CHAPTER I

INTRODUCTION

The economic development is "essentially a process of change", which implies a shift in manpower from primary sector to some other sector of the economy. The economic development aims at improvement in the per capita income of the population through releasing the unemployed and underemployed manpower from the primary sector. The concept of world wide economic development has its impact on economic, social and technological implications. The countries which are undergoing through technologically innovative resources and other factors of production, proceed their national economy faster than other nations which ultimately results into the development of social standards of citizens. Kanthi and Ramdas defined the concept of economic development as economic, moral, social and cultural in nature.

1. It is economic in so far as its aims at growing production of material commodities and services are concerned.
2. It is social as it implies new group of a kind different to traditional groupings with new rules and relationships.
3. It is moral in nature insofar as the idea of equality and social justice is involved.¹

Ermime Eshag defined "Economic development as the process of increasing the degree of utilization and improving the productivity of the available resources of a country which leads to an increase of the economic welfare of the community by stimulating the growth of national income."²

Sen defined "Economic development is to be assessed ultimately by the enhancement of the positive freedom."³

According to Deni, Economic Development emphasises the achievement of the following three objectives:-

i) To increase the availability and widen the distribution of basic self sustaining goods such as food, shelter and protection.

ii) To raise the level of living including, in addition to higher incomes, the provision of more goods education and attention to cultural humanistic values, all of which will not only serve to enhance materials but also to generate individual and national esteem.

iii) To expand the range of economic and social choice to individuals and nations by forcing them from servitude and dependence not only in relation to other people and nation-states, but also to the forces of ignorance and human misery.

Similarly the technological achievement of a country is imperative due to the indicators affecting the life of the people at large in terms of (1) energy processing (2) information processing (3) material resources (4) Ecological compulsions and transport system.

Awasthi has aptly remarked in social impact of development as it is acknowledged that true parameter of development is removal of poverty, unemployment and inequality.

On the basis of these criteria, the economic development of the nations are classified as developed and underdeveloped. The category of developed nations include those countries which are rich in terms of these three parameters viz economic, social and technological, whereas the other countries like India are in the process of development as these are going out of the "vicious circle of poverty". The basic reason of following the path of development by the developing countries like India is the serious intake of industrialization.

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In the process of economic development, the industrial growth plays an important role. The industrial growth is carried out by establishing the large, medium and small scale industries. In this study, we are focussing more on SSI’s and the rate of sickness among the SSI’s. In India, the demographical structure is like that 70 percent Indians are engaged in agriculture sector. Due to population explosion and some other factor, only the agriculture sector can not fulfil all the requirements of the people.

In India, out of all the factors of production, the labour force is quite enough and cheap. This is the reason that for running the industries, there is no hurdle of work force, but in order to establish large business houses a lot of capital and technical knowhow is required for which the country needs special consideration.

In India, agriculture labour finds works for a period of only about 4 or 5 months in a year. It is experienced that during sowing and harvesting time, agricultural labour is found to be fully employed and in rest period, it remains either under-employed or unemployed. In order to get employment in off-seasons, an agricultural labour is supposed to migrate to urban areas, where he can avail some facilities to improve the standard of living. Such state of affairs is unhealthy and creates a number of problems both in rural and urban areas. In order to check the problem of unemployment, the case of development of small scale industries can be put forward.

1.1 CONCEPT OF SSI

The small scale sector was playing the vital role in the manufacturing and service sector. The village and cottage industry is very old. It has been considered to be the medium of earning the livelihood for million and millions of people. The village and cottage industry which were synonymous with the small scale industry could not made any progress during British rule. However, during the freedom movement, some steps were made to give boost to this vital

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industry. The cottage and small scale industry were given a prominent place but no definition could be given to this.

Prof. K.T. Shah was the first Indian Economist, who gave a workable definition of these industries. He narrated that the small scale sector cottage industry may be defined to be an enterprise or series of operations carried on by a workman skilled in the craft, on his responsibility, finished product of which he markets himself. He works in his home with his own tools and materials and provides his own labour or at utmost of the labour of such members of his family, as are able to assist. These workers work mostly by hands, labour and personal skills, with little or no aid from modern power driven machinery, and in accordance with traditional techniques. Such supplementary energy as is provided by animal power may aid to the economy and efficiency of the industry. He works finally, for a market in the immediate neighbourhood, that is to say in response to known demand with reference to quantity and quality.9

The Fiscal Commission 1949-50 defined the Small Scale Industry as that unit which is operated by hired labour which may be 10-15 persons in number with or without the use of power. The committee on finance for private sector has stated that small scale are those units which have assets between Rs. 10,000 to Rs. 5 lacs.

Thus, it is clear from the above two definitions that there are two parameters of defining the small scale sector, one on the basis of number of persons employed and second on the basis of capital employed denoting the value of assets.

There is another method of defining the small scale industry also. Though this method of a relationship between the number of employed and method of production is established. In countries like Germany and Japan, small scale units are defined as those units which are employing less than 50 persons and are using power in the production of manufacturing process and less than 100 persons without the use of power and capital assets of these

9 Shah K.T., Rural and Cottage Industries NPC Series, pp. 24-25.
units are not exceeding Rs.5 lacs. However, recently in our country the small scale units are those units which are having investment in plant and machinery upto 1 crore. On the basis of above definitions one can observe that these are many ways for defining the SSI.

1.2 GROWTH AND DEVELOPMENT OF SMALL SCALE INDUSTRIES

Small scale industries emerged through various stages of industrial growth. Initially its roots were in the urban crafts which very often depended on credit on the dealer of raw materials, and the bulk buyers of finished products. Bringing together a number of such workshops under one roof, some of these middlemen became the first small capitalists in India.10

Among the Hindus, the bania is such a caste which mainly deals in commodities and carries on money lending business. Business Community of Gujrat and erstwhile Sawarashtra were the more urbanised and developed places in the whole of India with a continuous record of foreign trade lasting over centuries. Parsis who migrated from Persia to Gujrat in the eighth century were mainly noticed as artisans, carpenters, weavers, etc. In the seventeenth century they had become prominent ship builders and by the 18th century had setup merchant houses in Bombay, Burma, China and London.11

By the middle of the 19th century, they had emerged as trading and financing community of Bombay and Gujrat. Thus, the Parsis and Gujrati trading castes become the wealthiest Indian communities by middle of the 19th century, controlling what ever foreign trade, which was in the Indian hands.12

At a later stage, there was a upsurge of small scale industries of another kind which produced their products by using mechanical appliances. New kinds of entrepreneurs with different training and outlook as compared to earlier middlemen emerged on the industrial scene of India.

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The Indian industry which was basically a cottage and small scale in nature, declined at the end of 18th century for various reasons\textsuperscript{13} such as disappearance of Indian Courts, establishment of an alien rule with the influx of the many foreign influences, and the competition from highly developed form of European Industry. The beginning of the European commercial activities in India in the 17\textsuperscript{th} century did not shake off its occupational class structure. But the European investments in Indian trade helped in changing the method of trading in India.\textsuperscript{14}

1.2.1 Industrialization after Independence

Although industrial planning exercises started prior to our getting independence (e.g. The INC sponsored National Planning Committee under the chair of Panditji the, “Bombay Plan” prepared in 1944 by some eminent industrialists, Advisory Planning Board of Government in the 1946, etc.), the Industrial Policy Resolution (IPR) 1948 was the first prime document on policy of industrialization of the nation.

\textbf{a) Industrial Policy Resolution, 1948:}

The Government of India with a view to boost the industrial culture. Industrial Policy Resolution 1948 set up with the following line.\textsuperscript{15} (i) Proposal to establish Planning Commission to formulate and execute programmes of development, (ii) Emphasis on industries that produce capital goods, goods to satisfy the basic needs of people and export goods, (iii) State monopoly in strategic industries, (iv) New industrial units to come exclusively in the government Sector in the field of iron and steel, coal, ship building, aircraft telephones, etc. (v) 18 other industries required government regulation and (vi) in remaining industries private sector can continue and expand. In addition

\textsuperscript{13} D.R. Gadgil, The Industrial Evolution of India in Recent Times, Oxford University Press, London, 1959, p. 36.


predominant role for public sector was the hallmark of the 1948 policy. To ensure Industries Development and Regulation Act, 1951 came into operation. The Act was to apply to 37 industries listed in the 1st schedule which were subjected to government control in the matter of new projects, extension of existing projects, expansion and so on. The Act provided for establishment of Central Advisory Council and Development Councils for specific industries to advise the Govt. in the development and regulation of industries. Thus, the government control on industries got established across board.\(^{16}\)

The development of modern small scale sector actually received an impetus from the recommendations of International Prospective Planning Team which visited India in 1935-54, and made valuable suggestions (Report on Small Industries in India, Ford Foundation Report, New Delhi, Govt.of India, 1955) on recommendations of the team, the Govt.of India established a Central Organisation of small scale Industry in the year 1954 and positive programme for the development of small scale industries was given due weightage. A little later, the National Small Industries Corporation was set up as a public sector undertaking and a small Industry Extension Training Institute was established at Hyderabad to undertake training programmes for the small industry entrepreneurs and administrators.\(^{17}\)

b) Industrial Policy Resolution 1956

The industrial policy resolution 1956 is the basic document laying, down the directive principles of state policy regarding the development of industries - large, medium and small, recognised the important role of small scale industry sector in the development of national economy. In this policy resolution emphasis was given to remove the basic handicap of small scale units such as lack of technical assistance, suitable working accommodation, inadequacy of tooling, repairs and maintenance facilities etc. In addition it was laid down that

\(^{16}\) Ibid., p II.

production technique of small scale sector should be constantly improved and modernized.\textsuperscript{18}

A new work of specialised financial and governmental institutions like IFCI, ICICI, IDBI, SFC's, SIDC's etc. were promoted to cater the needs of the industry. In order to create a positive environment for private industrial investment a policy of support and incentives directed towards industrial growth were introduced. Special concessions and privileges were offered for attracting industry to backward regions, and small entrepreneurs especially the technicians to undertake industrial investment through provision of machinery on hire purchase basis, accommodation in industrial estates, finance on liberal terms from financial and developmental institutions and provision of free extension services etc. were encouraged.

