



THE FUTURE OF GREEN INDUSTRIALIZATION-A NEW FINANCIAL POLICY FOR INDIA

Dr. B. Gattaiah,

Degree Lecturer in Commerce,
Sri Chaitanya Womens Degree College, Bheemaram,
Hasanparthy, Hanmakonda, TG.

Abstract:

Developing country like India's financial growth is totally dependent on industrialization. Now industrialization has become a major reason behind Global Warming and depletion of Ozone layer as it causes maximum emission of carbon-dioxide. But keeping in view the progress of mankind and financial growth in India, Industrialization cannot be stopped. Hence realizations of alternative energy resources, recycling: re-engineering procedure and eco-friendly industries become more important. Special Economic Zone or SEZ is one of the key initiatives towards industrialization in India, where there are few environmental constraints on the companies who are setting their plant in SEZ. Kyoto Protocol has defined the deadline about limited carbon emission up to 2020. After 2020, in India, carbon emission more than the permissible level defined by Kyoto Protocol, can make Government of India to pay the huge penalty, which will a big financial loss. Now we should come up with new innovative and effective alternative ideas to control the carbon emission rate by which we can sustain the growth of our country's economy. According to this, we are suggesting that the present SEZ policy is not environmentally satisfactory. We are also suggesting a new model, which can overcome the drawbacks, has so far been faced by the companies under SEZ from the environmental as well as financial point of view.

Keywords: Financial Growth, Industrialization, sustainable growth, Global Warming, re-engineering, SEZ, carbon emission.

INTRODUCTION

Rio Summit (1992) was dependent on the issue of accumulating greenhouse gasses (GHG) and the associated predictions of the global warming. US department of Energy made a survey in 2008 on world carbon dioxide emissions and the statistics showed that the emissions were about 21.2, 28.1, 31.1 billion metric tons in the year of 1990, 2005 and 2010 respectively.

World economy's average future annual growth of 3.0% over the projection period will increase by 1.6% of required energy (liquid fuel by 1.2%, Coal by 2.0%), which would lead the world carbon dioxide emission about 37.0 billion metric tons in 2020 and 42.3 billion metric tons in 2031.

According to our suggested model, the whole area will be subdivided into a number of different regions according to their use. And list wise these regions are:

1. Factory Premises
2. Household Premises
3. Raw Material Cultivation field
4. Jatropha Cultivation field
5. Dumping Ground
6. Area for Wind Turbines
7. Raw materials Processing area
8. Area for Bio-Fuel Processing from Jatropha
9. Area for Collection and processing of CH₄
10. Solar panel in each and every production house.

EFFECTIVENESS OF THE SUGGESTED MODEL:

Every alternative energy resources under the suggested model has its own significance. These are:

Significance of Jatropha Cultivation: Jatropha is a flowering plant of the family Euphorbiaceae. The 30 % oil content of Jatropha seed is having a very high combustion power which can be used as fuel in the factory and transportation. After cultivation, 540-680 litres of Jatropha oil can be extracted from 1500-2000 kilograms of Jatropha seed per hectare. After extracting the oil, the remaining solid part of the same seed is used as Jatropha Press Cake which is having mineral contents like nitrogen (6%), phosphorus (2.75%) and potassium (0.94%) and can be used as a fertilizer and is an excellent substrate for biogas production. Conversion rate JCO (Jatropha crude oil)/ Jatropha press cake: **1:1.66**, i.e. the production of 1t of JCO will generate 1.66t of seed cake. An application of 1-ton Jatropha press cake is equivalent to 200 kg of mineral fertilizer (NPK 12:24:12).

Significance of Dumping excluded, unused and unnecessary Biomass: Biogas is playing an important role in everyday life as it is used as cooking fuel, heat generation and power supply of engines. Biogas, consisting of methane is produced by the bacteria and microbes in anaerobic digestion process from excluded, unused and unnecessary Biomass in dumping ground. The biogas as a fuel helps to replace fossil fuels to reduce CO₂ level in environment.

Matter	%
Methane (CH ₄)	50-75
Carbon dioxide (CO ₂)	25-50

2. **Non Nature Based Industries** - This deals with the raw materials which are not from cultivation fields and, therefore, do not exclude bio-degradable waste products.

IT sectors

Assembling Units of a Automobile Company

Assembling Units of various Electronic products

Bottling plant

Other industries that do not exclude organic wastes (liquid or solid) and only emit CO₂

etc

Apart from the buildup area, proportionate area of plantation at industry premises is necessary to reduce the amount of CO₂ from environment to some extent.

Use of water in industry premises is another important factor. To avoid scarcity of water and to overcome the seasonal water problem, the industries must reserve the rainy season water or can use the ground water with a limit.

Negative aspects of existing SEZ:

India was one of the first country in Asia who recognized the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, EPZ transformed into Special Economic Zones (SEZs) Policy which was announced in April 2000.

Special Economic Zone (SEZ) is a specifically defined duty free enclave for the purposes of Trade Operations. Units under SEZ can import/procure all types of goods and services without payment of duty. The SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February, 2006, providing for drastic simplification of procedures and for single window clearance on matters relating to central as well as state governments. Now we discuss some facilities and incentives offered to SEZ for attracting investments into the same including foreign investment. It includes:

1. Duty free import/domestic procurement of goods for development operation and maintenance of SEZ units.
2. Exemption of central sales tax, state sales tax, 100% income tax exemption on export income etc.
3. Attracting foreigners for foreign direct investment without any barriers.

