

A Review of the Uttarakhand's Industrial Policies and Their Performance

Rajinder Singh¹, Prof. B. K. Agrawal²

¹PhD Research Scholar, ²Head of Department, Department of Economics,

^{1,2}Hemvati Nandan Bahuguna Garhwal Central University, SRT Campus, Badshahithaul, Tehri, Uttarakhand, India

ABSTRACT

In today's world, a nation's economic development cannot be addressed without acknowledging industrialization. Industrial development is mostly based on the industrial profile of the particular states/countries. This study reviews Uttarakhand's industrial policies and their performance toward the growth of industrial units and generating new employment opportunities. The data sources of the study are published reports of Uttarakhand's government departments and other secondary sources. Uttarakhand launched many industrial policies and set up SIIDCUL to develop industries; SIIDCUL developed industrial infrastructure and attracted investors. The result shows that the industrial policies of Uttarakhand are favourable for the state in terms of attracting investors, generating employment opportunities, and pushing the state to an industrial hub. Industrial policies gave many tax concessions to investors and also made a single-window clearance facility for investors. These industrial policies also have the intention of reviving the state's sick units. The impact of these industrial policies is the contribution of the secondary sector increase in the gross state domestic product, and this sector also generated new employment opportunities in the industrial sector.

KEYWORDS: Growth, Industrialization, Industrial Policy, Single Window Clearance, GSDP

INTRODUCTION

In modern parlance, a nation's economic growth cannot be addressed without acknowledging Industrialization. The development of a country is inextricably linked to the development of the industry. The comparative history in today's developing countries shows that Industrialization is a significant determinant of economic development. According to Dellas and Koubi (2001), the main engine of growth during the early stages of economic development is labour Industrialization. They emphasize the impact of investment on the composition of the workforce. They indicate that, unlike recent arguments pointing to Industrialization by machinery investment, job industrialization policies hold the key to progress in developed countries. Industrialization is typically associated with higher levels of wages, according to statistical evidence. It serves as a stimulus for fast economic development. As a result, the development of the sector is a precondition for the country's growth. In India, sustained higher GDP growth has improved the

overall economic situation since the country's independence.

Uttarakhand was a newly constructed state in India in November 2000. Most of the districts of Uttarakhand are hilly, so hilly areas are the biggest obstacle to the development of industries. Aside from that, the Uttarakhand government implemented favorable industrial policies for the state's development. Its industrial policies favour investors and give some tax subsidies to investors to encourage them to invest in Uttarakhand. The state of Uttarakhand launched many industry policies. Their policies are the Industrial policy of 2003, special integrated industrial promotion policy 2008, micro, small and medium enterprise policy 201, mega industrial and investment policy 2015, and the startup policy of 2018. These policies have been amended many times to increase industrial development. The Government of Uttarakhand also introduced a single-window clearance facility and developed State Infrastructure & Industrial Development Corporation Uttarakhand

How to cite this paper: Rajinder Singh | Prof. B. K. Agrawal "A Review of the Uttarakhand's Industrial Policies and Their Performance" Published in International

Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-5 | Issue-5, August 2021, pp.1274-

1280, URL: www.ijtsrd.com/papers/ijtsrd45077.pdf



Copyright © 2021 by author (s) and International Journal of Trend in Scientific Research and Development Journal. This is an Open Access article distributed under the terms of the Creative Commons Attribution License (CC BY 4.0) (<http://creativecommons.org/licenses/by/4.0>)



Ltd. (SIIDCUL)² for the development of industries in the state. According to the Department for Promotion of Industry and Internal Trade (DPIIT), cumulative FDI inflows were around US \$699 million from April 2000 to September 2019. During the fiscal year 2018-19, the state's total export was the US \$2.35 billion, with US \$1.92 billion in April-December 2019.

The objective of the Study:

The study's objective is to take a look at the industrial policies of Uttarakhand and their performance and analyze the current scenario of the industrial sector.

Research Methodology:

This present study is a descriptive type of research. The data that has been used for this research is secondary data, which is collected through various websites and offices of the Uttarakhand Government (Directorate of Industries, Directorate of Economics and Statistics and State Infrastructure and Industrial Development Corporation of Uttarakhand Ltd. (SIIDCUL), and Newspaper, Research Articles.