c) Industrial Policy Resolution, 1970

During the year 1967 under the chair Mr. S. Dutt Industrial Licensing Policy Inquiry committee was appointed. In 1970 the Govt. approved the main recommendation of Dutt Committee and new Licensing Policy (1970) was introduced under which licensing limit was revised to Rs. 1 crore from Rs. 25 lacs. To fill the gap of supply the public sectors units (PSUs) were established which ventured into the fields of fertilizer, pesticides, tractors and power tillers, iron ore, iron and steels petroleum refining, petro chemicals, etc. In addition joint sector concept was introduced, where in both Government and private sector jointly on industrial unit with or without major share holding by Government. New Entrepreneurs in the middle sector involving investment ranging from Rs. 1 crore to Rs. 5 crores were preferred to existing industrial houses. By that time the MRTP act, 1969 came into force which limited the growth and expansion etc.\textsuperscript{19}

\textsuperscript{18} Ibid, pp 7-8.
\textsuperscript{19} Ibid. P 12.
d) **Industrial Policy Statement - 1973 & 1977**

The industrial policy 1973 encouraged investment from large industrial houses and foreign companies in high priority industry. The 1977 Policy emphasised decentralization and greater role for small scale industry.²⁰

e) **Industrial Resolution Policy, 1980**

The main objective of the industrial policy announced on July 23, 1980 were laid down as:

- a) Optimum utilisation of the installed capacity.
- b) Maximising production and achieving higher productivity.
- c) Higher employment generation
- d) Correction of regional imbalances through a preferential development of industrially backward area
- e) Strengthening of agricultural base through agro based industries and promoting an intersectoral relationship.
- f) Promotion of export oriented and import substitution industries.
- g) Promoting economic federalism with an equitable spread of investment and the dispersal of returns, among widely spread over small but growing units in rural as well as urban areas.
- h) Consumer protection against high prices and bad quality.²¹

To achieve the above objectives, following measures have been adopted.

i) Reorientation of the public sector and undertaking in the public sector will be closely examined on a unit by unit basis and corrective actions will be taken in terms of time bond programme for every necessity to revive efficiency.

ii) **Secondly priority will be accorded to convert loss making public sector undertaking into viable one through a brought restructuring system and by providing dynamic competent management.** In private sector all incentives given to industry must be performance oriented and to induct advanced

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²⁰ Ibid p 12.
technology in the export oriented industries in 1975. Govt. has taken some steps for modernization and replacement of equipments and invitation of investment and for endorsement of excess production over licensed capacity on the basis of simplified procedure.

It was proposed to promote the concept of economic federalism with the setting up of a nucleus plant in each district identified as industrially backward, to generate many ancillaries, small and cottage units as soon as possible. Further in order to boost the development of small scale industries and to ensure their rapid growth it was decided to:

1) Increase the limit of investment of SSIs from Rs.10 lacs to Rs.20 lacs.
2) In case of tiny units the investment limit was increased from Rs.1 lacs to Rs.2 lacs.
3) In case of ancillaries the limit was raised from Rs.15 lacs to Rs.25 lacs.

In addition to it, a number of following provisions on incentives in regard to sick units were made:

1) Deliberate mismanagement and financial improprieties leading to sickness should be dealt with firmly.
2) An ‘early warning system’ for identifying symptoms of sickness proposed to be set up.
3) The existing sick undertaking which show and adequate potential for revival would be encouraged to merge with healthy units, which are capable of managing the sick undertaking and returning their viability.
4) Recourse to take over the sick units would be taken only in exceptional cases where other means of the revival of the sick undertaking are not considered feasible, in terms of maintaining price line.
5) To avoid hoarding and speculating the maximising production on an efficient basis, social responsibility on business was attached.
f) **Industrial Policy 1990**

As per industrial policy 1990, the major thrust of this policy was to promote small scale and Agro based industries in order to fulfill the objectives of employment generation, dispersal of industry in rural areas and promotion of exports by small scale industries. The investment limit for small scale sector was raised from Rs.35 lacs to Rs.60 lacs, and for ancillary units from Rs.45 lacs to Rs.75 lacs and for tiny sector units from Rs.2 lacs to Rs.5 lacs. The small scale unit which undertake to export 30 percent of their annual production by the third year would be permitted to invest Rs.75 lacs. The Government would make effort to identify more items to be reserved for manufacturing by the small scale units. In addition to the existing 836 items central subsidy would be provided to small scale sector in rural and backward areas. Technological help would be provided to small scale sector by the Small Industries Development Organisation (SIDO). All new large scale units with an investment of upto Rs.25 crores in non backward areas and Rs.75 crores in centrally notified backward areas would be exempted from license or registration regulations. Hundred per cent export oriented units (EOU) to be set up, in export processing zones (EPZs) would be delicensed upto an investment limit of Rs.75 crores.

g) **Industrial Policy, 1991**

An other industrial policy was announced on July 24, 1991. Under this policy, an attempt was made to consolidate the strength built up during the seven years five years plans and to correct the distortions or weaknesses that have corrected in the industrial structure over the last four decades. The new policy aims at maintaining a sustained growth in productivity and gainful employment and international competitiveness. The government has decided to take a series of initiatives in respect of the policies relating to the areas of industrial licensing, foreign investment and technology, and public sector policy. Industrial licensing has been abolished for all industries except the fifteen industries. These include:

1. Coal and lignite
2. Petroleum (other than crude) and its distillation products.
3. Distillation and brewing of alcoholic drinks.
4. Sugar
5. Animal fats and oils.
6. Cigars, cigarettes and manufactured tobacco substitutes.
7. Asbestos and asbestos based products.
8. Plywood and wood based products.
9. Tanned or dressed fur skins and leather.
10. Paper and newsprint except bagasse based units.
11. Electric, geospace and defence equipment.
12. Industrial explosive.
13. Hazardous chemicals.
14. Drugs and pharmaceuticals and
15. Entertainment electronics.

The government was supposed to provide automatic approval for foreign technology agreements relating to high priority industries in signified parameters. It has also been decided to provide approval for direct foreign investment upto Rs.51 percent foreign equity in high priority industries. And number of such industries have been reduced from 14 to 6 only as: a) automatic energy; b) lead lignite ; c) mineral oils d) minerals specified in the schedule of the automatic energy (control of production and use) order 1953; e) railway transport etc.

h) Industrial Policy, 1997-98

In 1997-98, the number of industrial licensing was reduced from 14 to 9. Five industries namely, animal fats and oils, tanned or dressed fur skins, chamois leather, asbestos and asbestos based products, ply wood, veneer of all types and other wood based products like particle board, plywood, medium density fibre board, paper and newsprint except-bagasse based units were removed from requirement of compulsory licensing. The investment limit in plant and machinery for small scale industrial undertaking and ancillary industrial undertaking was enhanced from Rs.60 lacs/Rs.75 lacs to Rs. 3 crores
and for tiny units from Rs.5 lacs to 25 lacs dated on 10-12 1997. Which was further reduced to investment in plant and for SSI to Rs. 1 crore vide order No. SO-1288/E dated on 24.121999.

Fifteen items reserved for manufacturing in the small scale sector were dereserved further.

a) The union budget for 1997-98 cut corporate and personal income tax rates across the board for rejuvenating industrial demand.

b) Excise duties on intermediate goods were modified and custom duty on imported raw materials was brought down in the budget.

c) Coverage of the terms infrastructure expanded to include telecommunication, oils exploration and industrial parts to enable these sectors to avail the fiscal incentives such as tax holidays and concession duties.

d) Bank rate and cash reserves ratio has been reduced in the credit policies announced, during the year 1997.

e) Bank has been given freedom in assessing credit requirement for borrowers by with drawing restrictions on maximum permissible bank finance.

1.3 Credit to SSI Sector

Credit to small scales industries come under the priority sector lending programme of the banks. Based on recommendations of Nayak Committee R.B.I. has directed the commercial banks to meet the working capital needs of small unit by working out the normative requirement at 20 percent of the annual output subject to a limit of Rs 4 crore. The rate of interest 12.0 percent on loan upto Rs.25,000/- and fixed rates of 13.5 percent is charged on loan over, Rs. 25,000/- and upto Rs. 2 lacs it is 16 percent These rates are applicable both for working capital and term loan. The following table gives the position of credit of SSI sector by the public sector banks since March,1992 to 1998.

**TABLE 1.1**  
Credit to SSI from Public sector banks (Rs. in Crores)  

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net bank credit</strong></td>
<td>112160</td>
<td>132782</td>
<td>140914</td>
<td>169038</td>
<td>184381</td>
<td>189684</td>
<td>218219</td>
</tr>
<tr>
<td><strong>Credit to SSI</strong></td>
<td>17398</td>
<td>19388</td>
<td>21561</td>
<td>25843</td>
<td>29482</td>
<td>31542</td>
<td>38109</td>
</tr>
<tr>
<td><strong>No. of SSI account in lacs</strong></td>
<td>29.73</td>
<td>30.40</td>
<td>30.19</td>
<td>32.25</td>
<td>33.77</td>
<td>N.A</td>
<td>29.64</td>
</tr>
<tr>
<td><strong>Net bank credit</strong></td>
<td>15.51</td>
<td>14.60</td>
<td>15.30</td>
<td>15.29</td>
<td>15.99</td>
<td>16.60</td>
<td>17.50</td>
</tr>
</tbody>
</table>


**Union Budget 1998-99 Announced Regarding Credit Policy:**

The Finance Minister in his union budget of 1998-99 announced the following measures for augmentation of credit policy of SSI.

1. Working capital limit enhanced to Rs. 4 crore.
2. Lower interest rate to SSI units with good track record.
3. Enhanced power to bank manager of specialised bank branches.

