Part 2 Chapter 6

Industrial Growth Policy

6.1 Introduction

6.1.1 Industrial growth in MMR has been subjected to a location policy since 1973. It sought to regulate the industrial development in the region in a way that would sub serve the objective of restructuring the spatial pattern of development according to the Regional Plan. Over the years, the policy underwent changes, yet its basic features largely remained unaltered. When significant changes have occurred in industrial growth pattern of MMR and when the industrial scene in the country is rapidly changing owing to such factors as liberalisation in licensing policies, emphasis on adoption of modern technology incentives, foreign investment, etc. the Industrial Growth Policy (IGP) for the region was reviewed and reoriented.

6.2 Review of Industrial Policies in India

6.2.1 Industrial Policy at National Level

The industrial policies that influence growth of manufacturing industry in Mumbai and the rest of the MMR are devised and implemented at three different level : national, state and regional levels. At the national level, the industrial policy is implemented by the Govt. of India under the provisions of the Industrial Development and Regulation Act, 1951 which allows licensing and regulation of industries. The Industrial Policy Resolution adopted by Govt. of India in 1956 was the first comprehensive industrial policy that defined the Government's basic approach towards the country's industrial development. This approach largely remained valid despite successive changes in the policy in 1970, 1973, 1977 and 1980. Although the primary concern of this policy was to achieve rapid industrialisation of the country, it recognised the need to reduce disparities in the level of development between different regions.

As a concrete action in this regard, in early '70s industrially backward states and backward districts were identified and a scheme of fiscal and financial incentive was introduced. The scheme included grant of Central subsidy upto 15% of the fixed capital, transport subsidy, income tax concession, preference for import of plant, machinery and raw material, and concessional finance from financial institutions. By its policy of 1977, the Central Government decided that no more licenses would be granted to industrial units in and around metropolitan cities, and urban areas with population of 5 lakhs and above. Industrial units not requiring licenses were to be denied financial assistance if they locate in these areas. It was also decided to provide assistance to large industries to shift from congested metropolitan cities to backward areas.

The thrust of 1980 industrial policy was on establishing a more dynamic industrial economy. And towards this end, the Government took a number of steps such as streamlining licensing procedure, allowing automatic growth beyond licensed capacity, raising investment limits of Small Scale Industry (SSI) from Rs. 20 lakhs to Rs. 35 lakhs, fixing licensed capacities taking into account. Minimum Economic Scale (MES), allowing flexibility in product - mix by broad banding, and encouraging modernisation. The policy reaffirmed the Governments' commitment to correcting regional imbalance, and continued most of the measures including restraints on setting up industries in metropolitan cities and large urban areas.

\In June 1988, except 26 categories, all industries were de licensed upto an investment of Rs. 50 crores if located in backward area, but upto Rs. 15 crores in non-backward areas. Furthermore, delicensing facility was barred for industries within 50 km. from cities with population more than 25 lakhs, 30 km from cities with population between 15 and 25 lakhs and 15 km. from cities with population between 7.5 to 15 lakhs outside the municipal limits of all other cities and towns. The policy paper published in June 1990 sought to ease some of these provisions for weaning industries from towns and cities. It recommended delicensing new units upto Rs. 25 crores investment even in the non-backward areas and allowing non-polluting industries such as electronics, computer software, printing etc. in the metropolitan areas.

Although the industrial policies of the Central Government have helped accelerating India's industrialisation, divergent views are held about their success in reducing disparities in the levels of development amongst different states: According to one view (Godbole, 1978) industrially advanced states retained their dominant position, though degree of inter-regional disparity reduced a little over time. Most of the backward districts continued to lag behind in industrialisation. A few among the backward districts located near metropolitan cities secured a major share of industries in backward areas. According to other view (Mohan, 1989) the fact that the industrially advanced states have lost some ground in their share of industry, in itself, is an indication of some success of the Industrial Location Policy. Further measure of its success is the increase in the number of industrial concentrations in the country from about half dozen four decade ago to 40 or 50. India thus can be credited with at least as good a performance as by other countries in dispersing industries across the country.

6.2.2 Industrial Policy in Maharashtra

Maharashtra has been the first State to adopt complementary policies for promoting rapid industrialisation and encouraging development of backward areas. This was done through a multi-pronged strategy consisting of the following:

1. Developing land and infrastructure for setting up industries in different part of the State through Maharashtra Industrial Development Corporation (MIDC);

2. Extending financial assistance to small and medium units through Maharashtra State Finance Corporation (MSFC);

3. Making special promotional efforts through State Industrial Investment Corporation of Maharashtra (SICOM) by way of assistance in project identification, investment guidance, loans, equity participation etc.;

4. Assisting industrial units through Maharashtra Small Scale Industries Development Corporation (MSSIDC) in procurement of raw material, marketing of products etc., and

5. Offering a package of fiscal and other incentives such as exemption in sales tax or its retention as an interest-free long term loan, exemption from octroi, exemption from payment of water royalty and NA assessment, contribution towards cost of project report etc.

In implementing these measures special emphasis was placed on the backward areas of the State. Firstly, restraints were put on setting up industries in Greater Mumbai-Thane-Kalyan belt, and secondly, facilities and incentives were offered for establishing industries in backward areas. For the purpose of deciding eligibility for facilities and incentives, the State was divided into four groups. While in Group-I, comprising Mumbai-Pune belt, no incentives were available, they were available at progressively higher rate in Group II, III and IV as the degree of backwardness increased. Other measures used for attracting industry to backward areas were subsidised pricing for Industrial plot and water by the MIDC in its industrial areas, removal of disparity in tariffs between developed and backward areas, and exemption to units in backward areas from power cut.

A study of the Industrial Location Policy (Godbole 1978) indicates that all-round efforts by the State for the Industrial dispersal succeeded in directing flow of investment to growth centers like Nashik, Nagpur and Aurangabad. This is evident from the increasing number of factory registrations at these centres and their growing share of the State's industrial employment and consumption of electricity. The study concludes that from the entrepreneurs' view point availability of land at concessional price, provision of infrastructural facilities and concessional finance were the key factors in influencing their decision to go to the Growth Centres. Another study by the Mumbai Chamber of Commerce and Industry also considers the Industrial Location Policy to be reasonably successful, but not enough in creating self-sustaining industrial base generating adequate employment in the growth centres. Similarly, it did not have much spin-off effect in generating social development in terms of improvements in infrastructure, housing and social facilities at the Growth Centers (TECS, 1981). The policy preoccupation was the location away from Mumbai-Pune belt. Issues such as sickness, environment, employment generation, taking advantage of natural endowments, skills and manpower received inadequate attention.

Such location policies are however not exceptional. Both developed and developing economies have used similar policies. Their experience would therefore be useful. A brief review of British and Korean policies related to London and Seoul is presented below.

6.3 Policies in other Countries

6.3.1 Great Britain

Great Britain presents one of the most striking and early examples in the implementation of ILP. For more than three decades after the Second World War Britain pursued ILP to arrest further growth of its South-East Region and reduce unemployment in the depressed regions of the North. It used inducements and restraints to achieve its objectives. The inducements were in the form of grants and loans for capital cost of plant and machinery, rent concessions, and selective employment payments for new jobs created. The restraints were mainly through land use controls and the Industrial Development Certificate (IDC) required for setting up projects over certain size. In addition, industrial promotion in the new towns, over spill reception areas, and expanded towns were part of the measures to decentralise population and economic activity from prosperous regions and metropolitan cities. Impact of these policies had been rather limited. Though during '60s and '70s it succeeded in creating 1.2 to 2 lakhs jobs in the Development Areas, the unemployment remained at high level and disparities between prosperous and depressed regions persisted.

For London the story was different. Rapid growth of population and manufacturing jobs in '30s and '40s prompted regulation of new factory jobs in London through the system of IDC. Other actions taken in concert, such as establishment of green belt around London to halt its further growth, and development of new towns and expanded towns beyond the green belt arrested London's growth and, later, led to its decline. It lost 1.65 lakhs jobs in '50s and 5 lakhs in '60s (Hall, 1989). During '50s London's manufacturing employment remained stagnant and in the following decade declined by 3.45 lakhs. The job losses continued through '70s and '80s. Between 1961 and 1983 London's manufacturing jobs declined from 14.49 lakhs to 5.83 lakhs. (Lever, 1987)

The persistent job losses led to decline of inner city areas, causing increasing unemployment, loss of population, blight, general degradation of living environment and loss of revenue to local authorities. In 1979, turning away from the three decades of policy of steering growth out of London and South-East Region, the new Conservative Government adopted fresh approaches. Economic recovery became the prime objective and was to be achieved by encouraging private investment and by removing obstacles to private enterprise. IDC was first suspended, and then abolished in 1982. New Enterprise Zones with minimal planning controls and incentives such as tax holidays were introduced. Old industrial premises were refurbished and new estates were constructed to attract new hi-tech industries. Financial subsidies on capital, labour and rent were offered to preserve existing employment. Urban Development Corporation was created to catalyse private investment into redevelopment programme. The impact of policy change became visible toward late '80s in the form of Dockland redevelopment, establishment of new industries, warehousing and shopping centers in London.

6.3.2 Seoul, South Korea

In Korea, the Industrial Location Policy was a part of the package of decentralisation policies introduced in 1964 to control growth of Seoul - which was then growing at 7% per year - to correct its unbalanced structure and to reduce disparities in the development of Seoul Region and the rest of the country. The policy measures employed for this purpose were more diversified and thorough-going. They consisted of -

1. infrastructure measures such as provision of land and infrastructure for industries;
2. fiscal and financial incentives such as tax exemptions and concessions, building and machinery subsidy, preferential sale of land, and loan for covering relocation cost;
3. control measures such as reduction of industrial hectarage in the Seoul city, restriction on setting up new units and in-situ expansion, issuance of relocation order and strict enforcement of pollution measures; and
4. direct action by the Government to relocate its own activities.

For the purpose of implementing the above measures the Seoul Region was divided into three Zones: a) Dispersal Zone; b) Status-quo Zone; and c) Inducement Zone.

The Industrial Location Policies were introduced just about the time when Seoul began to experience natural decentralisation of its population and manufacturing activities. The dispersal measures accelerated this process and succeeded in reducing concentration of manufacturing jobs in the CBD from 49,000 (17.5% of Seoul's jobs) in 1970 to 30,400 (5.7% in 1978) and deflecting much of the growth to the outer areas of Seoul region. Outside CBD, Seoul, however, continued to grow regardless of dispersal measures.

Between 1964 and 1980, the Industrial Location Policies enjoyed Government commitment and support, and were implemented vigorously. The emphasis on the type of measures shifted progressively from infrastructure provisions to fiscal incentives to control measures such as compulsory relocation of existing industries. The issuance of relocation order was one of the most biting provisions of the Industrial Location Policy. It was not supposed to apply to the urban-type industries related to the daily needs of the population. The list which originally included only 14 types of industries was later, under pressure from industrialists expanded to 146 items and included hi-tech industries such as electronics: small scale workshops; fashion and communication oriented industries such as apparel, furniture, jewelry, printing and publication; and industries manufacturing items linked to other service industries.

The political disorder of 1980 coupled with slow down in the economy and complaints from businessmen, industrialists, and ordinary citizens about lack of facilities in Seoul caused by the decentralisation measures led to abandoning of the major plan of building a new capital city, relaxing restriction on industrial location, delaying relocation orders etc. These changes were brought about largely as a part of the liberalisation measures taken to boost the country's economy. Although the new Government in the post 1980 period announced its intention to pursue decentralisation policies, the relaxation given earlier set an irreversible process of liberalisation towards industrial location.

6.3.3 Other Countries

Industrial Location Policies were also followed in some other countries with different degree of success. In Spain, efforts to develop small growth centers in depressed areas achieved little success. The modified strategy of developing industries around metropolitan areas and 17 other urban centers also had marginal impact mainly on account of lack of good administrative support. On the other hand, in Italy a coordinated, comprehensive regional development strategy, which besides industrial development, paid attention to infrastructure development, land reforms, urban development, and social development proved fairly successful in developing backward areas of Southern Italy. In Japan, dispersal policies were aimed at reducing concentration of industries in the belt stretching for Tokyo to Osaka, mainly on account of extensive pollution caused by industries in the belt. Success of the Japan's dispersal policy was quite limited. (Mohan, 1989)

6.4 Industrial Location Policy for MMR

6.4.1 The origin of the Industrial Location Policy lies in the recommendations of the Regional Plan for MMR-1973 sanctioned in 1973. The principal recommendations of the Regional Plan relating to the industrial growth were as follows :

1. Decentralisation of industries from Mumbai should be the major policy objective.

There should be no element of compulsion in achieving this decentralisation; the emphasis should be on incentives and inducement.

