

# BHAWAN BALIKA VIDYA PITH

## शक्ति उत्थान आश्रम लखीसराय बिहार

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### SMALL BUSINESS

Question 5:

What are the incentives provided by the government for industries in backward and hilly areas?

**ANSWER:**

It is quite lucrative and feasible for entrepreneurs to establish industries in metropolitan and other developed cities. However, because of numerous factors such as irregular power supply, poor transport and absence of banking facilities, it is extremely difficult for them to set up industries in backward, hilly and tribal areas. As a result, there exist acute regional disparities in development between these areas and the big cities in the country. The Government of India has been making efforts to remove the regional imbalances in development by providing incentives for setting up industries in rural areas. The following are among the incentives offered.

**(a) Land:** It is a basic requirement for setting up a business unit. In order to encourage the establishment of industries in backward areas, the government provides land plots at concessional rates, especially to industrialists in backward regions. This makes setting-up industries cheaper.

**(b) Power:** Power is an essential requirement for the functioning of business enterprises. However, its supply is highly irregular in some parts of India. Therefore, in order to facilitate the setting up of industries in these areas, electricity is supplied at a discounted rate of 50 percent. In addition, some states exempt such units from any payment during the initial years of operation.

**(c) Banking and finance:** Due to the poor banking facilities, industries set up in the backward areas face the problem of inadequate credit and finance. As a solution, the government provides loans at a concessional rate and offers subsidies of 10 to 15 per cent for the accumulation of capital assets.

**(d) Raw materials:** Resources such as cement, iron and steel are of prime importance for industries. Since these resources are scarce, the government provides them on priority basis to industries located in backward areas.

**(e) *Tax exemption***-In order to attract entrepreneurs to set up industries in the backward areas, different state governments grant tax exemption to the industries. Thus, the industries are exempted from paying taxes for 5 to 10 years.