**1.4 Contribution of SSI**

Pandit Jawahar Lal Nehru, the architect of modern India, in his report to AICC 1951 had clearly visualised that cottage and small scale industries are of special importance in India. He narrated that "if we lack capital we do not lack manpower" both to add to the wealth of the country and to reduce unemployment. At present the small enterprises have emerged as a dynamic and vibrant sector of the economy, now it accounts for about 40 percent of total industrial output and contributes nearly 35 percent of the direct exports. The contribution of SSI sector to employment is next only to agriculture. As on 31.3.98 it is estimated that there are 30 lacs small scale unit spread all over the

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23 Jamuar R. S "Small scale and cottage industry in India problems, Govt. policy, measures for development", Deep and Deep publications, New Delhi, 1992 p76.
country and giving employment to around 167.20 lacs peoples. This sector exhibits and amazingly wide range in terms of size, employment, technology and products. Over 7500 products are manufactured in the small scale sector.²⁴ It has been presented in the following table.

**TABLE 1.2**

Overall performance of small scale sector

(1990-91 – 1997-98)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of units registered and unregistered (lac No.)</th>
<th>Production Rs Crore at current prices</th>
<th>At constant prices 1990-91</th>
<th>Employment lacs No</th>
<th>Export Rs Crore at current prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>19.48</td>
<td>1,55,340</td>
<td>1,55,340</td>
<td>125.30</td>
<td>9.664</td>
</tr>
<tr>
<td></td>
<td>6.86</td>
<td></td>
<td>9.46</td>
<td>4.77</td>
<td>26.74</td>
</tr>
<tr>
<td>1991-92</td>
<td>20.82</td>
<td>1,78,699</td>
<td>1,60,156</td>
<td>129.80</td>
<td>13.883</td>
</tr>
<tr>
<td></td>
<td>6.88</td>
<td></td>
<td>3.10</td>
<td>3.59</td>
<td>43.65</td>
</tr>
<tr>
<td>1992-93</td>
<td>22.46</td>
<td>2,09,300</td>
<td>1,69,125</td>
<td>134.06</td>
<td>17.785</td>
</tr>
<tr>
<td></td>
<td>7.88</td>
<td></td>
<td>5.60</td>
<td>3.28</td>
<td>28.11</td>
</tr>
<tr>
<td>1993-94</td>
<td>23.61</td>
<td>2,41,648</td>
<td>1,81,133</td>
<td>139.38</td>
<td>25.307</td>
</tr>
<tr>
<td></td>
<td>6.01</td>
<td></td>
<td>7.10</td>
<td>3.97</td>
<td>42.29</td>
</tr>
<tr>
<td>1994-95</td>
<td>25.71</td>
<td>2,93,990</td>
<td>1,99,427</td>
<td>146.56</td>
<td>29.068</td>
</tr>
<tr>
<td></td>
<td>7.98</td>
<td></td>
<td>10.1</td>
<td>5.15</td>
<td>14.86</td>
</tr>
<tr>
<td>1995-96</td>
<td>27.24</td>
<td>3,56,213</td>
<td>2,22,162</td>
<td>152.61</td>
<td>36.470</td>
</tr>
<tr>
<td></td>
<td>5.95</td>
<td></td>
<td>11.40</td>
<td>4.13</td>
<td>25.50</td>
</tr>
<tr>
<td>1996-97 (p)</td>
<td>28.57</td>
<td>4,12,636</td>
<td>2,47,311</td>
<td>160.00</td>
<td>39.249</td>
</tr>
<tr>
<td></td>
<td>4.88</td>
<td></td>
<td>11.3</td>
<td>4.84</td>
<td>7.61</td>
</tr>
<tr>
<td>1997-98 (P)</td>
<td>30.145</td>
<td>4,65,171</td>
<td>2,68,159</td>
<td>167.20</td>
<td>43.946</td>
</tr>
</tbody>
</table>

**P = Provisional**

**Note:** Figures in bracket give the increase over the previous year

**Source:** Laghuudyog Samchar Journal Vol. 22 & 23 No. 6 to 2 Jan, Sept.1998 p.16

It is clear from the above table that SSI has a great role in the Indian economy. With the aim to create and provide self employment opportunities to educated and the employed youth, the scheme of Prime Minister Rozgar Yojana (PMRY) was launched on 2 Oct.1993. Under this scheme the projects

upto Rs. One lacs are covered in which Govt. provide subsidy @15 percent of the project cost subject to ceiling to Rs 7500 per entrepreneur. The progress of implementation of PMRY since the year 1993-94 is given below:

TABLE 1.3
Credit under PMRY

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>No. of cases to whom, loan sanctioned</th>
<th>Percent age of col. 3 to col. 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>40,000</td>
<td>32,051</td>
<td>80.1</td>
</tr>
<tr>
<td>1994-95</td>
<td>2,20,000</td>
<td>1,98,219</td>
<td>90.1</td>
</tr>
<tr>
<td>1995-96*</td>
<td>2,60,000</td>
<td>2,99,083</td>
<td>115.0</td>
</tr>
<tr>
<td>1996-97</td>
<td>2,20,000</td>
<td>2,88,710</td>
<td>131.09</td>
</tr>
<tr>
<td>1997-98</td>
<td>2,20,000</td>
<td>2,70,069</td>
<td>122.08</td>
</tr>
</tbody>
</table>

Note: *Target inclusive of backlog

The above table portrays the picture of credit to PMRY. In the year 1993-94, 80.1 percent target of PMRY was achieved, in 1994-95, 90.1 percent, in 1995-96, 115 percent, in 1996-97, 131.09 percent which shows an increasing trend over the years. In the year 1997-98, 122.08 percent target was achieved which shows a substantial decrease from the previous year.

1.4.1 ROLE OF SMALL SCALE SECTOR IN EXPORTS

Keeping in view the contribution of the small scale sector and the enormous constraints under which these units have to function, the Board of Trade in the ministry of commerce in its meeting during 1991 proposed to set up a separate organ for SSI sector as Govt. level organisation so that there may be closed interaction with the trade. For exports production, Small Scale Industries Development Organisation (SIDO) was recognised as the nodal agency. At present, there are more than 7500 products being exported by the SSI sector even in the highly sophisticated world markets. The share of the small scale sector in total direct exports during the last seven years is given in the following table.
Table 1.4
Share of SSI sector in exports

<table>
<thead>
<tr>
<th>Year</th>
<th>SSI Exports in Crores</th>
<th>Percentage increase</th>
<th>All India Export in Crores</th>
<th>Percentage increase</th>
<th>Share of SSI Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>13883</td>
<td></td>
<td>44,041</td>
<td></td>
<td>31.52</td>
</tr>
<tr>
<td>1992-93</td>
<td>17785</td>
<td>4</td>
<td>53,688</td>
<td>9</td>
<td>33.13</td>
</tr>
<tr>
<td>1993-94</td>
<td>25307</td>
<td>8</td>
<td>69,751</td>
<td>16</td>
<td>36.28</td>
</tr>
<tr>
<td>1994-95</td>
<td>29068</td>
<td>4</td>
<td>82,676</td>
<td>13</td>
<td>35.16</td>
</tr>
<tr>
<td>1995-96</td>
<td>36470</td>
<td>7</td>
<td>1,06,465</td>
<td>24</td>
<td>34.26</td>
</tr>
<tr>
<td>1996-97</td>
<td>39428</td>
<td>3</td>
<td>1,17,524</td>
<td>9</td>
<td>33.40</td>
</tr>
<tr>
<td>1997-98</td>
<td>43946</td>
<td>4</td>
<td>1,26,286</td>
<td>9</td>
<td>34.80</td>
</tr>
</tbody>
</table>


The above figure depicts that in the first three years, the exports in the SSI sector have improved a lot. But in the succeeding years, the same trend declined continuously except a marginal increase in 1997-98 from its preceding years. This may be due to political instability as well as any sort of gap between policy formulators and executors in this pertinent sector. Further, it is evident that despite of emphasis been drawn to expedite SSI sector, year-wise; pace of growth in its exports is quite less than that of the total exports.

1.5 Himachal Pradesh An Overview

Himachal Pradesh which is having its boundaries with Punjab, Haryana, U.P., J&K and Tibet was carried on the map of India on 15th April, 1948, as a centrally administered ‘C’ category state after the merger of 30 princely states. At the time of its formation the areas of the Territory was 25,225 sq kms and population was 9,35,000. Later Bilaspur, another princely Hill State was merged with the Pradesh in April, 1954. On Nov. 1, 1966 Punjab hill areas were integrated with it and its area increased upto 55,538 sqkms and population became 28,12,463 respectively. Himachal Pradesh became a full-fledged state on 25th January 1971. Now, this state comprises 12 districts namely Kangra,
Una, Hamirpur, Mandi, Kullu, Lahual and Spiti, Bilaspur, Solan, Shimla, Sirmour, Chamba and Kinnaur with total area i.e. 55,673 sq kms and population i.e. 51,70,877 lacs (1991 census). Now it is situated in the North East of Punjab, North West of Haryana and Uttar Pradesh and West of Tibet and it lies between 30°22' 40" N to 33°12"40"N (Latitude) and 75°45'55" E to 79°04'20" E (Longitude).

It is a mountainous region, known for the natural beauty of its forests, rivers, valleys, hills and dales, which are as rich in material resources as in cultural and human values. Being located on the international border with Tibet, it is of high strategic importance. According to physiography, the territory can be divided into three regions namely, outer Himalayas, or the Shivalik, inner Himalayas or mid mountain, and the greater Himalayas or Alpine pasture zone.

The annual rainfall in the first zone varies between 1500 mm to 1800 mm. The rich and furtile valleys of Kangra, Balh and Paonta are located in this zone. The rainfall in the second zone varies annually between 700mm to 1000mm. This region has magnificent deodar forests. The Alpine zone remains under snow for about five to six months in a year. The average rainfall in Himachal Pradesh is 1600mm. Five important rivers - Chenab, Ravi, Sutlej and Yamuna and Bias flow through the state. Three rivers are snow fed and have vast potential for the generation of hydelpower. In Himachal Pradesh, about 91 percent of the population lives in the rural areas and density of population is 93 person per sq. Kms. The literacy percentage of the of the Pradesh is 63.86 percent.