2. Area already zoned for industries in Greater Mumbai should be curtailed by 800 ha.

3. To provide for relocation of existing industries and accommodating future growth, following new industrial zones should be created in the region :

   a. 1500 ha. at Nhava-Sheva for port-based Industries;

   b. 200 ha. in Bhiwandi Tehsil;

   c. 200 ha. in Bassein Tehsil;

   d. 100 ha. at Apte-Turade (Near Rasayani).

4. In Greater Mumbai, only consumer industries, ancillaries of existing industries should be allowed. Chemical and allied industries may be allowed in the authorised industrial zones in the region, provided adequate water and effluent disposal facilities are available.

5. No further industrial units in Kalyan and Thane Complex should be allowed.

6. In the rural areas of the region, small scale and resource based industries may be allowed freely subject to their being located beyond 8 km. distance from the major industrial zones, and other restrictions relating to the area of the plot.

6.4.2 Sharing the Regional Plan's concern for inter-regional dispersal of industries in 1971, the CIDCO and the State Government sponsored a study on industrial locations in Maharashtra (CIDCO, 1973). The objective of the study was to determine an optimal locational pattern for future growth of industries in Maharashtra which would reconcile the objective of equitable distribution of industrial development over the State with the economic objective of minimising overall costs.

6.4.3 Using 30-sector inter-regional input-output model, the study projected industrial development in the State for 1980 and 2000, and set industry-wise employment targets for different regions. In arriving at this broad locational pattern, the study examined inter-relationship between industries to determine how industries should be clustered together. It also assessed relative advantages and disadvantages of different regions in respect of cost of major infrastructure, such as, power, transport, water and pollution control.

6.4.4 While recommending the optimal employment targets for different regions, the study suggested that a) manufacturing employment in Greater Mumbai should be frozen at its 1969 level, and b) employment in chemical complex in Mumbai (Trans- Thane Creek and Taloja industrial areas should not be allowed to increase by more than 2000 between 1974-80. For the long term industrial developoment in Navi Mumbai, the study recommended setting up of strongly market-oriented industries to meet likely increase in demand for certain consumer goods like soft drinks, milk bottling, furniture, packaging, printing, etc. It also recommended permitting strongly port-orinted industries in Navi Mumbai, provided such industries were not of pollution intensive in nature. On this ground, it did not favour setting up of a fertilizer complex in Navi Mumbai.

6.4.5 The Regional Plan for MMR came into force on 16th August, 1973. Following this, on 27th December, 1974, the State Government revised its ILP and translated recommendations of the Regional Plan into concrete measures. The MMR was divided into four distinct zones, and the provisions in each zone were clearly spelt out. The zones were defined as follows :

Zone I - Island city of Mumbai

Zone II - Suburbs of Greater Mumbai, Thane and Mira-Bhayander area

Zone III - Navi Mumbai

Zone IV - Rest of MMR

The policy also made it mandatory to obtain a 'No Objection Certificate' (NOC) from the Directorate of Industries, Govt. of Maharashtra.

6.4.6 Since 1974, the Industrial Location Policy was amended several times. The successive changes in the Policy are summarised in Annexure-A.6.1. The impact of the policies and the critical observations on the way the policies dealt with certain important issues are given in the Annexure-A.6.2 The policy in force from 3rd February, 1984 till 4th May, 1992 prohibited in Zone I & II any new small scale, medium or large scale industrial units. As exception, however, it permitted new small scale units if it substitutes the old one. Similarly, the policy permitted expansion of small scale units upto Rs. 20 lakhs investment limit. The Policy further allowed modernisation of small scale, medium or large scale units they do not lead to production increase. In Zone III & IV the Policy allowed new units, and expansion of existing units irrespective of their scale.

6.5 Industrial Growth Projections

6.5.1 Regional Plan had projected factory employment in MMR for 1981 and 1991 on the following assumptions

1. Share of MMR in the factory employment of Maharashtra will stabilise around 70%

2. Maharashtra's share in the country's factory employment will remain constant at around 20%

For the purpose of estimating the factory employment in Maharashtra on the above assumption, the country's factory employment in 1981 and 1991 was estimated by projecting the past trends. These projections are presented in Table-6.1.

It may be noted from the estimates that Greater Mumbai's share was expected to reduce from 88.62% in 1966 to 75.71% in 1991.

6.5.2 The above projections have turned out to be correct for India but proved highly optimistic for Maharashtra and MMR. The industrial employment in MMR has remained stagnant during '70s and has declined in '80s. With the result, the actual employment in 1981 was only 7.36 lakhs against 12 lakhs projected in the Regional Plan. Similarly, the 1991 employment is nowhere near the 14 lakhs figure projected by the Regional Plan, but is only 5.99 lakhs. The paragraphs that follow review and analyse the performance of industries in the last two decades in terms of numbers of factories, employment and various economic indicators.

6.6 Performance of Manufacturing Industries in MMR

6.6.1 Growth of Factories and Employment

The number of factories in Greater Mumbai has increased from 4064 in 1961 to 7770 in 1981, registering an annual compound growth rate of 4.6% during 1961-71 and 3.5% during 1971-81. However, the corresponding growth in employment was much slower. In the 1981-91 period the growth in the number of factories has been nominal i.e. 62 additional units were established. During this period the industrial employment declined sharply from 6.04 lakhs to 4.47 lakhs. (Table-6.2).

The comparison of MMR's growth in factory employment with that of Maharashtra and India indicates that MMR kept pace with India's growth during 1961-71 but lagged

Regional Plan's Estimates of Factory Employment for 1981 and '91

	1966	1981	1991
India	46.81	70.00	90.00
Maharashtra	9.37	16.50	19.50
Share of Maharashtra in India(%)	20.02	23.57	21.67
MMR	6.24	12.00	14.00
Share of MMR in Maharashtra(%)	66.60	72.73	71.79
Gr.Mumbai	5.53	9.62	10.60
Share of Gr. Mumbai in MMR(%)	88.62	80.17	75.71
Rest of MMR	0.71	2.38	3.40
Share of Rest of MMR in MMR(%)	11.38	19.83	24.29

Source: Report of Regional Plan for BMR 1970-91. **Table - 6.1**

behind considerably during the following decade (Table-6.2). In the 1981-91 period, while there was slow down in India's growth rate from 3.3% to 1.14% p.a., the MMR experienced absolute decline in its factory employment, registering a growth rate of -2.97% p.a. This has also led to decline in Maharashtra's growth as the MMR accounted for over half of Maharashtra's factory employment in 1991.

The foregoing data covers units registered under the Factories Act. Economic Censuses which enumerate registered as well as unregistered industrial units provide complete picture of change in industrial establishment and employment, both in the organised as well as unorganised sector. The Economic Censuses of 1971 and 1980 indicate sizable increase in number of industrial units and moderate increase in employment during 1971-80. While the growth rate of employment in Greater Mumbai was a modest 1.88% p.a., it was more than four times that rate in the rest of the Region. In the last decade (1980-90), however, the growth of industrial units in Greater Mumbai has been sharply arrested and employment declined by 1.36% p.a. The growth in rest of MMR has also been a modest 1.86% p.a. (Table-6.3).

From the data on registered industrial units obtained from Inspector of Factories and on industrial establishments obtained from Economic Censuses, it can be inferred that in Greater Mumbai, between 1971-80, the number of unregistered industrial units have proliferated at a very rapid rate (7.18%) p.a. As against 2038 registered units added during this period, the increase in the number of unregistered units was 29538. In terms of employment, the increase in the unregistered sector has been even more impressive. In MMR, as against increase of 34000 jobs in registered industries during 1971-80, the increase in the unregistered industries has been 2.69 lakhs or 14.10% p.a. More than half of the new jobs in the unregistered industries came from the units

Changes in Factory Employment in MMR, Maharashtra and India

Area	Employment in Lakhs				Annual Compound Growth Rate(%)		
	1961	1971	1981	1991	1961-71	1971-81	1981-91
Gr. Mumbai	5.05	5.93	6.04	4.47	1.62	0.18	-2.97
Rest of MMR	0.38	1.09	1.32	1.52	11.11	1.93	1.42
Total MMR	5.43	7.02	7.36	5.99	2.60	0.47	-2.04
Maharashtra	7.87	9.98	11.92	11.68	2.40	1.79	-0.20
India	39.28	50.83	70.32	78.75*	2.61	3.30	1.14

Source : 1) Inspector of Factories (Rest of BMC obtained from data for Thane and Raigad Districts)
2) Statistical outline of India, published by Tata Services Ltd;
3) Economic Survey of Maharashtra(1988-89)
4) Reserve Bank Of India Bulletin, December,1989
*5) * indicates 1988 data*

Table - 6.2

located outside Greater Mumbai. The trend however could not be sustained in the following decade. During 1980-90 the number of unregistered units increased by only 1533 and employment by 1.03 lakhs recording a growth rate of only 2.39% p.a. The share of growth of employment in the rest of MMR which was 58.7% in 1980 has reduced to 45.6% in 1990. (Table-6.4)

The Annual Survey of Industries (ASI), which is another important source of data on registered industries (Table-6.5), confirms the declining trend of factory employment in MMR indicated by the data from the Inspector of Factories. The decline has been more pronounced with growth rate of loss of employment reaching 3.89% p.a. for the 1981-87 period. After 1987 slight upturn is observed in the rest of MMR where employment has increased from 1.11 lakhs to 1.21 lakhs during 1987-90 period.

During 1981-87, the manufacturing employment in MMR decreased at the rate of 3.89% per annum as against India's decline of only 0.96%. The analysis of the manufacturing employment of different industrial groups at 2 digit NIC Code indicates that in 1990-91 rubber, plastic and chemical industries had the largest share (20.67%) of the employment, followed by cotton textiles (12.51%) and silk and synthetic fibre textiles (10.13%). While the rubber, plastic and chemical industry has improved its

Industrial Establishments and Employment based on Economic Census 1971, 1980, 1990

Area	No.of Establishments			Annual Comp. Growth Rate(%)		Employment in Lakhs			Annual Comp. Growth Rate(%)	
	1971	1980	1990	1971-80	1980-90	1971	1980	1990	1971-80	1980-90
Island City	26,242	36,150	27,085	3.62	-2.85	4.27	4.51	2.73	0.61	-4.90
Suburbs	13,593	35,261	46,410	11.17	2.79	2.42	3.40	4.17	3.85	2.06
Gr.Mumbai	39,835	71,411	73,495	6.70	0.29	6.69	7.91	6.90	1.88	-1.36
Rest of MMR	N.A.	28,896	37,453	—	2.63	1.51	3.32	3.99	9.15	1.86
Total MMR	**—**	**171,718**	**184,443**	**—**	**0.72**	**14.89**	**19.14**	**17.79**	**2.83**	**-0.73**

Table - 6.3

share of employment in 1990-91, as compared with 1976-77 and 1980-81, the cotton textile has lost its leading position of 1976-77 with its share dropping from 27.72% to 17.14% in 1980-81 and 12.51% in 1990-91. This is because of the loss of about 1.33 lakh jobs in cotton textile industry during 1976-77 to 1990-91 period (Table-6.6 & Figure-6.1).

The loss of employment, however, has been widespread. Although during 1976-77 to 1980-81 period, significant growth was observed in transport equipment (7.8% p.a.) and leather products (4.33% p.a.), in the decade ending 1990-91, all industries except food processing industry registered decline (Figure-6.2). The highest decline has occurred in metal alloys industry (-8.65% p.a.) and wood and wood products (-8.17% p.a.).The employment growth, analysed according to the investment classification indicates that units with an investment over Rs. 5 crores have been the only contributors to employment growth (5.30%) during 1977-87. Smaller units have lost employment ranging from 2.87% to 9.20% (Table-6.6).

