## CHAPTER 5

**INDUSTRIAL DEVELOPMENT POLICIES AND INCENTIVES**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page NO.</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 Need for Industrial Development Policy</td>
<td>111</td>
</tr>
<tr>
<td>5.2 Industrial Policy of the Government of India</td>
<td>112</td>
</tr>
<tr>
<td>5.3 Industrial Policy of the State of Orissa</td>
<td>122</td>
</tr>
<tr>
<td>1st Industrial Policy</td>
<td>124</td>
</tr>
<tr>
<td>2nd Industrial Policy</td>
<td>124</td>
</tr>
<tr>
<td>Industrial Policy 1980</td>
<td>126</td>
</tr>
<tr>
<td>Industrial Policy 1986</td>
<td>129</td>
</tr>
<tr>
<td>Industrial Policy 1989</td>
<td>134</td>
</tr>
<tr>
<td>5.4 Redefinition of Small, Tiny and Ancillary Units</td>
<td>173</td>
</tr>
<tr>
<td>5.5 Industrial Policy 1991 of Government of India</td>
<td>173</td>
</tr>
<tr>
<td>Notes and references</td>
<td>176</td>
</tr>
</tbody>
</table>
CHAPTER 5
INDUSTRIAL DEVELOPMENT POLICIES AND INCENTIVES

5.1 NEED FOR INDUSTRIAL DEVELOPMENT POLICY:

Classical economists had believed that laissez-faire system would solve all the problem of the economy and that no intervention, whatsoever, would be required to correct the economic ills of the society. Economists and the politicians until the 1930s maintained this unshakeable faith in the power of the free economy to correct anything wrong and achieve automatically a high rate of growth with efficiency. The Great Depression of 1930s, however, gave a rude shock to this belief. After the depression, it was increasingly realised that the State intervention was justified to put into gear the capitalist machine which had almost come down to a halt. Since then the State intervention in overall economic matters has become necessary. The entire history of the independent development of Asian, African and Latin American countries confirms the view that economic backwardness can not be eliminated without the State actively participating in the development process. The development of industries, in particular, has seldom made progress without the active help of the Government. The example of the industrial development of Japan in this connection is most striking. It has been remarked that "in Japan modern industrialisation had the State as its Grandfather". Germany, too, experienced rapid industrial growth under State patronage.¹

Most of the developing countries of the world today have launched a massive programme of economic development under the technique of planning. The need for industrial policy arises mainly under economic planning. The main objective of such a policy is to cure certain ills of the national economy and to give it a more rational shape for rapid development of industries. Industrial policy of a country is a document
which lays down the principles, rules and regulations and procedures according to which industrial development of the country is to take place. It contains all principles, rules, regulations and procedures concerning the rate of growth, the ownership, location, pattern and functioning of industrial undertakings in a country. It is a comprehensive term and includes such other term and includes such other allied policies as fiscal, monetary and tariff policies which influence the pattern of industrial growth in a country. In short, industrial policy provides guidelines for the effective co-ordination and integration of the activities of the various sectors of the economy with a view to achieving a balanced and self-reliant pattern of development that can ensure rapid growth of output and employment.

5.2 INDUSTRIAL POLICY OF THE GOVERNMENT OF INDIA:

5.2.1 Industrial policy in India, as in other countries, has been considered as an instrument for bringing about a rapid economic transformation of the country through the process of industrialisation. The 1948 Resolution, being the first policy document after independence. The main thrust of the 1948-Industrial Policy was to lay the foundation of a mixed economy in which both private and public enterprises would march hand in hand to accelerate the pace of industrial development. The 1948 Policy Resolution reiterated the right of the State to acquire industrial undertakings in public interest but it also reserved an appropriate sphere for the private sector.

The Industrial Policy Resolution of 1948 was translated into action in the 1st Five Year Plan (1951-1955). In the large sector, the investment was stepped up partly for setting up and partly for expanding iron and steel, petroleum refineries, cement, aluminium, fertilisers, heavy chemicals and electric power generation industries. With the result the production of capital goods increased by 70 per cent, the intermediate goods chiefly industrial raw materials - by about 34 per cent and the consumer goods by 34 per cent. Action was also initiated
either for setting up of or expanding the following public sector undertakings. Sindri Fertiliser Factory, Hindustan Antibiotics, Hindustan Cables, Chittaranjan Locomotives, Indian Telephone Industries, Hindustan Machine Tools, Hindustan Insecticides, Integral Coach Factory, NEFA Mills, Bihar Superphosphate Factory, etc.  

5.2.2 Since the adoption of 1948 Resolution, significant developments took place in India. Planning had proceeded on an organised basis and the First-Five-Year-Plan had been completed. Parliament had accepted the socialist pattern of society as the basic aim of social and economic policy. These important developments necessitated a fresh statement of Industrial Policy. A second Industrial Policy Resolution was adopted in 1956, replacing the Resolution of 1948. Important provisions of the 1956 Resolution were:

1. New classification of industries.
2. Fair and non-discriminatory treatment for the private sector.
3. Encouragement to village and small-scale enterprises.
4. Reviving regional disparities.
5. The need for the provision of amenities for labour.
6. Attitude to foreign capital.

The 1956 Industrial Policy Resolution may be described as an economic constitution based on its political counterpart, the Constitution of India. The objective of a socialist pattern and mixed economy was given expression in terms of industrial development through this resolution.

The Resolution of 1956 stated clearly the inherent right of the state to acquire any industrial undertaking. It expressed doubts in the ability of the private sector, by itself, to bring about fast economic development. The dice was heavily loaded in favour of public sector. The private sector got less consideration. "The so called private sector became a sort of
Economic development was more explicitly equated with state enterprise. There was a general fear that the public sector would grow into a giant mainly to grab the private sector. This fear was based on a misreading of the Resolution. The policy statement secured for the private sector a permanent place in the economy. The sector was not to develop as a rival but create congenial conditions and an infrastructure which would facilitate growth of the private sector. Under the planned economy the state had to assume the role of a senior partner to accelerate the pace of economic development.

The Resolution, however, left ample scope for the expansion of the private sector as well. D.K. Rangnekar rightly comments: "The Industrial Policy Resolution of 1956 set out some of the principles of Nehru's philosophy though it retained sufficient ambivalence to placate the uncommitted elements."

As later developments showed the loopholes and exceptions were more readily availed of by businessmen and industrialists. Licences were issued to the private sector in areas which were reserved for public sector expansion. These included coal, oil, fertilisers, chemical, engineering, etc. Similarly, three Western oil companies were permitted to establish refineries. The Government signed a deal with Stanvac (later ESSO) for oil exploration with minority participation by the Indian government. There is no doubt that this policy resulted in the rapid expansion of the public sector in basic heavy industries, but as Rangnekar has rightly put it, "private sector investment zoomed in the wake of public sector expansion."

5.2.3 In 1977, the Janata Government announced further changes in industrial policy statement. Its major departure from the past was its conscious tilt towards decentralisation, small industry, rural industrialisation and employment generation. This new policy, without totally scrapping the industrial policy resolution of 1956, radically modified and enlarged it suitably to meet the new challenges of Indian economy and the requirement of the people arising out of the changed economic conditions.
As for large industry, the policy of 1977 emphasised the development of the following industries:

"(a) Basic industries which are essential for providing infrastructure as well as for development of small and village industries, such as steel, non-ferrous metals, cement, oil refineries;

(b) capital goods industries for meeting the machinery requirement for basic industries as well as small scale industries;

(c) high technology industries which require large scale production, and which are related to agricultural and small industrial development such as fertilisers, pesticides and petro-chemicals, etc; and

(d) other industries which are outside the list of reserved items for the small sector and which are considered essential for the development of the economy, such as machine tools, organic and inorganic chemicals."\(^{5}\)

On small and cottage industries, the Policy statement made out that

"the main thrust of the new Industrial Policy would be an effective promotion of cottage and small industries, widely dispersed in rural areas and small towns and reservation of various areas of production feasible exclusively in the small and cottage industries sector."\(^{6}\)

Further, unlike the 1956 policy resolution which had reserved only 128 items for exclusive production in small sector, the 1977 policy reserved more than 700 items. Besides, unlike the 1956 resolution, the 1977 policy required of the large sector to dovetail its development to the development of small and cottage industries. In a nutshell, 1977 Policy looked more
like a policy specially tailored for the promotion and pre-eminence of small and cottage industries. As per the policy of 1977, the concept of District Industries Centres was introduced with a view to providing single-window facility to the entrepreneurs. The concept of "Tiny" sector was also introduced. The policy directed the Government to frame special legislation for the promotion and protection of small and cottage industries.

The policy also articulated for the first time ecological and environment concerns and tried to grapple with problems of urban decay. No fresh licences were to be issued for the setting up of industrial units within certain limits of metropolitan cities and urban areas. Where licences were not needed, the Government barred State Governments and financial institutions from extending aid to such units. On sick units, the policy laid down that takeover of their management would be done on selective basis.

5.2.4 After coming into power, the Congress Government, under the leadership of Mrs. Indira Gandhi, wanted to revive the economy which, according to it was inhibited by infrastructural gaps and inadequacies in performance. The ruling party wanted to follow a set of pragmatic policies which would remove the lingering constraints to industrial production and, at the same time, act as catalyst for faster growth in the coming decades. The following socio-economic objectives were laid down to be achieved by the new industrial policy which was announced in July 1980.

(a) Optimum utilisation and achieving higher productivity;

(b) maximum production and achieving higher productivity;

(c) Higher employment generation;

(d) Correction of regional imbalances through a preferential development of industrially backward areas;
(e) Faster promotion of export-oriented and import-substitution industries;
(f) Consumer protection against high prices and bad quality; and
(g) Strengthening of the agricultural base by according a preferential treatment to agro-based industries.

The basic structure of the old Policy Resolution of 1956 was, however, not changed though some far-reaching changes were brought about which may be summarised as follows:

Redefining of Small-Scale Units: In order to boost the development of small-scale industries and to ensure their rapid growth, it was decided to increase the limit of investment in the case of small-scale units from Rs.10 lakhs to Rs.20 lakhs and the limit of investment in the case of ancillaries was raised from Rs.15 lakhs to Rs.25 lakhs. It was maintained that the enhancement of the limit in terms of investment in plant and machinery will help genuine small-scale units, particularly those being set up by young and technically qualified entrepreneurs, to come up. This measure will also facilitate the long overdue modernisation of many of the existing small-scale units.

In order to provide financial support to these units, the Government proposed to strengthen the existing arrangements and make such changes as may be necessary to facilitate the availability of credit to the growing units in the small-scale sector. A scheme for building up of buffer stocks of essential materials which are often difficult to obtain was also proposed in the policy. New policy would continue to provide marketing support and reservation of items for small-scale industries.

