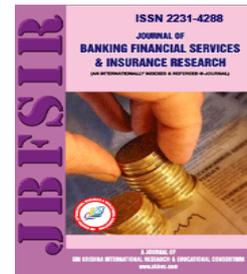




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IS THE INDUSTRIAL SECTOR OF GOA AT CROSS ROADS?

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INTRODUCTION

Goa didn't inherit any industrial base or culture from Portuguese regime. Prior to liberation people preferred trade and commerce to industry. The situation then prevailed probably was not conducive for industrial development. Lack of infrastructural facilities like poor road and rail communications, lack of power, lack of entrepreneurial skills, financial support were the main reasons. At the time of liberation there were only 46 small scale industries engaged in limited industrial activity like cashew processing, fruit and fish canning, laundry soap making, a carbon dioxide plant, a Mangalore tiles factory and rice mills. However, the post liberation period witnessed tremendous growth in industrial development in the State. As on 31st March 2011, there were 7438 micro, small and medium enterprises and 408 large scale industries in the State. This included 700 factories in operation registered under the Factories Act, 1948. On account of this, the contribution of secondary sector to the Gross State Domestic Product has increased from 8.9% at the time liberation to 36.18 % in 2008-09. While the industrial growth in the State has been excellent, in the recent past the sector has grappling with many contentious issues like plight of industries, opposition for special economic zones, environmental concerns, and employment issues etc which have put a brake on implementation of Industrial Policy 2003. In the light of prevailing situation, this paper makes an attempt to take stock of various characteristics of manufacturing sector in Goa and identify the issues and concerns relating to the industrial development in the State.

OBJECTIVES

The objectives of the study will be as follows.

- (a) To study various characteristics of manufacturing sector in Goa.
- (b) To study the implementation of Industrial Policy 2003
- (c) Identify the issues and concerns relating to the industrial development in the State.

DISCUSSION AND OBSERVATIONS

A. VARIOUS CHARACTERISTICS OF MANUFACTURING SECTOR IN GOA

In Goa the number of factories covered under Annual Survey of Industries has increased from 63 in 1964 (including Daman and Diu) to 518 in the year 2008-09, an increase by more than 8 times during 44 years. During the same period the total number of people employed in these factories has increased from 2407 to 53507, an increase by more than 22 times. That means, average employment per factory has increased from 38 to 103, which is due to setting up of large industries over the period.

Fixed capital has gone up from just Rs.1.5 crore to Rs.5265 crore registering an annual compound growth rate of over 20%. Average fixed capital per factory has increased from Rs.0.02 crore to Rs.10.00 crore. Similarly working capital too has increased significantly from Rs.0.85 crore to Rs.2384 crore. However, during the year 2008-09, the factories had an outstanding loan of Rs.1420 crore which forms 27% of the fixed capital. During the year 2008-09, Gross Capital Formation in these factories was Rs.1915 crore which included fixed capital formation of 56% and addition in stock of 44%. The net fixed capital formation (i.e. excluding depreciation) during the year 2008-09 was Rs.549 crore. During the period 1964 to 2008-09, while the value of total input has increased from Rs.1.45 crore to Rs.22098 crore, the value of total output has increased from Rs.1.88 crore to Rs.27526 crore. Ultimately, the most important parameter is the net value added to the GSDP of the State, which has increased from Rs.0.43 crore to Rs.4902 crore.

Currently, the employment profile of factories comprises two categories viz. workers and employees other than workers. Workers include all persons employed directly or through any agency whether for wages or not and engaged in any manufacturing process and other incidental work like cleaning, repair and maintenance etc. Employees other than workers include persons receiving wages and holding supervisory or managerial positions engaged in administrative office, store keeping etc. During the year 2008-09, the total employment in factories (i.e. 53107) comprised 76% workers and 24% employees other than workers. Within workers, 50% were directly employed by the factories and the remaining 50% were employed through contractors. This indicates prevalence of contract employment in the manufacturing sector, where the compensation is not paid directly by the industries but through the contractors. Among the employees other than workers, 59% were supervisory and managerial employees and the remaining 41% were non-managerial category of employees.

