CHAPTER IV

FORMS OF CONCESSIONAL FINANCE
FORMS OF CONCESSIONAL FINANCE

1. Central Investment Subsidy:

The Union Government classified certain districts from various states as backward based on their levels of industrial activity. These backward districts were further divided into three categories. Thus there were 131 districts of category A, 55 districts of category B and 113 districts in category C at the all India level. Of these Uttar Pradesh has 157 and 23 districts respectively in the three categories mentioned above.

A Central Investment subsidy of 25% upto a maximum of Rs. 25 lakh, 15% upto a maximum of Rs. 15 lakh and of 10% upto a maximum of Rs. 10 lakh was admissible in category A, B & C districts. Such blocks of category B & C, districts where investment exceeded Rs. 30 crores as 31.3.83 would not be eligible for this subsidy and concessional finance.

2. Central Transport Subsidy:

This scheme was initiated on July 1971. Under this scheme the Government of India provided subsidy upto 75% of the cost of transportation
of raw materials and finished products from location to
the nearest rail head. It was reimbursed to units
located in selected remote and in accessible areas. All
the eight hill distts. of U.P. qualified for this
particular subsidy.

3. Income Tax Rebate:

According to the provisions introduced in the Central Budget in 1974, 20% of the
profits and gains derived from newly established
industrial undertakings hotel business in the backward
areas were exempt from income tax. These exemptions were
available for the first ten assessment years of the
undertaking subject to the conditions that the
undertakings should not be formed by transfer of
machinery and plants previously used for purpose in any
backward area.

Twenty percent of the profits and gains derived
from newly set up industrial undertakings after 31st
December 1970 in any industrially backward area were
exempt from income tax for a period of 10 years with
certain provisions as elaborated in section 80 HH of the
deductions were available in the assessment year
relevant to the previous year in which the industrial
undertakings begin to manufacture or produce articles.
They were eligible to procure machinery on hire purchase basis from the National Small Industries Corporation Ltd.

A scheme for engaging approved private consultants for assisting small scale industrial units and the Small Industries Service Institute in areas where technical expertise did not exist was in operation. Small scale industrial units located in backward areas were provided these services free.

Consultancy fee charged for services rendered by Small Industries Development Organisation in area/district survey feasibility studies, preparation of projects reports, appraisal and evaluation of projects and in-plant studies, in respect of units located in the notified backward districts/areas would be 50% of the prescribed rates.

Small scale industrial units in such districts/areas could avail of the common facility services and skill upgradation services rendered by SIDO at concessional rates.

However, inspite of all this, the results very encouraging in rural areas as far as attaining the objectives were concerned. Rather, it had been a bad bargain from the point of view of the Government and it was precisely for this reason that a fresh look at the
whole thing was required so that the major problem areas which really mattered could be identified.

4. Concession for Supply of Machinery on Hire Purchase:

National Small Industries Corporation reduced the rate of interest upto 11% for supplying machinery on hire purchase to industrial units setup in backward areas. The earnest money to be deposited was also reduced from 20% to 10% in the case of indigenous machinery and to 5% in the case of imported machinery. 15

5. Risk Capital Assistance:

It was provided by Risk Capital Foundation New Delhi. Technically qualified entrepreneurs possessing industrial experience intending to take over existing medium size industry, closed or sick units were eligible for assistance under this scheme "Udyog Bandhu".

15. Impact of concessional finance on industrial development of backward areas - Giri Institute of Development Studies. -Pg 12-13
It was established in 1972 with objective to offer administrative, financial and technical assistance to the large and medium scale industries. It provided assistance to new entrepreneur in the identification of units and prepared feasibility reports and helped overcome the various problems faced by the entrepreneurs. Some of the incentives made available through the PICUP were term loan, equity participation underwriting of shares, bridging loan and provision of IDBI's seed capita scheme. The Central investment Subsidies, the sales tax refund loan and feasibility report subsidy were some of the other incentives administered by the PICUP.