Village Industries: The Government is determined to promote such a form of industrialisation in the country as can generate economic viability in the villages. The new policy aims at promoting suitable industries in rural areas to generate higher
employment and higher per capita income for the village in the country without disturbing the ecological balance. Handlooms, handicrafts, khadi and other village industries will receive greater attention to achieve a faster rate of growth in the villages.

Provision for Automatic Growth: In view of the constraints on resources and also taking into account the considerable increase in the prices of capital goods, it was necessary to ensure that no avoidable restrictions are placed on the fullest utilisation of the existing industrial capacities. This is particularly true of the core industries, of industries which have direct linkages with the core sector and industries which have a long-term export potential. All these industries are of basic, critical and strategic importance for the growth of the economy. In February 1973, the Government had announced a list of such industries. Later in 1975, the Government had permitted the facility for automatic expansion in respect of 15 industries. The extent of increased capacity permitted in respect of these industries was limited to 5 per cent per annum or 25 per cent in a five-year period. This expansion was to be in addition to the normal permissible expansion in production by 25 per cent of the approved capacity.

Export-Oriented Units: Industry must contribute its share in creating a more favourable balance of trade by catering to the ever increasing foreign markets. The Government now intends to consider sympathetically the request for setting up 100 per cent export-oriented units, requests for expansion of existing units exclusively for purposes of export and for allowing higher production for exploiting fully the emerging export opportunities.

Correcting Regional Imbalances: Industrialisation plays an important role in correcting the regional imbalances and reviving the industrial growth to lead the economy once again to the take-off stage. For this purpose, the Government has decided to encourage dispersal of industry and setting up of units
in industrially backward areas. Special concessions and facilities will be offered for this purpose and these incentives will be growth and performance oriented.

**Coordinated Development of Private Sector**: Industrial production has to be viewed in the broader context of generating higher production and employment. An integral part of this approach would be to create new focal points of industrial growth which have the maximum effect on the quality of life. The policy of the Government is not to compartmentalise the tiny, small and large scale sector, but to weave them together to achieve balanced and fast industrial growth. The Janata Government Scheme of DIC would be given up and it was proposed to set up a few "nucleus plants" in each backward district to generate as many ancillaries and small and cottage industries as possible. The object was to promote the concept of federalism.

**Advanced Technology for Economies of Scale**: In a number of cases, Indian industry has not been able to compete in markets abroad because the scale of output which is related to the level of domestic demand is too small to give them the advantages of modern technology and economies of scale. The Government in future would consider favourably the induction of advanced technology, and will permit creation of capacity large enough to make it competitive in world markets provided substantial exports are likely.

**Industrial Relation**: Deteriorating industrial relations have affected a number of importance sectors of economy and led to fall in the industrial production. The Government considered that the maintenance of constructive and cordial industrial relations in which both labour and management have to cooperate in a responsible manner is essential for the sustained growth of economy. In this respect, the Government has decided to revive the tripartite labour conference and it is hoped that through an attitude of mutual understanding and constructive cooperation, it will be possible to establish higher standards
of productivity and industrial harmony.

**Industrial Pricing**: It is Government's policy that all reasonable facilities and incentives be provided to industry, but in response to these, the industry must price stability, avoid hoarding and speculations and maximise production on an efficient basis.

**Appraisal**: Any industrial policy in the Indian context should have two major objectives:

1. Stepping up productive employment opportunities with due stress on labour intensive technology without sacrificing productivity, and
2. Stepping up the production of consumer goods with a view to avoiding shortages and bringing down the prices of essential goods.

Unfortunately the new industrial policy statement is blissfully unaware of these two major objectives. The emphasis of new policy seems to be on increasing investment in the industrial sector but unless the basic constraints on investment are removed, objectives of the policy cannot be achieved.

Limit of investment in case of tiny and small-scale sector has been considerably raised. It is argued that it will boost development of small-scale industries and ensure their rapid development. But with this increase in limits of investment, units with an investment of about half a crore of rupees can declare themselves to be small (since the cost of plant and machinery is about half of project cost) in order to claim preferential treatment. The revised definition of small-scale sector which raised the limit of investment will serve as an invitation to big houses to set up multiple units more often under one roof to claim concessions available to small-scale sector. Economic Times rightly states: "Redefinition of small-scale units is a recognition of cost realities but it will in no way contribute to curbing benami ownership ... since it has been caused by other factors."
the policy of reservation of more and more products for small units is welcomed but what about their competition with large scale units? It is now believed that small-scale industry cannot flourish unless it is freed from competition from big units. Further, in the past, various incentives were offered to small units, yet these units continue to face a number of problems as is evident from the fact that they have failed to utilise even these limited incentives. It means these units are faced with some basic problems and they need entirely new approach for their development. Unfortunately, nothing has been suggested in this policy statement to remove the obstacles facing these units.

New policy also proposed to regularise the excess capacity installed over and above the licensed capacity. It also proposed to allow the privilege to automatic expansion of capacity to all industries in the first schedule of the Indian industries (Development and Regulation) Act. These concessions are being given in the name of full utilisation of capacity and maximisation of production. But if the Government goes on regularising the excess capacity, illegally installed, how would it control economise activity so as to curb the growth of monopoly capacity? The Government's recent industrial policy statement has marked the reversal of the process of rapid economic development through economic decentralisation. It has given an "open general licence" (OGL) to Indian monopolists and foreign multinational corporations to eliminate small business at the village, cottage and small-sector level.

The new policy fails to provide any incentives to boost investment in essential goods. Due to growing inequalities in income and wealth the investment pattern in Indian had been hardly in tune without social needs. While investment in non-essential goods has been considerably stepped up, the country continued to experience shortages of essential goods. Unless industrial policy of the country takes this aspect into
account, it can hardly be termed as pragmatic.

The decision of the new industrial policy to abolish District Industries Centre is most unfortunate. Considering the innumerable problems faced by small-scale units, it is imperative that they should be provided with a package of services under a single roof instead of driving the small entrepreneur from pillar to post.

The new policy provides many concessions to those units which will produce exclusively for exports. The stress on exports is understandable in view of huge deficits in balance of payments. However, while export earnings are important, the industrial policy should have the primary objective of meeting the domestic demand for essential goods. The industrial policy should be so designed as to facilitate increase in the per capita availability of basic necessities, at least by 2 per cent per annum.

To sum up, the new industrial policy is not expected to solve the economic ills of Indian economy. Apparently, there is nothing wrong in the industrial policy. It is ideologically desirable, theoretically sound and partially feasible. But it would hardly help in achieving higher rate of industrial growth with social justice.

5.3 INDUSTRIAL POLICY OF THE STATE OF ORISSA:

5.3.1 By and large, industrial development in India during the last three decades has been quite impressive. In Orissa the development, though not impressive enough, it is quite substantial in view of the low base from which it started. Rural and small industrial units still dominate the industrial scene of Orissa. However, paradoxically enough, capital owned by small units is hardly 14-15 per cent of the total industrial capital in the State.

5.3.2 The State Government has been making efforts since the inception of planning, more particularly from the second
Five Year plan period for meeting the challenge of industrial development. During the First Plan period, the Orissa Government passed the State Aid to Industries Act. Under the Act grant-in-aid to 240 small entrepreneurs engaged in many cottage industries, weaving, carpentry, tailoring, etc. were provided. The Government of India introduced the programme of Industrial Estates on the recommendations of the small Industries Board in 1955. In Orissa the construction of Industrial estates commenced from the year 1956-57. Till 1973-74 the cost of those industries was founded by the Government budgetary allocation. In 1973-74, special employment programme called "Half-a-million Jobs Programme" and "Assistance to Educated Unemployment" were introduced. The Industrial Estate Programme was considered an important and effective tool for creating sustaining and for modernising of small scale industries providing more employment and for industrialising the backward areas. In 1957, the State Government introduced the 'Pilot Project Scheme, which provided certain facilities like factory house, electricity, etc. through Industrial Estate. Government introduced in the same year a joint venture scheme, where private entrepreneurs are associated with public agencies. Government provided 90 per cent of capital required for the project and private entrepreneurs was appointed as Managing Director of the project.

5.3.3 The Orissa Government set up a number of financial institutions for promoting industrial growth. Following the State Financial Corporation Act, 1951, Orissa State Financial Corporation (OSFC) was set up in 1957. Its main objective was to develop small and medium industries in the State. It assumed the role of financier, promoter and pioneer in the various fields of industrial activities.

5.3.4 On 15th June 1956, under the Orissa Khadi and Village Industries Board Act, 1955, the Orissa Khadi and Village Industries Board was constituted to organise, develop and control Khadi and Village Industries in the State. By 1982-83 the number
of Co-operative and institutions financed by the Board was 1740. In November 1962, the Rural Industrial Programme (RIP) was launched by the State Government with a view to achieve intensive and integrated development of small industries in certain selected rural areas. Rural industrialisation programme was conceived for making each panchayat Samit and Gram Panchayat headquarters a nucleus for the development of Rural industries.

During the year 1962-63, the Panchayat Industries Programme (PIP) was started in the State. The industries established under the programme who meant for processing agricultural produces and for providing better skills and improved equipments to the local artisans and workers. By 1973-74, only 67 industrial co-operative under the scheme were working. 33 units were in the process of liquidation. The failure was due to faulty location and selection of industries in rural areas. Lack of infrastructural support, inadequate market support and faulty and inefficient management brought down most of the Panchayat Industries in the State.

35.3.5 First Industrial Policy:

The Government of Orissa announced its first industrial policy in 1968. The policy emphasizes to offer transport and communication facilities to industrial and mineral zones and invited the private entrepreneurs to participate in industrial venture. The response from the private sector, however, was not encouraging. The Fifth Five Year Plan re-emphasized the complementary relationship between the large-scale and small scale industries and stressed the development of backward areas.

5.3.6 Second Industrial Policy:

During 1971-76 Orissa Government offered a package of incentives to industries. Apart from the public sector development, certain basic and genuine concessions were given to small scale industries. Applications for industrial license were examined liberally. The State Government also provided all possible financial assistance under the State Aid to Industries Act. Loans were
available from Orissa State Financial Corporation, Orissa Small Industries Corporation, and the Directorate of Industries.

The Industrial Policy announced on the 23rd December 1977 aimed at effective promotion of cottage and small industries, widely dispersed in rural areas and in small town. One of the important achievements of the Industrial Policy of the Janata Government was the District Industries Centre (DIC). The DICs were established in 13 districts of Orissa. Those centres undertake a large number of functions. They investigate the raw-materials and other resources of the districts. They supply machinery and equipments. They provide training to entrepreneurs. They make arrangements for credit. They offer facilities for quality control and provide marketing support for the products.

A composite loan scheme sponsored by the Reserve Bank of India was introduced in December 1978 for financing units whose requirements did not exceed Rs. 25,000/-. This was to facilitate development of very small units. The Industrial Policy of the Government of Orissa had the major thrust of developing relatively more labour intensive village and cottage industries.