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### TABLE 1.5

**Himachal Pradesh at A Glance**

<table>
<thead>
<tr>
<th>Area</th>
<th>55,673 k.m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>51,70,877</td>
</tr>
<tr>
<td>Density of Populations</td>
<td>93</td>
</tr>
<tr>
<td>Districts</td>
<td>12</td>
</tr>
<tr>
<td>Educational Institutions</td>
<td>11610</td>
</tr>
<tr>
<td>1. Primary School</td>
<td>9142</td>
</tr>
<tr>
<td>2. Middle School</td>
<td>1037</td>
</tr>
<tr>
<td>3. High &amp; Secondary School</td>
<td>1278</td>
</tr>
<tr>
<td>4. Science &amp; Arts Colleges</td>
<td>110</td>
</tr>
<tr>
<td>5. REC</td>
<td>2</td>
</tr>
<tr>
<td>6. Medical &amp; Dental College</td>
<td>4</td>
</tr>
<tr>
<td>7. Education and Law College</td>
<td>6</td>
</tr>
<tr>
<td>8. Sanskrit institutions</td>
<td>17</td>
</tr>
<tr>
<td>9. JBT School</td>
<td>6</td>
</tr>
<tr>
<td>10. Polytechnics</td>
<td>6</td>
</tr>
<tr>
<td>11. Universities</td>
<td>3</td>
</tr>
<tr>
<td>Health Centres</td>
<td>1201</td>
</tr>
<tr>
<td>1. Hospital</td>
<td>72</td>
</tr>
<tr>
<td>2. Primary Health Centre</td>
<td>291</td>
</tr>
<tr>
<td>3. Allopathic Dispenseries</td>
<td>181</td>
</tr>
<tr>
<td>4. Ayurvedic Dispenseries</td>
<td>657</td>
</tr>
<tr>
<td>Banks</td>
<td>756</td>
</tr>
<tr>
<td>Gram Panchayats</td>
<td>2922</td>
</tr>
<tr>
<td>Panchayat smities</td>
<td>72</td>
</tr>
<tr>
<td>Cantonment Boards</td>
<td>2</td>
</tr>
<tr>
<td>Telephones Exchanges</td>
<td>539</td>
</tr>
<tr>
<td>Telephone sheds stations</td>
<td>1,14,469</td>
</tr>
<tr>
<td>Telegraphs offices</td>
<td>920</td>
</tr>
<tr>
<td>Head post offices</td>
<td>17</td>
</tr>
<tr>
<td>Sub post offices</td>
<td>441</td>
</tr>
<tr>
<td>Branch sub post offices</td>
<td>18</td>
</tr>
<tr>
<td>Branch post office</td>
<td>2251</td>
</tr>
<tr>
<td>No. of Boxes</td>
<td>7,114</td>
</tr>
<tr>
<td>Total fleets</td>
<td>13720</td>
</tr>
<tr>
<td>Registered Buses and Trucks</td>
<td>1517</td>
</tr>
<tr>
<td>Jeeps, Tempo, Omini Buses, Maxi Cabs, Tractor, Station Vans, Delivery Vans, Departmental Cars and Two Wheelers etc.</td>
<td>12317</td>
</tr>
</tbody>
</table>

**Source:** Brief facts Himachal Pradesh Department of Economics and Statistics Govt. of Himachal Pradesh 1999.
The brief details of Himachal Pradesh has been given in the table no. 1.5. Prior to 1948, the economy of the area was fragmented and unorganised. The small princely states had neither the resources nor the will to develop their areas. Roads were almost non-existent. The people were poor and conservative in outlook, land was scarce due to hilly terrain and then the best of it was with the rule or their relations. Due to superstitions and lack in mobility and also due to absence of proper means of transport, people stick to their ancestral occupations. The mule, the goat and the human beings were the only known carriers. There were about 200 educational institutions, majority of which were primary schools in addition to 20 middle schools, dozen high schools and only one intermediate college. Literacy rate was about 6 percent. Medical and public health institutions numbered 12. So the mortality rate was very high. Further, due to historical neglect of this region and the remote location of its territory in India, people continued to depend on land cultivation. Even the Britishers cared merely for the economic development. They developed some towns in those places where they chose to spend their summer only. The growth of means of communication and transportation remained limited to the resort and the major portion of the remaining area and population remained more backward. Due to poor state of agriculture and low density of population, very few urban centres for promoting commodity markets had come into being to sell the agricultural produce of the farmers.

1.5.1 Growth & Development of Industries in H.P

a) Industrialisation during the British Raj.

In Himachal Pradesh, apart from handicrafts, mining also started during the early ‘half’ of twentieth century, iron ore was found in Chamba, Kangra, Mandi and Shimla districts. The total output was 4 tonnes of iron ore during the year 1901-1902 in Shimla hill states. The production of rock salt was 400


tonnes annually during 1920. The state quarries of Mandi district were providing employment to 965 persons in 1921. There were cottage distilleries in Kinnaur and Lahual Spiti. Spinning and leather tanning industries were existing in Chamba district. In 1916, in Shimla, there were five printing presses, one cotton mill and one automatic workshop. Sugar industry at Nahan was providing employment to 342 people in 1931. Mandi Hydro-electric scheme had come into being in 1929. In Shivalik Hills, the total number of potters was 4000 in 1931. Tea industry in Kangra was providing employment to more than 3000 people in 1940. Though, some factories of British type were also being introduced for machine made goods. The hills were mainly dependent on plains and neighbouring territory of Tibet for their factory produce. However, during the pre-independence period of Himachal Pradesh, the state did not witness rapid industrialisation due to various reasons.29

b) Industrialisation After Independence

An unsuccessful effort had been made by private entrepreneurs with the help of state in Mandi to run woolen textile mills (under the name of The Mandi State Industries Limited), matches and school slate manufacturing by machines (under the name of Northern India Match Factory, Joginder Nagar). Of these, the match factory and school slate manufacturing factory worked for some time but failed on account of mismanagement and due to non-availability of the suitable raw materials. For woolen textiles mills, the machines were imported but could not be installed due to some internal disputes with the firm. In Sirmour district also, some efforts were made to establish units for the manufacturing of food and fruit products, manufacturing of drugs from the locally available herbs and for exploiting minerals in 1947. Three companies formed for these activities were the Sirmour Land Product Syndicate Limited, Sirmour Chemical and General Industries Limited and Sirmour Minerals Development Company. But out of these 3 companies two were closed down at its infancy stage due to one or the other reason. The Sirmour Minerals Development Company was still in operation but was not making any profit.29

Development Company Limited formed in May 1947 for developing minerals resources in the erstwhile Sirmour state, was registered and incorporated in Sirmour. Chemicals as a private limited company with a capital of Rs.2 lacs. There were a few large factories in the Pradesh by the fifties. Out of these, two were in the Sirmour District.

1. Nahan Foundary Limited, Nahan.
2. Himachal Resin and Turpentine Factory, Nahan, both in public sector and the third.
3. Mohan Meakin Brewaries Limited Solan in Mahasu district.  

b.1) Industrialization during Five Year Plans

Efforts in a planned manner for industrialisation were made only when planning exercise at the national level was taken up in 1952. The initial attempt was made by transferring industries from various princely states to the Union Territory administration. A clear cut perspective for the development of hilly regions had not, however, emerged at that time. Moreover, the first plan even at the national level, was a patch work and was largely aimed at agricultural development.

1. **Industrialisation During the First Five Year Plan**

In order to minimise the pressure of increasing population on land, efforts for providing employment in secondary sector started with the following objectives in the First Five Year Plan.

a) Utilising the raw materials available locally

b) Providing employment and thereby improving the economic conditions of the people especially in the rural areas.

c) Increasing the state’s production potential for meeting the basic needs of the people.

In 1951, total number of registered factories were 3 in the states. All that time the production of Resin was 1,237 tonnes, terpentine 3,33,000 litres and production of salt was 6228 quaintals.

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30 Ibid., 44.
Table 1.6

Yearwise breakup regarding plan expenditure during first plan on industry has been presented in the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure incurred in Rupees Lacs</th>
<th>Percentage of the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951-52</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1952-53</td>
<td>0.14</td>
<td>1.6</td>
</tr>
<tr>
<td>1953-54</td>
<td>0.49</td>
<td>5.5</td>
</tr>
<tr>
<td>1954-55</td>
<td>2.62</td>
<td>29.5</td>
</tr>
<tr>
<td>1955-56</td>
<td>5.63</td>
<td>63.5</td>
</tr>
</tbody>
</table>

**Source:** First Five Year plan, Directorate of Economics and Statistics, Himachal Pradesh, Shimla.

A provision of Rs. 11 lacs was made for the secondary sector in the budget, out of which Rs. 8.88 lacs were actually spent. The amount which was spent on industry out of total available funds during the plan works out to 12.03 percent. While the first three years of the plan, total amount spent on industry and industry was only Rs. 63000. The last two years of the plan can be regarded as the beginning of some efforts for industrialisation in the State.

In these two years, total amount spent on industry was 8.25 lacs. It is clear from the allocation that in the First Five Year Plan, no priority was given to industry and even the amount marked for industry was not utilised fully.

For the development of Handloom Industry a number of training centres, demonstration units, common service cum facilities centres were established by the industries department of the state. To encourage sericulture industry, various nurseries and farms were developed in Mandi, Bilaspur, Mahasu and Sirmour districts. In addition to it rearing training centres were also started in Mandi, Dhaulakuan and Ghumarwin.