PICUP has the following basic objectives:

1. Catalysing investment in medium and large scale industries by providing financial assistance under various schemes.

2. Offering guidance by way of developmental assistance and technical support services.

3. Direct promotion of industrial projects.

4. Providing institutional support by way of escort services for tie-up of means of financing etc.
5. Rendering necessary assistance during implementation or operational periods.

In the short span of 15 years of its existence, PICUP achieved the distinction of being number one among the State Industrial and Investment Corporations in the country, both in 1985-86 and 1986-87.

PICUP’s ASSISTANCE UNDER VARIOUS SCHEMES:

PICUP provided term loans for setting up new industrial projects in Uttar pradesh or for expansion of existing projects, generally in the medium scale sector with investment upto Rs.300.00 lakh, either on its own or in consortium with other financial institutions such as UPFC or commercial banks. The maximum amount of financial assistance by way of term loan that could be sanctioned by PICUP was Rs.900.00 lakh. However, PICUP did not consider projects where the total requirement of term loan was less than Rs. 300.00 lakh.

Generally, the equity-debt ratio was kept limited to 1:1.75 but in exceptional cases, it could be raised to a maximum of 1:2.
The maximum promoters' contribution required was 12.5% in Category 'A' districts, 17.5% in Category 'B' districts, 20% in Category 'C' districts and 22.5% in non-backward districts.

BRIDGE LOAN :-
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For speedy implementation of the project, PICUP provided bridge loan pending completion of regular legal formalities, up to a maximum of 75% of term loan sanctioned by it. If the loan was refinanced by IDBI, one percent higher rate of interest would be charged only if the bridge loan was not converted into regular loan within one year.

MODERNISATION LOAN :-
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To encourage industrial units to adopt improved and up-to-date technology and methods of production and prevent any mechanical and technological obsolescence, a modernisation loan was considered for units in existence for a period of 5 years or more. Modernisation included replacement or renovation of plant and machinery which had been used in the unit for a period of at least 5 years or for acquisition of balance equipment for fuller and more effective utilisation of installed capacity.
Proposals for mere replacement of machinery or solely for expansion of the capacity were not under the purview of the modernisation loan scheme.

The amount of loan was need-based up to Rs. 90.00 lakh from PICUP and consortium assistance with UPFC and commercial banks could be provided within the overall limit of Rs. 180 lakh.

Minimum 10% of the cost of the modernisation scheme was required to be brought in by the promoters as their contribution.

**EQUIPMENT FINANCING SCHEME**

Loans up to 80% of the cost of capital goods/equipment (other than second hand) were available through PICUP under the equipment financing scheme up to a maximum limit of Rs. 100 lakh, to existing industrial concerns. The borrower concern was required to meet the minimum of 20% of the cost of equipment, as also allied expenditure of promoters' contribution. To meet the eligibility criteria the concern was required to fulfil the following conditions:

(i) Must have been in operation for at least 4 years.
(ii) Must have earned profits and/or declared dividends on equity shares during the preceding 2 years.

(iii) Was not in default to institutions/banks in payment of dues.

The loan under the equipment financing scheme was not applicable to new projects.

EQUIPMENT LEASING:

PICUP also provided financial assistance by way of leasing of equipment for modernisation, expansion, diversification or for balancing requirements of existing industrial units with a sound financial base. The terms and conditions for assistance under the leasing scheme were decided on case-to-case basis.

FOREIGN CURRENCY LOANS (FOREIGN CURRENCY REFINANCE- FCR SCHEME OF IDBI):

PICUP provided foreign currency loans upto a maximum of Rs.900.00 lakh for importing capital equipment and services. The facility was extended out of the EURO currency loans raised by IDBI and the amount of the loan would be equal to CIF value or FOB value of the imported equipment cleared by the import Licence Authority.
A commitment charge of one percent from the date of sanction of refinance by IDBI was charged by PICUP and repayment of loan was to be synchronised with the repayment obligation of PICUP to its lenders. The exchange risk was to be borne by the borrower.