The sixth Five Year Plan of Orissa had one of the major objectives for widespread development of small and cottage industries for reducing un-employment and under-employment. It proposed to achieve the goal by:

(a) Promoting intensive development of new viable small industries.

(b) Providing opportunities for raising the level of earnings of rural artisans, handloom weavers and craftsmen.

(c) Providing subsidies selectively for development of design, marketing and other infrastructure, and;

(d) Diversifying the location for creating growth potential for rural industries. The plan proposed
an outlay of Rs.9.9 crores for village and small industries and Rs.9.12 crores for medium and large industries.

The Seventh Five Year Plan proposed to have the following strategy (a) full capacity utilisation, (b) modernisation of industries, (c) completing the incomplete work, (d) generation of employment with special thrust for weaker sections, (e) labour absorption, (f) stress on agro-based industry.

5.3.7 **INDUSTRIAL POLICY 1980:**

The 1980 industrial policy of the State Government provided for the rapid development of industries in the State. It offered a large number of subsidies, infrastructural facilities and various concessions to the prospective entrepreneurs. The Government gave a call for "thousand industries in thousand days with investment of Rs.1,000 crores."

During the last 30 years, investment in industries and infrastructures has created some industrial base. However, dynamic industrial culture is yet to emerge. The vast resources of the State still await to be effectively and efficiently harnessed for creation of an adequate industrial base. The policy provided for a co-ordinated push for the promotion of major, medium and small industries, so that each sector would promote and nourish the other. Greater emphasis was given to mineral based, engineering and agro-based industries. Effective steps recommended for providing infrastructure in all areas of industrialisation, as per the availability of raw material and other locational advantages. Special priority was given for employment generating investments and for industries seeking to utilise mineral, chemical, marine and agricultural resources of the State. A concerted drive was launched for massive central sector/public sector investment by the Central Government in the core sector of industries. Some incentive measures were
also provided for attracting private capital for large, medium and small scale industries. Efforts were made for developing small scale industries for providing greater employment opportunities. The big industries instead of competing with the small ones, were required to provide supporting hand to them. Special emphasis was given for the development of ancillary industries around large and medium units.

The large number of artisans and craftsmen operating in different areas of production were provided special facilities. The Silver Filigree workers at Cuttack, horn-workers of Paralakhemundi, Patta painters of Puri, Applique workers of Pipili, and toy-workers of Baragarh are carrying on centuries old tradition which reflect the culture and ethos of the State. They were identified for special support and encouragement. In the Industrial Policy Resolution of 1980, all types of facilities and assistance to such artisans and craftsmen were provided in the shape of raw-materials, credit and marketing support. Special efforts were made for developing handloom industry, as it was a part of the 20 point programme. The weavers and artisans were identified for bringing them into the co-operative fold and their requirements for credit, raw-materials, were to be met on priority basis.

For successful implementation of the industrial policy, the State Government attached considerable importance to the development of technical manpower. Provisions were made to provide training to local young entrepreneurs in various modern disciplines and in a variety of skills. In fact, the State's industrial policy of 1980 was intended for creating new awareness and enthusiasm among young and new entrepreneurs for taking to industrial ventures. The policy provided the following specific measures on a wide front for facilitating the entry of new entrepreneurs into industrial area.

Administrative measures: Along with all those incentives, certain administrative measures were taken for streamlining
the existing organisational set up. In the case of large and medium scale industries, entrepreneurs were required to visit various functionaries for getting allotment of land, sanction of loan, supply of water and electricity etc. The State Government, therefore, decided to set up a single point contact forum which will be known as Industrial Co-ordination Bureau. The Bureau was to function at the Industrial Promotion and Investment Corporation of Orissa Ltd. (IPICOL) for ensuring that all applications for land, power, loan, etc. are disposed of within a period of 21 days. The District Industries Centre (DIC) would act as a Single Point Contact Forum for small scale industries. The entrepreneurs in small scale industries would get all assistance from the DIC and would not be required any more to run to various agencies located at the State headquarters.

Nodal Committee: To remove the bottle-necks at the State Level, a High Level Nodal Committee headed by the Chief Secretary and consisting of Secretaries of different departments was constituted to review the progress of industrialisation.

Incentives: The Industrial policy of 1980 provided an attractive package of incentives for creating an atmosphere conducive for rapid industrialisation.

(a) **Assistance for preparation of Project Report:** Promotional Agencies of State Government was to provide feasibility and project reports free of cost to village and cottage industries. In case of small, medium and large-scale industries, the actual cost of preparation of feasibility report was to be borne by the State Government, subject to maximum of 1 per cent of the fixed assets.

(b) **Capital Investment Subsidy:** New industrial units and existing units going in for expansion were eligible for 15 per cent subsidy on fixed capital investment subject to a limit of Rs.15 lakhs in all the districts of the State. In districts where this facility was not available under the Central Investment Subsidy Scheme, the subsidy was provided by the State Government on the same terms and conditions as in case of the Central Investment Subsidy.
(c) **Exemption of Sales Tax** : New village, cottage and SSI units certified by State Government were to be exempted from sales-tax for a period of 5 years on purchase of machinery, spare parts, raw materials and packing materials. New SSI units were also to be eligible for interest free sales tax loan equivalent to sales-tax.

(d) **Octroi** : Machinery and spare parts of new industrial units and existing units going in for expansion were exempted from payment of Octroi. Raw-materials used by industries were also exempted for payment of octroi for a period of 5 years from the date the industry goes into production.

(e) **Interest Subsidy** : Industrial co-operatives will get interest subsidy of 4 per cent for availing loan from financial institutions.

(f) **Price Preference** : Marketing of products is the most crucial for the success of industries. The products, especially for small scale units, were provided with price preference. The SSI units registered with the Director of Industries were eligible to get a price preference upto 15 per cent for their products supplied to Government and semi-government organisations. Those organisations were directed for purchasing their requirements from SSI units without inviting tenders. 90 per cent of payment to SSI units were to be made within 7 days by Government, Semi-government organisations and public undertakings. The SSI units registered with the Director of Export Promotion and Marketing were exempted from paying earnest money, while tendering to the government and semi-government organisations of the State. They were also exempted from payment of 50 per cent of security deposits for executing orders.

5.3.8 **INDUSTRIAL POLICY OF 1986**:

The number of industrial units promoted during 1080-85 is significant enough. The industrial base of the economy, however, remains low. It was felt that the State needs some further thrust in the field of sophisticated industries including electronics, electrical, domestic appliances, ceramics, textiles, polymers, leather, drugs, chemicals and pharmaceutical industries and upgradation of technology, modernisation of the existing units and development of functional industrial areas in the
Field of electronics and computers, and for preparing the State to meet the new and emerging compulsions of the 21st century. Therefore, the new policy was announced in 1986, offering a 'New Deal' to the entrepreneurs for promoting new units and/or expanding their old units. The main emphasis of policy statement was on private industries and joint venture projects and less on public sector and joint sector projects.

Some of the importance objectives of the present industrial policy are: generation of employment in secondary and tertiary sectors, large employment of women in appropriate industries, dispersal of industries in backward areas of the State, anti-pollution measures, promotion of ancillary and down-stream industries, adoption of appropriate package for rehabilitation of sick industries, pragmatic market support, strengthening of the quality control and testing laboratories of the State, adoption of appropriate technical manpower policy, planning for long term and maximum utilisation of raw materials, proper utilisation of industrial by-products and waste materials available in the State and above all expeditious delivery of incentives and facilities and effective monitoring of progress of industrialisation. Keeping in view the demands of the future, the new industrial policy is made in which some more incentives are added and some new provisions are provided. Some of the importance provisions of the 1986 industrial policies are as follows:

Administrative Measures: The primary objectives is to provide single window facilities to the entrepreneurs at all levels and ensure expeditious sanction and delivery of incentives and facilities for rapid implementation of industrial projects.

Nodal Committee: The Nodal Committee at the State Government level would continue to function as the forum where issues relating to the clearance of specific proposals for supplying of infrastructural facilities would be taken up for quick decisions. The different government assistance for specific industrial projects involving inter-departmental references would also be taken up.
This committee, under the Chairmanship of Chief Secretary would meet at least once in every two months and the decision will be binding on all concerned.

**Special committee**. Under the Chairmanship of the Chief Secretary, a special Committee at the Government level is constituted to review the progress and problems of the projects set up by Non-Resident Indians and to take appropriate follow up steps. The Foreign Investment Division in IPICOL would be the single contact point for non-resident Indians, desirous of making investments in industrial projects in the State.

**Nodal committee at District Level** : A Nodal Committee will be constituted at the district level with the Revenue Divisional Commissioner as the Chairman. Meeting of the Nodal Committee will be held at least once every two months and all problems faced by the entrepreneurs at the district level will be discussed and solutions found. The decision of the Committee will be implemented by all concerned. In case of problems which cannot be sorted out at this forum, those would be brought to the State level Nodal Committee for decision.

**Entrepreneur Assistance Cell** : Separate cell in-charge of responsible officers will be constituted in the Industries Department which will register all problems and grievances of industrial entrepreneur of the district. It would be the personal responsibility of the head of the institution to make sincere efforts to solve all such genuine problems. In case any problem requiring inter-departmental co-ordination, or decision at a higher level, the head of the organisation would refer it to the State Level Nodal Committee or the District Nodal Committee as the case may be for decision.

**Supervision** : The regular follow up actions and active supervision of industries during and after implementation was given emphasis. The General Manager, DIC will ensure visit and inspection of all industries in his area at least once in a quarter and submit quarterly reports to the Director of Industries which would contain detailed informations about functioning
of the industry, proper utilisation of incentives and facilities granted by government agencies and regarding its financial viability. Problems faced by industries would be indicated for remedial action. For the purpose of different incentives, the State was divided into the following three district zones.

Zone A - Consists of districts of Phulbani, Bolangir and Kalahandi.

Zone B - Comprises the districts of Keonjhar, Mayurbhanj, Dhenkanal, Koraput, Balasore and Ganjam.

Zone C - Consists of the districts of Cuttack, Puri, Sundargarh and Sambalpur.

This classification has been made on the basis of the industrial backwardness of the districts, those covered under Zone A being industrially the most backward, those in group C being the least backward. This has been done with a view to offering incentives on a graded scale, the maximum being to A and the minimum to Zone C.

Incentives: The 1986 industrial policy provides various incentive measures for the young entrepreneurs.

(a) **Capital Investment Subsidy**: New Industrial units will be eligible to get fixed capital investment subsidy in the following manner: 25 per cent of the fixed capital investment, subject to a limit of Rs. 25 lakhs as subsidy to Zone A, 15 per cent of fixed capital investment subject to a total of Rs. 15 lakhs as subsidy to Zone B, 10 per cent subject to a total of Rs. 10 lakhs to Zone C.

