	Total
A	Partly developed districts*					
	i) Exemption	32.38	12.46	0.72	3.91	49.47
	ii) deferral	41.35	15.07	1.02	1.83	59.27
	iii) Total@	36.56	13.68	0.85	2.94	54.03
B	Partly developing districts**					
	i) Exemption	—	9.97	15.30	6.58	31.85
	ii) Deferral	—	12.63	16.70	3.87	33.20
	iii) Total@	—	11.21	15.95	5.32	32.48
C	<b>Total of A &amp; B</b>					
	i) Exemption	32.28	22.43	16.02	10.49	81.22
	ii) Deferral	41.34	27.70	17.72	5.70	92.47
	iii) Total@	36.56	24.89	16.80	8.26	86.51
D	Other (Totally least/ undeveloped) districts***					
	i) Exemption	—	—	15.48	3.20	18.68
	ii) Deferral	—	—	6.31	1.22	7.53
	iii) Total@	—	—	11.21	2.28	13.49

**Notes:** \* Thane, Raigad, Pune, Nashik, Ahmednagar.  
 \*\* Satara, Sholapur, Ratnagiri, Sangli, Kolhapur, Aurangabad, Amravati, Nagpur.  
 \*\*\* Other 16 districts.  
 # As % of the total for all districts under exemption/deferral.  
 \$ Benefit period completed and in progress.  
 @ As % of the total of exemption and deferral units.

**Source:** Compiled from sources as in Table 1.

backward districts, with only D and/or D+ zones, ranging from Sindhudurg to Gadchiroli, had nearly 19 per cent of exemption units, seven per cent of deferral units, 20 per cent of exemption ceilings and four per cent of deferral ceilings.

It is evident that the distribution of sales tax incentives and, therefore, of units drawing such benefits has been very much biased in favour of the developed regions of the state. As Tables 3 and 4 show, the zone-B talukas, which are just 12 in number (or less than four per cent of the total talukas) and spread over five districts, account for more than one-third of the total units drawing sales tax benefits and a third of the corresponding ceilings. A quarter each of the units are located in zone-C talukas (7 per cent of all talukas) and zone-D or D+ talukas of the partly developed or developing districts (about 31 per cent of all talukas). Nearly 49 per cent of the talukas, which are categorized as D or D+ zones and located in the 16 most backward districts could attract merely 13.5 per cent of the industrial units set up under the sales tax scheme since 1979.

In the same way, zone-B and zone-C talukas and zone D and D+ talukas, located in the partly developed or developing districts, together received almost 88 per cent of the sales tax ceilings granted through the total 86.5 per cent of the units.



**Table 4**  
**Distorted Distribution of Sales Tax Benefits: Ceilings Granted<sup>5</sup>**

Sr No.	Category of districts	% of Amount of ceilings granted <sup>#</sup>				
		Zone-B	Zone-C	Zone-D	Zone-D+	Total
<b>A</b>	<b>Partly developed districts*</b>					
	i) Exemption	13.96	13.92	0.43	1.36	29.67
	ii) Deferral	47.62	10.24	0.24	2.46	60.57
	iii) Total <sup>@</sup>	30.54	12.10	0.34	1.90	44.89
<b>B</b>	<b>Partly developing districts**</b>					
	i) Exemption	—	22.70	16.06	11.67	50.43
	ii) Deferral	—	3.61	27.78	3.89	35.28
	iii) Total <sup>@</sup>	—	13.30	21.83	7.84	42.97
<b>C</b>	<b>Total of A &amp; B</b>					
	i) Exemption	13.96	36.61	16.49	13.03	80.10
	ii) Deferral	47.62	13.85	28.02	6.35	95.85
	iii) Total <sup>@</sup>	30.54	25.40	22.17	9.74	87.85
<b>D</b>	<b>Other (Totally least/undeveloped) districts***</b>					
	i) Exemption	—	—	14.42	5.48	19.90
	ii) Deferral	—	—	3.97	0.18	4.15
	iii) Total <sup>@</sup>	—	—	9.27	2.87	12.15

- Notes:**
- \* Thane, Raigad, Pune, Nashik, Ahmednagar.
  - \*\* Satara, Sholapur, Ratnagiri, Sangli, Kolhapur, Aurangabad, Amravati, Nagpur.
  - \*\*\* Other sixteen districts.
  - # As % of the total for all districts under exemption/deferral.
  - <sup>5</sup> Benefit period completed and in progress.
  - @ As % of the total exemption and deferral units.