6.6.2 Economic Indicators of Industrial Growth

Employment in Unregistered Industial Units in MMR

Area	Employment in Lakhs						Annual Compound Growth Rate(%)	
	1971	%	1980	%	1990	%	1971-80	1980-90
Gr. Mumbai	0.76	64.41	1.87	48.32	2.43	49.59	10.52	2.65
Rest of MMR	0.42	35.59	2.00	51.68	2.47	50.41	18.93	2.13
Total	**1.18**	**100.00**	**3.87**	**100.00**	**4.90**	**100.00**	**14.11**	**2.39**

Source : Table 6.1 and Table 6.2 **Table - 6.4**

The performance of manufacturing industries in MMR, as judged by the economic indicators like capital investment, value added and output indicates that, contrary to the general expectations, the industries in MMR have not fared too well. Although during 1977-87 the capital investment has grown at 6.64% the value added has increased only by 2.03% and output by 2.84% (Table-6.7). These rates have lagged behind India's corresponding growth rates. The comparison of MMR and India's growth

Growth of Factory Employment in Manufacturing Sector in MMR

Area	Employment in Lakhs				Annual Compound Growth Rate(%)		
	1976-77	1980-81	1986-87	1990-91	1976-77 To 1980-81	1980-81 To 1986-87	1986-87 To 1990-91
Gr. Mumbai	5.62	5.81	4.65	4.21	0.83	-3.64	-2.45
Rest of MMR	1.64	1.50	1.11	1.21	-2.21	-4.89	2.18
Total MMR	7.26	7.31	5.76	5.42	0.17	-3.89	-1.51
India	58.63	68.00	64.19	N.A.	3.78	-0.96	—

Source: Annual Survey of Industries (1971-90) **Table - 6.5**

rates for the two periods, namely, pre-1981 and post-1981 shows opposing trends. While India's growth rate indicate acceleration during the post-1981 period, the MMR's growth rates show a decline, which is indicative of progressively widening gap between the performance of industry in India and that in MMR (Table-6.8).

In 1986-87, the chemical industry occupied a leading position in the MMR's industrial scene accounting for the highest share (25.92%) of the value added and the highest share of cumulative capital invested (31.94%) in MMR. However, on both counts the industry's position was more dominant a decade ago. Similarly, MMR's domination of India's chemical industry also eased with its share declining from 42% in 1976-77 to 21.71% in 1986-87.

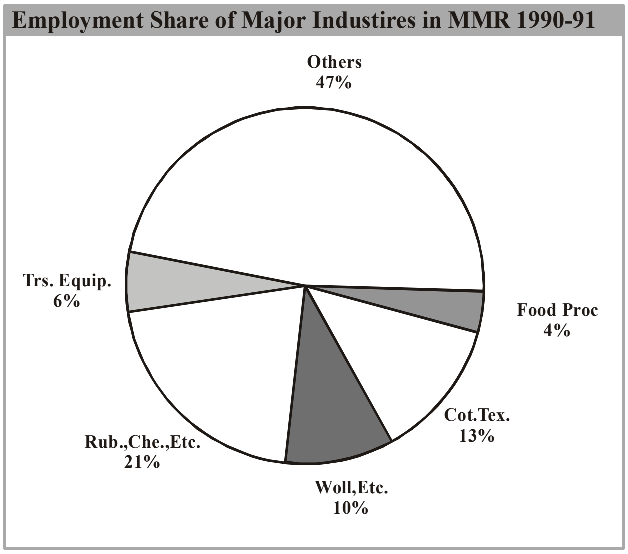

Figure 6.1

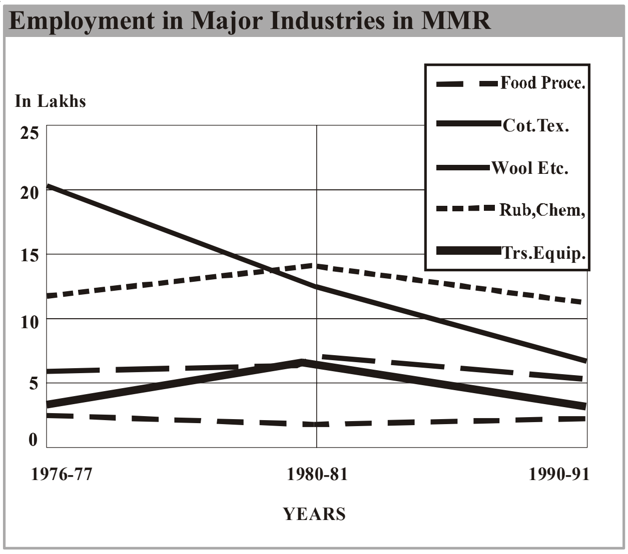

Figure 6.2

Cotton textile industry was the second most important industry in MMR in 1976-77 with 17.21% share of the MMR's value added. After reaching its peak in 1978-79, the industry began to decline rapidly and reached its lowest level in 1982-83. Although the industry recovered partially thereafter, the widespread obsolescence and sickness affected its performance and in 1986-87 its share of MMR's value added was reduced from 17.21% (in 1976-77) to 10.07%. During this period, however, wool and synthetic textile industry made good progress and improved its share of MMR's value added from 6.44% to 9.94%, partially compensating the decline in cotton textile industry. . (Table-6.7 & Figure-6.3).

If the industrial groups are ranked according to the growth of investment, between 1976-77 and 1986-87, the highest annual growth i.e. 19.79% is seen in the transport equipment group followed by rubber, plastic and petro- products groups (11.30%), synthetic textile group (8.95%), leather products (8.95%) and paper products group (8.80%). Except leather products and paper products, these groups are also important from the point of view of their absolute contribution to the industrial value added. (Table-6.7 & Figure-6.4)

The analysis of the industries classified according to the investment classes (Table-6.9) shows that the large scale industries with investment over Rs. 5 crores accounted for 38.67% of the total investment in 1976-77. By 1986-87 its share increased to 65.78%. In other words, out of Rs. 2718 crores invested in industries in MMR between 1977 and 1987, 90% went to large scale industries which have recorded, over the decade 13.79% annual growth in capital invested, and an impressive 18.29% annual growth in value added. The large scale industries, though only 1.82% of the total units in 1986-87, have been the main generator of employment, accounting for additional

Share of Different Industry in MMR (at 1970-71 Prices)

(Rs. in Crores)

Nature of Industry	Industry Code	Invested Capital				Total Employment				Value Added				Output			
		1976-77	SHARE	1986-87	SHARE	1976-77	SHARE	1986-87	SHARE	1976-77	SHARE	1986-87	SHARE	1976-77	SHARE	1986-87	SHARE
Chemicals & Products	31	436.43	36.43%	727.86	31.94%	87640	12.07%	89166	15.47%	218.42	28.30%	244.68	25.92%	887.94	26.27%	1243.96	27.81%
Trs.Equip	37	39.97	3.34%	243.22	10.67%	32206	4.44%	46321	8.04%	30.19	3.91%	66.49	7.05%	116.45	3.44%	242.87	5.43%
Electric Mechinary	36	94.50	7.89%	206.01	9.04%	48503	6.68%	49634	8.61%	59.94	7.76%	102.50	10.86%	232.70	6.88%	400.03	8.94%
Wool,Silk.Syn,Fib,Textiles	24 & 25	69.69	5.82%	164.26	7.21%	56615	7.80%	60647	10.52%	49.74	6.44%	93.81	9.94%	263.06	7.78%	435.99	9.75%
Rub,Plas,Petrolium Pro.	30	56.11	4.68%	163.69	7.18%	29379	4.05%	27733	4.81%	24.98	3.24%	71.41	7.57%	243.95	7.22%	549.77	12.29%
Machinary & Tools	35	80.04	6.68%	152.07	6.67%	53195	7.33%	48679	8.45%	91.39	11.84%	66.12	7.01%	258.15	7.64%	247.90	5.54%
Cotton Products	23	124.09	10.36%	137.12	6.02%	201184	27.72%	85731	14.88%	132.82	17.21%	95.02	10.07%	479.69	14.19%	318.09	7.11%
Metal Products	34	54.09	4.52%	99.16	4.35%	43304	5.97%	35952	6.24%	39.67	5.14%	47.04	4.98%	150.30	4.45%	185.59	4.15%
Metals&Alloys	33	87.28	7.29%	97.60	4.28%	45043	6.21%	26658	4.63%	33.98	4.40%	20.16	2.14%	225.31	6.67%	182.16	4.07%
Paper Products	28	34.23	2.86%	80.12	3.52%	29867	4.11%	27218	4.72%	21.91	2.84%	26.68	2.83%	90.06	2.66%	114.66	2.56%
Food Processing	20 & 21	23.66	1.98%	51.89	2.28%	22583	3.11%	20827	3.61%	13.47	1.75%	25.20	2.67%	189.32	5.60%	222.34	4.97%
Mfg.Industries	38	39.52	3.30%	42.19	1.85%	14735	2.03%	14365	2.49%	16.86	2.18%	31.94	3.38%	50.86	1.50%	83.13	1.86%
Non metalic Minerals	32	21.59	1.80%	40.07	1.76%	21558	2.97%	14486	2.51%	12.56	1.63%	14.24	1.51%	44.66	1.32%	50.56	1.13%
Bevarages	22	16.37	1.37%	35.20	1.54%	5291	0.73%	5630	0.98%	6.61	0.86%	14.71	1.56%	36.64	1.08%	55.96	1.25%
Textile Products	26	15.34	1.28%	30.62	1.34%	27532	3.79%	17304	3.00%	15.65	2.03%	19.93	2.11%	94.38	2.79%	124.83	2.79%
Wood,Wood Products	27	3.47	0.29%	4.45	0.20%	3676	0.51%	2894	0.50%	2.18	0.28%	1.21	0.13%	8.29	0.25%	5.68	0.13%
Leather Products	29	1.48	0.12%	3.49	0.15%	3548	0.49%	3019	0.52%	1.58	0.20%	2.67	0.28%	8.76	0.26%	10.17	0.23%
Total		1197.88	100.00%	2279.02	100.00%	725859	100.00%	576264	100.00%	771.94	100.00%	943.83	100.00%	3380.54	100.00%	4473.69	100.00%

SOURCE: Annual Survey of Industries 1976-77 to 1986-87.

Table - 6.6

Growth rates of Different Industry Groups in MMR (At 1970-71prices) **(Rs. in Crores)**

Nature of Industry	Industry code	Invested Capital		Annual Comp. Growth	Total Employment		Annual Comp. Growth	Value Added		Annual Comp. Growth	Output		Annual Comp. Growth
		1976-77	1986-87		1976-77	1986-87		1976-77	1986-87		1976-77	1986-87	
Trs.Equipment	37	39.97	243.22	19.79%	32206	46321	3.70%	30.19	66.49	8.22%	116.45	242.87	7.63%
Rub,Pla,Petro.Products.	30	56.11	163.69	11.30%	29379	27733	-0.57%	24.98	71.41	11.08%	243.95	549.77	8.46%
Wool,Silk,Syn,Fib,Textiles.	24 & 25	69.69	164.26	8.95%	56615	60647	0.69%	49.74	93.81	6.55%	263.06	435.99	5.18%
Leather Products	29	1.48	3.49	8.95%	3548	3019	-1.60%	1.58	2.67	5.41%	8.76	10.17	1.51%
Paper Products	28	34.23	80.12	8.88%	29867	27218	-0.92%	21.91	26.68	1.99%	90.06	114.66	2.44%
Food Processing	20 & 21	23.66	51.89	8.17%	22583	20827	-0.81%	13.47	25.20	6.46%	189.32	222.34	1.62%
Elec.Mech.	36	94.50	206.01	8.10%	48503	49634	0.23%	59.94	102.50	5.51%	232.70	400.03	5.57%
beverages	22	16.37	35.20	7.96%	5291	5630	0.62%	6.61	14.71	8.32%	36.64	55.96	4.33%
Textileproducts	26	15.34	30.62	7.16%	27532	17304	-4.54%	15.65	19.93	2.45%	94.38	124.83	2.84%
Machinary&Tools	35	80.04	152.07	6.63%	53195	48679	-0.88%	91.39	66.12	-3.18%	258.15	247.90	-0.40%
Non Metals&Minarals	32	21.59	40.07	6.38%	21558	14486	-3.90%	12.56	14.24	1.26%	44.66	50.56	1.25%
Metal Products	34	54.09	99.16	6.25%	43304	35952	-1.84%	39.67	47.04	1.72%	150.30	185.59	2.13%
Chemicals&Products	31	436.43	727.86	5.25%	87640	89166	0.17%	218.42	244.68	1.14%	887.94	1243.96	3.43%
Wood,Wood Products	27	3.47	4.45	2.53%	3676	2894	-2.36%	2.18	1.21	-5.72%	8.29	5.68	-3.72%
Metals & Alloys	33	87.28	97.60	1.12%	45043	26658	-5.11%	33.98	20.16	-5.08%	225.31	182.16	-2.10%
Cotton Text.	23	124.09	137.12	1.00%	201184	85731	-8.18%	132.82	95.02	-3.29%	479.69	318.09	-4.02%
Mfg.Industries	38	39.52	42.19	0.66%	14735	14365	-0.25%	16.86	31.94	6.60%	50.86	83.13	5.04%
TOTAL		**1197.88**	**2279.02**	**6.64%**	**725859**	**576264**	**-2.28%**	**771.94**	**943.83**	**2.03%**	**3380.54**	**4473.69**	**2.84%**

Source: Annual Survey of Industries 1976-77 to 1986-87.

