

# Policies and Strategies of Industrial Sector in Himachal Pradesh

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## Abstract

In the era of liberalisation and globalisation the flow of investment depends upon the friendly attitude and approach towards the investors. The regulatory and control regime must give way to one, which is promotional and facilitative. The statutory provisions, rules, regulations and procedures relating to grant of approvals at the state level for setting up of industrial units, permission for purchase of land for industrial use need to be comprehensively reviewed. The existing infrastructure facilities are inadequate to meet the requirement of new investment. Therefore, it requires significant effort to improve the infrastructure for the swift expansion of industrial sector in Himachal Pradesh. At this juncture, the state has to respond to the new challenges, and adequately deal with factors which would be relevant in the next millennium. Through the successive industrial policies and other investor friendly measures, the state has been striving to accelerate the flow of investment into industrial sector. It has also been extremely conscious about attracting more investment into the backward areas with the aim of achieving equitable development of the state.

## Introduction

The Industrial sector of India has witnessed a transition from a state-led development model to a neoliberal paradigm with the implementation of economic reform since 1991, with less government control, which has brought about a great deal of changes in the policy structure with respect to the size of the government in terms of expenditures, taxes and enterprises, legal structure and security of property rights, regulation of labour and business. As a result Indian states and union territories have also come up with large number of policies for promoting industrial sector, especially through incentives like tax exemption, foreign direct investments (Burange 1999). States like Gujarat, Maharashtra, and Karnataka, Tamil Nadu, Haryana, Punjab and many more have implemented their own industrial policy to boost the industrial production and Himachal Pradesh is no exception in this direction. Since the full-fledged state, Government of Himachal Pradesh has taken many steps for industrial development particularly in the last two decades. As a result the growth of industrial sector especially manufacturing sector in the state has shown a significant improvement in the Gross State Domestic Product (from 12.18 per cent in 1995-96 to 14.38 in 1990-00) and across small scale and large medium sector. Large medium sector has improved 8.7 times from 1990-91 to 2001-02 and investment in this sector has been expanded by 11.7 times from 1990-91 to 2000-01. On the other hand, small scale units have gone up by 4.2 times and investment has grown by 4.5 times during the same period (Himachal Pradesh Human Development Report 2002). Therefore, this present study has tried to examine the impact of state level policy initiatives on the structure and growth performance of industrial sector of Himachal Pradesh. Available literature signposts at the national level, that there has been growth acceleration in the organised sector

(Kumar 2006; Goldar 2009; Kennan and Raveendran 2009) where investment has boomed and foreign capital has flowed in (Thomas 2013; Bhat 2014; Sen and Das 2015; Vashisht 2016). But the growth has not increased employment opportunities in a significant measure (Ghosh and Roy 2007; Das 2007; Unni et al 2001; Majumder 2006; Kumar 2006; Goldar 2009). Indeed, India's growth in the post-globalization period has been led by skill-intensive services, and manufacturing too has become increasingly skill-intensive (Majumder 2006; Kumar 2006; Goldar 2009). Few studies have examined the performance of industrial sector at state level. Goldar (1989) examined the spatial variation in the rate of industrial growth for twelve major states of India during 1960-61 to 1985-86 using kinked exponential model. He argued that after the mid-sixties states have witnessed deceleration in industrial growth rate, but during the mid-seventies most of states have undergone recovery. The states which constitute larger share in the industrial sector (like Gujarat, Maharashtra, Andhra Pradesh, Tamil Nadu and Karnataka) have neither experienced any growth nor any improvement in the industrial sector over the time. After the mid-seventies two states have experienced deceleration in the growth rate were Madhya Pradesh and Kerala. In similar way Albin (1990) studied the role of structural and regional factors for explaining the growth of industrial sector of Kerala. He has suggested that Kerala industrial sector had not grown at par with the southern states. Industries wise analysis have shown that, in term of employment and output most of the industries have experienced deceleration in the growth rate since seventies. In 1999, Burange analysed the industrial growth and structure in the context of Maharashtra. He had found that in the composition of industrial sector Maharashtra economy underwent significant changes with the dominance of intermediate and capital goods industries. During the decade of eighties to first half of nineties Maharashtra realized high growth rate in fixed capital resulting in employment drop. Further in 2004, Trivedi has done her study on manufacturing productivity with respect to some major states of India during 1980-81 to 2000-01. She claimed that there are large differences in productivity and growth rate among the states. Further, Mitra (2007) examined the performance of industrialization and its impact on poverty for major Indian states from 1979-80 to 1997-98. The result of his analysis suggested that industrialization has no significant impact on poverty reduction across the states. Kumar (2006) focused on the growth, employment, wages and productivity for Punjab manufacturing sector using two digit data for the period 1980-2001. The analysis of his study suggested that the manufacturing sector of Punjab has not experienced jobless growth in the decades of eighties like the national manufacturing. But in the decade of nineties the growth of employment has slowed down which raised the questions on manufacturing capacity of Punjab to generate additional employment. Ghose and Roy (2007) emphasis on inter-state disparity in the growth and determinants of wage rate for industrial labour in India and claimed large degree of variation in the wage rate of industrial labour at state level.