UNDERWRITING OF SHARES:

PICUP provided underwriting assistance for public issue of the share capital up to a maximum of 25% of public issue for units in category 'A' backward districts, 20% in category 'B' and 'C' backward districts and 15% of public issue in non-backward districts. Underwriting commission charged was 2.5% in non-backward districts.

SEED CAPITAL ASSISTANCE:

Seed capital assistance was made available to a maximum extent of Rs. 15 lakh, for projects with a project cost not exceeding Rs. 3.00 crore, to the entrepreneurs who were setting up a medium scale project for the first time and for certain other specified types of entrepreneurs.

Assistance was either by way of a soft loan or subscription to equity/preference shares. The loan was
interest-free but carried a service charge of one percent per annum. The assistance provided under this scheme was considered as equity while computing equity-debt ratio.

The loans up to a maximum of Rs.5.00 lakh under this scheme were considered by an in-house sub-committee under the chairmanship of M.D., PICUP. Loans above Rs.5.00 lakh were considered by the Screening Committee of IDBI.

FEASIBILITY SUBSIDY SCHEME:
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PICUP extended subsidy for the preparation of feasibility reports upto 75% of the cost of the techno-economic feasibility report for projects in medium and large scale sectors on a selective basis.

SALES TAX EXEMPTION / DEFERMENT:
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All new industrial projects set up in the state between 1.10.82 and 31.3.90, subjective specifying the conditions of being a new unit, were entitled to get total exemption on the sale of finished products manufactured by them for period of seven years in category 'A' districts, 6 years
in category 'B' and 'C' districts and five years in the remaining non-backward districts of the state. This facility of exemption was however, available to small scale projects with less than Rs. 3.00 lakh investment only for a reduced period five years, 4 years and 3 years in category 'A', 'B' and 'C' and non-backward districts, respectively. Medium and large scale projects had an option to choose sales tax deferment facility in lieu of sales tax exemption facility, under which they could collect sales tax on the sale of finished products manufactured by them as per the rates prescribed under U.P. sales Tax Act and retain the amount of tax so collected for a period of seven years without any interest. This facility would also be available for a period of 7, 6, and 5 years in category 'A', 'B' and 'C', and non-backward districts, respectively. The entrepreneurs should apply to G.M., DIC on the prescribed format for getting eligibility under the scheme, immediately after going into the production.

OTHER FACILITIES AVAILABLE FROM PICUP :-

Other facilities available from PICUP were assistance in identification of suitable projects, Data Bank Services, Project Rehabilitation Assistance, Octroi Exemption and Escort Services for co-ordination of various requirements, etc.
PICUP - AS AN ENTREPRENEUR :-

PICUP promoters projects in the joint Sector in collaboration with private promoters where 26% of the equity shareholding was held by PICUP, 15% with the private promoters and the balance 49% with the public. Wherever permissible, this pattern may also be kept as: PICUP -10 - 15%, private promoters - 25 -30% and the public - 60%. Any project with the above shareholding was termed as an Assisted Sector Project. For these projects, the industrial licences/registrations were directly obtained by PICUP.

Today, most of the leading industrial houses in the country, such as Birlas, Goenkas, RMI, etc have joined hands with PICUP for promotion of high-tech industries in the state abroad, like Dupont (USA), Ceat Cavi (Italy), Ajax (USA), Snamprogetti (Italy), Solvay & Cie (Belgium).

PICUP - SPECTRUM OF SCHEMES :-

PICUP provided financial assistance normally for projects other than small-scale sector and costing upto Rs. 30 million.
(a) TERM LOANS:— Requirement up to Rs. 9 million was met by PICUP exclusively.

(i) Rate of Interest (Net):

(a) In backward areas — 12.5% with refinance and 14% without refinance from IDBI.
(b) In non-backward areas — 14% with refinance and 15% without refinance from IDBI.

(ii) Equity-debt ratio generally not more than 1:1.75 but in exceptional cases, it could be up to 1:2.

