

INCENTIVES AND SUBSIDIES

In India Entrepreneurs are offered a number of incentives because they fulfill two main objectives of economic development. Firstly, they facilitate the decentralization of industries.

They assist in the dispersal of industries over the entire geographical area of the country. Secondly, they facilitate the transformation of a traditional technique into modern technique characterized by improved skills, high production, and a higher standard of living.

Why does the government give subsidies and Incentives?

This is the financial and promotional assistance provided by the government to the industries for boosting up industrial development in all regions particularly in backward areas. Incentives include concessions, subsidies, and bounties.

'Subsidy' denotes a single lump-sum which is given by a government to an entrepreneur to cover the cost. It is granted to an industry that is considered essential in the national interest.

The term Bounty denotes bonus or financial aid which is given by a government to industry to help it compete with other units in the home market or in a foreign market. Bounty offers benefits on a particular industry; while a subsidy is given in the interest of the nation. The object of incentives is to motivate entrepreneurs to start new ventures in the larger interest of the nation and society.

What is the Advantages of incentives and subsidies

For this, the following six offers you the following Advantages: Which you need to look at.

- They encourage the entrepreneur to start industries in backward areas.
- They help to develop new enterprises which lead to economic development They make the entrepreneur to face competition successfully.
- They act as a motivational force which makes the potential entrepreneur enter into business activities.
- They help the government to get a balanced regional development.
- They help to reduce the overall problems of small scale entrepreneurs.

Need For Incentives and Subsidies

- Incentives and subsidies are required for the following four reasons given below. Which you need to see.
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To Generate More Employment and Remove Unemployment: Market adjustments and external economies play a significant role in the economic development of a country. Subsidies cause movement of entrepreneurs from developed areas to developing or backward areas. In short, incentives and subsidies serve as a catalyst to start a dynamic process of development.

- To Promote Entrepreneurship: Industrial estates, availability of power, concessional finance, capital investment subsidy, transport subsidy, etc, are few examples of subsidies which are aimed at encouraging entrepreneurs to take up new ventures

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To Remove Regional Disparities in Development: Industries may be concentrated and overcrowded in some regions, in order to correct this regional balance, incentives are provided to entrepreneurs. They will start new ventures in such backward areas. Thus the backward areas become developed and regional imbalances are corrected.

To Provide Competitive Strength, Survival, and Growth: several other incentives are provided for the survival and growth of industries. For example, reservation of products, price preference, etc. will improve the competitive strength. Other concessions like concessional finance, tax relief, etc., contribute their survival and growth.

Problems Relating To Subsidies

- Some problems may arise in formulating and implementing the subsidy system. They are as follows. Which you should take a look.
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- Subsidies may lead to inefficiency in the long run.
- Subsidies once introduced are difficult to withdraw.
- The administrative procedure must be effective.
- A subsidy may remain unutilized.
- The quantum of subsidy should be adequate to produce the desired results.
- The target groups to whom the subsidy is to benefit should be clearly determined.
- If the administration is inefficient or corrupt, the subsidy will not produce the desired results.
- It is very difficult to measure the impact of subsidies.
- The cost of administering a subsidy should be considered.
- The subsidy scheme should be communicated to prospective beneficiaries.