Average wage per employee (both workers and employees other than workers) including employers' contribution per annum during 2008-09 works out to Rs.1.72 lakh. This comprised wages and salary including bonus of 84% and employers' contribution of 16%. Average wages and salary per worker per annum was Rs. 0.90 lakh and that of supervisory and managerial staff was Rs.3.67 lakh. Thus, it appears that the level of compensation paid to the employees in the manufacturing sector is much low in comparison with the government employees and exception may be there in case of very senior positions. This may be one of the reasons youth give preference for government employment.

In India, there is uniform classification of industries throughout the country as per National Industrial Classification (NIC) and the current classification pertains to NIC 2008. As per ASI 2009, manufacturing sector industries in Goa are classified under 20 different divisions. Highest number of industries i.e. 9.8% are in the industry division 'manufacture of basic

metals' followed by manufacture of chemicals and chemical products (9.5%); manufacture of food products (9.3%); manufacture of pharmaceuticals, medicinal chemical and botanical products (8.5%); manufacture of rubber and plastic products (6.8%); manufacture of electrical equipment (6.6%); manufacture of beverages (6.4%) etc. However, in terms of net value added to the GSDP it is interesting to note that highest contribution i.e. 33.5% has come from manufacture of pharmaceuticals, medicinal chemical and botanical products followed by manufacture of chemicals and chemical products (14.8%) and manufacture of rubber and plastic products (13.2%). Thus, it is evident that 24.5% of industries contribute 61.5% of net value added to the GSDP. The industry division 'manufacture of basic metals', which has the highest number of factories (51 factories) contributed only 6.5% of net value added to the GSDP.

As regards average number of employees (both workers and employees other than workers) per factory, the highest average i.e. 252 employees per factory was found in manufacture of motor vehicles, trailers and semi-trailers followed by manufacture of pharmaceuticals, medicinal chemical and botanical products (229), Other manufacturing like jewellery, medical and dental instruments etc (214); manufacture of computer, electronic and optical products (198) etc. In terms of net value added per employee the highest contribution of 43.76% was found in manufacture of coke and refined petroleum products followed by manufacture of textiles (25.93%); manufacture of rubber and plastic products (18.01%); manufacture of chemicals and chemical products (17.11%); manufacture of pharmaceuticals, medicinal chemical and botanical products (16.33%) etc.

Thus, it is evident that pharmaceutical industry in Goa is making significant contribution to the GSDP having high employment potential. During the year 2008-09, 4.3% of the total output of the country in pharmaceutical industry was produced in Goa, which in itself is a significant contribution considering insignificant share of Goa in terms of area and population.

B. IMPLEMENTATION OF INDUSTRIAL POLICY 2003

At present the Industrial Policy 2003 is in force. The Industrial Policy 2003 envisages many incentives including new vistas of investment opportunities to the investors. The Mission of the Industrial Policy is to ensure accelerated Industrial Development, catalyze Economic Growth, ensure balanced Regional Growth, protect Environment and above all create sustainable Employment to local youth of the State. The policy document strives to achieve overall economic growth of the State through accelerated industrial development. The policy document focuses on the creation of sustainable employment opportunities for the people of the State. This will be achieved by providing industry an access to high quality infrastructure, extending institutional support, technology upgradation, deregulating the business environment for an efficient, proactive and transparent administrative framework and catalyzing the entrepreneurial as well as creative capabilities of the human resources and providing market support. The policy document aims at ensuring a facilitative regime that explores and unleashes the energies of the private sector to create an environment in which industry, both existing and new, can prosper.

Towards realizing the mission, the objectives envisaged in Industrial Policy 2003 are (i) Promote industries specifically identified as 'Thrust Areas'. (ii) Promote industries which would consume locally available raw materials, have consumption pattern within the State and neighbouring areas. (iii) Develop Goa as the 'Export/Import Hub' and Encourage export oriented Industries. (iv) Develop self-employment opportunities for the local youth especially