**Source:** As in Table 3.

lected. A dismally low 12 per cent share of the ceilings granted accrued to the most backward districts.

As suggested earlier sales-tax benefit figures across talukas can be used to get a rough estimate of the level of industrial investment in those talukas, during the study period. Table 5 lists the estimated values. We see that over one-third for the total investment went into the 12 talukas classified as zone-B, and another 25 per cent zone-C talukas. With nearly 30 per cent of investment finding its way into the D and D+ talukas of the partly developed or developing districts, a total of 89 per cent industrial investment under the sales tax incentive scheme between 1979 and 1995 occurred in the relatively well-placed regions. A mere 11 per cent was the level of investment in the most backward regions, whose industrialization and development was the foremost objective of the sales tax incentives. This implies that this measure has not proved very effective as a major tool of industrial dispersal in Maharashtra.

It seems that the bias of the entrepreneurs against the backward regions, as reflected in the poor sales-tax incentive receipts of those regions, adversely affected their scope for overall improvement. This may be inferred from Tables 6 and 7. Table 6 shows that 15 of the 20 talukas, which registered some improvement in their developmental



**Table 5**  
**Total Industrial Investment Estimated Across Zones Based on Rates of Sales Tax Ceilings and Actual Benefits Granted (1979-1995)**

Zones	B	C	D and D+	
			Developed/ developing districts	Least/un- developed districts
Sales tax ceilings granted (% of total) <sup>@</sup>	30.5	25.5	32.0	12.0
Average rates of sales tax ceilings (%) <sup>*1</sup>	65.0	75.0	80.0	80.0
Sales tax ceilings granted—amount <sup>§</sup> (Rs. Crores)	2145.0	1794.0	2251.0	844.0
Estimated investment in industrial units (amount of ceilings)	3300.0	2392.0	2814.0	1055.0
Rates of ceilings (Rs. Crores) <sup>#</sup>	(34.5)	(25.0)	(29.5)	(11.0)

Notes: @ Rounded-off to next higher digit.

\* Ceilings available across zones as % of fixed capital.

§ Total ceilings granted come to Rs. 7,034 crore.

# Figures in parantheses are % of total investment estimated for all zones.

1 Arithmetic average of ceilings under 1979, 1983 and 1988 schemes (approximated)

**Table 6**  
**Number of Talukas showing Improvement in Developmental Status between 1979-1993 & District-wise**

Sr. Districts: partly developed/developing	Level of Movement & Number of Moving Talukas							
	D to C	C to B	B to A	D to B	C to AB	AD to AC	AC to AB	AC to A
A Fully developed Greater Bombay								
B Some parts fully developed	11	4	1	1	1	1	3	1
Thane	2	2	-	-	-	-	-	1
Raigad	5	1	1	-	1	-	-	-
Pune	4	1	-	1	-	1	3	-
C Some areas partly developed	4	5	-	-	-	-	-	-
Nashik	3	1	-	-	-	-	-	-
Ahmednager	1	4	-	-	-	-	-	-

Adjoining Pune, but no developed areas	3	-	-	-	-	-	-	-
Satara	3	-	-	-	-	-	-	-
Sholapur	-	-	-	-	-	-	-	-
Partly developing, partly/least/un-developed	2	-	-	-	-	-	-	-
Ratnagiri	1	-	-	-	-	-	-	-
Sangli	1	-	-	-	-	-	-	-
Kolhapur	-	-	-	-	-	-	-	-
Aurangabad	-	-	-	-	-	-	-	-
Amravati	-	-	-	-	-	-	-	-
Nagpur	-	-	-	-	-	-	-	-
<b>Total</b>	<b>20</b>	<b>9</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>1</b>