(iii) Minimum promoters contribution:—
(a) 12.5% in category 'A' districts
(b) 17.5% in category 'B' districts.
(c) 20.5% in category 'C' districts.
(d) 22.5% in non-backward districts.

(iv) Amount available from other institutions:—
(a) UPFC — Rs. 6 million.
(b) Commercial Banks — balance requirements as per stipulated equity—debt ratio.

b) BRIDGE LOANS:— To aid speedy implementation PICUP provided bridge loans, pending completion of regular legal formalities, up to a maximum of 75% of term loan. Rate of interest of bridge loan is 1% higher than in case of the term loan.
c) FOREIGN CURRENCY LOANS:— PICUP provided foreign currency loans for importing capital equipment and services to the extent of Rs.90 million @ 1.5% over London Inter-Bank Offered Rate (LIBOR).

d) EQUIPMENT FINANCING:— Loans upto 77.5% of the cost of capital goods/equipment (other than second hand) were available to existing well established industrial concerns who had been in operation for the last 4 years, had earned profits and/or declared dividends during preceding two years and were not in default to the banks/institutions.

e) EQUIPMENT LEASING:— PICUP also provided financial assistance by way of leasing of equipment for modernisation, expansion, diversification or for balancing requirements of existing industrial units with sound financial base.

f) UNDERWRITING OF SHARES:— PICUP provided underwriting assistance to selected units to meet part of the requirement of the public issue and charges a nominal underwriting commission.

g) SEED CAPITAL ASSISTANCE:— Seed capital assistance was provided through PICUP to a maximum extend of Rs.1.50 Million, by way of either soft loans or subscription to equity/preference shares.
h) SCHEDULE OF PROCESSING FEES :- The companies applying for term loans to PICUP were required to deposit processing fees ranging from Rs.2,250/- to Rs.8,500/- depending on the amount of term loan applied and the location of the project.

i) FEASIBILITY SUBSIDY SCHEME :- To facilitate examination of techno-economic feasibility, PICUP subsidised the cost of such studies for selected projects to the extent of 75% of the cost.

j) OTHER FACILITIES AVAILABLE FROM PICUP :-
a) Assistance in indentification of a suitable project.
b) Data Bank and Technology Cell.
c) Escorts Services Cell.

UTTAR PRADESH FINANCIAL CORPORATION

This was established on 1.11.54 with its head office in Kanpur. The corporation presently has nineteen regional offices and two branch offices.

The main functions of the Corporation were :-
(i) To extend Term Loan assistance for acquisition of fixed assets up to Rs.60 lakh. Projects with large capital outlay up to Rs.300 lakh could also be financed by UPFC, in participation with PICUP/ Scheduled Banks.
(2) Bridging Loans against sanctioned Term Loans.
(3) Seed Capital Assistance upto Rs. 2 lakh to bridge the Equity Gap.
(4) Composite Loan Scheme.
(5) Handloom Weavers Loan Scheme.
(6) Transport Loan Scheme.
(7) Equipment Refinance Scheme.
(8) X-ray Clinic Scheme.
(9) Modernisation Scheme.
(10) Nursing Homes.
(11) Electro Equipments for Doctors.
(12) Integrated Loans upto Rs. 1 lakh for Ex-servicemen.

OTHER SERVICES ON BEHALF OF STATE & CENTRAL GOVERNMENT:

(1) Rehabilitation of Sick Units under IRBI's Line of Credit and IDBI's RSR Scheme on concessional terms.
(2) Seed Capital Assistance on behalf of IDBI for amounts above Rs. 2 lakh and upto Rs. 1 lacs.
(3) Generating Set Subsidy Scheme.

EFFECTIVE RATES OF INTEREST WITH REFINANCE:

(1) For SSI units.
(a) Backward areas @ 12.5% 
(b) Non-backward areas:
(i) For loans upto Rs. 25 lacs @ 13.5%
(ii) For loans exceeding Rs. 25 lacs @ 14%.