in rural and semi urban areas. (v) Promote and encourage the agro-based industries to give a boost to the rural economy. (vi) Promote and encourage development of handicraft products to give boost to local artisans. (vii) Create a healthy climate for the growth and promotion of small-scale and cottage industries. (viii) Promote and encourage the process of Technological upgradation/automation in the existing units as well as new industries so that need of migrant labour is gradually reduced, thereby arresting the influx of migrant labour. (ix) Create cluster development centres in rural areas around which traditional livelihood earning professions can develop and thrive. (x) Encourage industries which can convert existing and generated industrial waste such as mining rejects, slag etc., into useful products. (xi) Encourage participation of women entrepreneurs in the industrial development of the State. (xii) Ensure balanced growth to address regional economic and social disparities in the State. (xiii) Encourage promotion of all such industries that are environment friendly and do not indulge in wasteful consumption of resources. (xiv) Facilitate revival and rehabilitation of sick industrial units by devising suitable schemes. (xv) Promote Research and Development (R&D) to enable the industry to have access to state of art technology. (xvi) Encourage the participation of Industry Associations in decision making process and support their initiatives in promoting industrial development. (xvii) Encourage artistic talents amongst local youth.

The thrust areas identified in the policy document for focused attention are Pharmaceuticals, Drugs and Biotech Industries; Food processing and Agro based Industries; IT and IT-enabled services; Eco tourism/Heritage tourism/Adventure tourism/Event tourism/Medical tourism and Entertainment Industry. The policy document also envisaged setting up of Pharma park, Food park including Wine park, Software Technology Park (STP), Agro Economic Zone, Biotech park, Apparel park, Special Economic Zone and Film City.

Towards implementation of Industrial Policy 2003 Government of Goa has notified 10 schemes viz. Capital Contribution Scheme, 2003, Share Capital to Local Entrepreneurs and Self-Employed Scheme, 2003, Preferential Purchase Incentives for Small Scale Industries Scheme, 2003, Interest Subsidy Scheme, 2003, Goa State Financial Incentives to the Industries for Certification and Patenting Scheme, 2003, Incentives to Women Entrepreneurs Scheme, 2003, Early Bird Offer Scheme, 2003, The Goa State Employment Subsidy Scheme for the Industries, 2003, Incentives to encourage Consumption of Local Raw Material Scheme, 2004 and Goa State Export Market Development Scheme, 2004. Every year financial outlays are proposed in the Annual Plan but barring one or two schemes none of the schemes have been implemented so far. Budget provision is made every year for these scheme and most of the funds get surrendered every year due to non-implementation of the schemes. Budget provision made and actual expenditure incurred under these schemes from 2003-04 to 2006-07 may be seen in table 1.

TABLE 1: INDUSTRIAL POLICY 2003 SCHEMES – PERFORMANCE FROM 2003-04 TO 2006-07**RS. IN CRORE**

Sl. No.	Name of the scheme	2003-04		2004-05		2005-06		2006-07	
		BE	AE	BE	AE	BE	AE	BE	AE
1	Capital Contribution Scheme, 2003	0.00	0.00	3.00	0.00	3.00	0.00	2.00	0.00
2	Share Capital to Local Entrepreneurs and Self-Employed Scheme, 2003	0.00	0.00	3.00	4.25	4.00	3.14	4.00	1.86
3	Preferential Purchase Incentives for Small Scale Industries Scheme, 2003	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	Interest Subsidy Scheme, 2003	0.00	0.00	1.50	0.00	2.00	0.00	1.00	0.00
5	Goa State Financial Incentives to the Industries for Certification and Patenting Scheme, 2003	0.00	0.00	0.10	0.03	0.50	0.00	0.50	0.00
6	Incentives to Women Entrepreneurs Scheme, 2003	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Early Bird Offer Scheme, 2003	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8	The Goa State Employment Subsidy Scheme for the Industries, 2003	0.00	0.00	10.00	0.00	5.00	0.00	1.00	0.00
9	Incentives to encourage Consumption of Local Raw Material Scheme, 2004	0.00	0.00	0.05	0.00	1.00	0.00	1.00	0.00
10	Goa State Export Market Development Scheme, 2004	0.00	0.00	0.10	0.05	0.25	0.00	0.25	0.05

11	Contribution to Industries as per Industrial Policy	8.00	0.48	0.00	0.00	0.00	0.00	0.00	0.00
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BE: Budget Estimate AE: Actual Expenditure

Thus, there are no serious efforts being made neither to implement the schemes nor to notify new schemes or modify the schemes if the existing schemes are not implementable. On account of this indecisiveness the policy has remained on paper and the industrial sector has suffered a lot and has not grown much in recent years. More over due to tax benefits extended by the Government of India for setting up of industries in other States like Himachal Pradesh, there has been diversion of investment opportunities which otherwise would have come to Goa and also there are reports of flight of industries from Goa.