Table-6.7

Growth of Value Added and Output for MMR and India				
		Annual Compound Growth Rate(%)		
		1976-77 To 1980-81	1980-81 To1986-87	1976-77 To 1986-87
Value Added	India	3.29	3.89	3.53
	MMR	2.20	1.87	—
Output	India	3.84	6.86	5.64
	MMR	3.27	2.55	2.84

Source: Annual Survey of Industries:1976-77 To 1986-87 **Table-6.8**

93106 jobs in the last decade. It is significant to note that except this group all other industries including small scale industries have lost jobs and recorded negative growth rates ranging between 2.87% to 9.20%. Here, it may be argued that the highest growth registered by the highest investment class may be on account of successive graduation of industrial units from lower investment class to higher one and their eventual accumulation in the highest investment class. This is unlikely to have happened on a significant scale because of the various restriction of the Industrial Location Policy on expansion.

The consumer industry, which contributed 44.78% of the MMR's value added in 1976-77, continued to hold its significant position in 1986-87, but its share of MMR's value added has improved only marginally and the growth rate has been only slightly above average growth rate for all industries. (Table-6.10).

Value-Added in Major Industries is MMR

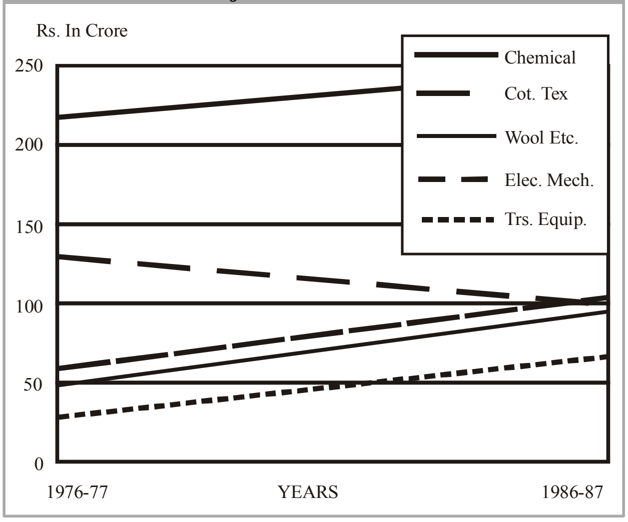

Figure 6.3

Although some of the consumer industries like beverages, food processing, synthetic textiles, transport equipment, electrical machinery made good progress in terms of increase in value added, it was largely neutralised by declines in cotton textiles.

Location Quotients :

The structure of industry in MMR and changes in it over time can also be analysed through location quotients which compare the proportion of production or employment contributed by an industry in a region, to the proportion of production or employment contributed by that industry nationally. An index greater than one indicates that a region has more than proportionate share of an industry and vice-versa. It also indicates greater concentration of that industry in the region than the national average. Its precise mathematical expression is as followed:

$$LQi = \frac{Ri/R}{Ei/E} \text{ where}$$

Ri- is the production or employment in the region in an industry;

Characterstics of Registered Industries in MMR Based on Capital Investment Classification (at current prices) (Rs. in Crores)

Size of Capital	No.of Units		Annual Comp. Growth	F & W Capital		Annual Comp. Growth	All Employees		Annual Comp. Growth	Value Added		Annual Comp. Growth	Output		Annual Comp. Growth
	1976-77	1986-87		1976-77	1986-87		1976-77	1986-87		1976-77	1986-87		1976-77	1986-87	
Upto 10 Lakhs	6356 84.01%	5914 75.35%	-0.72%	293 12.29%	385 7.55%	2.77%	197658 25.51%	113176 19.12%	-5.42%	205 14.49%	278 8.32%	3.10%	1145 18.24%	1546 9.20%	3.05%
10 - 50 Lakhs	716 9.46%	1278 16.28%	5.96%	234 9.83%	381 7.47%	4.99%	111747 14.42%	83542 14.11%	-2.87%	163 11.51%	332 9.93%	7.37%	848 13.51%	1803 10.73%	7.84%
50 - 100 Lakhs	185 2.45%	184 2.34%	-0.05%	228 9.56%	171 3.36%	-2.80%	81263 10.49%	30947 5.23%	-9.20%	155 10.94%	140 4.19%	-0.99%	600 9.57%	716 4.26%	1.78%
100 - 500 Lakhs	228 3.01%	330 4.20%	3.77%	707 29.66%	808 15.84%	1.34%	246312 31.79%	133442 22.54%	-5.95%	538 38.01%	691 20.66%	2.53%	1884 30.02%	3144 18.71%	5.26%
500 Lakhs or More	81 1.07%	143 1.82%	5.85%	922 38.67%	3357 65.78%	13.79%	137803 17.79%	230909 39.00%	5.30%	355 25.06%	1904 56.90%	18.29%	1799 28.66%	9593 57.09%	18.22%
Total	7566 100.00%	7849 100.00%	0.37%	2385 100.00%	5103 100.00%	7.90%	774783 100.00%	592016 100.00%	-2.65%	1417 100.00%	3346 100.00%	8.97%	6275 100.00%	16803 100.00%	10.35%

Source: Annual Survey of Industries 1976-77 to 1986-87.

Table-6.9

R-is the production or employment in all industries in the region;

Ei-is the production or employment in that industry nationally; and

E-is the production or employment in all industries nationally.

The location quotients for MMR are calculated using value added and employment for different industrial groups.

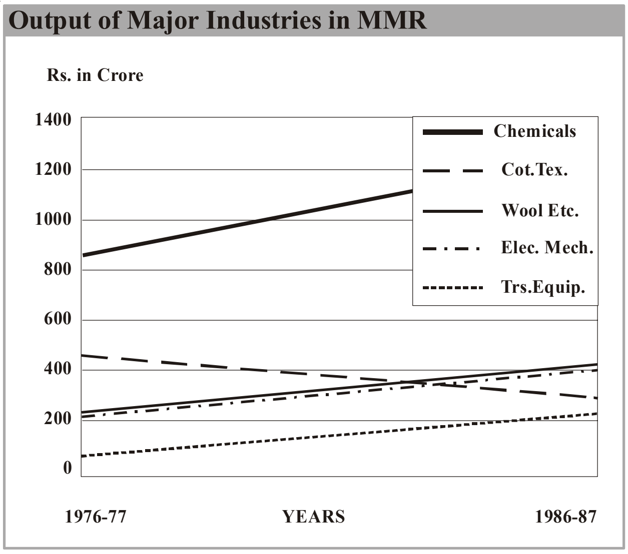

Figure 6.4

Location quotients (LQ) for MMR based on value added as observed in 1976-77, indicate that 6 of the 17 industry groups had LQ more than one with highest value of 2.01 in chemical industry, representing a very high level of concentration of that industry in MMR. Of these 6 industry groups in 1986-87, LQ declined in all groups except metal products industries. In 1986-87, decline is also observed in 3 other groups. As against this, LQs improved in 9 industry groups, though except in four of them, namely wool, silk and synthetic fibre group, rubber, plastic and petroleum products group metal products group and electrical machinery, they are still less than one. The significant improvement in LQs is seen in wool, silk and synthetic fibre group rubber, plastic and petro-products group and metal products group (Table-6.11).

Growth of Consumer Industry in MMR (Rs. in crores) (at 1970-71 prices)

Industry	Value Added 1976-77	Share of MMR (%)	Value Added 1986-87	Share of MMR (%)	Annual Growth Rate (%) 1976-77 to 1986-87
Consumer Industries	345.65	44.78	433.32	45.91	2.29
- Durables	54.57	15.79	99.80	23.03	6.22
- Non-Durables	291.08	84.21	333.52	76.97	1.37
All Industries	771.95	100.00	943.81	100.00	2.03

Note : *In this table Consumer Industries comprise of those NIC categories as used by Ahluwalia (Ahluwalia 1985)*

Table-6.10

In terms of employment, in 1976-77, 9 industry groups had LQs higher than one. By 1986-87, of these, in 3 industry groups, namely cotton textile, textile products and rubber, plastic and petro-products group the LQ values reduced implying MMR's declining share of these industries in India. As against this, 11 industry groups improved their share of which 6 have LQs higher than one. The industries with relatively poor share of employment are food processing, beverages, leather products, non-metallic minerals, and metals and alloys (Table-6.11).

The changes in the LQ between 1976-77 and 1986-87 with increasing number of industry groups recording values more than one in 1986-87, indicate that the majority of industries in MMR have more than proportionate share of national employment.

However, in terms of value added this applies only to 7 groups. Chemical industry had a significantly higher concentration of employment and value added in MMR than the rest of India in 1976-77, however, it has decreased in 1986-87. The changing character of MMR's industrial structure is seen in reducing concentration of textile industry (cotton) in MMR vis-a-vis India; both in employment and production terms. The changing LQ values over 1976-77 and 1986-87 reflect widening of MMR's already diversified industrial base and relative absence of intensive specialisation in anyone or a few industries.

The foregoing analysis of the performance of MMR's manufacturing sector does not highlight the growth trends of some modern high-tech, high-value-added industries, such as, electronics, data processing, diamond processing, etc. because of the limitations of data availability. In the data obtained from the Annual Survey of Industries many of these industries are clubbed with the traditional industries.

6.7 Impact of Industrial Location Policy

6.7.1 The primary objective of the ILP for MMR has been to prevent growth of industrial activity in Mumbai and redirect inevitable growth to less developed areas of the region to achieve balanced regional development. The secondary objectives implicit in the policy were:

1. to reduce congestion in Mumbai and improve its environment by shifting industries from Non-Conforming Zones (NCZ);

2. to protect the environment from industrial pollution; and

3. to ensure provision of housing for industrial workers in certain areas.

Locational Quotients using Employment and Value Added (at 1970-71 prices)

Nature of Industry	Industry Code	Employment		Value Added (1970-71 prices)	
		1976-77	1986-87	1976-77	1986-87
Food Processing	20 & 21	0.16	0.25	0.22	0.30
Beverages	22	0.13	0.16	0.22	0.54
Cotton Textiles	23	1.54	1.07	1.34	0.94
Wool,Silk,Syn.Fib,Textiles	24 & 25	1.08	1.42	0.98	1.36
Textile Products	26	2.46	1.83	1.66	1.24
Wood,Wood Products	27	0.40	0.46	0.40	0.27
Paper Products	28	0.99	1.12	0.67	0.81
Leather Products	29	0.63	0.48	0.38	0.62
Rub.,Pla.,Petr.,Pro.	30	1.77	1.58	0.77	1.33
Chemicals&Products	31	1.90	1.92	2.01	1.63
Non Metalic Minerals	32	0.59	0.39	0.47	0.39
Metals&Alloys	33	0.75	0.48	0.38	0.29
Metal Products	34	1.94	2.34	1.70	2.08
Machinery&Tools	35	1.23	1.34	1.30	0.80
Elec.Machinery	36	1.47	1.65	0.98	1.11
Trs.Equip.	37	0.76	1.07	0.52	0.84
Mfg.Industries	38	1.99	2.14	1.67	1.64

Table-6.11

6.7.2 The analysis of the performance of industries in MMR in para-6.6 shows that there has been virtually no growth in factory employment in MMR during 1971-81, and thereafter there has been rapid decline. In terms of value added or output, MMR's industries have shown a modest growth rate of 2 to 3% during 1977-87. On both the counts, i.e. employment and value added, MMR has performed rather poorly compared to India. The retardation process in MMR's industry cannot, of course, be attributed solely to Industrial Location Policy of MMR but to a combined effect of various factors including

1. Obsolescence, sickness or closure of Mumbai's traditional industry, namely cotton textile;

2. The National licensing policy, which, since 1977, prohibited setting up of new medium or large scale industries, in the Standard Urban Areas of the metropolitan cities;

3. State-wide industrial location policy and the promotional efforts to disperse industries from the established centers;

4. The natural process of industrial decentralisation in MMR.

What can possibly be attributed to the ILP of MMR is the shift in the spatial distribution of employment between Greater Mumbai and the rest of the region. In 1971, nearly 84.5% of the total factory employment in MMR was concentrated in Mumbai. In 1988, it declined to 80%.