Industrial Policies of Uttarakhand: An Overview

Uttarakhand is a newly created state split from Uttar Pradesh on 9 November 2000 as the country's 27th state. It is a Himalayan state bordered by China (Tibet) to the north and Nepal to the east. Himachal Pradesh borders it on the northwest, while Uttar Pradesh borders it on the south. It is organized into two divisions and comprises thirteen districts. The Garhwal is one, while the Kumaon is another. Uttarakhand announced its first industrial policy in 2003, followed by policies in 2008, 2015, and 2018 that were amended several times. Uttarakhand is classified into four industrial zones depending on its industrial strategies. Additionally, the state is rich in mineral resources, including limestone, granite, rock phosphate, dolomite, magnesite, copper, and gypsum. The country has 25,294 small-scale factories employing 63,599 people. 1802, major and medium factories employ 5 lakh people with a total investment of Rs 20,000 crore. The majority of factories are forest-related. Uttarakhand is also home to enterprises such as Patanjali (Patanjali is India's largest maker of ayurvedic items). The state has 54,047 handicraft units in total. The state's gross state domestic product

(GSDP) was INR 2 17,609 million, growing at an annual rate of 11.23 percent (FY 2017-18).

Industrial Policy 2003 of the Uttarakhand

1. The vision of the Policy:

- To create world-class infrastructure in the state and improve connectivity to the National Capital Region (NCR) and other major markets.
- To create an investor-friendly environment by including a single-window clearance facility and land availability for commercial ventures.
- To provide and ensure continuous, high-quality, low-cost electricity to industries.
- To simplify and rationalize labour laws and procedures in tune with the current day's requirements while ensuring that the workers get their due share in the economic prosperity of the state.
- To encourage mainly small, cottage, and khadi and village industries and handicrafts silk and handloom sector, as well as to assist them in modernization and technical advancement, and to provide the requisite common facilities and backward and forward linkages, including product design and marketing support, to make them globally competitive and remunerative.
- To address the problem of sickness and impending sickness in industry, especially SSIs, and encourage necessary restraint and recovery, etc., in collaboration with banks and financial institutions.
- To provide particular consideration to the establishment of industries in remote areas.
- To encourage and facilitate private sector investment in infrastructure planning and management initiatives such as Industrial Areas, Growth Centers, Special Economic and Commodity Zones, IIDs, and so on.

2. Restricting and Revival of Sick Units

- Incidence of sick and incipient sickness as specified by the RBI guidelines shall be dealt with expeditiously in collaboration with Banks and Financial Institutions.
- For the revival/rehabilitation of sick SSI units, interest incentives of up to Rs. 2 lakhs per annum are given on loans taken under completely bound up revival and rehabilitation packages from financial institutions, banks, etc. For entrepreneurs in remote areas, interest incentives of up to Rs. 3 lakhs per annum granted. The interest benefits are available to units only if they continue in service for three years from the last

² SIIDCUL (State Infrastructure and Industrial Development Corporation of Uttarakhand Ltd) is a Govt. of Uttarakhand Enterprise, was incorporated as a limited company in the year 2002 with its share of Rs. 50 crores in it. It was established primarily to provide overall industrial development of the state by developing necessary infrastructure and industries in the state directly or through special purpose vehicles, investment assisted companies, etc.

installment date, failing which the Government is entitled to recover the full value of the reward.

- In the case of sick non-SSI units, Government will sympathetically consider measures required under revival/rehabilitation package drawn by operating agencies/Financial Institutions/Banks.

Special Integrated Industrial Promotion Policy - 2008:

The objective of the Policy:

The goal of this policy was to provide marketing incentives and financial assistance to entrepreneurs who were setting up industries, developing industrial infrastructure facilities and industries in these areas, to accelerate industrial development in the state's industrially backward and remote hilly districts, as well as creating employment opportunities to prevent unemployment. To promote industrial development based on the mountainous heterogeneous geographical location, environmental, social, and available resources. The limit and quantum of allowance for grant/incentive contracts were fixed for manufacturing/manufacturing and sector ventures.

1. Classification of the Remote and Mountain Areas:

In this policy, the hilly areas covered in the Scheme for the approval of the integrated industrial financial incentive package were classified into two categories.

A. Category A: The newly created districts comprising the frontier and remote districts of the state and those districts which include the entire territory of Pithoragarh, Uttarkashi, Chamoli, Champawat, Rudraprayag.

B. Category B: The entire area of Pauri Garwal, Tehri, Almora, Bageshwar, and except Vikas

Following are the features of the Policy.