(b) **Sales-Tax Concessions**: All new villages, cottage and small industries will be exempted from sales tax on purchases of spare parts, machinery, raw materials and packing materials for a period of 5 years from the date of commencement of commercial production. All new medium and large industries will be eligible for similar facility for 3 years. Similarly, sales-tax on finished products for a period of 5 years for industries and 3 years for large and medium industries are exempted.

(c) **Exemption from Octroi**: Spare parts, machinery, raw materials and packing materials used by the new industry for a period of five years
from the date of its commercial production are exempted from the payment of octroi duty.

(d) **Interest Subsidy**: Special class entrepreneurs will get an interest subsidy at 1 per cent on term loans for setting up industries in the State. Besides, some special steps have been provided for the development of electronics, film, hotel and mining industries. Some infrastructural assistance will be made available at concessional rates for land, water power and communication etc. Some marketing support for finished goods are provided under the New Policy. During the initial phase of industrialisation, in order to protect the SSI units from outside competition, rate contract arrangements are made by which government departments and State controlled agencies would purchase their requirements without inviting tender.

(e) **Revival of Sick Units**: One of the major outcome of the new industries policy is the revival of sick units. Directors of Industries in respect of medium and large industries would periodically monitor the progress of existing industrial units. Two sub-committees, one under the Chairmanship of Director of Industries and another under the Chairmanship of the Chairman, IPICOL are formed which will consider the proposals for revival of sick, but potentially viable small, medium and large scale industrial units. The proposal of both the sub-committees will be placed before the State Level Inter-Institutional Committee whose recommendations would be considered by the government. The decision of the government will be implemented by all its departments and other promotional agencies.

Besides, under general policy approach the following few guidelines are also emphasised:

(a) Keeping in view the emphasis on Forest conservation, new wood based industries would not ordinarily be encouraged, unless the units make arrangements for raising plantations in accordance with the Plantation Policy of the State Government.

(b) In view of the overall acute power shortage in the State, the thrust would be on the establishment of industries requiring less power. Power intensive industries would not ordinarily be encouraged, unless they are prepared to set up captive power generation units for meeting their own requirements.
5.3.9 **INDUSTRIAL POLICY, 1989.**

5.3.9(1) **PREAMBLE:**

The Industrial Policies of the State announced in 1980 and 1986 have led to a remarkable upsurge in the industrial climate of the State. There has been very encouraging response from entrepreneurs both outside and inside the State. In the light of experience gained from implementation of the 1986 Policy and keeping in view the need to maintain and enhance the tempo of industrialisation in the State, State Government have decided to further liberalise the package of incentives announced in the 1986 Policy with the twin objective of encouraging new industries and providing support to industries which have come up in the State during the last few years. Accordingly, it has been decided to operate, in public interest, a new Industrial Policy as outlined hereunder:

This Policy shall be operated from its date of issue and shall remain in force for five years. Consistent with the objectives, Government may at any time make any amendment on any matter in this Policy.

5.3.9(2) **Definition:**

(a) "Effective Date" means the date of issue of this policy on and from which, the provisions thereof be operated.

(b) "Expansion/Modernisation/Diversification" of an existing industrial unit means additional investment of more than 25% of the undepreciated book value of fixed capital investment of an existing unit in acquisition of fixed capital investment for expanding/ modernising/ diversifying the production of the said unit and resulting in increased production over and above the existing installed capacity of the unit.

(c) "Fixed Capital Investment" means investment on land, building, plant and machinery and other equipments.
of permanent nature. Explanation:- The calculation of fixed capital investment shall be made according to the principle outlined by Government of India for administration of Central Investment Subsidy as is or, was in force.

(d) "Growth Centre" means Centre developed for promoting industrialisation in accordance with Press Note 14 (1988 series) of Government of India.

(e) "Industrial Unit" means, any industrial undertaking detailed in Annexure-I to this Policy and excludes undertakings excepted therein.

(f) "IPICOL" means the Industrial Promotion and Investment Corporation of Orissa Limited.

(g) "New Industrial Unit" means an industrial unit where fixed capital investment has been made only on or after the effective date.

(h) "OSFC" means the Orissa State Financial Corporation.

(i) "Pioneer Unit" means the first two new industrial units with fixed capital investment of more than Rs. 5 crore first going into commercial production in a Panchayat Samiti provided that these two units are not established in a growth centre and, no other medium or large industrial unit has gone into commercial production in the concerned Panchayat Samiti prior to the said units.

(j) "Sick Unit" means an industrial unit held sick by the Board for Industrial and Financial Reconstruction under the Sick Industrial companies (Special Privision) Act, 1985 of Industries Department or, the State Level Inter-Institutional Committee constituted under resolution No. 25569 dated 25.10.1983 of Industrial Department.
"Special Glass Entrepreneur" means an entrepreneur belonging to all or any of the following categories namely:

(i) Technical entrepreneurs belonging to Scheduled Castes or Scheduled Tribes.

(ii) Women technical entrepreneurs.

(iii) Women's Co-operative.

(iv) Artisan's Co-operatives.

(v) Certified physically handicapped technical entrepreneurs.

(vi) Entrepreneurs setting up electronic hardware and software industrial units.

(vii) Entrepreneurs setting up industrial units to manufacture machinery, equipment and devices to harness non-conventional energy.

(viii) Entrepreneurs setting up bio-technology industrial units.

(ix) Entrepreneurs setting up agro and food processing industrial units.

(x) Entrepreneurs setting up 100% export oriented/100% import-substitution units.

"Sales Tax" for the purpose of this Policy means Sales Tax (State and Central), Purchase Tax and Additional Sales Tax payable to Government of Orissa under the Orissa Sales Tax Act, 1947, the Orissa Additional Sales Tax Act, 1975 and the Central Sales Tax Act, 1956.

"Technical Entrepreneur" means an entrepreneur having:

(i) Recognised Engineering Diploma/Degree or;

(ii) National Trade Certificate of National Council for vocational Training or;

(iii) Recognised M.B.A. degree or;

(iv) Recognised qualification as Chartered Accountants, Cost Accountants and Chartered Financial Analysts.

"Transferred Unit" means in industrial unit whose ownership/management has been transferred in pursuance of provision of the State Financial corporations Act, 1951 or transferred with the approval of OSFC/IPICOL.
"Year" for the purpose of period of incentives means a period of 365 consecutive days.


"Continuing Units of 1986 Policy" means any industrial unit where fixed capital investment commenced on or after 1.4.1986 and prior to the effective date and, the unit has gone or goes into commercial production after 1.4.1986.

"Continuing Units of 1980 Policy" means any industrial unit, where fixed capital investment commenced on or after 1.8.1980 and prior to 1.4.1986 and the unit has gone or goes into commercial production after 1.4.1986.

5.3.9(3) **Classification of Area**:

For the purpose of incentives upon industrial backwardness of different areas and no-industry areas, the State is divided into the following three Zones - Zone 'A' - Phulbani, Bolangir and Kalahandi districts including growth centres established in these districts.

Zone 'B' - Keonjhar, Mayurbhanj, Dhenkanal, Koraput, Balasore and Ganjam districts including growth centres established in these districts and districts covered under Zone 'C'.

Zone 'C' - Cuttack, Puri, Sundargarh and Sambalpur district excluding growth centres.

5.3.9(4) **Eligibility for incentives**:

(a) Subject to general conditions and specific conditions for any incentive if any, stipulated in this Policy and provisions of Annexure-I, new industrial units shall be eligible for all incentives provided in
in this Policy. Provided that incentives on Sales Tax shall be available to new industrial units only under Part-I of the incentives on Sales Tax and not under any other part.

(b) The incentives on Sales Tax comprises more than one part and each part is mutually exclusive. An industrial unit eligible for the incentive under one part shall not be eligible for incentive under any other part. The types of industrial units covered under different parts have been mentioned under each part.

(c) The incentives of 1986 Policy and 1980 and 1980 Policy shall continue to be available to industrial units, Hotels, Cinema Halls etc. eligible under the said Policies except to the extent abridged/modified/enlarged in this Policy.

(d) Expansion/modernisation and diversification will be eligible for specific incentives as mentioned against the concerned incentive. Any number of expansion/modernisation/diversification can be taken up by an industrial unit but the concerned specific incentive shall be allowed only once.

(e) Industrial Units of Public Sector Undertakings will not be eligible for any incentive unless the State Government on special consideration, make all or any of these incentives, applicable to any such undertakings.

5.3.9.(5). **Capital Investment Subsidy Incentives:**

(a) New Industrial Units as well as expansion/modernisation/diversification projects as defined earlier, shall be allowed Capital Investment Subsidy including Central Investment Subsidy, if any made available by Government of India in the following manner:- Zone-'A'
25% of the fixed capital investment subject to the limit of Rs. 25 lakh. Zone 'B' 15% of the fixed capital investment subject to the limit of Rs. 15 lakh. Zone 'C' 10% of the fixed capital investment subject to the limit of Rs. 10 lakh. Provided that if Central Investment Subsidy for any district/area is allowed by Government of India at a higher rate than above, the higher rate will be applicable.

(b) Special Class entrepreneurs and pioneer units will be allowed 5% extra capital investment subsidy subject to an upper limit of Rs. 5 lakh.

(c) All industries which were entitled for incentives under 1986 Policy and 1980 Policy will get capital investment subsidy inclusive of Central Investment Subsidy at the prescribed rate. Provided, however, that the industries which were declared ineligible as per Government of India letter No. 15(4)/88-DBA-II dated 22nd September, 1988 will not get the aforesaid benefit if started fixed capital investment on or after 22.9.1988.

5.3.9.(6) Incentive on Sales Tax - General Provisions:

(a) Sales Tax incentive comprises three parts and the parts are mutually exclusive. Each part is applicable to the type of industrial unit as mentioned under it. Subject to operational guidelines/instructions and procedure, this incentive shall be allowed after the unit has gone into commercial production and from the date of commercial production.

(b) Wherever an industrial unit has been allowed to opt any type of incentive under any part, the said option shall be exercised within the time limit stipulated in operational guidelines/instructions and the option once exercised shall be final.
5.3.9. (7) Deemed Payment of Deferred Sales Tax:
When payment of Sales Tax on finished product is allowed to be deferred, such deferment shall for the purpose of payment of income-tax by the concerned industrial unit, at the option of the industrial unit and, subject to conversion of deferred amount into interest free loan, be deemed in public interest, to have been paid. Actual payment of deferred amount in such cases shall be done in accordance with the terms and conditions of loan. The option once exercised, shall be final.