2. Industrialisation During the Second Five Year Plan

During the second five year plan, a provision of Rs. 47.50 lacs was made for the development of industry and minerals. But the actual amount spent was

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31 Ibid, 45.
32 Ibid, 47.
Rs. 39.50 lacs i.e. 2.46 percent of the total expenditure incurred during the plan period. The per capita outlay in the second plan was Rs. 64 only. At that time a general survey was conducted to know the industrial potential of the state. The main objective of the plan was to supplement otherwise low income of people from agriculture and to generate employment. Malt whisky, resin, turpentine, tea, ploughs and cane cruiser were major industrial products. The year wise breakup of the expenditure on industry during the plan has been given under in the following table:

**TABLE 1.7**

**Annual Breakup of the Expenditure During the Second Five Year Plan**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rupees in Lacs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956-57</td>
<td>0.94</td>
</tr>
<tr>
<td>1957-58</td>
<td>3.27</td>
</tr>
<tr>
<td>1958-59</td>
<td>5.54</td>
</tr>
<tr>
<td>1959-60</td>
<td>10.80</td>
</tr>
<tr>
<td>1960-61</td>
<td>18.90</td>
</tr>
</tbody>
</table>

**Source**: Second Five Year Plan, Directorate of Economics Statistics Govt. of Himachal Pradesh.

The above table shows that total expenditure on the industries during the second five year plan was Rs. 39.50 Lacs approximately. To encourage the handicraft of the state, the following scheme were started during this plan. Production cum common facility centre for woolen shawls at Sunder Nagar was started with Rs. 0.25 lacs. Wood carving training centre was started at Kinnaur for 0.90 lacs and basket weaving centre at Kinnaur for Rs. 0.05 lacs. Bee keeping, fibre industries and agriculture industries were set up on which Rs. 0.05 lacs were spent. An amount of Rs. 6.00 lacs was earmarked for the development of silk and sericulture industry. For the development of Khadi industry, a khadi industry wing was established to implement the programme of khadi and village industries commission. Steps were also taken for
establishment of a finishing plant for cloth at Mandi and to make arrangements for the cheap electric power to the small scale industrial units. Apart from these small scale industries units there were a large number of unregistered small scale units in the state, which were manufacturing products like pattoos, shawals, blankets, dohrros, gudmas, namadas, thobies, patti, carpets, druggests, kharchas, hosiery items, furniture, utensils, footwear units agriculture implements, guns and gunpowder and these also undertook repair and servicing of automobiles. The Mandi district had the largest number of these establishment and leather work was an important industry in Chamba District.

Further Industrial estate of Chambaghat near Solan was also developed during the second plan with 10 factory sheds. A fruit preservation factory was also planned to be set up at Joginder Nagar. The shares amounting to Rs. 4.90 lacs were purchased in Punjab Financial Corporation to meet the long term needs of the medium and large scale industries.

3) Industrialisation During the Third Five Year Plan

During the third five year plan a sum of Rs. 105 lacs was provided under the head industry, against which Rs. 84.16 lacs were actually spent for the development of industry and minerals. Per capita outlay during this plan incurred to Rs. 187. The share of industry marginally increased to 2.49 percent as compared to 2.46 percent of total outlay of the previous plan. The investment in public sector was Rs. 33.84 crores. To industrialise the state, many new schemes were introduced and more finance was provided for these schemes. Main emphasis was on small scale industries. A provision of Rs. 45 lacs was made to meet the needs of small scale industries. The amount was to be spent to provide financial assistance and loan to the individual entrepreneurs, cooperative societies and firms engaged in small scale industries.

During this plan, a provision of Rs. 10 lacs was made to construct industrial estates. Each Estate was to include at least 29 industrial units and

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33 Ibid, p 48-49.
provide all types of infrastructure facilities. In addition, those producers, who could not be accommodated in these industrial estates, were encouraged to establish their industries on common land which was acquired and developed by the department of industries.

For the development of handloom industry a provision of Rs. 50 lacs was made in the plan. For the development of handicrafts, there was an outlay of Rs. 8 lacs which included the schemes like design demonstration centre, quality schemes, expansion and renovation of emporia, production-cum-common facility centre for carpets and depots for supplying raw materials, etc.

To provide advanced training in technical knowhow, various incentive schemes were introduced to train the local manpower in the institutes run by the other States.

To minimise the cost of production of small entrepreneurs subsidised electricity was provided. A scheme of opening cluster type of institution was introduced in every district. The location of these centres was at Sundernagar in Mandi District, Kalpa in Kinnaur District, Theog in Mahasu district, Chowari in Chamba district, Paonta Sahib in Sirmour district and Bilaspur town in Bilaspur district. To meet the expenditure of these centres, a provision of Rs. 1.66 lacs was made.

c) Industrialisation after Re-organisation and Full Statehood

Though reorganisation of Himachal Pradesh was effected in 1966, the State hood was granted only in 1971. After this the development responsibilities became the dominating concern of the state. Of course, Himachal Pradesh was a special category state and the financial devolution of resources was made liberal. The government started planning for modernisation of the Himachal economy. However, the plan holiday from 1967-69 hampered the tempo of development. The annual plans for these years were not able to gear up the tempo of industrial development.

\(^{34}\) Ibid. 50.
4) Industrialisation During Fourth Five Year Plan

For the first time during fourth plan, an attempt was made for developing medium and large scale industries. The total outlay of the plan was 10,140 lacs but the actual expenditure was Rs. 11,342.97 lacs. The share of industry and mineral in this outlay was Rs. 350 lacs, while the actual expenditure on this head was Rs. 414.46 lacs which constituted 3.65% of the total. Various new corporations in public sector came into being to promote industrialisation during this period. To develop agro based industries, Himachal Agro Industries Corporation was established in 1970. To exploit the huge potential of tourism, Himachal Pradesh Tourism development corporation came into being in 1972. To preserve and develop the states traditional handicrafts, Himachal Pradesh State Handicraft and Handloom Corporation was set up in 1974.

To develop the forest based industries in the state, Himachal Pradesh Forest Corporation was formed in 1974. For the development of medium and large scale industries, Rs. 128 lacs were allotted. The Nahan Foundry, which had been transferred to the State Govt. was expanded with additional provision of Rs. 23 lacs during this plan.

It was also proposed to increase the authorised capital of HPMIDC, the main Apex Industries Corporation created by Industries Department to Rs. 1 Crores.

In Mining sector, total amount allocated was Rs. 22 lacs. To survey the natural resources of the state, geological cells were set up in all district headquarters with an outlay of Rs. 12 lacs. For the preparation of feasibility reports of cement, sulphuric acid and super phosphate in the state, a provision of Rs. 2 lacs was made. The allocation during this period has been presented in the following table.

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TABLE 1.8
Scheme-wise outlay for Industries

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Sector</th>
<th>Rs. In Lacs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Handloom scheme</td>
<td>18.38</td>
</tr>
<tr>
<td>2.</td>
<td>Small scale industries</td>
<td>113.97</td>
</tr>
<tr>
<td>3.</td>
<td>Industrial estates</td>
<td>7.00</td>
</tr>
<tr>
<td>4.</td>
<td>Handicrafts</td>
<td>10.65</td>
</tr>
<tr>
<td>5.</td>
<td>Sericulture industry</td>
<td>35.00</td>
</tr>
<tr>
<td>6.</td>
<td>Khadi and Village industry</td>
<td>15.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>200.00</strong></td>
</tr>
</tbody>
</table>

Source:  Fourth Five Year Plan, Himachal Pradesh.

The above table shows that village and small industries received an allocation of Rs. 200 lacs which was further sub-classified into different heads. This allocation to small industries comes out to 1.97 percent of the total plan outlay and around 56 percent of the total outlay for the development of industries and minerals.

5. **Industrialisation During Fifth Five Year Plan**

The total outlay during this plan was Rs. 23,895 lacs, out of which Rs. 16,714.10 lacs were actually spent. The amount specified for industry and minerals was Rs. 13 crores. The amount allocated for industry was classified under different heads. An amount of Rs. 7 crores was earmarked for HPSIDC out of which Rs. 6 crores were for share capital and Rs. 1 crore for underwriting. For setting up industrial areas for the development of medium and large scale industries in private sector Rs. 2.5 crores were to be spent, Rs. 1 crore were to be spent given as incentives and subsidies, Rs. 50 lacs were advanced as loans and share capital participation in HPFC, Rs. 80 lacs were earmarked for Nahan Foundry, Rs. 1 crore for mining and Rs. 20 lacs for weights and measures.

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36 Ibid, 53.
For the development of medium and large scale industries, it was envisaged that HPSIDC would be able to establish the industries like worsted Spinning Mills at Nalagarh, brandy and vodka projects at Solan, water and steel plant at Parwanoo i.e. either in public sector or as a joint venture with private sector. It was also emphasized that additional 2000 acres of land will be acquired during the plan to develop industrial areas. The breakup of outlay under various schemes for the promotion and development of industries has been presented in the following table:

TABLE 1.9  
Scheme-wise/Sector-wise Outlay for Industry

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Scheme</th>
<th>Rs. In Lacs</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Himachal Pradesh small industries and Export corporation</td>
<td>75.00</td>
<td>10.71</td>
</tr>
<tr>
<td>2.</td>
<td>Himachal Pradesh handicraft board</td>
<td>75.00</td>
<td>10.71</td>
</tr>
<tr>
<td>3.</td>
<td>Himachal Pradesh Khadi and village industry board</td>
<td>75.00</td>
<td>10.71</td>
</tr>
<tr>
<td>4.</td>
<td>Sericulture industry</td>
<td>100.00</td>
<td>14.28</td>
</tr>
<tr>
<td>5.</td>
<td>Tea industry</td>
<td>20.00</td>
<td>2.86</td>
</tr>
<tr>
<td>6.</td>
<td>Industrial loans and subsidies</td>
<td>200.00</td>
<td>25.58</td>
</tr>
<tr>
<td>7.</td>
<td>Administrative staff</td>
<td>35.00</td>
<td>5.00</td>
</tr>
<tr>
<td>8.</td>
<td>Industrial estates</td>
<td>100.00</td>
<td>14.28</td>
</tr>
<tr>
<td>9.</td>
<td>Industrial Cooperatives</td>
<td>20.00</td>
<td>2.86</td>
</tr>
<tr>
<td>10.</td>
<td>Total</td>
<td>700.00</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Fifth Five Year Plan : A Draft Outline, Planning Department, Government of Himachal Pradesh.