1. Categories of Various Regions of the State.

The state has been divided all districts of the state into four categories for the purpose of quantum of incentives/subsidies as under:

Category A	1. Whole districts of Pithoragarh, Uttarkashi, Chamoli, Champawat, Rudraprayag, and Bageshwar
Category B	1. Whole district of Pauri Garhwal, Tehri Garhwal, Almora, 2. All hilly development blocks of district Dehradun other than Vikasnagar, Doiwala, Sahaspur, and Rajpur. 3. All hilly development blocks of district Nainital other than Haldwani and Ramnagar.
Category C	1. Regions located above 650 meters from the sea level of Raipur, Sahaspur, Vikasnagar, and Doiwala development blocks of district Dehradun. 2. Ramnagar and Haldwani development blocks of district Nainital.
Category D	1. Whole districts of Haridwar and Udham Singh Nagar. 2. Remaining area of district Dehradun and Nainital (which are not included in category 'B' and 'C').

Sources: Directorate of Industries, Dehradun, Uttarakhand.

Nagar, Doiwala, Sahaspur of Dehradun district. Except for the Nainital district's Haldwani and Ramnagar development blocks, all other hilly areas dominated by development blocks are included in this category.

2. Industrial units covered by the Scheme and its field of eligibility-

Industrial units identified in the manufacturing and service sectors that came into existence after 1 April 2008, when this Scheme began to operate, would be eligible for the facilities/ concessions upon obtaining required approval/ registration from the Ministry of Commerce and Industries, Government of India, or from the District Industries Centre of the respective district. These facilities would not be necessary for current industries to expand or modernize.

3. Financial Incentives for Setting up Mega Projects.

The State's Industrial Policy 2003 included a provision for preferential treatment of Mega Projects with a capital investment of more than 50 crores. The minimum fixed capital investment for megaprojects in mountain regions was set at 5 crores. Only non-polluting industrial companies and megaprojects were encouraged and approved in accordance with the State Government's announced financial and non-financial incentives facilities/concession eligibility.

Micro, Small & Medium Enterprise Policy- 2015

The Government of Uttarakhand has announced the MSME Policy 2015 to encourage investment in the MSME sector by encouraging investment and incentivizing MSMEs. This policy's objective is to utilize local resources and generate more employment opportunities and promote self-employment skill development in the youth.

1. Activities Identified under Manufacturing/Service Sector which are Eligible for Fiscal Incentives:

Following activities shall be eligible for the fiscal incentives and subsidies under the policy:

- A. Capital investment made on transport vehicles exclusively for the purpose of transportation/marketing of raw material and finished goods products shall be eligible for capital investment subsidies.
- B. The investment made on necessary additional construction/ expansion/ renovation on buildings (owned or leased) for enterprise conduct will also be eligible for subsidy on capital investment.

2. Infrastructural Support: In order to ensure the availability of developed industrial land at reasonable rates to MSMEs, the following provisions have been made by the Government of Uttarakhand.

A. Establishment of land banks.	B. Infrastructural development funds for MSMEs.
C. Special industrial estate for MSMEs.	D. Establishment of new industrial estates.
E. Establishment of multi-storied estates.	F. Up-gradation of existing industrial estates.
G. Establishment of the vendor and ancillaries parks.	H. Interventions under cluster development scheme.

Sources: Directorate of Industries, Dehradun, Uttarakhand.

3. Institutional Support, and Simplification and Enactment.

A. Single window facilitation and Clearance Act.	B. Creation of MSME development fund.
C. Udyog Mitra committee for addressing various issues of MSMEs.	D. Uttarakhand Micro and Small Enterprises Facilitation Council.
E. Entrepreneurship and Skill Development Cell.	F. Vendor/ Ancillary Enterprises and Cluster Development Cell.

Sources: Directorate of Industries, Dehradun, Uttarakhand.

Mega Industrial and Investment Policy - 2015

The Mega Industrial and Investment Policy framed in 2015. The objective of the policy was boost industrial development in the state. Through this policy government of Uttarakhand gave benefits, incentives, and concessions in tax to the eligible investors. The categorization of the industrial units in Uttarakhand has been classified into three categories. Large projects are those whose total investment is lies between Rs.50 crores to Rs. 75 crores. If the investment of any unit is Rs. 75 crores to Rs. 200 crores, they are called megaprojects, and the last category was ultra mega projects whose investment is beyond Rs. 200 crores.