5.3.9. (7) Sales Tax Incentives:

(a) Sales Tax Incentives under Part-I:

(a)(1) Eligibility:
The incentives under this part are available to new khadi, village, cottage and small industries, existing and new khadi, village, cottage industries and handicrafts, new small, medium and large industrial units and expansion/modernisation/diversification of industrial units after the effective date.

(a)(2) Exemption of Sales Tax on Raw Materials:
All new khadi, village, cottage and small scale industrial units will be exempted from payment of Sales Tax on purchase of spare parts of machineries, raw materials and packing materials for a period of 7 years from the date of commercial production. All new medium and large industrial units will eligible for similar exemption for 5 years in Zone 'B' and 'C' and for 7 years in Zone 'A'. The period of exemption allowed for different zones shall be extended by 2 years for pioneer units.
(a)(3) Exemption of Sales Tax on finished products of Khadi 7 Village Industries:
Finished products of all existing and new khadi, village, cottage industries and handicrafts will be exempted from Sales Tax when sold at sales outlets of authorised Co-operatives/ Government agencies, and agencies recognised by Khadi and Village industries Commissioned/Board.

(a)(4) Exemption of Sales Tax on finished products of Small-Scale Industrial Units.
Finished products of new small-scale industrial units will be exempted from Sales Tax for a period of 7 years from the date of commercial production.

(a)(5) Deferment/Exemption of Sales Tax on finished products of Medium and Large Scale Industrial Units—
New medium and large industrial units will be allowed to defer payment of Sales Tax collected on their finished products for a period of 7 years in Zones 'B' and 'C' and 9 years in Zone 'A' from the date of commercial production. Deferred amount in respect of each year will be repaid in full after the expiry of the period of deferment annually. In lieu of deferment, new medium and large scale industrial units can opt for exemption of Sales Tax on finished products for a period of 5 years if the units is located in Zones 'B' and 'C' and for 7 years in Zone 'A'.

(a)(6) Deferment/Exemption of Sales Tax on finished products for pioneer units.
Pioneer units will be allowed to defer payment of Sales Tax collected on finished product for a period of 9 years in Zone 'B' and 'C' and 11 years in Zone' A'. Deferred amount of Sales Tax in respect of each year will be repaid in full after the expiry of the period of deferment annually. In lieu of deferment, such an industrial unit can opt for exemption of Sales Tax on finished product for a period of 7 years in Zones 'B' and 'C' and 9 years in Zone 'A'.
(a)(7) **Expansion/Modernisation/Diversification:**
The incentive under this part shall be available for expansion/modernisation/diversification of existing units taken up after the effective date to the extent of increased commercial production over and above the existing installed capacity, provided that such expansion/modernisation/diversification has been undertaken on the basis of separate project report which has been duly appraised by Financing Institutions.

(b) **Sales Tax Incentive under Part-II:**

(b)(1) **Eligibility:**
The incentive under this part shall be applicable only to "continuing units of 1986 policy".

(b)(2) **Exemption/Deferment of Sales Tax on finished products:**
Small scale continuing units of 1986 Policy will be allowed exemption of Sales Tax on finished products for an additional period of 2 years over and above 5 years allowed in 1986 Policy i.e. in all 7 years. Medium and large scale continuing units of 1986 Policy shall, in lieu of incentive relating to Sales Tax on finished products under 1986 Policy, be allowed such incentive as is applicable to corresponding new industrial units under Part-I, after the effective date.

(b)(3) **Expansion/Modernisation/Diversification:**
The incentive under Part-II shall also be available to the extent of increased production over and above the installed capacity, to an existing industrial unit which has undertaken expansion/modernisation/diversification on or after 1.4.1986 but before the effective date and has gone or goes into commercial production after 1.4.1986, provided that such expansion/modernisation/diversification has been undertaken on the basis of an exclusive project report duly appraised by Financing Institution.
Sales Tax Incentive under Part-III:

Eligibility:
The incentive under this part shall be applicable to "continuing units of 1980 Policy".

Exemption/Deferment on Sales Tax on finished products:
The Sales Tax incentive on finished products as is applicable to continuing units of 1980 Policy, after the effective date, provided that Sales Tax Loan, if any, availed of under the Orissa Sales Tax Loan Scheme Rules, 1980 is surrendered within the time limit prescribed in the operational guidelines/instructions.

The incentive under Part-III shall also be available to the extent of increased production over and above the installed capacity to an existing industrial unit which has undertaken expansion/diversification between 1.8.80 and 31.3.86 and has gone into commercial production after 1.4.86, provided that such expansion/modernisation/diversification has been undertaken on the basis of an exclusive Project report duly appraised by Financing Institution.

Anti-Pollution Measures:
Capital investment subsidy for installation of pollution control and monitoring equipments shall be allowed on the certificate of State Prevention & Control of Pollution Board (SPCPB) about the necessity for such installation. This incentive will be allowed to new and existing industrial units. This subsidy shall be 10% of the cost of pollution control & monitoring equipment subject to a ceiling limit of Rs.10 lakh and this would be in addition to Capital Investment Subsidy available to the industrial unit.
5.3.9.(9) **Project Report/Feasibility Study** :

(a) District Industries Centres will provide project reports/project profiles in respect of village and cottage industries free of cost to the entrepreneurs.

(b) For small scale industries, the actual cost of preparation of a project report/feasibility study up to the ceiling limit as prescribed below will be reimbursed after the unit goes into commercial production.

- 2% in respect of units with fixed capital investment up to Rs.5 lakh.
- 1.5% where the fixed capital investment is up to Rs.10 lakh.

If the entrepreneur so desires, the project report/feasibility study can be got prepared by the promotional agencies of the State either directly or through their approved consultants on deposit of 25% of the cost as security which will be refunded after the project goes into commercial production in the State. However, the total assistance will be limited to the ceiling prescribed above.

(c) The principles mentioned in connection with preparation of project reports/feasibility study will also apply to large and medium industrial units subject to the condition that if the fixed capital investment is more than Rs.1 crore, the extent of reimbursement of cost of project/feasibility report will be limited to 1% for the first Rs.1 crore and half per cent of the additional value of fixed capital investment beyond Rs.1 crore, subject to the further condition that the total subsidy will not exceed an amount of Rs.3 lakh.

5.3.9.(10) **Technical Know-how Fee** :

(a) Subsidy to the extent of 75% of lumpsum fees charged by National Research & Development Corporation,
Regional Research Laboratories and Organisations recognised by Government/Government Agencies imparting technical know-how or Rs.2 lakh whichever is lower, will be allowed to all new industrial units.

(b) Subsidy on technical know-how fees paid for imported technology will also be allowed to all new industrial units upto a limit of Rs.5 lakh. The fees fixed by Government of India in respect of the item where foreign collaboration is specially cleared by them will hold good for the purpose of this calculation. In all other cases, assessment made by OSFC/IPICOL will be final.

5.3.9.(11) **POWER** :

(a) **Exemption of Electricity Duty** :

(a)(1) No 'minimum charge will be levied in respect of existing and new industrial units with a contract demand upto 500 KVA. In other words, the energy bill will be made on the basis of actual monthly consumption of energy. New industrial units with contract demand upto 500 KVA will also be exempted from payment of electricity duty for a period of 5 years from the date of power supply.

(a)(2) New industrial units with contract demand between 500 KVA and 5,000 KVA will be exempted from payment of 75% of electricity duty for a period of 5 years from the date of power supply if they are located in Zone 'A'. For new industrial units located in Zones 'B' and 'C' this exemption shall be respectively 50% and 25% for 5 years.

(a)(3) New industrial units with contract demand between 5,000 KVA and 10,000 KVA will be exempted from payment of 50% of electricity duty payable for a period of 5 years from the date of power supply.
if these are set up in Zone 'A', 25% in Zone 'B' and 12.5% in Zone 'C'.

Explanation:- Date of power supply means the date of power supply by the Orissa State Electricity Board for commercial production. In case where power for construction and power for production are separately taken, the date of power supply shall be arrived on the basis of supply of power for commercial production.

(b) Energy Audit:

New and existing industrial units which are not eligible for Energy Audit Subsidy Scheme of all-India Financial Institution, will be allowed a subsidy of 25% subject to maximum of Rs.25,000/- on the cost of preparation of detailed energy audit report and plan of conservation of energy prepared by National Productivity Council (NPC), Petroleum Conservation & Research Association (PCRA), Technical Consultancy Organisations (TCOs) set up by all-India Financial Institutions or, any other Consultant approved by IPICOL/OSFC.

(c) Energy Conservation Equipment:

New and existing industrial units will be allowed capital investment subsidy of 10% subject to maximum of Rs.10 lakh on energy conservation equipment and machinery purchased on the basis of an energy audit report and plan prepared by an approved consultant and installed in the industrial unit. This subsidy will be in addition to capital investment subsidy.

(d) Captive Power Plants and Generating Sets:

(d)(1) A captive power plant is a power generation plant
with an installed capacity of not less than 1 MW set up either by one industrial unit for its own industrial use or by a group of industrial units for their own industrial use, provided that surplus if any, is supplied to OSEB grid.

(d)(2) New captive power plants with a total installed capacity upto 60 MVA will be completely exempted from payment of electricity duty in respect of power generated by them for a period of 10 years from the date of commissioning. This exemption will be 75% for new captive power plants upto a capacity of 120 MVA and 50% for installed capacity beyond 120 MVA.

(d)(3) While computing the capacity of captive power plants, all such plants set up by an industrial unit or units will be taken into consideration to arrive at the capacity of the plant and based on the said capacity, exemption of electricity duty as mentioned above will be allowed.

(d)(4) New Generating sets of the capacity of 10 KW and above installed by any industrial unit for its industrial use and, new captive power plants will be eligible for capital investment subsidy of 15% of its cost subject to a maximum limit of Rs.5 lakh. This will be in addition to capital investment subsidy available to the industrial unit.

(d)(5) New generating sets up to 1 MVA capacity installed by new and existing industrial units will be exempted from electricity duty for a period of 10 years.

(e) Non-Conventional Energy:
machinery and equipment installed by existing and new industrial units for utilisation of non-conventional energy as certified by Orissa Renewable Energy
Development Agency (OREDA), shall be allowed capital investment subsidy of 10% of its cost subject to a maximum of Rs.10 lakh. This will be in addition to capital investment subsidy.

5.3.9.(12) Exemption From Octroi:

(a) Machinery and equipments required to set up a new industrial unit will be exempted from payment of octroi levy. Similarly, spare parts of machinery, raw materials and packing materials used by the new industrial unit for a period of 5 years from the date of its commercial production, will be exempted from payment of octroi duty.

(b) This incentive will also be applicable to expansion/modernisation/diversification projects, as defined earlier provided that the use of machinery and equipments for expansion/modernisation/diversification programme is made on the basis of a separate project report, which has been duly praised by Financial Institutions and, provided further that separate accounts have been maintained in respect of spare parts of machinery, raw materials and packing materials which go into production process in respect of the expanded/modernised/diversified part of the unit.