With respect to the above context the present posture of SEZs' facilities and incentives all ideas are not an enough and good. Now for the first case if a developing country import goods with duty free then the homogeneous goods will be affected by the causes of market failure. Now to overcome the causes of market failure many developing countries have been seen as a compelling reason to

provide special support for the development of intermediate manufacturing industries. Developing countries could provide subsidies to intermediate manufacturing production in general or they could focus their efforts on subsidies for the export of some manufactured goods in which they believe they can develop a comparative advantage. In most developing however the basic strategy for industrialization has been to develop industry oriented domestic markets by using trade restrictions such as tariffs and quotas for solving the market failure of homogeneous production sectors to encourage the replacement of imported manufactures by domestic products. The strategy of encouraging domestic industry by limiting imports of manufactured goods is known as the strategy of import – substituting industrialization. Developing country typically protects final stages of industrial output. Now for the large developing countries, domestic product completely replaced imported consumer goods. Once the possibilities for replacing consumer goods import had been exhausted this countries turned to protect intermediate goods. So, in this view duty free import of foreign manufacturing goods is totally bad idea for developing countries.

In the second case if some facilities like exemption of central sales tax, 100% income tax exemption on export income, exemption of state sales tax etc, were happen in the developing country which are specially given for SEZ unit also not a good idea or better way to support or help for grow wealth of developing countries for developmental purpose. If it were happens year after year then govt. will rose revenue from those parts of the country which parts are not coloured as SEZ unit and those part are create seriously bad effect on the people. For the causes of exemption of various tax for SEZ unit the non coloured SEZ units of the country were faces some serious burden of various taxes. These various taxes were hangs on the heads of non coloured SEZ units like a sword of domiciles. And these situations were creating in-equal distribution of income. For the causes of in-equal distribution of income were encourage to create parallel economy in the developing country. For developing country parallel economy is an evil of hyper inflation. So, from the above context exemption of various taxes for SEZ unit is not a proper way to develop a nation. Now we discuss the 3rd case of facilities which is create specially for SEZ unit i.e. foreign direct investment (FDI) with no barriers. For developing country if it were happen continuously and increasing the amount of the FDI day after day then it is thus seen that multinational corporations have exploited developing countries in many ways. They will send huge amount of money (in terms of Dollar) to their home countries in the name of royalty, interest, dividend, etc. The exploitation of the imperial design will come back in a new form. Multinational corporations will create a system of neo-colonialism. They are the new instrument of neo-imperialism in the hands of the developed nations. The developed countries are now exploiting the developing countries through these MNCs.

To overcome this exploitation, govt. control over MNCs is at most necessary. Capital inflows by multinationals may be permitted but this should not be allowed at cost of national interest of the developing countries, hence govt. of developing countries should impose some restrictions on foreign capital & foreign investment in order to protect their own national interest. As open door policy, regarding inflow of foreign capital and entry of MNCs to LDCs or DCs is likely to create

more bad effects than the good effects for such economics. So, the logic behind FDI for supporting SEZ unit has been losing its robustness in UDCs and LDCs.

Proposed financial reformed Policy for existing SEZ:

The proposed policies are:

- i) A partnership is in many respects simpler than a company, and may perhaps be regarded as a halfway house between a corporate joint venture and a purely contractual arrangement may incorporate in this proposed policy. A partnership represents a relationship between persons who have agreed to share the profits of business carried on by all or any of them acting for all. A partnership JV or hybrid models are unincorporated forms of JV which represents the business relationship between the parties with a profit motive. Awakening about newly indigenous efficient ventures we induce their partnership in JVs under this proposed policy. This will offer the robustness of the indigenous new entities. In this direction in 2008, the Limited Liability Partnership Act, 2008 ("LLP Act") has introduced limited liability partnerships in India.
- ii) An LLP is a beneficial business vehicle as it provides the benefits of limited liability to its partners and allows its members the flexibility of organizing their internal structure as a partnership based on an agreement. At the same time a LLP has the basic features of a corporation including separate legal identity. The LLP Act permits the conversion of a partnership firm, a private company and an unlisted public company into an LLP, in accordance with specified rules. As a consequence of the conversion, all assets, interests, rights, privileges, liabilities and obligations of the firm or the company may be transferred to the resulting LLP and would continue to vest in such LLP. An LLP is a body corporate formed and incorporated under the LLP Act. This would be a positive and revival offer in this proposed policy.

A non-resident person (NRI) who are willing to participate in a partnership firm registered in India or a sole proprietorship will be subject to the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000. Any contribution to the capital of a firm or a proprietary concern or any association of persons in India by a person resident outside India is subject to the approval of the Foreign Investment Promotion Board and RBI, which is granted on a case-by case basis. At this event, the partnership of non-resident Indian in JVs under our proposed policy will gear up opportunities and privileges to indigenous and exogenous entities.

Long Term Prospects of this proposed policy:

Long term prospects of this policy will be proved as the only option through which rapid green industrialization is possible. After 2020 if the country has to pay to the UN due to excess carbon emission, then Govt. is surely going to recruit auditor who will inspect the carbon emission for each organization and charge fine based upon that. Organizations under this policy won't have to pay this fine. On the other hand country can concentrate on further growth without any hindrance as this policy will provide a huge number of organizations who are capable of higher production without affecting the nature.

Scope of further study:

There is vast field for further studies and research on the context of this policy. According to our proposed model, there will be use of alternative and renewable energy sources upon which further research can be done. As India is a large country and subdivided into a number of regions according to a many factors, the type and efficiency of alternative energy sources will also differ from place to place inside India. When this policy will be established in such different parts of India, there will be an utmost need of research works for those factor which will have direct or indirect effect on the use of alternative energy sources in this proposed study.

CONCLUSION:

With the advancement of time population will increase gradually so as the demands. So, production should be increased and for that the main challenge was to restrict the emission of GHG emission. Use of alternative energy and specially recycling procedure are obviously two important steps but only when these are being done through a perfect model of implication and proper economical policies. Otherwise it will not be beneficial to establish this proposal.

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