The scheme of district industries centres came up mainly during the end of this plan under which it was decided to set up atleast the industrial centre in every district. Various incentives like the interstate sales tax payable as expenditure by the new units from the date of production for three to seven years, exemption from octroi duty, income tax and corporate tax, etc. were provided to attract new entrepreneurs. It was also planned to meet 75 percent of the project cost of selected industries in which the total expenditure investment was more than Rs. 10 lacs. By the end of the fifth plan, the number
of small scale units increased to 4450 which provided employment to 18990 persons. To rehabilitate the sick tea industry Rs. 13 lacs were spent.

6. **Industrialisation During Sixth Five Year Plan**

Immediately after 1978 there was again a period of plan holidays for the years 1978-79 and 1979-80. The total sums which were spent on industry and minerals during these annual plans were Rs. 233.72 lacs and 260.33 lacs respectively. No clear cut industrial programme could be followed during these years despite enunciation of industrial policy of 1978 and it was only in 1980 that the sixth plan was ultimately implemented. During this period it was realised by the planners that scientific and industrial development are the chief instrument of providing employment to the large number of unemployed and underemployed. During this plan industrial units were classified into five groups. A to E for the purpose of development assistance by the state Group A includes industrial units which are ancillary to existing units and units producing items where value added is considerable. Group B include those units which are based mainly on local resources including climate, tourists potential, etc.

**Group C** includes local demand-based units.

**Group D** consisted of those industries which were based on state government quotas of scarce and controlled raw materials received from the centre.

**Group E** industries were those which were based on outside resources and demand.

The proposed outlay in the sixth plan Rs. 2924.95 lacs for industry and minerals which was allocated as per the following table.

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17 Ibid, 55.
TABLE 1.10
Industry-wise Allocation During Sixth Five Year Plan

<table>
<thead>
<tr>
<th>Head</th>
<th>1980-81</th>
<th>81-82</th>
<th>82-83</th>
<th>83-84</th>
<th>84-85</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large and medium industries</td>
<td>131.86</td>
<td>140.23</td>
<td>127.50</td>
<td>125.00</td>
<td>600.00</td>
</tr>
<tr>
<td>Village and small industries</td>
<td>91.49</td>
<td>109.83</td>
<td>172.50</td>
<td>224.00</td>
<td>105.00</td>
</tr>
<tr>
<td>Mining</td>
<td>10.37</td>
<td>10.17</td>
<td>10.00</td>
<td>12.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Total</td>
<td>233.72</td>
<td>260.23</td>
<td>310.00</td>
<td>371.00</td>
<td>805.00</td>
</tr>
</tbody>
</table>

Source: Draft sixth five year plan-1980-85, planning department (H.P.)

For the development of infrastructure facilities, a provision of Rs. 50 lacs was made to strengthen and further expand the existing industrial areas at Parwanoo, Barotiwal, Paonta Sahib, Reckong Peo, Bilaspur, Samshi, Nagrota-Bhangwan, Mehatatpur, Solan Una etc. Various concessions were also allowed in the matter of power-tarriff, electric-power consumption, concession on estate duty etc. For the rural and village sector, a provision of Rs. 360 lacs was made to have at least one industrial centre in each district under the district industry centre scheme. It was also decided to revive the tea industry in Kangra district for which allocation of Rs. 100 lacs was made.

In the year 1982-83, state government approved 41 big projects having capital investment of Rs. 135 crores, with the employment potential of 8,876 persons. In addition, 43 projects in the medium and large sector having investment of Rs. 83.73 crores with the employment potential of 7,760 persons were approved. For the development of industrial areas, Rs. 7.28 lacs were spent, Rs. 3.71 lacs were spent for the construction of industrial sheds, and Rs. 1.28 crores were sanctioned for subsidy.

In accordance with the industrial policy of the Government of India, District Industries centres were established in all the districts of the Pradesh for the promotion of cottage and small scale industries. During the year 1984, the various District Industries centres identified 5801 artisans and 4304
entrepreneurs. 158 entrepreneurs were trained under the Entrepreneurial Development Programme and 1674 entrepreneurs were trained under TRYSEM, 2529 SSI units were provisionally registered and 1769 SSI units were registered permanently.

7) Industrialisation During the Seventh Five Year Plan

The seventh plan of Himachal Pradesh was approved for the size of Rs. 1,050 crores. It envisaged a mark up of 87.5 percent over the originally approved sixth plan outlay of Rs. 560 crores. During the seventh Five Year Plan, an outlay of Rs. 2641.00 lacs has been approved for the development of industries and minerals, which is 2.51 percent of the total outlay of Rs. 10.50 crores. The per capita outlay in this plan is Rs. 2500 approximately. The year-wise break up of the outlay for industry has been given in the following table:

**TABLE 1.11**

Sector-wise/Year-wise Break up of the Seventh Plan Outlay

(Rs. in lakhs)

<table>
<thead>
<tr>
<th>Sector-wise/Year-wise</th>
<th>Approved outlay (85-90)</th>
<th>Actual Expen (85-86)</th>
<th>Actual Expen (86-87)</th>
<th>Expected Expen (87-88)</th>
<th>Proposed outlay (88-89)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large and medium industries</td>
<td>1461.00</td>
<td>156.74</td>
<td>356.89</td>
<td>399.00</td>
<td>600.00</td>
</tr>
<tr>
<td>Village and small industries</td>
<td>1030.00</td>
<td>328.99</td>
<td>192.41</td>
<td>230.00</td>
<td>200.00</td>
</tr>
<tr>
<td>Mining</td>
<td>150.00</td>
<td>15.64</td>
<td>15.24</td>
<td>25.00</td>
<td>30.00</td>
</tr>
<tr>
<td>Total</td>
<td>2641.00</td>
<td>501.37</td>
<td>565.54</td>
<td>654.00</td>
<td>830.00</td>
</tr>
</tbody>
</table>


It is evident from the above table that out of the total outlay of Rs. 2641 lacs the maximum outlay has been fixed for the development of large and medium scale industries. However, in the year 1985-86, out of total expenditure of Rs. 501.37 lacs, the expenditure to the tune of Rs. 328.99 lacs was made for the development of village and small industries. From the second year of this plan (1986-87 onwards) the largest share of expenditure has gone in favour of

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*8 Ibid. 57.
large and medium industries. For 1988-89, an outlay of Rs. 600 lacs has been proposed for the development of large and medium industries.

8) **Industrialisation During Eighth Five Year Plan**

The state government with a view to cater to the changing needs of the time and to pace-up the process of industrialisation, has announced a new industrial policy along with revised package of incentives of industries.

The agro, horticulture produce based industries, Herbal resources based industries, wool based industries, sericulture based industries and electronics based industries were declared as priority industries under the new industrial policy.

Keeping in view the new industrial policy and packages of incentives announced by state government an outlay of Rs. 75.75 crores for the Eight Plan (1992-97) was approved. The detail can be depicted as below:-

**TABLE 1.12**

**Sector-wise/Year-wise Break up of the Eighth Plan Outlay**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Village and small industries</td>
<td>4750.00</td>
<td>744.00</td>
<td>810.00</td>
<td>900.00</td>
</tr>
<tr>
<td>Large and medium industries</td>
<td>2600.00</td>
<td>581.98</td>
<td>470.00</td>
<td>510.00</td>
</tr>
<tr>
<td>Mining</td>
<td>225.00</td>
<td>46.79</td>
<td>45.00</td>
<td>50.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7575.00</strong></td>
<td><strong>1372.77</strong></td>
<td><strong>1325.00</strong></td>
<td><strong>1460.00</strong></td>
</tr>
</tbody>
</table>

**Source:** Annual plan planning department govt. of H. P, Shimla. Page. S-165

For the development of small scale industries in the Pradesh, funds to the tune of Rs. 185 lacs during Annual Plan 1992-93 has been allocated for different programmes. Against, this outlay Rs. 365 lacs for the Annual Plan 1993-94 has been approved out of Rs. 1760 lacs approved for the Eighth Plan under this scheme.
The scheme wise break up of these outlays are as under:-

### TABLE 1.13
Scheme-wise Break up of the Eighth Plan Outlay

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Incentive and subsidy</td>
<td>675.00</td>
<td>115.00</td>
<td>115.00</td>
</tr>
<tr>
<td>2</td>
<td>District industries centre</td>
<td>1000.00</td>
<td>170.00</td>
<td>250.00</td>
</tr>
<tr>
<td>3</td>
<td>Margin money to sick units</td>
<td>25.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Establishment of quality making/tool room, common facility centre</td>
<td>50.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5</td>
<td>Development of food processing industries</td>
<td>10.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>1760.00</strong></td>
<td><strong>285.00</strong></td>
<td><strong>365.00</strong></td>
</tr>
</tbody>
</table>

**Source:** Annual plan planning department Govt. of H.P. Shimla 1993-94. Page . S-168

In new industrial policy the HP Govt. have announced interest subsidy for setting up tiny units and SSI units and to those which are also priority industries in A, B and C category blocks and incentives to NRI etc. were also given.

1.5 ii) Institutional Frame Work for Promoting Industrialisation in HP

The institutional frame work for assisting industries in HP is wide spread to cover all regions irrespective of geographical and climatical boundaries. The frame work includes the following institutions:-

1. **Industrial Development Bank of India**

The IDBI, an apex banking institutions in the field of long term industrial finance, was set up in the year 1964 as a wholly owned subsidiary of RBI. It was, however, delinked from RBI in Feb-1976, when its entire share capital was transferred to the Central govt. The role of the corporation was also enlarged by assigning many new functions to it. The main activities of RBI are:-
1. Providing long term loan to large/medium sized industrial concerns particularly to those which are unable to get finance from other term lending institutions.

2. Providing refinance to banks and other financial institutions for loans granted by them to industrial units at concessional rate of interest, depending upon their size i.e. medium or large scale of their location.

3. Re-discounting of usance bills or premissory notes of industrial concerns arising out of the sales of indigenous machinery on deferred payment basis.

4. Assisting financial institutions by subscribing to or underwriting of shares and bonds issued by other financial institutions.