(C) ISSUES AND CONCERNS

Until recently, industrial development has been peaceful without any hindrances. In fact industrial development in the State has been slow and steady more or less consistent with infrastructure availability in the State. However, now the challenge before the state is to sustain this growth on long term basis. This is a herculean task considering the issues the industrial sector is seized with currently. The effort of the Government to give a major boost to the industrial sector by setting up Special Economic Zones has boomeranged due to huge public outcry. As per the report of the Comptroller and Auditor General of India for the period ending 31-3-2008, the Goa Industrial Development Corporation acquired 38.41 lakh sq.mts of land from the public under the Land Acquisition Act by paying paltry compensation and sold it to the private parties for setting up of seven Special Economic Zones at a very low rate than the actual market value. The policy of the State Government to acquire land in public interest and then allot for SEZs has evoked serious public anger.

The issues were many like how many SEZs the small state of Goa can sustain?, why Government has to give land to SEZ developers at highly subsidized rate ?, whether the native population will be able to get lakhs of jobs that will be generated in SEZs ? If large scale immigration takes place for employment whether the already stressed infrastructure will be able to sustain? etc. The SEZ policy should have made a professional assessment of carrying capacity of the State in terms of infrastructure, manpower etc so as decide on the type and number of SEZs to be set up in the State. Probably, good homework and planning, with only one SEZ initially was appropriate to sail through. However, bowing to public sentiments Government of Goa not only had to drop its SEZ promotion plans so also the SEZ policy and also had to request the Government of India to de-notify the already notified SEZs.

The aura of anti-SEZ movement and its success has unfortunately become the trend in the State to oppose almost each and everything in the name of 'mega project'. The regional plan issue has further compounded the problem. It is also a fact that in spite very impressive socio economic indicators, Goa has only about 15% coverage of sewerage network and the solid waste management is caught in NIMBY (not in my backyard) syndrome, which are the two important infrastructure needs the state should possess to carry the native as well as tourist population. Thus, there are difficulties in attracting big industrial units having potential to generate significant employment opportunities. Even in IT sector, there is not even one giant player and one such initiative of the Government to invite Wipro to set up its base few years back was not through as transfer of 25 acre land, which actually belonged to Goa University was opposed.

The anti-mining atmosphere on account of severe environmental concerns generated in the state in recent years too has affected the industrial sector as everything is being looked at using magnifying glasses. The message appears loud and clear that the tolerance limit on the environmental degradation is getting exhausted. Another issue is the need for giving employment opportunities to the local population. It is justified on the part of the society to expect that industries set up in Goa have to employ local people. If there is a mis-match and people from outside Goa are preferred over the native population in giving employment then unrest is obvious.

It is also important to note that the number of factories registered under Factories Act 1948 and in operation has actually declined in recent years from 743 in 2005-06 to 711 in 2009-10 and 700 in 2010-11. This trend is really disturbing and cause for concern. While the actual reason for decline is need to be ascertained, the impression is that tax concessions extended by the Government of India for setting up of industries in some other states and general non-conducive atmosphere in Goa has led to flight of industries and also hindrance for new industries to come in.

CONCLUSION

In spite of its spectacular achievements over the years, as of now it appears, the industrial sector of Goa is at cross-roads not knowing how to proceed further and seeking appropriate public policy direction. Under these circumstances the Industrial Policy 2003 also could not make much headway though there are efforts from the Government to implement the same. There is a need to arrest the flight of industries and attract new investment that is acceptable and beneficial to the people of Goa. If the Government of India's tax exemption policy in other States is affecting the industrial development in the State, Government of Goa may consider evolving its own industrial promotion incentive package to attract environment friendly and high employment potential industries. No one can deny that the high level of industrial development has benefitted significantly to the people of the state creating multiplier effect in the economy. There is a need to sustain and grow further. For this the challenge before the Government of Goa is to strike a balance between the pressure groups, infrastructure development and industrial development and sustain the high growth in the index of industrial production on long term basis. The need of the hour probably is to evolve a new industrial policy taking all the stake holders into confidence so as to build upon the strong foundation already laid and take Goa into new heights.

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