5.3.9.(13) Interest Subsidy:

(a) Special Class Entrepreneurs:

Special class entrepreneurs will get an interest subsidy for 5 years at 1% on term loan for setting up industrial units in the State.

(b) Employment of Women and Physically Handicapped Persons.

A new industrial unit which employs women and certified physically handicapped persons regularly during a year to the extent of 30% or above of
its employees subject to a minimum number of 10 persons, shall be given interest subsidy of 1% on its term loan. This subsidy shall be available for 5 years.

5.3.9.(14) **Land** :

(a) Government land where available will be allotted for industrial projects at the following concessional acreage rates—

<table>
<thead>
<tr>
<th>Zone - 1</th>
<th>Area rate (Rs.)</th>
<th>Ground Rent (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cuttack including Jagatpur,</td>
<td>1,00,000</td>
<td>1% of the land value</td>
</tr>
<tr>
<td>Rourkela including Kalunga,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Talcher-Angul including NALCO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Area.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bhubaneswar including Chandaka Industrial Area.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Zone - 2</th>
<th>Area rate (Rs.)</th>
<th>Ground Rent (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paradeep, Choudwar, Berhampur, Chatrapur, Gopalpur, Barbil, Joda, Sunabeda, Jeypore, Sambalpur, Jharsuguda, Brajarajanagar, Baripada, Puri, Balasore Municipal area</td>
<td>50,000</td>
<td>Ditto</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Zone - 3</th>
<th>Area rate (Rs.)</th>
<th>Ground Rent (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All other notified urban areas</td>
<td>20,000</td>
<td>Ditto</td>
</tr>
<tr>
<td>All other areas</td>
<td>10,000</td>
<td>Ditto</td>
</tr>
</tbody>
</table>

In case of developed sites, the cost of development charges will be added on 'no profit no loss' basis.

(b) The premium in respect of private land acquired by the Orissa Industrial Infrastructure development Corporation (IDCO) for establishment of industries or for any specific industrial unit will be fixed on the basis of compensation amount involved.
(c) **Allotment of Subsidised Industrial Shed:**

Built up sheds constructed by IDCO will be available for small-scale industries in Zone 'C' on outright purchase at a subsidy of 20% of the cost of construction. This subsidy will be 25% for Zone 'B' and 30% for Zone 'A'.

5.3.9.(15) **Industrial Housing:**

Government will endeavour to provide low cost industrial housing through IDCO and other agencies by taking help of institutional sources.

5.3.9.(16) **Stamp Duty and Registration Fee:**

(a) No stamp duty/registration fee will be required to be paid in respect of land allotted by Government to IDCO and other industries. Similarly, no stamp duty and registration fee will be required to be paid in respect of land/shed by IDCO in industrial units. This will also be applicable in respect of private land acquired by IDCO which is subsequently allotted to industrial units.

(b) Land acquired by Government and subsequently transferred or allotted to industrial units will also be exempted from payment of stamp duty and registration fee.

(c) Stamp duty and registration fee will be exempted for units required to be transferred to a new owner/management under the provision of the State Financial Corporations Act, 1951 or, on the recommendation of the State Level Inter-Institutional Committee (SLIIC) or the State Level Nodal Committee, as the case may be.

(d) Stamp duty and registration fee will be exempted for units under proprietary/partnership firms to be converted to Companies for rehabilitation on the recommendation of SLIIC or otherwise, on the recommendation of IPICOL/OSFC.
5.3.9.(17) Water:

(a) No water charge or royalty shall be levied in respect of water to be drawn by new industrial units from natural sources like river, stream for a period of first 5 years and thereafter, the water charge will be at half the rates prescribed for drawal of such water for irrigation purpose.

(b) In case the water is drawn from any Government controlled irrigation sources, no water charges will be paid by any industrial unit for the first 2 years from the date of its commercial production. In case of supply of water by Public Health Engineering Organisation or any other State Agency/Municipal Body, the water rate would be charged on 'no profit no loss' basis.

5.3.9.(18) Sick Industrial units:

(a) Directorate of Industries in respect of small-scale units and OSFC/IPICOL in respect of medium and large units would periodically monitor the progress of the existing industrial units.

(b) For revival of small-scale sick but potentially viable industrial units, a State Level Inter-Institutional Committee (SLIIC) has been constituted. Based on the recommendation of the SLIIC, necessary measures would be taken for revival of the sick industrial unit. If necessary in the interest of revival of such an industrial unit, the SLIIC would recommend to State Government extension of all or any of the incentives under this Policy. The State Government in Industries Department may sanction extension of all or any of the incentives on consideration of recommendation of SLIIC without further inter-departmental reference.
(c) For medium and large sick industrial units a Sub-Committee with Chairman, IPICOL as its head has been constituted to evolve suitable measures for potentially viable sick industrial units. The Sub-Committee may recommend extension of various concessions and facilities including those in this Policy if considered necessary for revival of the unit. These recommendations would be placed before the State Level Nodal Committee constituted under the Chairmanship of Chief Secretary for consideration. State Government in the Industries Department may sanction extension of all or any of the incentives under this Policy to such units on consideration of recommendation of the Nodal Committee without further inter-department reference.

(d) Concessions and facilities required under a scheme of rehabilitation prepared by the Board for Industrial & Financial Reconstitution (BIFR) or at the instance of BIFR by a Financial Institution would be placed before the State Level Nodal Committee and State Government in the Industries Department may sanction these, taking into consideration the recommendation of the Nodal Committee without further inter-department reference.

(e) Rehabilitation measures for sick but potentially viable industrial units may inter alia, include relief and concessions or sacrifices and/or additional facilities including allocation of power from OSEB and any other agencies/statutory body/local authority. In this matter orders of State Government taken in Industries Department on the basis of recommendation of SLIIC or Nodal Committee would be final and binding on all concerned.

5.3.9.(19) **Transferred Unit**

A transferred unit after going into commercial production...
shall be eligible to avail all or any incentive for the period of which the unit was eligible before transfer but could not avail the same due to suspension of production or closure on account of sickness or for any other reason.

5.3.9.(20) General Provisions:

(a) Claim for Incentives:

No right or claim for any incentive under this Policy shall be deemed to have been conferred merely on the ground of provision in this Policy. The State Government may issue operational guidelines/instructions for administration of incentives contained in this Policy. An industrial unit which considers itself eligible for any incentive, shall apply for the same in accordance with the operational guidelines/instructions and the same shall be considered and disposed of on merits.

(b) Determination of Date of Commercial Production:

The date of commercial production for availing of incentives on Sales Tax, or for any other incentive, shall be the date determined by the General Manager/Project/Manager, District Industries Centre for small scale industrial units and, Director of Industries for medium and large industrial units, basing on the totality of documentary evidence and recommendation of promotional/financial agency, if any.

5.3.9.(21) Hotels:

(a) "New Hotel" means a hotel for which investment on land, building and equipment is made only on or after the effective date.

(b) Subject to other conditions stipulated against each item of incentive, existing and new hotels will be
5.3.9. (22) Cinema Hall:

(a) "New Cinema Hall" means a cinema hall for which investment on land, building and equipment is made on or after the effective date.

(b) The incentive for cinema halls, are available only to cinema halls in areas, other than urban areas having a population of 1 lakh or more according to 1988 census and, are subject to other conditions if any mentioned against each incentive.

(c) Subject to availability, Government land at rates applicable to new industrial units shall be made available in the above eligible areas for construction of new cinema halls.

(d) In respect of new cinema halls, the amount collected by way of entertainment tax excluding surcharge, tax on exhibition of advertisement and show tax for the first two years after its commissioning, shall be given as subsidy to the concerned cinema hall through the Orissa Film Development Corporation Ltd. (OFDC). Provided that if any loan including interest obtained from OFDC, National Film Development...
Corporation Ltd., Banks and Financial Institutions for any such cinema hall is outstanding at the time of disbursement of subsidy, the outstanding amount or any amount lower than that as may be decided by OFDC, shall be deducted from the subsidy payable and paid to the concerned lending institution on behalf of the loanee.

(e) Notwithstanding any thing in 1986 policy, power tariff for cinema halls shall be at rates as prescribed by the Orissa State Electricity Board.

(f) Cinema halls entitled to deferment of entertainment tax under 1986 Policy shall, in lieu of such deferment, be allowed, after the effective date, subsidy as admissible to new cinema halls under this Policy.

(g) OFDC will continue as nodal agency for development of cinema halls and production of films. It will continually take steps for accelerated progress in construction of cinema halls primarily in semi-urban and rural areas. In deserving cases, it may extend guarantee on behalf of the entrepreneur for loan to be sanctioned by the National Film Development Corporation Ltd., Banks and other Financial Institutions for construction of cinema halls.

5.3.9.(23) Production of Films:

(a) Production of films in the State will be subsidised by the Orissa Film Development Corporation Ltd. (OFDC) as per the scheme framed by it for the purpose.

(b) Soft loan assistance at nominal rate of interest subject to maximum ceiling limit and conditions as may be decided by the OFDC shall be made available by OFDC to producers of films in the State. In deserving cases, OFDC will extend guarantee for Bank loan and loan from National Film Development Corporation Ltd. for the purpose.
(c) OFDC will provide term loan to producers of Oriya films subject to the maximum ceiling limit rate of interest and other terms & conditions as may be decided by it.

(d) Facilities of production of films have been provided at the Kalinga Studios Ltd. (KSL), a subsidiary of OFDC. OFDC has taken steps to establish a Colour Processing Laboratory (CPL) near the Kalinga Studios Ltd. Producers who utilise the facilities of KSL and CPL will be eligible to get incentives in shape of subsidy subject to ceiling limit and terms and conditions laid down by OFDC.

5.3.9.(24) Development of Mining Industry:

(a) State Government will actively develop access roads and electricity transmission line to mining areas where a cluster of small mines in the private sector could be developed.

(b) On request from the holders of small mines, the State Government will organise survey, exploration and assessment of mineral deposit and testing of ore samples through the Directorate of Mining & Geology provided that the lease holder will deposit 50 per cent of the actual cost of the operation to be assessed on a 'no profit and no loss' basis. The relation in each case would be limited to Rs. one lakh.

5.3.9.(25) Marketing Support:

(a) The Policy of State Government is to ensure that State Government Departments and agencies under the control of State Government purchase their requirements of store items available from industries located inside the State. In order to achieve this, the
products of industries located inside the State will be eligible for the facility of preferential purchase by State Government Departments and agencies under its control, Central Government agencies and private/joint sector industries located inside the State will be persuaded to accord similar facilities to products of local industries. Simultaneously efforts will be made to bring down cost and achieve overall competitiveness of the products of local industries.