5. Subsidising cost of feasibility studies and entrepreneurial development programmes conducted by banks and state technical consultancy organisations (TCO's).

In addition to the above, the IDBI is also coordinating the activities of other financial institutions, banks and formulating schemes, which can help in the development of industries in the country.  

2. Himachal Pradesh State Industrial Development Corporation (HPSIDC)

The HPSIDC Limited (formerly known as Himachal Pradesh Minerals and Industrial Development Corporation) came into existence on 25th Nov. 1967 as a public limited company under Company's Act 1956. The authorised capital of the company was Rs. 20 crores. Its paid up capital was Rs. 2957.40 lacs as on 31.3.1997.

The Corporation has been corporating various schemes of assistance. These are:-

a) Provide financial assistance by way of term loans.

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b) Equity participation

c) Seed capital/Soft loan for setting up industrial units in the State.

The seed capital scheme is operated by the Corporation on behalf of the industrial development bank of India.

3. Commercial Banks and Regional Rural Banks

Although finance is one of the most important inputs in an industry and for its provision the commercial banks play an important role. Ever, since the nationalisation of a major commercial bank in 1969 and 1980, financing of entrepreneurs assumed an important place in the banking activity. No doubt banks have been providing liberal finances and formulating special schemes as per the needs of the regions. These schemes includes financing to artisans and craftsman, village and cottage industries, qualified engineers, entrepreneur and small enterprises engaged in productive activities.\textsuperscript{42}

The credit facility sanctioned by banks to the industrial units can be broadly classified into two categories namely short term and medium long term. These two also popularly known as term loan and working capital loan respectively. The terms loans are sanctioned for acquiring block or fixed assets like land, building, plant and machinery and are repayable within 3-7 years period of time depending upon the profit generation capacity of the unit. Working capital loans are provided for meeting the day to day expenses of the unit like purchase of raw material, consumable stores, fuel and other essential needs etc.

4. Small Industrial Development Bank of India (SIDBI)

SIDBI was established in April 1990 under an act of Parliament as a wholly owned subsidiary of industrial development bank of India. Now, it has completed its 10 years of service to the small scale sector. Its main objectives are to serve as the principal institutions for

1. Promotion, 2. Financing, 3. Developing of industry in small scale sector, 4. Coordinating the functions of other institutions engaged in similar activities.

The SIDBI is offering following schemes:

**Equipment Finance Scheme**

SIDBI scheme of Direct Assistance Equipment Finance Scheme

To assist the existing SSI units for acquisition of machinery/equipment both indigenous and imported, which are not related to any specific project. This would facilitate modernisation technology, upgradation, expansion and quality improvement of existing well run units.

**Eligibility**

All existing units in SSI Sector with good track record of performance and sound financial position are eligible for assistance under the Scheme. For this purpose, the unit should have been in operation for a period of at least three years and have earned profit and/or declared dividend during two years preceding to take up the proposed scheme. The unit also should not be in default to institutions and banks in payment of dues.

Assistance under the scheme may be availed for purchase of plant and machinery and other equipment including energy saving systems for modernisation/expansion/diversification/balancing scheme etc. Second hand equipment will not be eligible for assistance under the scheme.

**Amount of Loan**

The amount of loan in individual cases would depend on the cost of equipment, amount of taxes, duties, transportation and installation charges. The minimum amount of loan should not be less than Rs. 10 lacs per unit. No ceiling has been prescribed and a need based approach will be followed in this regard.

Promoters : Minimum 25 Percent contribution
Rate of interest : 20 Percent (including interest tax)
Up-front fee : 1 Percent of the amount of term loan

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43 Profile, Small Industries Development Bank of India (Lucknow), P. 1.
Debt Equity Ratio : 2:1
Repayment period : Upto 5 years including initial grace period upto 12 months

Refinance Scheme

Refinance scheme for working capital under Single window scheme to Tiny and SSI units by commercial banks and SFCs.

1. Eligible Units

New tiny and small scale units whose cost of project (excluding working capital margin) does not exceed Rs. 20 lacs and the total working capital requirement at the optimum level of production is upto Rs. 10 lacs, provided the unit has been sanctioned term loan for fixed assets and working capital by the same bank and both facilities are covered under refinance scheme of SIDBI. This facility would also be available in respect of eligible units which have been sanctioned term loan by the commercial bank on or after January 1, 1990 and refinanced by SIDBI provided working capital assistance to such units is not already disbursed prior to introduction of this facility by SIDBI.

Nature and amount of assistance

Cash credit facilities upto Rs. 10 lacs per unit for meeting the working capital requirement. Other facilities like bill purchase/discounting, letter of credit etc. would not be eligible for refinance.

Rate of interest on working capital facility from banks and corresponding refinance from SIDBI

As may be specified by SIDBI from time to time. The current interest rate structure is enclosed.

a) The interest rate are exclusive of interest tax. Banks may charge interest over the stipulated rate to compensate themselves for the amount of interest tax.

b) For determining the applicable rate of interest on term loan, working capital assistance and refinance, aggregate assistance sanctioned by
the bank for fixed assets and working capital to a unit under SWS, shall be taken into account.

c) The entire assistance sanctioned under SWS to the unit will carry applicable rates of interest during the currency of refinance from SIDBI. 

Up-front fee for working capital assistance : NIL

Extent of Finance

75 Percent of the term loan and 50 Percent of the cash credit limit sanctioned

Repayment period for refinance against working capital

Not exceeding 5 years (including initial moratorium of 1 year) from the date of first disbursement of the working capital assistance.

Debt-equity Ratio

The debt-equity ratio will be 3:1 for the total venture outlay (i.e. cost of the project plus total working capital requirement as mentioned at item 1 above.)

Promoters' Contribution

As may be required to arrive at the debt-equity ratio of 3:1 after taking into account the amount of investment subsidy/incentive available for the project.

5. Himachal Pradesh State Financial Corporation

H.P.F.C. was established in 1967 under the provision of State Financial Corporation Act 1951. The corporation is an important financial institution at the state-level which extends long term finance to small and medium scale industries. Although the H.P.F.C. came into being only in the late sixties, it has become an indispensable for the process of industrial development in the state. The core function of H.P.F.C. is the provision of finance but with the recent orientation towards promotional and developmental functions, additional qualitative responsibilities have been entrusted to it.
6. **State Directorate of Industries**

Under the constitution of India for the development of industries, the state Directorate of Industries performs of both regulatory and developmental functions. It functions through a network of District Industries Centres and block level respectively.

7. **District Industries Centre**

The Janta Party Govt. drafted the sixth five year plan (1978-83). This plan laid more emphasis on village level development. To achieve industrial development through small scale industry, a District Industries Centre (DIC) scheme was introduced in 1978. Under this scheme, it was suggested that various facilities should be provided to the entrepreneur for setting up small village industries. Accordingly, the state Govt. has set up DICs in all twelve districts of the state which has been designed as comprehensive agencies with most of the elements and functionaries under one roof, that are necessary for speedy industrial and entrepreneurial development.

The District Industries Centre provide all services and support required by small entrepreneur including licence clearances, identification of suitable schemes, preparation of feasibility report, arrangement for supply of machinery and equipment, provisions of raw material, credit facilities and extension services for rural industrial promotion and rural artisan programme (RIP & RAP) etc.

Further, just give a boost to development of industrialisation in a hilly state, following concessions are being given to the entrepreneurs:

### 1.6 INCENTIVES & CONCESSIONS

The incentives and concessions to the industrial units subject to their eligibility are as under:

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1. Sales-tax concessions

i) Village Industries/Tiny units

Village industries with fixed capital investment up to 10 lacs and financed wholly by HPKVIB/KVIC shall be totally exempted from payment of sales-tax for a period of 8 years in industrially backward areas and in priority sector; and for a period of 5 years for units in industrially developing areas. In respect of other village industries and tiny units, sales tax shall be livable at a concessional rate of 25 percent of all the applicable rate on the products of new village industries/tiny units other than produce of breweries/distilleries, non fruit/vegetable based wineries and bottling plants (both for Country Liquor and Indian made foreign liquor) for a period of 8 years in industrially backward areas and in priority sector; and for a period of 5 years for units set up in industrially developing areas.

ii) Units in SSI/Medium and Large Sector

In case of units in SSI/medium and large sectors, deferment of General Sales Tax for a period of 8 years on the goods other than produce of breweries, distilleries, non-fruit/vegetable based wineries and bottling plants (both for Country Liquor and Indian Made foreign liquor) manufactured by the new industrial units set up in the industrially backward areas and in priority sector; and for a period of 5 years for units in industrially developing areas subject to furnishing of security/bank guarantee to the satisfaction of the Excise and Taxation Department of Govt. of Himachal Pradesh. The tax deferment during 1st 8 years to 5 years as the case may be shall become due for payment after a period of 5 years from its collection. This means that the tax collected in the 1st year shall be payable in the 6th year, second year in the 7th year and so on.

iii) The eligible existing units shall have an option either to opt for the General sales tax concessions as provided in above paras (i) and (ii) for the unexpired period and subject to their continuing eligibility under the previously applicable rules or to continue to avail these concessions as per those rules.
Such an option shall have to be exercised by the 31st July, 1999 failing which they shall be covered by the previously applicable rules.

iv) The GST on the raw material, processing and packaging material except timber used by the existing and new industrial unit(s) for captive manufacturing within the State shall be livable at a concessional rate of 1 Percent for a period of 10 years.

v) Central Sales tax at a concessional rate of 1 Percent shall be liable on the goods manufactured by new and existing industrial units for a period of 10 years.

vi) Period of these concessions in case of new industrial unit(s) will commence from the date of commencement of commercial production or from the date of notification issued by the Department of Excise and Taxation in this regard, whichever is later. In case of existing unit(s), these concessions would be available from the appointed day or the date of notification, whichever is later.