6.7.3 Shifting of industries from NCZ has all along been emphasised in ILP. Although no data on the units actually shifting from NCZ to other area is available, no shifting on any significant scale has taken place in the last decade. In the face of difficulties of implementation, the policy itself has undergone changes. First, the definition of non-conforming industries was changed to include only obnoxious and hazardous industries, and secondly, the deadline set for shifting of these industries was extended from time to time. The ILP of 1984 does not stipulate any deadline.

6.7.4 The ILP has sought to ensure housing for industrial workers in the Kalyan Complex area. The policy stipulated that the medium and large unit seeking expansion must provide housing to at least 50% of the additional labour force. The policy has been in force since August, 1977 to 1992 but there is no feed-back on its implementation. This lack of internal monitoring mechanism for policy is very serious. Since the labour housing steeply increases the investment required for expansion, it would have been interesting to see how the industry reacted to this condition.

6.7.5 One of the unintended impacts of the ILP of MMR is the MIDC's Patalganga Industrial Area just outside MMR's boundary. The area has attracted huge investment in chemicals, petrochemicals and other industries that would have otherwise come up in MMR. The area largely depends on MMR for inputs, manpower and urban services. Similarly, it is believed that the lack of investment opportunities caused by the restrictions of ILP has driven many investors to neighbouring States.

6.7.6 The demand for setting up new industrial units in Zone I & II has been so great that defying the ILP restrictions, new SS and tiny units have come up in the last two decades. The most visible example of this is Mira-Bhayandar area where 4770 industrial units (galas) in 383 industrial estates have come up unauthorisedly. The units in this industrial area, which employ nearly 20,000 workers, have not only flouted provisions of ILP but many other laws, and are operating in unhealthy and hazardous conditions. (GOM, 1987)

6.8 Issues for Consideration

6.8.1 Future of Manufacturing in Mumbai

Manufacturing industry has played a dominant role in Mumbai's growth and prosperity. Although the early development of manufacturing was largely confined to textile industry, over time, the expansion of basic metal and engineering industry, chemical industry, paper, printing and publishing industry, food manufacturing, and variety of other industries helped Mumbai diversify its industrial base. Manufacturing accounted for 41% of the city's employment and 50% of its income in 1961. Even in 1987-88 Secondary sector accounted for more than 50% MMR's income. Mumbai's manufacturing industry has made significant contribution to India's industrialisation. It pioneered development of key industries in the country such as textile, chemical, light engineering, electronics etc. and generated sizeable employment and national income. In 1986, it accounted for 7.2% of India's factory employment and 10.9% of its manufacturing value added.

Along with manufacturing other sectors of Mumbai's economy such as port and air transport, trading, banking, insurance and financial services, private and public sector offices, business services, publishing and advertising, tourism etc. have also developed rapidly leading to Mumbai's gradual emergence as a business center of national and international importance. This, together with the decline in the factory employment since the '60s is indicative of the incipient change in the structure of Mumbai's economy, with emphasis shifting from manufacturing to service sector. Whether this trend will be strengthened in future and Mumbai will develop into a modern hi-tech information city, much like the metropolitan cities of the developed world, such as London, is a matter of speculation. For the time being, manufacturing remains the prime contributor to the city's income and employment and, in the foreseeable future, will continue to play a significant part in its economy, though as a result of structural changes in Mumbai's industry, the composition of manufacturing sector might change over time. The future industrial growth and location policies for Mumbai and the rest of the MMR must be based on this reality.

6.8.2 Industrial Decline

The stagnancy in the MMR's industrial employment in '70s and its rapid decline in '80s, indicates that the various industrial policies have perhaps succeeded in arresting the growth of industries in Mumbai. It must, however, be recognised that the decline in industrial employment in MMR is also due to sickness and closure of some industries such as cotton textile, and that it is a part of a more wide-spread phenomenon evident in the declining growth rates of industrial employment at national level. But, what is surprising is the lackluster performance of MMR's industry in '80s in terms of growth in value added and output, especially when the Indian industry experienced buoyant conditions in '80s (Rangarajan, 1990) and grew at more than twice the MMR's rate (Table-6.8).

The fall in employment and sluggishness in the growth of production are unmistakable signs of industrial stagnancy in MMR. If the trend continues, it would be detrimental to Mumbai's role as the engine of economic growth and deprive the nation of its vital contribution. It would also give rise to a host of problems at local level. Since the industrial jobs constitute as much as 35% of the city's total jobs, the persistent decline in it could lead to significant rise in unemployment. Although the possible impact of the current trend is still a matter of conjecture and debate, it is being viewed with serious concern at political and official level.

The loss of industrial activity in Mumbai could affect municipal and State revenue as witnessed during 1982-83 textile strike. As it is, the shifting of wholesale markets, namely Iron & Steel, Textile, and Agriculture produce, from South Mumbai, is likely to lead to shifting of a large number of jobs out of island city of Mumbai. Care needs to be taken that the zealous pursuit of decentralisation policy does not harm city's economy and cause its decline. In London, the industrial dispersal policy increased unemployment and accelerated industrial decline in the '60s and '70s, and therefore had to be abandoned in '80s. The experience is too pertinent for Mumbai to be ignored.

6.8.3 Restrictions on Expansion and Modernisation

From the industry's view point, the restrictive provisions of the ILP relating to expansion or modernisation of existing industrial units were considered as some of its irksome features. Expansion and modernisation are natural processes for any industrial enterprise. An Industrial unit must expand and modernise if it has to survive in an environment marked by economic competition and technological change. Restraints on these normal processes, after having committed initial investment, are considered unjust and are among the causes of increasing obsolescence and sickness. In 1980, the Maharashtra Chamber of Commerce and Industry conducted a survey of Industrial firms who were denied permission either to set up new units or expand the existing ones in Mumbai. These firms, many of whom dropped their expansion plans, argued that in view of their large overhead investment in Mumbai, such as investment in transport system, warehousing, staff welfare schemes, etc.. and the investment in the land made before the advent of ILP, it was uneconomical for them to expand at locations other than their present ones in Mumbai. The survey also revealed that some of the firms moved out of Maharashtra altogether to implement their expansion plans (TECS, 1981). In either case the ILP has resulted in the net economic loss to the city.

6.8.4 Rational Basis for Industrial Classification

The ILP differentiated between industrial units on the basis of their investment class. At times, this differentiation was quite arbitrary. For instance, in Zone-I & II the ILP is far more liberal towards SS units than medium and large scale units, implying that for a given unit of investment, in terms of employment and demand on civic services like water supply, power, load on transport system etc. the small scale industry has far less impact than medium and large scale. If the basic objectives of ILP are decongestion, environmental improvement, and employment generation and if they are to be achieved without impairing the city's economic growth, it is necessary to devise the industrial location policy which, regardless of their investment class, would

-

1. require hazardous and highly polluting industries and those causing traffic congestion to shift out of Mumbai and prohibit setting up new industry of this type;

2. allow retention of employment intensive and environmentally tolerable industries; and

3. as a measure to recycle existing land and structure occupied by sick and obsolescent industries, encourage and foster industries which are essential to Mumbai's economy and for which Mumbai is an appropriate location.

For this purpose, based on the detailed criteria that flow from the basic objectives to be achieved by the Industrial Location Policy, a list of industries to be shifted, tolerated and freely permitted needs to be drawn up. Seoul, South Korea, used with advantage such classification for implementing its industrial dispersal Policy.

6.8.5 Policy for Unorganised Sector

Although the factory sector employment in MMR has been falling during the last few years, the non-factory sector or unorganised sector employment has grown at a rapid pace (14% per year during 1971-80 and 2.39% thereafter). This indicates mushrooming of small industrial units that employ less than 10 persons and thus remain outside the purview of the Factory Act. If the current restrictive policies in MMR continue in future, the prospect of arresting the declining trend in factory employment will be rather dim, and in that case, the major contribution to employment growth will inevitably come from the unorganised sector. As it is, in 1990 nearly 45% of the industrial employment was in unorganised sector.

Should the Industrial Growth Policy for MMR continue to ignore this sector or recognise it and bring it within the policy's purview, though it may prove to be less amenable to controls and restrictions? Considering its job potential, the growth in unorganised industries can be fostered through setting up new industrial areas or industrial estates and by designating free-enterprise zones where small and tiny industrial units can come up as mixed use with residential or commercial use and where other statutory control would be minimal.

6.8.6 Liberalisation of Industrial Policy

On 24th July, 1991, radical changes in the country's industrial policy were announced by the Government of India. These changes are part of the series of measures introduced by the Government to provide new impetus to the country's economic growth. The specific objective underlying the new industrial policy is to create conditions which will encourage and enable Indian industry to modernise, technologically and managerially, to increase its productivity and to improve its competitiveness in the domestic and international markets.

To achieve this objective, the policy has sought to dismantle the present regulatory systems and to bring about appropriate changes in the Industrial Location Policy, Policy on Foreign Investment, Monopoly and Restrictive Trade Practice Act etc. The important changes relevant to the Industrial Growth Policy for MMR are summarised as follows:

1. No industrial license will henceforth be necessary for setting up a

new industry (except those belonging to the 18 specified categories) or to expand the existing one.

2. A new broad-banding facility will be available to the existing units to enable them to produce any new article, but without any additional investment.

3. No locational clearance from Govt. of India will be necessary for setting up any industry (except those belonging to the 18 specified categories) in the cities with population upto 1 million. Even in respect of the cities with a population of more than 1 million, locational clearance will not be necessary for setting up industry within the industrial areas designated prior to 24th July, 1991 or any location beyond 25 km. from the periphery of such cities. This restriction will, however, not apply to non-polluting industries such as, electronics, computer software and printing.

4. In respect of the cities with a population of 1 million, which require regeneration of old obsolete industries, the industrial policy will be flexible.

Despite the abolition of licensing and liberalisation of locational constrains, the policy envisages that the industrial location will continue to be regulated by the local zoning and land use regulations and environmental legislation. The policy also reiterates the Govt.'s commitment to dispersal of industry to rural and backward areas and to reducing congestion in cities. To achieve this dispersal, it promises to offer appropriate incentives to the industry and suitably direct the investments in infrastructural developments.

On 6th April, 1991, the Government of India announced its policy for Small Scale Industries (SSI). It enhanced investment limits of Rs. 60 lakhs for SSI and Rs. 75 lakhs for ancillary industries. Some of the significant changes made in the new policy relate to improving the SSI's access to capital and technology by allowing other industrial entrepreneurs (including multi- national companies) to invest upon 24% of the equity capital of the SSI. To enable this, the policy has introduced a new concept of limited partnership firm.

The new policy is expected to have profound impact on the pace of the industrial growth and its location especially in and around the metropolitan cities. The likely impact of the policy for MMR is as follows:-

1. Regardless of its size, a new industry(not belonging to the 18 specified categories) can now be freely set up in the designated industrial areas in Zone III and IV of MMR. MIDC's industrial areas namely, TTC, Taloja, Additional Ambernath and Badlapur, where substantial land is still available would experience greater demand.