Explanation:- "State Government Departments and agencies under the control of State Government" mean Departments under the Orissa Government Rules of Business; Head of Departments and offices subordinate to them; Boards, Corporations, Authorities & Improvement Trust subject to control and regulation of State Government; Universities, Municipalities, N.A.Cs, Cooperative bodies and institutions aided by State Government.

(b) Purchase from "Exclusive List":

A list of store items reserved for exclusive purchase from industries located in the State will be prepared from time to time keeping in view the production capacity of the local industries and requirements of State Government Departments and agencies under the control of State Government. The later will have to purchase their requirements of these items from local industries with ISI/EPM certification for the items only by inviting competitive quotations from such industries. Efforts will be made to distribute the purchase order equitably among the participating industries prepared to accept the lowest negotiated rate keeping in view their capacity. Local Small Scale industrial units including khadi & village
industries will enjoy a price preference up to 15% over local medium/large industries. Any local small scale industrial unit having ISI Certification for its products will get an additional price preference of 3%.

(c) Rate Contract:

(c)(1) Purchase on "Rate Contract":
Rate contract in respect of specific store items not in the exclusive list and manufactured by the local small scale industrial units will be finalised by the Director of Export Promotion and Marketing. This will be finalised on the basis of competitive offers received from such local units, costing structure obtained from these offers, market price and other consideration relevant to fixing the price of the product. State Government Departments and agencies under the control of State Government will purchase "rate contract items" from the rate contract holder small scale industries at the price fixed in the rate contract without inviting tenders.

(c)(2) Rate contract facility may also be extended to store items exclusively manufactured by local medium/large industries following the same procedure.

(d) Purchase on Open Tender:
Items other than those in the "exclusive purchase list" or on "rate contract" may be purchased by State Government Departments and agencies under the control of State Government through open tender. Local small scale industrial units and khadi & village industries competing in the open tender will be entitled to price preference upto 15% and a further price preference of 3% for products with
ISI marking. The local industries not having the lowest offer including price preference if any, will be given an opportunity to supply at the lowest rate and orders will be distributed equitably among the willing local industries keeping in view their production capacity.

(e) Exemption From Earnest Money Deposit and Reduced Rates of Security Deposit:

Local small scale industrial units registered with the Directorate of Export Promotion and Marketing and Khadi & Village Industries will be exempted from payment of earnest money while tendering to State Government Departments and agencies under the control of State Government. They will be required to pay 25% of the normal security deposit if the value of the order does not exceed Rs.2.50 lakh and 50% of the normal security deposit if the value of order exceeds Rs.2.50 lakh. The security deposit in any case shall not exceed one percent of the order value.

(f) Supply of Tender Paper:

Small scale industrial units registered with Directorate of Export Promotion & Marketing will be entitled to get tender papers free of cost for registered items from State Government Departments and agencies under its control. Khadi & village industries will similarly be eligible to get tender paper free of cost for their products.

(g) Payment of Dues of Small Scale Units and Khadi & Village Industries:

State government Departments and agencies under the control of State Government shall make prompt payment of dues of local small scale industrial units and khadi & village industries in respect
of goods purchased from them. 90% of the payment shall be made within 7 days of the receipt of the stores and the remaining 10% shall be paid within 60 days of the receipt of the store. For delay in payment beyond 90 days from the date of receipt of stores, the concerned supplier shall be entitled to receive interest at the rate of 12 1/2% per annum on the whole or balance amount remaining payable, as the case may be. The amount paid towards interest in such cases shall be recoverable from officers responsible for delay in accordance with procedure prescribed for such recovery. The concerned officers would also be liable for disciplinary action.

(h) Directorate of Export Promotion & Marketing To Act as Nodal Agency:

Directorate of Export Promotion & Marketing will be the nodal agency for issue of detailed guidelines for implementation of the above facilities extended to local industries. Director, Export Promotion & Marketing or his nominee will be a member of the purchase committee at levels above the district level in State Government Departments and agencies under the control of State Government. General Manager/Project Manager, District Industries Centre (DIC) or his representative will be a member of purchase committee constituted at district level or below. The presence of Direct, Export Promotion & Marketing or General Manager/Project Manager, District Industries Centre or their nominees, as the case may be, is the pre-requisite to constitute the quorum of the purchase committee and in case, they do not attend, the meeting shall be postponed.

(i) In order to ensure that the policy on marketing support is meticulously followed, the Director, Export Promotion
Marketing or his representative will have the power to call for and inspect tender papers, purchase documents, books of accounts etc. of State Government Departments and agencies under the control of State Government to ascertain whether there has been any contravention in implementation of the policy.

"Purchase Review Committee" To Implement Purchase Policy:
In order to ensure strict implementation of the above purchase policy of the Government, a "Purchase Review Committee" will be formed with the following officers:

a) Addl. Chief Secretary to Govt. Chairman
b) Secretary to Government, Finance Department, Member.
c) Secretary to Government, Industries Department, Member
d) Director, Export Promotion & Marketing, Member-Secretary.

Secretaries of concerned Departments as necessary will be invited to the meeting.
The committee will review annual purchase forecast of Purchasing Departments, prompt payment and placement of timely order with local industries.

Decisions of the Committee subject to orders of State Government in Industries Department will be binding on State Government Departments and agencies under the control of State Government. In case it is considered necessary by the Purchase Committee of a particular Department/Agency to deviate from the above policy and make purchase from outside the State, such cases will be brought to the notice of the Purchase Review Committee through Director, Export Promotion & Marketing and general or specific exemption should be obtained before such purchases.
(k) Testing of Products of Local Industries:
Director, Export Promotion and Marketing will have the power to draw sample and test the quality of products of local industries from time to time and shall have powers to blacklist and de-register industries supplying products not conforming to prescribed quality and specifications. He shall have the power to blacklist local industries for trading in the store item instead of manufacturing.

(l) Incentive for Obtaining ISI Certification Mark:
In order to encourage small scale industrial units for obtaining ISI Certification mark for its products to compete at all India level, the State Government will reimburse 50% of actual expenditure upto a maximum limit of Rs.10,000/- for registration fee, testing fee, annual license fee and expenditure towards purchase of testing equipments. This facility will be available to small scale industrial units only once after obtaining ISI Certification Mark.

(m) Reimbursement of Registration Fee of Promotion Councils TDA and Commodity Boards.
The expenditure incurred by existing and new small scale industrial units in registering themselves with various Export Promotion Councils, Trade Development Authority and Commodity Boards will be reimbursed to the extent of 50% of the actual registration fee by the State Government subject to a maximum of Rs.1000/- per unit in case of each registration. This will be a one time reimbursement.

5.3.9.(26) Supply of Raw Material:
(a) Efforts will be made for long term supply of raw material available in the State for user industrial units located in the State. The State Level Nodal
Committee, subject to orders of State Government in Industries Department, may finalise the terms and conditions of such supply without further inter-departmental reference.

(b) Orissa Small Industries Corporation Ltd. (OSIC) will assist small scale industrial units in getting their requirement of raw materials such as iron, steel, aluminium and other important and scarce items through their depots in the State.

(c) Products/By-products and waste materials of State Government Departments, State undertakings and other joint sector projects promoted by promotional agencies of the State which can be utilised as raw material for other industries such as waste paper, waste cotton, industrial, scrap, alcohol, etc. will be made available to the industrial units on preferential basis. Similar efforts will be made in respect of by-products and waste materials at Central Public Undertakings in respect of ancillary/down-stream industrial units.

5.3.9.(27) Miscellaneous:

(a) Functional Industrial Estates & Growth Centres:

Steps will be taken to set up functional Industrial areas/estates in the fields of electronics and computers and automobile components, ceramics, plastic and polymers, chemicals, leather, drugs and pharmaceuticals and hosiery etc. at suitable places in the State for development of these categories of industries and for related ancillary and down-stream items in clusters. Common facilities such as quality testing and research laboratories, processing houses and special infrastructural equipments would be set up in such centres so that there is harmonious
growth in inter-related manufacturing activity with proper linkages. Besides, growth centres will be established as per Press Note 14 (1988 series) of Government of India to serve as focal points for industrial growth.

(b) Promotion of Ancillary and Downstream Industries:

Efforts will be made to promote ancillary and downstream industries for the major industrial project in the State in public, joint and private sectors. Mother industries would be persuaded to fully participate in this endeavour. State Government undertakings like OSIC, IDCO, and Industrial Development of Orissa Ltd. (IDCOL) will endeavour to procure bulk order and parcel out the same to local industrial units to improve their capacity utilisation and viability.

(c) Project Identification:

Constant efforts would be made to identify new areas of industrialisation and formulation of new projects. IPICOL, OSFC, Orissa State Electronics Development Corporation (OSEDG) and Directorate of Industries will identify new thrust areas for industrialisation in the State in the coming decades. The State Level Committee constituted under the Chairmanship of Secretary, Industries Department will continue to streamline and coordinate efforts in this direction.

(d) Awards for Performance:

The performance of industries will be evaluated every year and on the basis of this evaluation suitable awards will be given by the State Government for outstanding achievements.
(e) **Visits to National, International and Industrial Trade Fairs and Festivals:**

Visits of selected teams of entrepreneurs of small scale industrial units to national and international/trade, fairs, festivals, exhibitions and industrial estates/areas/growth centres will be subsidised by Government to the maximum extent of 50% of travel expenses.

(f) **Advance Training Centres:**

The State Government in collaboration with industries will endeavour to establish advanced craftsmen training centres and foreman training centres in different parts of the State to upgrade the skill of craftsmen and technicians employed in industries.

(g) **Artisan Sector:**

Efforts would be made to strengthen the Cooperative network in the artisan sector. The Panchayat Samiti level Artisan Multipurpose Industrial Cooperative Society (AMICS) and the Gramadyoga Marketing Cooperative Society (GMCS) at the district level would be strengthened so that they can play their role effectively for raw material supply to the Primary Cooperative Societies and marketing of their products. At suitable places, raw material banks would be set up to facilitate supply of raw materials to the artisans. On the marketing side, efforts should be made by the State level agencies such as Orissa State Cooperative Handicrafts Corporation Ltd. and Orissa Small Industries Corporation Ltd. to export the products of artisan and handloom sectors outside the State.

(h) **Exports:**

An Export Development Corporation would be set up to provide a thrust to exports. It would be the nodal agency for development of exports.
Administrative Measures:

(a) Industrial Advisory Committee:
An industrial Advisory Committee would be constituted under the Chairmanship of Chief Minister with prominent industrialists as members to advise the State Government about rapid industrialisation of the State.

(b) Nodal Committee:

(b)(1) State Level Nodal Committee:
The Nodal Committee constituted at the State Government level will continue to function as the forum where issues relating to the clearance of specific proposals for supply of infrastructural facilities as well as Government assistance for specific industrial projects involving inter-departmental reference would be taken up for quick decisions.