### **Incentive to the Investors in Himachal Pradesh**

To promote investment, the Himachal government has finally notified the Himachal Pradesh Industrial Investment Development Policy 2019. It is aimed at speeding up economic development and creating more jobs. A slew of incentives to the existing and new industries have been announced with a thrust on taking investment to the hitherto unexplored areas of the state. In order to achieve this, the areas have been classified in categories A, B and C taking into consideration the location, distance from the inter-state borders, extent of industrial development and overall backwardness. "An attempt has been made to grant additional incentives to the investors investing in B and C categories, which comprise the industrially developing areas and the tribal areas, respectively, by allotting land and industrial sheds at concessional rate besides giving similar incentives on stamp duty and registration fee, exemption from change in land use charges, assistance for transportation of plant and machinery and transport subsidy,"

said an Industries Department official. Several state-level incentives have also been included to lure investors which include assistance for access to technology, competitiveness, innovation and quality certification. With an eye on environment, conservation issues like encouraging water conservation, compliance of environment, health and safety standards would also make an enterprise eligible for availing 50% power tariff for operating effluent treatment plant for three years and reimbursement of 25% expenditure incurred on purchase of plant and machinery of effluent treatment plant. The initiatives under the ease of doing business such as self-certification of documents have also been enlisted in the policy which would further simplify procedures. Access to finance for the key MSME sector and provision of land allotment at concessional rate, easy payment schedule of land premium, extension in provisional land allotment period and provision to rent out surplus built-up area for industrial use for large enterprises have taken care of. The transport subsidy to incentivise the industry has also been introduced for the first time in the state. Special category enterprises like BPL, ex-servicemen, women, persons with disabilities, persons afflicted with HIV/AIDS too have been granted additional incentives as an encouragement. A concept of anchor enterprise, which is a first unit set up in an industrial area with fixed capital investment of over Rs 200 crore and employing more than 200 people from Himachal on regular basis would also be promoted. While lauding the state government for notifying the new policy, Baddi Barotiwala Nalagarh Industries Association president Sanjay Khurana said it had failed to take care of the ailing industry in the state which the association had suggested. The association reiterated its request for a sick unit revival policy. He said the new policy would further promote investment.

### **Incentives announced in New Industrial Policy**

- Allotment of land, industrial sheds at concessional rate to investors in areas under category B and C.
- Incentives on stamp duty, registration fee, exemption from CLU charges, assistance for transportation of plant and machinery and transport subsidy.
- Several state-level sops have also been included, including assistance for access to technology, competitiveness, innovation and quality certification.

### **Strategy for Expansion of Industrial Base in Himachal Pradesh**

Considering that the resources for development are always limited, one can at best channelise them in an optimal way. The entire State is industrially backward except some development on the periphery of the State. The State has been classified into two categories namely "industrially developing areas" and "industrially backward areas". The development blocks of Paonta Sahib and Nahan in district Sirmour and Nalagarh, Dharampur & Solan in district Solan, excluding backward panchayats as notified by the Planning Department of Govt. of Himachal Pradesh from time to time would fall in the category of "industrially developing areas". The rest of the State including backward panchayats in the industrially developing areas referred to above will be in the category of "industrially backward areas". There is a need to give an over-riding incentive in industrially backward areas. In order to create employment opportunities at the door step in the tribal areas, it is proposed to promote industrial growth centres by exempting the units coming therein from payment of all State Government taxes and duties. A special package of incentives is required for fruit, vegetable & maize based units consuming locally available raw material. In addition, emphasis is also to be given to thrust areas including 100% EOU's and investment by NRIs which have been identified & classified as priority sector. Relatively higher incentives and support are planned to the units in cottage, tiny & small sector particularly in industrially backward areas and in priority sector. For the units in large & medium scale sector more emphasis is laid

for providing better infrastructure. In order to accelerate and facilitate industrialisation, clearances required for setting up of units in industrially developing areas shall be specially dealt on fast track basis. The Income Tax holiday and the Central Transport Subsidy Scheme, the two major central incentives have helped the growth of industries in the State. The Government of India will be approached to extend these incentives beyond March, 2000. It will be the endeavour of the State Government to continue to request and persuade the management of companies to open/transfer their registered offices within the State of Himachal Pradesh. In order to achieve these objectives, following parameters would be adopted.

### Conclusion

After the economic reform many of the Indian states has given the more emphasis on the industrial development. But the extent literature is primarily related national and major Indian states. Moreover, few have analysed the growth of Industrial sector in the context of emerging economies like Himachal Pradesh. Therefore, the present study has examined the industrial policies adopted by the Government of Himachal Pradesh in India and evaluated the growth and structure of industrial sector in aggregate as well as district level. As the Himachal Pradesh is one of the emerging state in the industrial sector, for encouraging the industrialization Government of Himachal Pradesh has created a set of institution such as Department of Industries, HPSIDC, HPFC, HPSHHC, HPCED and other important agencies. Apart from this government of Himachal Pradesh has implemented several industrial policies for industrial development in the state. These organization and polices have played important role in expanding the industrial capacity with the aim of making state as industrial hub in the country. Disparity in industrial growth across the district is a matter of serious concern. In spite of various efforts of the state gap between districts has risen. Advance districts become more developed in relation to backward districts. In the advance districts more than 95 per cent industrial units, employment and investments has taken place in case of large medium sector. In case of small scale sector the proportion of these activities are around 70 per cent and rest are found in the backward districts in both the cases. Within advance district three districts namely Solan, Sirmour and Una become highly industrialized districts because of two reasons. First they are close propinquity to neighbouring state of Punjab, Haryana, Uttarakhand and union territory of Chandigarh. Second, in 2003 Government of India has announced a Special Packages of incentives to the state of Himachal and Uttarakhand as a result most of the business houses prefer to establish their units in the border districts because of better availability of raw materials and better connectivity of roads and railways form the neighbouring states and Union territory of Chandigarh. These border districts will have the same policy incentives and concession as are applicable to the other districts of the state. Therefore border area of Himachal Pradesh to Punjab, Haryana, Uttarakhand and Chandigarh become highly developed in term of industrialization.

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