2. Since the licensing restrictions on capacity expansion has been removed, the medium and large scale industries will be free to increase their output and diversify to take advantage of the new broad-banding facility. Similarly, changes in the policy for SSI, especially those relating to the increase in the investment limits and improving their access to capital would open up new growth possibilities for them. In Zone-I and II, however, the expansion of SSI was prohibited under the 1984 ILP of MMR. In the context of liberalisation measures it is necessary.

Should industries in Zone I and II be denied the benefit of liberalisation measures and deprived of the opportunity to modernise, expand and compete with their counter-parts elsewhere in the country? Or, should the ILP itself be modified to remove the contradiction between the national policy and the policy at regional level and thereby enable Mumbai to play its rightful role in country's economy by fostering industrial growth?

6.9 Towards a New Policy

6.9.1 The industrial growth prospects for MMR depend largely on the resolution of various issues raised in para 6.7 and the objectives of the new policy that may emerge from it. The industrial decline witnessed in Mumbai during the past two decades need not be accepted as an inevitable, on-going process, but must be countered by a new industrial growth policy with specific economic, environmental and urban development objectives. These are;

1. To provide modern, technologically advanced, environmentally friendly industries by encouraging changes in Mumbai's industrial structure and facilitating sick and obsolescent industries to be revitalised or replaced.
2. to minimise the adverse impact of such growth on its environment and civic infrastructure;
3. to direct industrial growth to the underdeveloped parts of the region in order to achieve balanced regional development;
4. to generate new employment opportunities for the growing population;

6.10 New Industrial Location Policy (1992)

6.10.1 The foregoing efforts to focus attention on the areas concerning industrial policy in MMR have led to formulation of the new Industrial Location Policy, jointly by the MMRDA and the Industries Department of Government of Maharashtra. The policy has been brought into force with effect from May 4, 1992. Making significant departures from the old policy, the new policy has redefined the 4 zones of the old policy into 3 new zones and has removed the distinction between small, medium and large scale industries. The salient features of the new policy are as follows :

1. The MMR is divided into 3 zones, namely,

   Zone-I ; consisting of Greater Mumbai and areas of Thane Municipal Corporation and Mira- Bhayander Municipal Council.

   Zone-II ; consisting of areas of Kalyan and Navi Mumbai Municipal Corporation, Ulhasnagar, Ambernath, Kulgaon-Badlapur Municipal Councils and Bhiwandi, Uran and Vasai-Virar Sub-Regions.

   Zone-III ; consisting of rest of MMR.

2. The industries are reclassified into 3 categories, namely :

   Category-1 : Schedule-I industries comprising non- polluting, high tech or high value-added units.

Category-2 : Schedule-II industries comprising highly polluting, hazardous or obnoxious units.

Category-3 : Industries other than in Schedule I and II.

3. In Zone-I, new Schedule-I units or expansion of existing Schedule- I units is permitted. New Schedule-II units or their expansion is prohibited. Existing units other than Schedule- I & II are allowed marginal expansion by restricting additional power upto 25% of the existing connected load.

4. In Zone-II, new units other than Schedule-II units are allowed freely. Schedule-II units are allowed only in the existing MIDC areas.

5. In Zone-III all industries are permitted. No Locational Clearance from the Directorate of Industries is required.

6. Construction of new industrial estates or expansion of existing ones is permitted provided the type of industries they intend to accommodate are permissible in the zone.

The complete text of the policy is given in Annexure-A.6.3. The policy is not applicable to service industries as defined in the Development Control Regulations of the Development Plans of respective urban areas.

While the new policy meets most of the objectives listed in para 6.9.1, its main thrust is on containing pollution and creating new growth opportunities for modern high-tech, high value-added industries for which Mumbai is considered to be an appropriate location. The policy, however, offers little to either encourage or compel highly polluting industries to shift their units from non-conforming zones, or old or obsolete industries to regenerate or make way for new, modern industries. While the policy may be adopted as a part of the revised Regional Plan, it is necessary that some of the foregoing concerns get reflected in this policy in times to come through a continuous process of monitoring, review and change.

Industrial Location Policies in MMR 1974-1988

A.6.1 The 1974 - Policy

The policy divided different areas of MMR into four zones : Zone I covering Island city of Mumbai; Zone II covering Suburb of Mumbai and extending upto Thane and Mira-Bhayander area; Navi Mumbai as Zone III, and the rest of MMR as Zone IV. The important provisions of the Policy were as follows:

1. In Zone I, no new small scale (SS), medium or large scale units or expansion/ modernisation of existing units was permitted.

2. In Zone II, new SS units were permitted, but no new medium or large units were allowed. Even expansion/modernisation of existing medium or large existing units was permitted as an exception provided it did not lead to increase in labour and additional consumption of power and water.

3. Textile mills were allowed to expand both in Zone I & II provided, they were not located in Non-Conforming Zone (NCZ).

4. Units in Non-Conforming Zone in Zone I & II were requested to shift to Conforming Zone (CZ) in Zone II, III & IV.

5. In Zone III and IV medium and large units were allowed.

In general the policy was far more liberal than what the Regional Plan recommended. During the 17 years of its implementation the policy has undergone a number of changes which are summarised in the following paragraphs.

A.6.2 Policy Change of January, 1977

In the major review of this policy, on 27th January, 1977, a new, more stringent ILP was introduced. It placed a total ban on setting up any new industrial unit in Greater Mumbai - small scale or otherwise. It only permitted in Zone II expansion of existing small scale units upto the new investment limit of Rs. 10 lakhs. As regards medium and large units, although no expansion was permitted in Zone I and Zone II, modernisation was allowed. The small scale industries located in non-conforming zone (NCZ) in Zones I & II were required to shift to the conforming area in Zone II where they were allowed to expand upto the investment limit of Rs. 10 lakhs. The medium and large units located in NCZ in Zones I & II were required to shift to Zone III & IV.

In Zone III namely Navi Mumbai, new units were banned in Trans Thane Creek area (TTC) except in cases where land was allotted prior to 10th October, 1975. There was, however, no restriction in Taloja industrial area in Navi Mumbai.

In the rest of the region, i.e. in Zone IV, except in Kalyan Complex, new industrial units as well as expansion of the existing ones was allowed. In Kalyan Complex, no new or large unit was permitted; the expansion of the existing ones was also made conditional to their providing 100% housing for the new employees, and 50% for the existing ones.

Annexure - A.6.1

Comparative Provisions of Industrial Location Policies 1974-1984

Small Scale Units

Zone	Policy Date	New Unit	New Unit Subject to Condition	Expansion	Modernisation	Shifting
I	26th Dec.1974	X	O Only service units like bakeries, laundaries, flour mills,etc.	X	X	NCZ to Zone II, III or IV
	27th Jan.1977 25th May,1977 (for textile mills only)	X	O do	X	X	NCZ to CZ of I NCZ to CZ II with expansion upto Rs.10 lakhs subject to deadline of 31.12.1977
	20th Aug. 1977	X	O do in vacant Galas	X	O Even if it involves increase in L.P.W. Subject to pollution control.	No shift for NCZ if creates no nuisance. Nuisance causing industries to shift to CZ of I or II. Expansion upto Rs.10 lakhs permitted if shifted to II; Coersive steps if not shifted before 31.12.1977.
	28th Feb.1979	X	O Only in already approved Galas	O Upto Rs.10 lakhs.	O do	No shifting from NCZ if no nuisance. Nuisance causing units to shift CZ in any zone before 31.12.1977
	3rd Feb.1984	X	O By substitution for old units closed down	O Upto Rs.20 lakhs. No BA	O No BA, W.L. Add. power 10% allowed.	NCZ to other zones
II	26th Dec.1974	Upto 7.5 lakhs investment	#	O Upto 7.5 lakhs	O	#
	27th Jan.1977 25th May 1977(For Textile Mills Only)	X	O Only Service Industries	O Up to Rs.10 lakhs	O	NCZ of II to CZ of II Expansion upto Rs.10 lakhs if shifted before 31.12.77
	20th Aug,1977	O	#	O Upto Rs.10 lakhs	O Even if it involves increase in L.P.W. but subject to pollution control.	No shifting from NCZ to CZ if creates no nuisance. Nuisance causing units to shift to II; Expansion upto Rs.10 lakhs coersive steps if not shifted by 31.12.77.
	28th Feb.1979	X	O Only in already approved galas or industrial estates.	O Upto Rs.10 lakh	O do	do
	3rd Feb.1984	X	O do	O Upto Rs.20 lakhs with BA upto FIS limit	With no additional BA.L.W. Add. power upto 25%.	Shifting from NCZ to MIDC in II with additional BA.W.P.L etc. on in III & IV
III	26th Dec.1974	O	O	O	O	O
	27th Jan.1977 25th May 1977 (for textile mills only)	O 1) TTC for plots allotted before 10.10.75 2) Other areas : O	If permissible under D.C. Rules of CIDCO.	O 1) TTC for plots allotted before 10.10.75	O	#
	20th Aug.1977	1) TTC: O 2) Other areas: O 3) Uran: X		1) TTC: O 2) Other areas: O 3) Uran: O	O	#
	28th Feb.1979	do	#	do	do	#
	3rd Feb.1984	O Uran : X	#	Uran : O O	Uran : O O	#
IV	26th Dec.1974	O	O	O	O	O
	27th Jan.1977 25th May 1977 (for textile mills only)	1) Kalyan: O 2) Other areas : O	#	1) Kalyan: subject to SS limit 2) Other areas : O	O O	#
	20th Aug.1977	1) Kalyan: O 2) Other areas: O	#	1) Kalyan: O upto SS limit 2) Other areas: O	#	#
	28th Feb.1974	do	#	do	do	#
	3rd Feb.1984	1) Kalyan:O 2) Other areas : O	#	O	#	#

Symbols and Abbreviations Used

1) X=Not permissible 2) O =Permissible 3) # No special provision 4) NCZ :Non-conforming Zone 5) CZ= Conforming Zone 6) BA=Built up area 7) L-Labour 8) W= Water Supply 9) P= Power Supply 10) TTC= Trans Thane Creek Area

Annexure - A.6.1 (Contd...)

Comparative Provisions of Industrial Location Policies 1974-1984

Medium & Large Scale Units

Zone	Policy Date	New Unit	Expansion	Replacement/Renovation Balancing Equipment/ Modernisation	Pollution control Equipment	Shifting	Textile Mill
I	26th Dec.1974	X	X	X	#	NCZ to CZ II,III & IV	Marginal expansion allowed if not located in NCZ.
I	27th Jan.1977 25th May,1977 (for textile mills only)	X	Quality control equipment allowed.	Subject to no increase in BA L W and only Marginal increase in power O	Subject to pollution control	NCZ I to III & IV	1) Cotton Textile expansion allowed to make unit viable. 2) Replace/Renovation/ Modernisation/if not labour.
I	20th Aug. 1977	X	X	O Even if it amounts to increased LPW	Subject to pollution control	No shift from NCZ if no nuisance. Nuisance causing industries to be shifted before 30.8.79.	#
I	28th Feb.1979	X	X	O do	do	No shift from NCZ if no nuisance. Nuisance causing units to be shifted before 30.6.79 to III & IV.	#
I	3rd Feb.1984	X	X	O No BA L W Add. power 10% allowed.	Addition power & B.A. allowed for pollution control equipment.	Shift from NCZ to Zone III & IV	#
II	26th Dec.1974	X	Allowed only in exceptional cases.	With due regards to LW & P	Also with due regard to pollution.	From NCZ of I & II to II & IV only, exceptionally to II.	Marginal expansion allowed.
II	27th Jan.1977 25th May 1977 (For Textile Mills Only)	X	X	O 1) Subject to no increase in BA L W P marginal 2) Diversification if accompanied by modernisation and shifting of labour intensive activities.	Subject to pollution control	From NCZ of II to CZ of II	For cotton textiles 1) Expansion allowed to make the unit viable. 2) Replacement/ Renovation/ Modernisa/if no additional labour required
II	20th Aug,1977	X	O To make them viable	O Inspite of addition in L.W.BA	do	No shifting from NCZ to CZ if creates no nuisance. Nuisance causing units to shift to III & IV;Coersive steps if not shifted by 31.12.77	#
II	28th Feb.1979	X	O To make them viable	O do	do	Same as above but not cohesive steps taken. Deadline 30.06.79.	#
II	3rd Feb.1984	X	X	O No BA.L.W. power 25%	Additional power and BA allowed.	Shift from NCZ to III & IV.	#
III	26th Dec.1974	O	O	O	New units allowed subject to pollution control.	#	#
III	27th Jan.1977 25th May 1977 (for textile mills only)	O 1) TTC for plots allotted before 10.10.75 2) Other areas : O	O 1) TTC: for plots allotted before 10.10.75. 2) Other areas : O	O 1) TTC for plots allotted before 10.10.75 2) Other areas : O	Right to impose pollution control measures reserved in all cases.	#	Same as other Industries
III	20th Aug.1977	1) TTC: O on plot allotted before Port based industries shifting for I & II warehouses. 2) Other areas: O 3) Uran: X	O 1) TTC subject to same conditions as per new units. 2) Other areas : O 3) Uran: X	Same as for expansion	#	Receiving area for Zone I & II	#
III	28th Feb.1979	do	do	do	#	do	#
III	3rd Feb.1984	O Uran : X	O	O	Subject to strict pollution control	#	#
IV	26th Dec.1974	O Only in MIDC estates.	O	O	#	#	#
IV	27th Jan.1977 25th May 1977 (for textile mills only)	1) Kalyan: O 2) Other areas : O	O 1) Kalyan subject to 100% housing for new labour, 50% housing for existing. 2) Other areas : O	O Same as for expansion	Right to impose pollution control mesures.	#	Same as Other Industries
IV	20th Aug.1977	1) Kalyan: O 2)Other areas: O	O 1) Kalyan subject to 50% housing for new labour 2) Other areas : O	O	#	#	#
IV	28th Feb.1974	do	do	do	#	do	#
IV	3rd Feb.1984	1) Kalyan: O subject to 50% housing for new labour. 2) Other areas : O	1) Kalyan: O subject to 50% housing for new labour. 2) Other areas : O	Same as for expansion	#	#	Same as other industries

Annexure - A.6.1 (Concld...)