**Table 7**  
**Number of Talukas Showing Deterioration in Developmental Status between 1979-1993 & District-wise**

Districts: partly developed/developing	Level of Movement & Number of Moving Talukas					
	A to AB	A to B	B to C	C to D	C to D+	D to D+
Fully developed						
Greater Bombay						
Some parts fully developed	2	-	2	-	1	4
Thane	-	-	-	-	1	3
Raigad	2	-	2	-	-	-
Pune	-	-	-	-	-	1
Some areas partly developed	-	-	-	1	1	7
Nashik	-	-	-	-	-	5
Ahmednagar	-	-	-	1	1	2
Adjoining Pune, but no developed areas	-	-	-	1	-	6
Satara	-	-	-	-	-	2
Sholapur	-	-	-	1	-	4
Partly developing, Partly/least/un-developed	-	-	2	1	-	18
Ratnagiri	-	-	-	-	-	5
Sangli	-	-	-	-	-	1
Kolhapur	-	-	1	1	-	3
Aurangabad	-	-	1	-	-	3
Amravati	-	-	-	-	-	3
Nagpur	-	-	-	-	-	3
<b>Sub-Total (B-E)</b>	<b>2</b>	<b>-</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>35</b>

F	Mostly/fully least developed	-	-	-	8	2	20
	Sindhudurg	-	-	-	-	-	1
	Jalgaon	-	-	-	3	2	2
	Parbhani	-	-	-	3	-	2
	Osmanabad	-	-	-	-	-	2
	Buldhana	-	-	-	-	-	2
	Akola	-	-	-	1	-	2
	Yavatmal	-	-	-	-	-	3
	Wardha	-	-	-	-	-	1
	Bhandara	-	-	-	-	-	2
	Chandrapur	-	-	-	1	-	3
G	Partly least developed and partly un-developed	-	-	-	1	-	15
	Dhule	-	-	-	-	-	4
	Beed	-	-	-	-	-	3
	Nanded	-	-	-	1	-	5
	Latur	-	-	-	-	-	3
H	Mostly/fully un-developed	-	-	-	1	-	15
	Jalna	-	-	-	1	-	7
	Gadchiroli	-	-	-	-	-	8
	<b>Sub-Total (F-H)</b>	-	-	-	10	2	50
	<b>Grand Total (B-H)</b>	2	-	4	13	4	85

status during 1979-1993, were part of the five partly developed districts, with the remaining five being in the three partly developing districts. To our great dismay, none of the talukas in the 16 most backward districts showed any improvement in their developmental grade during this time. At the same time, the development status of 50 of the 85 talukas, belonging to the backward districts, declined during the study period (Table 7).

Ironically, even those districts with rich mineral and other natural resources received very poor attention from the industrialists. This is evident from Tables 8 and 9. Even among the units set up in some of those districts, a major part have been, surprisingly, non-mineral based. This refutes the argument, that natural resource availability is an important factor for industrial location. This, together with the ineffective role of sales tax incentives as a primary factor of industrial location, as noted earlier, makes industrialization of the most backward areas even more difficult.

The above analysis shows that the varying rates of sales tax incentives granted in different regions according to their developmental status did not help the industrialization of backward regions in any significant manner. This is because most of the entrepreneurs ignored these regions for various reasons and tended to go to those regions which had already achieved some level of development. Thus, there has been a concentration of industrial activities, as evident from the location of large and medium units under the sales tax schemes, in Thane, Raigad, Pune and Nashik. These regions are either already significantly developed or have great growth potential.