Table: 1 Categorization of industries for the purpose of quantum of incentives

Category	Units Included
Large Project	Investment of Rs. 50 crores. To 75 crores.
Mega Project	Investments of Rs. 75 crores. To 200 crores.
Ultra Mega Project	Investments above Rs. 200 crores.

Sources: Directorate of Industries, Dehradun, Uttarakhand.

Benefits/ Concessions/ Incentives of the policy:

- A. Units under the MSME sector are given a capital subsidy of 15 percent or a maximum of Rs. 50 lakh and Large/Mega units given a capital subsidy of 15 percent or a maximum of Rs. 30 lakh up to the year 2017 by the Central Government.
- B. Uttarakhand state provides an interest subsidy of a maximum 7 percent for the next 5 years from the commencement of commercial production.
- C. The Uttarakhand Government gave reimbursement of 30 percent of Value Added Tax (VAT) to Large Projects and 50 percent of Value Added Tax (VAT) to Mega Projects/ Ultra Mega Projects for the next 5 years from the commencement of commercial production on sale of finished goods.
- D. Uttarakhand state provides concession of Rs. 1/-per unit on electricity units consumed and ensured no undeclared power cut for the next 5 years from the commencement of commercial production. 100 percent exemption on payment of electricity duty shall be given for the next 5 years from the commencement of commercial production.
- E. Uttarakhand state provided a 50 percent exemption on payment of stamp duty to units covered under the policy on the execution of Land Purchase/Lease Deed.
- F. The Uttarakhand government would provide a capital subsidy of 30 percent for the establishment of ETP subject to a maximum of Rs. 50 Lakh.

Startup Policy 2018

The Uttarakhand startup policy was designed with the goal of creating a favorable environment for entrepreneurs in the state. To attract investments in the form of startups and to foster the young who graduate from the state's different technical colleges, i.e., IIT Roorkee, NIT, IIM Kashipur GBPUAT, etc. The state also built industrial estates in places like Pantnagar, Haridwar, Kashipur, Kotdwar, Selaqui, Sitarganj, Dehradun, and others. This policy aims to establish a platform for students who graduate from these schools and provide them with the best possible assistance to run a startup in the state of Uttarakhand.

- A. Monthly Allowances:** The Government of Uttarakhand gave a monthly allowance of Rs. 10000 for one year for general and other backward classes, and in the case of SC/ST/women/physically challenged or belonging to category-A regions of MSME policy 2015. They provide Rs. 15000 to the entrepreneurs who operated these startups.
- B. Marketing Assistance:** The Government of Uttarakhand also provides Rs. 5 lakhs for market assistance for marketing the innovative product in this policy. If these startups are operating by the SC/ST/women/physically challenged or belonging to category-A regions of MSME policy 2015, the marketing assistance amount is Rs. 7.5 lakhs.
- C. Other concessions:** It includes stamp duty exemption on lease deeds/places/purchases of space as described in MSME policy 2015 (100 percent in categories A, B, B+, and 50 percent in category D) and need-based assistance of up to Rs. 5 lakhs towards the cost of raw materials, components, and other related equipment required for the innovative process of new product development and for the existing product improvement.

Impact of Industrial Policies:

Industrial policies had made favorable impact on industrial development and to add value-added in the gross state value-added. The share of the secondary sector in the state's gross domestic product in the year 1999-2000 was only 19.7 percent, which had increased to more than 49 percent in the year 2017-18 (which mainly includes the manufacturing sector). It is clear from this that after the state's formation, the state's industrial development has been very fast, and the contribution of the secondary sector in the total gross state domestic product of the state is increasing rapidly.

Table 1: Growth of MSMEs manufacturing units in Uttarakhand and their contribution to Employment:

Growth of Industries in Uttarakhand and their contribution to Employment								
Years	No. of Manufacturing Units			Total	Employment			Total
	Micro	Small	Medium		Micro	Small	Medium	
2007-08	576	235	20	831	3903	8057	2171	14131
2008-09	468	288	23	779	2483	10462	3319	16264
2009-10	744	340	29	1113	5016	13513	2379	20908
2010-11	838	310	33	1181	4733	9632	2496	16861
2011-12	1015	191	16	1222	4523	5966	1524	12013
2012-13	1053	339	21	1413	4599	8608	1789	14996
2013-14	1245	124	16	1385	5341	2471	1285	9097
2014-15	1294	126	12	1432	5386	2232	409	8027
2015-16	1463	216	16	1695	6064	4638	665	11367
2016-17	1317	321	13	1651	6157	5523	549	12229
2017-18	1245	251	7	1503	5440	4782	477	10699
2018-19	1408	202	13	1623	6399	2958	580	9937
2019-20	1547	176	14	1737	6544	3940	1240	11724