A.6.3 Policy for Textile Mills, May, 1977

Shortly after announcing the above policy, the State Government declared it policy for cotton textile mills on 25th May, 1977. By this policy, the cotton mills were forbidden to shift outside the MMR. They were allowed to expand, if such expansion was necessary to make them viable.

They were also allowed to modernise with the condition that no additional labour will be employed. Mills other than the cotton mills were treated on par with the other industrial units.

A.6.4 Policy Change of 20th August, 1977

The January 1977-policy presented several difficulties such as those relating to shifting of unit from NCZ, provision of housing in Kalyan Complex, etc. It also inhibited modernisation. The policy was therefore modified on 20th August, 1977. This policy relaxed the total ban on new small scale (SS) units in Zones I and II placed by the earlier policy. It allowed SS units in the vacant galas in Zone I, and anywhere in Zone II. Ban on expansion of medium and large units in Zone I continued, but in Zone II such expansion was allowed in order to enable the units to become viable. In permitting modernisation of medium and large units in Zone I and II, earlier restriction on the use of additional built-up area, labour, water or power was removed, and the modernisation allowed subject to the condition that the concerned unit take adequate measures for pollution control.

The policy also became more pragmatic on the question of shifting of existing units from NCZ. No shifting was considered necessary, if an unit did not cause serious nuisance, or pose danger to public health. A deadline was given, and the entrepreneurs were warned of coercive measures, if they failed to act within the stipulated time. The SS units in Zones I & II were allowed to shift from NCZ to conforming zone even within the same zone. The medium and large industries were, however, required to shift to Zones III & IV.

In Zones III & IV, the policy of 20th August, 1977 did not propose any change, except that in Kalyan Complex, the requirement of providing housing for the labour was made easier: the medium and large units seeking expansion were required to provide housing only to 50% of the additional labour as against 100% required by the earlier policy.

A.6.5 Policy Change of 28th February, 1979

The policy changes announced on 28th February, 1979, put ban on new SS unit in Zone II. It no longer stressed coercive measures for shifting of units from NCZ to conforming zone. The deadline for shifting the units from NCZ was extended to 30th June, 1979.

A.6.6 The Current Policy

The policy currently in force was announced on 3rd February, 1984. The important features of this policy are as follows :

1. New SS units are allowed in Zones I & II only by substitution for old units closed down;

2. In Zones I & II expansion of the existing SS units is allowed upto Rs. 20 lakh limit;

3. Modernisation of the small scale, medium and large units is allowed, provided it does not amount to increase in production built-up area or labour. Marginal increase in power consumption is permitted.

4. In medium and large industries in Zones I & II, additional built-up area and power was permitted for installing pollution control equipment.

5. In Zone III, SS, medium and large units are permitted subject to strict enforcement of pollution control.

6. In Zone IV, except in Kalyan Complex, new SS, medium and large unit, and the expansion of the existing units is permitted. In Kalyan Complex, however, the expansion of the existing medium and large units is subjected to their providing housing for 50% of the additional labour force and taking adequate measures for pollution control.

A.6.7 Minor Change of September, 1988

On 12th September, 1988, the State Government increased the investment limit for SS units in Zones I & II from Rs. 20 lakhs to Rs. 35 lakhs. Whereas the increase was freely permitted for new units, for the existing units raising of investment to Rs. 35 lakhs was allowed only on one-to-one basis and only for modernisation and technological upgradation.

A.6.8 Observations on ILP

Changes made in the successive ILPs since 27th December, 1974 are summarised in the accompanying statement. An overview of these policies leads to following generalisation.

Small Scale units in Greater Mumbai

Over the years, the ILP has consistently prohibited new SS units in Zone I. After 20th August, 1977, some relaxation was given for setting up of new SS units in approved industrial estates by substitution for those closed down. Until 20th February, 1979, even expansion or modernisation of the existing SS unit was not permitted. Thereafter, however, expansion or modernisation was allowed with restriction on built-up area, additional water, labour and power. In Zone II until 27th January, 1977, new SS units were permitted despite the fact that the Regional Plan recommendations were contrary to it. Policy of January, 1977 put a total ban on SS units in Zone II, which in the modified policy was relaxed to allow new SS units in the approved industrial estate by substitution for those units closed down. The expansion or modernisation of SS units in Zone II was generally allowed. The SS units were always permitted in Zones III & IV, except for a brief period between January and August, 1977 when they were prohibited in TTC area except on the plot allotted after 10th October, 1975.

Medium and Large Scale Industries

The medium and large industrial units were banned in Zones I and II since the advent of the ILP. The expansion of existing units was similarly prohibited in the Zone I. In Zone II, however, between August, 1977, and February 1984, the expansion was allowed, primarily to help the units to become viable. Considering the ailing condition of the cotton textile mills, the ILP permitted their expansion both in Zone I and Zone II.

The modernisation of existing unit was allowed in Zones I & II with varying degrees of restriction on built-up area, labour force, water and power consumption.

In the areas outside Zones I and II, medium and large industries were freely permitted until January, 1977, when in TTC area, new medium and large industries were allowed only on plots allotted prior to 10th October, 1975. This was in response to the recommendations of the study of industrial location policy in Maharashtra carried out in 1972 by CIDCO- TECS.

In December, 1978, the Government of India, as a part of its industrial location policy, decided that no more licenses would be granted to medium and large units within the limits of the Standard Urban Areas of metropolitan cities.

Since February, 1984, the ILP for medium and large units in Zones III and IV has been considerably liberalised, but the restrictions under the licensing policies continue to prohibit setting up the units in TTC area.

In the areas outside Gr. Mumbai there has never been any restriction on expansion of existing medium and large units. The expansion in Kalyan Complex however is conditional to the provision of housing for 50% of the additional labour force.

Shifting of Industries

Ever since 1974, emphasis on shifting of industries from NCZ of the island city has been a constant feature of the ILP. By the policy of 1974, these industries were required to shift to conforming areas in Zone II. In the comprehensive revision of the ILP in January, 1977, the SS units in Zone I and SS, medium and large units in Zone II were required to shift to conforming areas, but were permitted to shift even within the same zone. The medium and large industries in NCZ in Zone I were however required to shift to Zone II or IV.

Soon after this was enforced, the hardships in shifting surfaced and on 20th August, 1977, the policy was modified. There was a basic change in the concept of non-conforming industry. Earlier, an industry was identified for shifting merely because it did not conform to a land use zone of the development plan. In the modified policy, the need for shifting was narrowed down to those units which were considered to be serious nuisance or danger to public health. The SS units in the Zones I and II were allowed to shift to conforming area within the same zone. However, the medium and large industries were required to shift only to Zones II, III and IV. The deadline of December 31, 1979, was fixed for such shifting, and it was announced that coercive measures such as disconnection of water and power would be taken if the units concerned fail to shift before that date. As a complementary measure, unallotted plot in MIDC's TTC area were earmarked for relocation of these industries but no programme of relocation was ever designed. MIDC did not agree to grant any concessions in price.

Ironically, the policy about shifting of cotton textile mills was diametrically opposite. By the policy of May, 1977, these industries were not permitted to shift outside MMR.

In the next 1 1/2 years, the above policy of shifting softened considerably. In the policy change announced in February 1979, the time limit for shifting was extended to June 1979, and coercive measures proposed earlier were dropped.

The policy of February 1984, currently in force does not envisage any time bound shifting of units from the NCZ. The earlier provisions regarding shifting of SS units from Zone-I within the same zone has been withdrawn. They are now required to shift to MIDC areas in Zone II or Zone III or IV. Similar provisions apply to SS units in NCZ in Zone II. Under the latest policy, the medium and large units from Zones I and II can shift only to Zones III and IV.

Environmental Consideration In ILP

The environmental considerations were present only implicitly in the ILP that was introduced in December, 1974. It provided for shifting of industries from NCZ in Zone I to conforming zones in Zones II, III and IV.

The modification in August, 1977 accepted environmental pollution as a major criterion for deciding on whether a unit must shift from NCZ or not. By this policy renovation or modernisation of the medium and large unit in Zones I and II was permitted subject to strict enforcement of pollution control measures.

In the latest ILP in force since February 1984, in Zones I & II, though for permitting renovation or modernisation of medium and large unit there is a restriction on the use of additional power and built-up area, relaxation is given if the additional power and built-up areas are required for installation of pollution control equipment.

In the current ILP a new SS medium or large unit or its expansion in Zones III and IV is permitted subject only to pollution control.

In November, 1974, the ILP relating to textile mills stipulated that the marginal expansion of textile mills in Mumbai would be permitted after ruling out the possibility of water and air pollution. Subsequently, in May, 1977, the changes in the ILP allowed textile mills to continue in their present location, and also permitted their expansion. This was in spite of the fact that textile industry was considered to be one of the major sources of pollution in the island city of Mumbai.

Use of Physical Parameter in the control of Industrial Activity

Excessive concentration of jobs and population and resultant strain on city's infrastructure led to adoption of the regional strategy to disperse and decentralise economic activity from Mumbai. With this overall objective, the ILP has sought to discourage the growth of existing industrial units in Mumbai by controlling the key elements such as built-up area, labour, water and power supply. However, the ILP has used these parameters rather inconsistently over the last decade. To illustrate;

1. The ILP modification in January 1977 allowed modernisation of large unit located in Zones I and II subject to restriction on the increase in built-up area, labour, water and power. The revision of August, 1977, removed these restrictions only to be reintroduced in February, 1984.

2. In May, 1977, expansion of Cotton Textile Mills was permitted without restrictions on built- up area, labour, water and power supply. However, the renovation, replacement and modernisation of the mills was allowed on a condition that additional labour would not be employed.

3. After February, 1984, the expansion of existing small scale units to the new investment limit of Rs. 20 lakhs is allowed in Zone I provided it does not result in increase in built-up area. But such increase in built-up area is allowed in Zone II. However, in the same Zone replacement, renovation and modernisation of SS units is allowed subject to the condition that additional built-up area, labour and water will not be permitted and increase in additional power will be limited to 10 to 25%.

Special Provisions of the ILP

Besides the principal objective of dispersal and decentralisation of industrial activity, the ILP has, from time to time, sought to serve other objectives. They are :

1. To help traditional industries to come out of the industrial sickness and to retain traditional employment base of the city, such as cotton mills.

2. To facilitate quality control in industry; January, 1977 policy allowed installation of quality control equipment, or establish R&D section in the medium and large industries in Zone I. This special facility was however withdrawn in the subsequent amendment.