**Table B**  
**Broad Industry-wise Classification of Units Drawing Sales Tax Benefits Across Districts**

Sr. No.	Districts: Partly developed/developing	Food & Agro. related	Metal based	Chemical and related	Non-metallic mineral based	Textiles and related	Electrical and Electronics	Paper & related	Transport equipment	Non-transport engineering	Others	Total
A	Fully developed Greater Bombay											
B	Some parts fully developed	27	59	72	2	102	21	15	5	41	104	448
	Thane	7	27	21	1	85	6	6	1	11	50	215
	Raigad	7	13	43	-	11	4	4	-	3	24	109
	Pune	13	19	8	1	6	11	5	4	27	30	124
C	Some areas partly developed	16	18	5	6	1	9	3	3	22	38	121
	Nashik	9	12	3	6	1	8	3	3	19	34	98
	Ahmednagar	7	6	2	-	-	1	-	-	3	4	23
D	Adjoining Pune, but no developed areas	10	4	4	2	16	1	5	1	3	10	56
	Satara	4	3	2	2	1	1	3	1	3	7	27
	Sholapur	6	1	2	-	15	-	2	-	-	3	29
E	Partly developing, Partly least/un-developed	25	38	44	13	39	13	11	9	31	63	286
	Ratnagiri	1	-	21	3	4	-	-	-	1	8	38
	Sangli	9	1	1	1	5	1	-	-	2	1	21
	Kolhapur	6	7	1	2	15	-	-	2	9	2	44
	Aurangabad	4	15	16	2	3	11	4	6	12	40	113
	Amravati	1	-	-	-	2	-	-	-	-	1	4
	Nagpur	4	15	5	5	10	1	7	1	7	11	66
	<i>Sub-Total (B-E)</i>	78	119	125	23	158	44	34	18	97	215	911
F	Mostly/fully least developed	18	5	13	8	25	4	6	1	5	17	102
	Sindhudurg	-	1	-	2	1	2	-	-	-	1	7
	Jalgaon	2	2	3	-	4	-	4	-	3	9	27
	Parbhani	3	-	-	-	1	-	-	-	-	1	5
	Osmanabad	1	-	1	-	5	-	-	-	-	-	7
	Buldhana	1	-	-	-	3	-	-	-	-	1	5
	Akola	1	-	3	-	3	-	-	-	1	2	10
	Yavatmal	2	-	-	1	1	-	-	-	-	-	4
	Wardha	3	-	4	-	7	-	-	-	-	-	14
	Bhandara	5	2	-	2	-	-	-	1	-	1	11
	Chandrapur	-	-	2	3	-	2	2	-	1	2	12
G	Partly least developed and partly undeveloped	10	3	4	2	7	-	2	-	-	3	31
	Dhule	4	1	-	0	7	-	2	-	-	2	16
	Beed	1	-	-	-	-	-	-	-	-	-	1
	Nanded	2	2	3	1	-	-	-	-	-	1	9
	Latur	3	-	1	1	-	-	-	-	-	-	5
H	Mostly/fully undeveloped	2	1	-	-	-	-	2	-	-	4	9
	Jalna	2	1	-	-	-	-	-	-	-	4	7
	Gadchiroli	-	-	-	-	-	-	2	-	-	-	2
	<i>Sub-Total (F-H)</i>	30	9	17	10	32	4	10	1	5	24	142
<b>Grand Total (B-H)</b>		108	128	142	33	190	48	44	19	102	239	1053
<b>% of Sub-Total (F-H) to Grand Total</b>		27.8	7.0	12.0	30.3	16.8	8.3	22.7	5.3	4.9	10.0	13.5

Source: As in Table 1

of their closeness to the developed regions of the state, such as Bombay Metropolitan Region, which offer excellent marketing potentials.

The only other areas with some density of industrial activities are the emerging growth centres, Aurangabad and Nagpur. These are the only parts of Vidarbha and Marathwada regions with significant urbanization and infrastructural facilities. Even among the 16 most backward districts, those which are either on the sea-coast (such as Sindhudurg) or with some road or rail network (such as Chandrapur) are industrially relatively better off, as our tables reveal.

Thus, it can be concluded, without much doubt, that entrepreneurs do not consider tax incentives or natural resources without other complementary elements, as prime determinants of location of industries, but such factors as marketing potentials, infrastructural facilities and such other as might ensure maximization of profits. Given these factors, tax incentives may work as an added advantage. This has been pointed out in many other studies (Due, 1969; Bridges, 1969). What is, therefore, necessary for industrializing the backward areas of Maharashtra, or of any other state for that matter, is development of the social and economic infrastructural system of those regions, which would attract industrial investment. Unless this is done, no amount of monetary incentives would ensure the desired results in the near future.

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