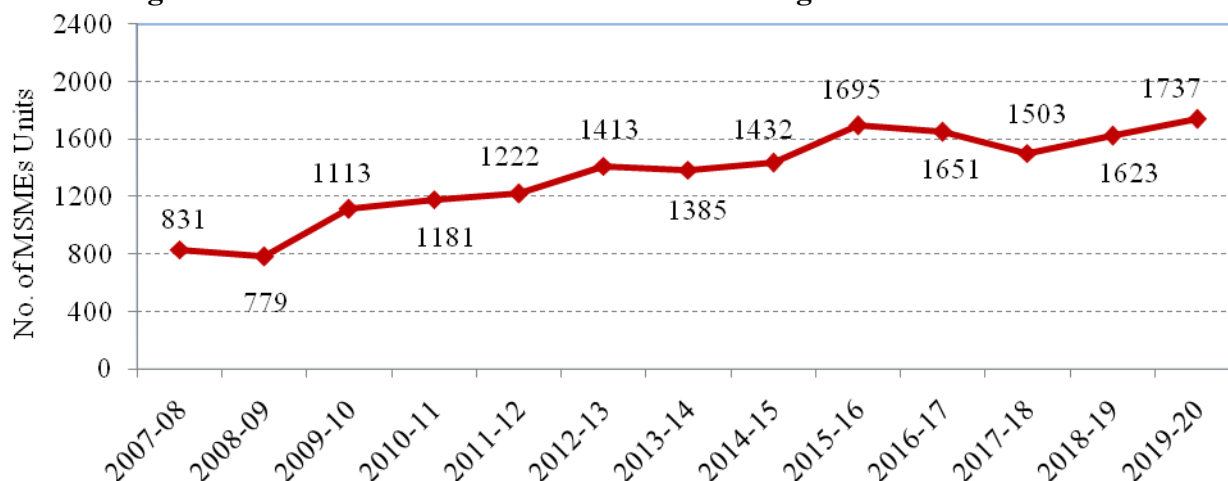
Sources: Directorate of Industries, Dehradun, Uttarakhand

Table () shows the number of MSME established in Uttarakhand's manufacturing sector over the years, as well as their employer contribution. It shows that in 2007-08 there was a total of 831 manufacturing MSMEs units established and generated 14131 new jobs in the state. In the year 2015-16, there was a total of 1695 MSMEs units established and created 11367 jobs in this sector. In 2018-19, a total of 1623 new MSMEs were established in the manufacturing sector of the state and created new jobs of 9937 in the state of Uttarakhand. It shows that the industrial policies of Uttarakhand have a positive impact on the growth of industries and generated new Employment in Uttarakhand. These industrial policies enticed investors to invest in Uttarakhand, resulting in the

establishment of numerous new MSMEs producing industrial units each year, creating numerous job opportunities.

Growth of MSMEs Manufacturing Units

Figure 1: Growth of MSMEs in the manufacturing sector of Uttarakhand.