2. Power Concessions
i) New industrial unit(s) in priority sector shall be exempted from payment of electricity duty for a period of 8 years in the industrially backward areas and for 5 years in industrially developing areas. Period of this concession will commence from the date of commencement of commercial production or from the date of notification of department of MPP and power, whichever is later. The existing unit(s) availing this incentive shall continue to avail the same under the previous rules for the unexpired period of its/their eligibility.

ii) The existing eligible units availing power tariff freeze subject to their continuing eligibility under the previously applicable rules shall continue to avail the concession as per those rules.

iii) No electricity duty will be charged from any industrial unit, new or existing, on the power generated from its captive power generation set(s)/hydel plant(s).
iv) The industrial units employing atleast 50 workers may be permitted on case to case basis to build residential complexes for industrial workers within the campus. The rate of power tariff to such residential complexes both new and existing shall be as applicable to domestic consumers.

3. Interest Subsidy to Tiny and Small Scale Units in Priority Sector Located in Industrially Backward Areas

i) Subsidy in the rate of interest on term loan taken by tiny and SSI units from financial institution(s) shall be given @ 4 percent subject to a ceiling of Rs. 2.00 lacs per unit per year for priority sector units set up in industrially backward areas for a period of 6 years provided that the unit pays a minimum of 8 percent interest after availing interest subsidy. In case rate of interest after subsidy falls below 8 percent the rate of subsidy shall be reduced accordingly. This concession shall also be admissible on term loan taken from financial institution for expansion/diversification. The subsidy shall be disbursed through the concerned financial institution. This subsidy shall not be admissible on defaulted/rescheduled installment(s) and the period of default shall be counted for determining the period of eligibility.

ii) The existing unit(s) availing this incentive irrespective of their status, shall have an option either to opt for this concession under these rules for the unexpired period and subject to their continuing eligibility under the previously applicable rules or to continue to avail this concession as per those rules. Such an option shall have to be exercised by 31st July, 1999 failing which they shall be covered by the previously applicable rules.

4. Capital Investment Subsidy

Tiny units in priority sector and coming into commercial production after the appointed date in industrially backward areas shall be given a capital investment subsidy @ 10 percent of fixed capital investment subject to a ceiling of Rs. 2.5 lacs per unit. This subsidy will be admissible on the creation of new assets only. The sanction/disbursement shall be governed by the erstwhile C.I.S Manual.
5. **Price Preference**

The products of tiny/SSI units manufactured in HP may be given a price preference of up to 15 percent in the process of finalisation of rate contract(s) in respect of purchases affected by the Government Departments, Semi-Government Organisations, Corporations and Boards. For large and medium industries, the price preference may be up to 3 percent.

6. **Subsidy on the cost of preparation of feasibility report**

New industrial unit(s) in tiny and small scale sector will be eligible for subsidy on the cost of preparation of feasibility report @ 50 percent of its cost subject to a ceiling of Rs. 10,000/- in case of tiny unit(s) and Rs. 20,000/- for SSI unit(s).

7. **Facility for Quality, Productivity, Technical Upgradation and Pollution Control Devices**

Government may provide common effluent treatment plant(s)/pollution control devices and common testing facilities in Industrial Areas/Estates/Grown Centres or in a cluster of industries as a part of infrastructure.

8. **Special Package of Incentive to Fruit, Vegetable and Mazie Based Units, Consuming Local Produce and Located in Industrially Backward Areas**

Notwithstanding anything contained in the proceeding paras, the fruit, vegetable and maize based units, consuming local produce and located in industrially backward areas shall be eligible for the following incentives:

i) Land/shed shall be allotted on out of turn basis at a nominal price/rent to be determined by the Govt. from time to time. While considering allotment, such unit(s) shall get precedence even over units in priority sector.

ii) GST exemption or deferment for a period of 10 years will be admissible to new industrial units. The unit shall have to opt either for exemption on deferment within a period of 6 months from the date of commencement of commercial production and option once exercised will be treated as
final. For repayment of deferred amount of GST, the parameters as given in Rule will be applicable.

iii) The GST on the raw material, processing and packaging material except timber used by the existing and new industrial units for captive manufacturing within the State shall be liable at concessional rate of 1 Percent for a period of 10 years.

iv) Central sales tax at concessional rate of 1 Percent shall be liable on the goods manufactured by new and existing industrial units for a period of 10 years.

v) Such new industrial unit(s) shall be exempted from the payment of electricity duty for a period of 10 years. No electricity duty shall be charged on the power generated from DG set/hydel plant.

vi) Such new industrial unit(s) shall be exempted from the payment of state excise duty for a period of 7 years.

vii) Period of these concessions as provided in rule above will be available to new industrial unit(s) from the date of commencement of commercial production or from the date of notification issued in this regard, whichever is later. In case of existing unit(s), these concessions, as eligible, would be available from the appointed day or the date of notification, whichever is later.

viii) Such new industrial unit(s) shall be eligible for a subsidy of 10 Percent in the rate of interest on term loan for a period of 6 years subject to a ceiling of Rs. 10.00 lacs per annum, provided that the unit pays a minimum of 6 Percent interest after availing the interest subsidy. In case the rate of interest after a subsidy of 10 Percent falls below 6 percent the rate of subsidy shall be reduced accordingly. This subsidy shall not be admissible on defaulted/rescheduled installment(s) and the period of default shall be counted for determining the period of eligibility.

ix) Such new industrial unit(s) will be entitled to an investment subsidy @ 25 percent on cost of plant and machinery installed subject to a ceiling of
Rs. 25.00 lacs. The sanction/disbursement shall be governed by erstwhile C.I.S. Manual.

x) The incentives of price preference and subsidy on the cost of preparation of feasibility report as provided under rule shall also be available to such unit(s).

xi) The existing units under this category unless specifically provided otherwise, shall continue to be governed by the previously applicable rules.

9. Incentives Available to Units in Tax Free Zone

Any new industrial unit(s) except breweries, distilleries, non-fruit/vegetable based wineries and bottling plants (both for Country Liquor and Indian Made Foreign Liquor) in the tribal areas of the state, as notified from time to time, shall be exempted from payment of any State taxes and duties (excluding levies in the shape of cess, fees, royalties etc.) for a period of 10 years from the date of commencement of commercial production or the date of notification by the concerned department(s) whichever is later. As regards other incentives, unit(s) in these areas shall be treated at par with the unit(s) in industrially backward areas.

10. Scheme for Sick Units

i) The Director of Industries, H.P. may carry out or get carried out by any suitable consultancy organisation(s) diagnostic and rehabilitation studies of the identified sick unit(s), with a view to chalkling out a rehabilitation programme for such unit(s) on its/their request, provided that expenditure on such studies will be restricted up to a maximum of Rs. 5000/per unit.

ii) The Department of Industries will provide an interest rebate of 4% on any additional loan involved in the revival proposal to be administered through financial institution(s) during the nursing period as specified in the rehabilitation plan. This reimbursement will be made to the financial institution and subject to a ceiling of Rs. 1 lac spread over a period of three years on a declaration that no penal interest has been charged from the unit in question during the period for which the claims are made.
The units selected for rehabilitation would be taken on parallel rate contract under the State Purchase Programme, without participation in tenders, for a period of three years, on the recommendation of the Director of Industries for item(s) that they manufacture, provided that there is a rate contract for such item(s).

The margin money scheme for sick units, wherein margin money of up to Rs. 50,000 is being provided to such sick unit(s) would be available to tiny/small scale unit(s).

11. Project Specific Special Package

i) Notwithstanding anything contained here in before the Government may grant project specific special package to any new medium/large industrial unit proposed to be set up in the state. Which has potential for substantial employment generation, both direct and indirect, ancillarisation etc. on case to case basis, in the public interest.45

12. Revival and Rehabilitation of sick industrial units

The aspects involved in revival of sick units primarily relate to the funds advanced by the banks/financial institutions and interface of such units with those institutions is much more frequent and relevant than with the Directorate of Industries. In this regard it is the conscious view that the financial institutions should take concerted steps to reduce the burden on account of penal interests, lay more stress on one time settlement and facilitate revival of sick units. State Level Inter Institutional Committee (SLIIIC) also needs to take more active role in the revival of sick units. A revival package for such sick units has also been planned to facilitate their successful revival up to maximum Rs. 50,000 per unit.46

On the basis of the foregoing discussion it has been observed that the State Government has launched a massive campaign for the speedy industrialisation of the state and various steps have been taken to augment it

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45 Govt. of Himachal Pradesh, Industrial Policy Guidelines and Rules, Regarding Grant of Incentives, Concessions and Facilities to Industrial Units in Himachal Pradesh, pp 14-18.
46 Ibid p. 7.
further. Various institutions were set up to provide all the relevant information to the prospective entrepreneurs, such as Himachal Consultancy Organisation Limited (HIMCON) Shimla, Centre for entrepreneurship development programme (C.E.D.) at Parwanoo, Productivity Council of Himachal Pradesh at Shimla and Small Industries Service Institutes at Chambaghat, Solan about the policies of the government, availability of land, raw material, power, financial assistance, technical know-how preparation of techno-economic feasibility reports and other relevant information needed for setting up industrial units with in the state. Himachal Pradesh has made significant achievement in the field of industrialisation. In real sense the process of industrialisation in the state started during the eighties and gained momentum during the decade. In 1988-89 large and medium scale industrial units were registered 87. On 31st March, 1990 Medium and large scale industries have increased to 130 and SSI 17,139 units but now at present, there are 178 medium and large scale industries and about 28000 SSI with a total investment of Rs. 26.50 crores in the state. The annual turn over of the industrial sector is approx. Rs. 4000 crores and these industries provides employment to about 1.44 lacs persons.47

The industries of the state are providing wide range of traditional and modern sophisticated items. Recently electronics have added a new dimension of the industrial development in the state for the promotion of electronics industries, with the establishment of Himachal Pradesh State Electronic Development Corporation. However the industrial estate established by Government at Shoghi for electronics could not give satisfactory results.

SSIs, contribute positively to NDP, GDP, employment, state earnings and exports. But it appears that their share shows descending order at the national level in general and at state level in particular. Thus a need has been felt to study the functioning of SSIs and scan the factors responsible for poor performance of the SSI.