(b)(2) In addition to considering the coordinational problems relating to supply of land, water, forest produce and other raw materials from Government sources, the Nodal Committee will consider and recommend measures to be taken for rehabilitation of medium and large scale industrial units or industrial undertakings of industrial companies held sick by it or the Board for Industrial and Financial Reconstruction and are potentially viable for revival. It will also look after specific problems faced by the industries in relation to the marking of their products to State Government Departments and agencies under the control of State Government. All problems relating to Orissa State Electricity Board and the agencies administering Sales Tax and octroi which can not be resolved at lower levels will also be posed before this Committee for a final decision. The Committee will also review progress of projects set up by non-resident Indians and resolve problems in implementation.
Nodal Committee at District Level:

Nodal Committee at the district level will discuss problems of entrepreneurs and decide within existing policy framework steps to be taken to resolve the same. The decision of the Committee will be implemented by all concerned. In case of any problem that cannot be sorted out at this forum, the same should be posed to the State Level Nodal Committee for a decision. The Nodal Committee will also review implementation of purchase policy, purchase forecast and timely payment of purchases by State Government Department and Agencies under the control of State Government at the district level. Cases of deviation or difficulty in the implementation, shall be brought to the notice of the "Purchase Review Committee" for necessary action.

Single Window Contact:

The Industrial Coordination Bureau constituted in the office of IPICOL, OSFC and Orissa State Electronics Development Corporation (OSEDC) will continue to provide assistance and guidance to entrepreneurs in project identification, project finance, preparation of project report, getting registration and licence, obtaining clearance from various authorities and statutory bodies and removal of operational constraints for medium and large-scale industrial units. The bureau at IPICOL will deal with medium and large units other than electronic units which will be dealt by the Bureau at OSEDC. Matters relating to project finance shall be dealt by the Bureau at OSFC.

The Foreign Investment Division in IPICOL will be the single contact point of non-resident Indians desirous of making investment in industrial projects in the State.
(d)(3) The Orissa Industrial Infrastructure Development Corporation (IDCO) will be the nodal agency regarding provision of infrastructural facilities such as land (both developed undeveloped), water, power and built-up industrial sheds. It will also be geared up to provide turn-key consultancy service for project implementation.

(d)(4) District Industries Centres will provide the single window facilities to the entrepreneurs in the small-scale sector at the district level.

(e) Entrepreneur Assistance Cell:

Separate Cells in charge of responsible officers will be constituted in Industries Department, offices of Director of Industries, Director, Export Promotion & Marketing, Director of Textile, Industrial Promotion & Investment Corporation Ltd. (IPICOL), Orissa State Financial Corporation (OSFC), Orissa Industrial Infrastructure Development Corporation (IDCO) and Orissa State Electronics Development Corporation (OSEDC) to register all problems and grievances of individual entrepreneurs which might be referred to them. It would be the personal responsibility of the head of the institution to make sincere efforts to solve all genuine problems which will be brought to his notice by the officer-in-charge of the cell.

In case of any problem which needs inter-departmental coordination or decision at a higher level, the head of the organisation would refer it to the State Level Nodal committee or the District Nodal Committee, as the case may be, for a decision. More power would be delegated to the field officers in the matter of allotment of land, sanction of term loan, sanction of applications under different incentive schemes, power connections, etc.
(f) Supervision:

(f)(1) The importance of regular follow-up action and active supervision of the industries during and after implementation cannot be over emphasized. The General Manager/Project Manager, District Industries Centre will ensure visit and inspection of all the industries in his area at least once a quarter and submit a quarterly report to the Director of Industries which should contain detailed information about functioning of the industry, proper utilisation of incentives and facilities granted by Government agencies and financial viability. Problems faced by industries will be indicated for remedial action.

(f)(2) Director of Export Promotion & Marketing will ensure that the industries supplying their products on rate contract basis actually produce them in their units. Director of industries and the functionaries of the Orissa State Financial Corporation should, through regular visits and inspection at the time of implementation of the projects, ensure realistic costing, proper utilisation of incentives and facilities and timely completion of the project.

5.3.9.(29) General Policy Approach:

(a) While continuous efforts would be made to modernise and diversify industrial units under the State Public Sector and to set up new Public Sector industries in the core sector, the emphasis would be on encouraging new industrial units in private sector, joint venture and joint sector, in that order. This approach would enable State promotional agencies to catalyse maximum investment with funds available with them.

(b) Keeping in view the emphasis on forest conservation, new wood based industries would not be encouraged
unless the concerned industrial units make arrangement for raising plantation in accordance with the National Forest Policy or, for import of wood from outside the State to meet long term raw material needs.

(c) Keeping in view the overall power situation in the State, the thrust would be on establishment of industries requiring less power; new power-intensive industries will have to establish captive power generation to meet a substantial portion of their own requirement.

(d) Emphasis will be laid on growth of high-tech and export oriented industries, agro and food processing industries, electronic hardware and software industries and modernisation of existing industries.

(e) Bhubaneswar has been declared as a pollution free industrial zone where sophisticated engineering, electrical and electronic industry which have no pollution potential will be allowed to come up. Efforts would be made to declare similar pollution free industrial zones in other parts of the State.

5.3.9.(30) Removal of Doubts:

The Industries Department of the State Government shall be the Nodal Department to resolve all matters relating to problems of entrepreneurs.

In case of doubt or difficulty in interpretation of any item of this Policy, or implementation thereof, the same shall be finally decided or resolved by Government in Industries Department.
ANNEXURE - I
(Industrial Policy 1989)

INDUSTRIAL UNIT

1. 'Industrial Unit' will mean manufacturing/processing industry belonging to the following categories:
   (a) Industries listed under the First Schedule of the Industries (Development & Regulation) Act, 1951 as amended from time to time.
   (b) Industries falling within the purview of the following Boards/Public Agencies:
       (i) Small Scale Industries Board
       (ii) Coir Board
       (iii) Silk Board
       (iv) All India Handloom & Handicrafts Board
       (v) Khadi & Village Industries Board
       (vi) Any other agency constituted by Government for industrial development.

2. Industrial unit will not include non-manufacturing service industries except:
   (a) General Workshops including repair workshops,
   (b) Cold Storage and Fish-freezing units,
   (c) Computer Software and data processing industries,
   (d) Movie/TV Studios and processing laboratories.

3. The following units shall not be eligible for incentives as industrial units:
   (1) Rice Hullers and Rice Mills,
   (2) Flour Mills,
(3) Pulse Mills,
(4) Photographic Studios and Laboratories,
(5) Manufacture of Ice Candy and Ice Fruits,
(6) Laundry/Dry Cleaning,
(7) Tailoring (other than readymade garment manufacturing units)
(8) Saw Mills/Sawing of timber,
(9) Production of fire-wood and charcoal,
(10) Coal/Coke Briquetting.
(11) Oil Mill/Expelling of less than 10 MT plant input capacity
(excluding extraction of oil through solvent extraction process and/or refining).
(12) Bread-making (excluding mechanised bakery)
(13) Carpentry and Furniture-making,
(14) Joinery,
(15) Book binding,
(16) Rubber Stamp-making.
(17) Note Books & Exercise Note Books.
(18) Envelopes,
(19) Confectionary, other than 100% export oriented units.
(20) preparation of sweets and numkeens etc.
(21) Making of spices, pamped, Dal etc.
(22) Photo copying.
(23) Clinical/Pathological Laboratories.
(24) Beauty Parlours.
(26) Production of seeds.
(27) Guest Houses and Restaurants,
(28) Goods and passenger carriers,
(29) Video Parlours,
(30) Black & White and Colour T.V. sets other than manufactured through rural Cooperative Societies.

4. The list of Industrial Units indicated above can be modified by Government in Industries Department from time to time.

5.4 REDEFINITION OF SMALL, TINY AND ANCILLARY UNITS:

In keeping with price increases the investment ceiling have undergone changes from 1989. Small scale covers all industrial undertakings whose investment in plant and machinery is enhanced upto Rs.35 lakhs, the ceiling being Rs.45 lakhs in the case of ancillary units and Rs.2 lakhs in case of tiny sector.

Subsequently Government of India has revised the definition of small scale and ancillary industrial undertakings through Gazette Notification dated April 2, 1990. The ceiling on investment in plant and machinery of small scale units has been raised to Rs.60 lakhs and that of ancillary units to Rs.75 lakhs from the existing limits of Rs.35 lakhs and Rs.45 lakhs respectively. The ceiling on investment in respect of small scale of small scale units can go up to Rs.75 lakhs provided the unit undertakes to export at least 30 per cent of the annual production by the end of 3rd year from the date of commencing production. Also Government of India on 6th August 1991 announced the raising of the investment limit from Rs.2 lakhs to Rs.5 lakhs for tiny units.

5.5 INDUSTRIAL POLICY 1991 OF GOVERNMENT OF INDIA:

Highlights of the New Industrial Policy, as announced by the Government of India on 24th July 1991, are given as under:

1. All industries delicensed except 18 Industries e.g.
Coal, Petroleum, Sugar, Cigarettes, Motor Cars, Hazardous Chemicals, Drugs & Pharmaceuticals etc. for security & strategic reasons.

2. Commanding heights for Public Sector in 8 core sectors e.g. Arms & Ammunitions, Atomic Energy, Mineral Oils, Rail Transport, Coal and Minerals etc.

3. Automatic clearance for import of capital goods, if foreign exchange requirement is ensured through foreign equity.

4. Broadbanding facility to existing and new industrial units.

5. Exemption for Licensing for substantial expansion of existing units.

6. Convertibility clause withdrawn for new projects.

7. Foreign equity participation raised to 51% in 34 industries from 40%.

8. Foreign equity proposal need not necessarily accompany technology transfer.


10. Companies with foreign equity up to 51% will be encouraged to act as trading houses primarily engaged in export activities.

11. No permission required for hiring foreign technicians.

12. Special empowered board to negotiate and approve foreign investment.

13. Public sector to play dominant role in strategic areas. Other areas opened to private sector participation.

14. To mobilise resources and encourage public participation
PSUs shares would be offered to mutual funds, financial institutions, general public and workers.

15. Public enterprises which are chronically sick or terminally sick be referred to BIFR or similar high level institution created for the purpose.

16. Social security mechanism. Rehabilitation packages will be created to protect the interest of workers.

17. Limits of assets in respect of MRTP Co. and Dominal Co. removed. emphasis will be on controlling and regulating monopolistic, restrictive and unfair trade practices. No need for prior approval for New Undertakings, Expansion, Mergers, Amalgamations, takeover, Appointment of Directors.

18. Phased manufacturing programmes off for new projects.

19. Entrepreneurs to file an information memorandum on new projects & substantial expansions.
NOTES AND REFERENCES

5. Extract from the "Industrial Policy Statement" (1977), issued by the Government of India.
6. Ibid.