3. To provide employment or entrepreneurial opportunity to educated unemployed and technically qualified. In the policy announced in August, 1977, preference was given to the educated unemployed and technicians to set up in Zone I new SS units.

4. To ensure provision of housing for labourers, from August, 1977, ILP has stipulated that for any expansion of medium and large industrial unit in Kalyan Complex (in Zone IV), 50% of the additional labour should be provided with housing.

Modification of Industrial Location Policy in Mumbai Metropolitan Region

GOVERNMENT OF MAHARASHTRA
Industries, Energy and Labour Department,
Government Resolution No.ILP-1092/3410/IND-2,
Mantralaya, Bombay – 400 032
Dated 4th May, 1993

Read : 1) Government Resolution IE & LD. No.ILP/1052(1786)/IND-2, dated 3rd February, 1984.
2) Government Resolution IE & LD. No.ILP/1091(3616)/IND-2, dated 29th October,1991.
3) Government Resolution IE & LD. No.ILP/1092(3681)/IND-2, dated 2nd May,1992.

RESOLUTION

1. The Bombay Metropolitan Regional Plan (1970-91) came into effect from August 16, 1973. This plan indicated the policy to be followed for location of industries in the region and provided for review of this policy. The Industrial Location Policy was first laid down in a Circular Memorandum, IE & LD No.IDM/1074/933982/Planning, dated 26th December 1974. During implementation, as and when difficulties arose or when change in policy was necessitated, it was revised from time to time. The last comprehensive revision was made through the above quoted Government Resolution dated 3rd February 1984.

2. The Industrial Location Policy has now been in force for about 20 years. In the wake of the liberalised industrial policy announced by Government of India, the emphasis on containing pollution and the need for generating employment opportunities to take care of the declining employment in Bombay and its suburbs, it was felt that an alternative strategy needed to be devised. The strategy, without sacrificing the object of decongestion, would at the same time recognise the fact that certain sectors of industry should be allowed to grow and diversify and certain other sources may be discouraged on account of their highly polluting and hazardous nature.

3. Based on the considerations, it is now felt necessary to make further revision of the Industrial Location Policy as follows :

4. The revised policy shall be applicable to all industries in Bombay Metropolitan Region (BMR) excluding cotton textile industries, godowns, serice industries and service industrial estates. The locational clearance under this policy shall be subject to approvals which may be necessary from Ministry of Environment and Forests, Government of India and the Environment Department of the State Government under the Environment (Protection) Act, 1986; approval from the Maharashtra Pollution Control Board and the strict enforcement of pollution control measures specified by the Maharashtra Pollution Control Board. The locational clearance shall also be subject to the provisions of the Regional Plan for BMR, the Development Plan and Development Control Regulations applicable to the land to which industrial proposal relates.

5. Zoning and Classification of Industries

5.1 For the purpose of the revised Industrial Location Policy, the BMR shall be divided into the following zones :

Zone I consisting of Greater Bombay and areas of Thane Municipal Corporation and Mira Bhayander Municipal Council.

Zone II consisting areas of Kalyan and Navi Mumbai Municipal Corporation; Ulhasnagar, Ambernath, Kulgaon-Badlapur Municipal Councils; Bhiwandi and Uran sub-regions as described in Schedule II, and Vasai-Virar sub-region as per Notification No.TPS-1287/2753 CR-228-81-UD 12, dated 14^{th} May, 1990 (Schedule IV).

Zone III consisting of the remaining areas of the BMR excluding the areas covered under Zone I & II above.

5.2 Industry shall be classified into three categories, viz :

(a) non-polluting, high-tech or high value added units as listed in Schedule-1;

(b) highly polluting, hazardous or obnoxious units as listed in Schedule-II;

(c) units other than those in Schedules I & II.

5.3 For all categories of industry in all three zones, built-up area and/or additional connected load shall be permitted for the following purposes :

(a) For good manufacturing practices as certified by FDA, required for compliance of Drugs and Cosmetics Act, 1940.

(b) For Research and Development, as certified by Department of Science and Technology, provided the activity does not add to pollution and is an integral part of the unit. For independent R&D., No. NOC would be necessary.

(c) For anti-pollution equipment certified by the Maharashtra Pollution Control Board.

6. In supersession of all the previous GRs on the industrial location policy for BMR, the new policy with reference to each of the three zones shall be as stated hereinafter. However, existing Industrial Estates having final NOC of the Directorate of Industries will be allowed to apply for final NOCs to the Directorate. They will continue to be governed by the provisions of the Government Resolution dated 3^{rd} February 1984.

7. Restrictions will apply as set out in the table appended for the three zones.

8. In the interest of encouraging the growth of appropriate types of industries in BMR and safeguarding the environment, the Development Commissioner (Industries) may, with th previous approval of Government add, modify or delete the entries in Schedule I and II.

9. A Committee will be constituted comprising Secretary (Industries), Secretary (Urban Development), Secretary (Environment), Metropolitan Commissioner (BMRDA), Municipal Commissioner (BMC) and Development Commissioner (Industries) for interpretation of any point arising from this Resolution.

By order and in the name of the Governor of Maharashtra,

Sd/-

VINAY PATHAK
Deputy Secretary to Government

LOCATIONAL RESTRICTIONS IN THE MMR			
No.	**ITEM**	**ZONE-I**	**ZONE-II**
1.	New unit, substitute unit for one that has closed down or relocation of a unit from elsewhere.	(a) will be allowed freely for Schedule-I industry. (b) will not be allowed for others.	(a) Other than units of Schedule II Industries will be freely allowed. (b) Schedule-II industries will beallowed only in MIDC areas. In other areas, they may be allowed only after approval of Committee mentioned under para 9 of the G.R. (c) In Uran Sub-region defined in Schedule-III no new substitute unit will be allowed.
2.	Expansion, modernisation or diversification of an existing unit.	(a) will be allowed for Schedule-I industry. (b) will not be allowed for Schedule-II industry. (c) not covered under Schedule I and II will be allowed upto permissible FSI provided, additional power is limited to 25% of authorised connected load on the date of the G.R.	(a) Expansion, etc. other than ScheduleII industries will be allowed. (b) Expansion, etc. of Schedule-II industries will be allowed only in MIDC areas. In other areeas it may be allowed only after approval of Committee mentioned under para 9 of the G.R.
3.	Proposed Industrial Estate or construction on an open plot.	(a) will be allowed for housing Schedule-I industries only. (b) will not be allowed for housing other than Schedule-I industry.	(a) Construction will be allowed for housing other than Schedule-II industry. (b) In MIDC areas, construction will be allowed even for housing Schedule-II industry.
4.	Expansion of Industrial Estates (having final NOC)/division of gala or structure	will be allowed to house only Schedule-I industry.	(a) will be allowed for housing other than Schedule-II industry. (b) In MIDC areas, expansion/ division will be allowed even for housing Schedule-II industry.

No NOC will be needed for units in Zone III.

SCHEDULE – I

Non Polluting, High Tech or High Value Added Industries

1. **Electronics**

   Manufacture of consumer and entertainment electronics.

   Manufacture of computer and peripherals.

   Manufacture of Electronic Control, measuring, recording instruments.

   Manufacture of electronic telecommunication and broadcasting equipment.

   Manufacture of electronic components and accessories.

   Computer data processing, software and production.

   Manufacture of electronic medical equipments.

2. **White Goods**

   Domestic refrigerator, freezer, washing machine, dish washer, microwave oven, air conditioner, reprographic equipment, laser equipment, etc.

3. **Plastic Products**

   All products from moulded, extruded, thermoset process.

   Manufacture of acrylic sheets and acrylic products.

   Manufacture of re-inforced/laminated sheets.

   Manufacture of mono filament products.

4. **Watches and clocks of all kinds.**

5. **Gems and Jewellery**

   Jewellery of all types including costume jewellery.

   Manufacture of gold and silver articles.

   Diamond cutting and polishing.

6. **Textile Products**
   (excluding dyeing and processing of cloth)

7. **Food, Food Products and non-alcoholic beverages.**

8. **Paper products, Printing and Publishing**
   (excluding manufacture of Paper).

   Manufacture of paper board products.

   Printing, publishing and allied activities.

9. **Leather and Fur products**
   (excluding tanning, curing and processing of hides).

10. **Wood Products**
    (excluding manufacture of plywood, blockwood and saw milling).

SCHEDULE-II

1. Manufacture and refining of sugar (206)

2. Manufacture of hydrogenated oils, vanaspati ghee and edible oils (210,211).

3. Distilling, rectifying and blending of spirits (220).

4. Manufacture of pulp, paper and paper board including newsprint (280).

5. Tanning, curing and finishing of leather or furskins (250,294).

6. Manufacture of petroleum and coal products (304 to 307).

7. Manufacture of chemical and chemical products except pharmaceutical products (310 to 319 except 313).

8. Manufacture of cement (3241).

9. Basic metals and alloys industries (330 to 339).

10. Thermal power plants.

11. Asbestos and asbestos products.

Note : (Figures in bracket refer to National Industrial Classification)

SCHEDULE-III

Bhiwandi Sub-region

Bhiwandi-Nizampur Municipal Council and the following villages.

Sr. No.	Name of Village	Sr. No.	Name of Village
1.	Alimdhar	31	Nimbavoli
2.	Anjur	32.	Ovali
3.	Bharodi	33.	Pimpalas
4.	Bhinar	34.	Pimpalgaon
5.	Dapode	35.	Pimpalghar
6.	Davyale	36.	Pimpalnar
7.	Dhamagaon	37.	Purne
8.	Dive	38.	Rahanal
9.	Dive (Anjur)	39.	Ranjandi
10.	Dunye	40.	Sainagar
11.	Eikunde	41.	Sarang
12.	Gorsai	42.	Saravali
13.	Gove	43.	Savandhe
14.	Gundavali	44.	Shelar
15.	Jadghar	45.	Shirnagar
16.	Junadurki	46.	Sonale
17.	Kalher	47.	Sontaka
18.	Kalwar	48.	Surai
19.	Kamoe	49.	Tembavali
20.	Kasheli	50.	Vadpe
21	Kashivali	51.	Vadunavghar
22.	Katai	52.	Vafale
23.	Kawad Kh.	53.	Vaghivali
24.	Kevani	54.	Val
25.	Khoni	55.	Valshid
26.	Kiravali	56.	Vehele
27.	Kolivali	57.	Yavai
28.	Kon		
29.	Kopar		
30.	Mankoli		

Uran Sub-region

Uran Municipal Council area and the following villages;

Sr. No.	Name of Village	Sr. No.	Name of Village
1.	Boripakhadi	2.	Kegaon
3.	Mhatwali		

SCHEDULE-IV

Areas covered under Vasai-Virar Sub-Region forming part of Mumbai Metropolitan Region

Sr. No.	Name of Villages	Sr. No.	Name of Villages
1.	Achole	35.	Manikpur
2.	Agashi	36.	Merdes
3.	Bapne	37.	More
4.	Barampur	38.	Mulgaon
5.	Bhuigaon-Budruk	39.	Naigaon
6.	Bhuigaon-Khurd	40.	Nale
7.	Bilalpada	41.	Navghar
8.	Bolinj	42.	Nawale
9.	Chandansar	43.	Nilemore
10.	Chandip	44.	Nirmal
11.	Chikal-Dongri	45.	Pelhar
12.	Chincholi	46.	Rajivali
13.	Chulne	47.	Rajodi
14.	Dahisar	48.	Saloli
15.	Deodal	49.	Sandor
16.	Dhaniv	50.	Samel
17.	Diwanman	51.	Sassunavghar
18.	Gas	52.	Sativali
19.	Gas-Kopri	53.	Shirgaon
20.	Girij	54.	Shirsad
21.	Gokhiware	55.	Sopara
22.	Juchandra	56.	Tulinj
23.	Kaman	57.	Umele
24.	Kaner	58.	Umelgaon
25.	Karadi	59.	Umbarale
26.	Karmale	60.	Vadavali
27.	Kashid Kopar	61.	Vagholi
28.	Kaular-Budruk	62.	Vasai Municipal Area
29.	Kaular-Kd.	63.	Vathar
30.	Kiravali	64.	Virar Municipal Area
31.	Kolhi	65.	Waliv
32.	Kofrod		
33.	Koshimbe		
34.	Mandavi		