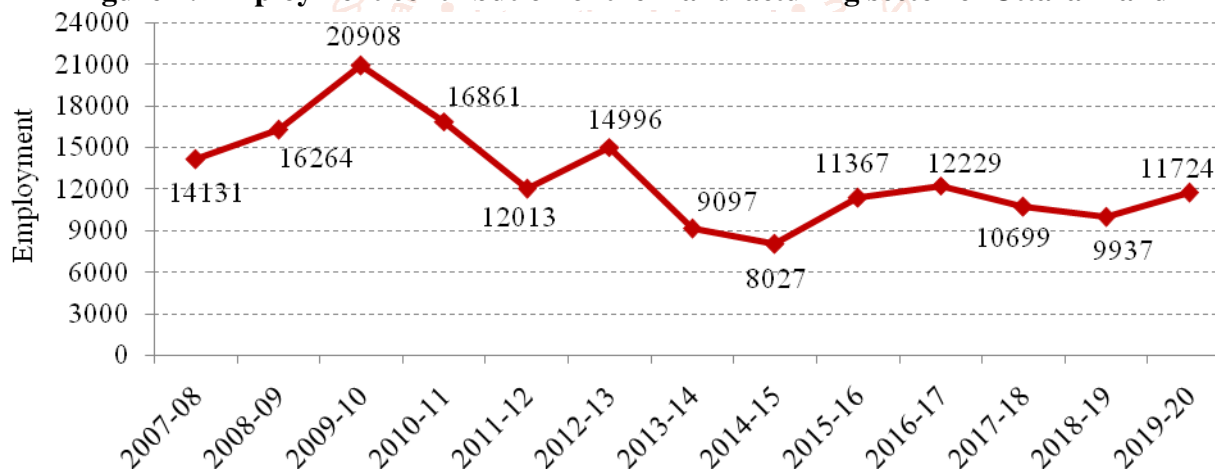


Sources: Directorate of Industries, Dehradun, Uttarakhand

The growth of MSME manufacturing units in Uttarakhand is depicted in Figure 1. The graph shows that the number of manufacturing units in Uttarakhand has increased year after year. It reveals that 831 new MSME units were established in the state during the years 2007-08. In the years 2012-13, 1413 MSME units were established in the state, and in 2019-20, 1737 units were established in the state of Uttarakhand.

Employment in MSMEs Manufacturing Units

Figure 2: Employment contribution of the manufacturing sector of Uttarakhand



Sources: Directorate of Industries, Dehradun, Uttarakhand

Figure (2) shows the year-wise contribution of Employment of MSME manufacturing units in Uttarakhand. It shows that these manufacturing units created 14131 new jobs in 2007-08. In the year 2009-10, these units employed 20908 people. In the year 2015-16, it employed 11367, and in the year 2019-20, these MSME manufacturing units created 11724 new jobs. The figure shows that industrial policies have a positive impact on employment, and it shows an increasing trend in the states of Uttarakhand.

Conclusion:

In modern terminology, a country's economic development cannot be discussed without mentioning Industrialization. A country's progress is intrinsically related to the development of its industry. Industrialization is a significant factor of economic progress in today's emerging countries, as evidenced by comparative history. Any country's industrial policy has a substantial impact on its economic development. The current research focuses on

Uttarakhand's industrial policies to see how beneficial they are in terms of industrial development, industry growth, and job creation. Uttarakhand's first industrial policy was established in 2003, shortly after it became a new state. The state's future for industrial growth has been determined by the industrial policy of 2003, the special integrated industrial promotion policy of 2008, the MSME Policy of 2015, the mega industrial and investment policy of 2015, and the startup policy of 2018. On the basis of physiographic

classification, Uttarakhand has been divided into two categories: A and B. Introducing a range of monthly allowances, incentives, subsidies, concessions, and tax exemptions in order to attract investors and encourage Uttarakhand's youth to invest in the state. The state of Uttarakhand also launched single-window clearance schemes to boost industrial development in the state, and these initiatives have accelerated the growth of Uttarakhand's industrial sector. The study found that Uttarakhand's industrial policies have positively impacted the state's industrial development, resulting in new job opportunities and establishing the state as a manufacturing hub for many industries.

References

- [1] Abebe, G., & Schaefer, F. (2015). Review of industrial policies in Ethiopia. In *Industrial policy and economic transformation in Africa* (pp. 123-161). Columbia University Press.
- [2] Chandra, N. (2012). Appraising industrial policies of India and China from two perspectives.
- [3] Chaudhuri, K., & Dasgupta, S. (2006). The political determinants of fiscal policies in the states of India: An empirical investigation. *The Journal of Development Studies*, 42(4), pp 640-661.
- [4] Jain, V., & Jain, A. (2012). A Study & Scope of SMEs in Uttarakhand and Problems faced by them. *Asian Journal of Business and Economic*, 2.
- [5] Kennedy, L. (2007). Regional industrial policies driving peri-urban dynamics in Hyderabad, India. *Cities*, 24(2), pp 95-109.
- [6] Ms. Renu chaudhary,(2001), entrepreneurship development in small and medium scale industries in Uttrakhand
- [7] Singh, P., & Singh, D. (2014). Technology Development in MSMEs. *International Journal of Application or Innovation in Engineering & Management (IJAIEEM)*, 3(3).
- [8] Yadav, R. J. (2014). Issues in SME Financing. *Mumbai: Indian Institute of Banking & Finance*.
- [9] Annual Reorts of Directorate of Industries, Dehradun Uttarakhand (2019)
- [10] www.investuttarakhand.com