FOR MEDIUM AND LARGE SCALE UNITS:

(a) Backward areas @ 12.5%
(b) Non-backward areas @ 14%
(3) Composite Loan Scheme (upto Rs. 50,000)
   For Backward Areas @ 10%
   For Non-backward Areas @ 12%
(4) Interest applicable on loans upto Rs. 25,000 for Scheduled Caste/ Tribe Entrepreneurs @ 10% (both for backward & non-backward districts).
(5) Interest applicable under the Transport Scheme @ 12.5% &15% for upto 2 vehicles and above respectively.

* In case of non-sanction of Refinance by IDBI, the applicable rate of interest would generally be higher by 1%.
** Interest rates were chargeable as per directives of I.D.B.I.

ADDITIONAL REBATES:

(1) Ex-servicemen, Backward Class and Disabled Unemployment technicians were entitled to a rebate of 1/2% on the prevailing rates of interest.
(2) Scheduled Caste/Tribe Entrepreneurs were entitled to a rebate of 1/2% on interest applicable on loans exceeding Rs.25,000.

(3) Small Scale units obtaining ISI marks on their end products were allowed rebate of 1/2% on outstanding Refinance by IDBI.

REPAYMENT OF LOAN :-

Normally to vary between 3 to 8 years, depending upon cash accruals.

GESTATION PERIOD :-

Normally to vary 1 to 2 years.

PAYMENT OF INTEREST :-

The interest was payable on quarterly basis on 31st March, 30th June, 30th Sep., 31st Dec. every year.

HOW TO APPLY FOR FINANCIAL ASSISTANCE :-

Entrepreneurs should apply in prescribed application form (available at all Regional/Branch Offices) along with the project Report, Registration Number, Quotations for plant and machinery from reputed suppliers etc.
SCHEME OF SPECIAL STATE CAPITAL SUBSIDY ON DIESEL/TURBO
GENERATING SETS

The U.P. Financial Corporation entertains applications for sanction of Generating set subsidy on behalf of the State Government.

ELIGIBILITY :-

1. An industrial unit registered with Director of Industries or D.G.T.D. of Iron & Steel Controller or under Indian Factories Act shall be eligible for subsidy on purchase of D.G.set.

2. Generating set should have been purchased after 1st May 1980. The scheme was operational upto 31st March 1990.

3. The Generating set must be purchased either directly from manufacturers or his authorised dealers and must be new. Subsidy was not admissible on purchase of old sets, imported old generating sets are eligible for subsidy provided it was directly purchased by the concern for its use.

ASSESSMENT OF CAPACITY :- The subsidy amount shall be sanctioned on the basis of connected load. An entrepreneur can purchase the Generating set to the maximum tune to connected load plus 20%.
EXAMPLE:— Say a Unit has connected load of 100 K.V.A., then the same is entitled to purchase D.G. set maximum to the capacity of 120 K.V.A.

METHOD OF CALCULATION OF COST OF GENERATING SETS:

1. Cost charged by the manufacturer/supplier.
2. Cost of accessories. Additional accessories and spare parts will not be considered.
3. Taxes / Excise duty.
4. For imported generating sets, cost at port in India plus taxes will be considered.

NATURE AND EXTENT OF SUBSIDY:

The capital subsidy on purchase of generating sets shall be at Rs.1000/- per K.V.A. to small scale unit and Rs.500/- per K.V.A. to medium and large scale unit. Units which come under M.R.T.P. Act and or run by foreign companies are not eligible for subsidy. Maximum subsidy limit is Rs.10.00 Lakh for each unit.

PROCEDURE FOR AVAILING SUBSIDY:

An industrial unit shall apply to U.P. Financial Corporation for sanction of subsidy on prescribed form which is available with all the regional offices. They will submit application form in their respective regional offices will all the relevant documents mentioned on the check list. All the
Regional Managers have been empowered to sanction subsidy to a unit which comes under the jurisdiction of their Regional office.

**MODE OF PAYMENT** :- The total sanctioned subsidy amount will be disbursed in two equal instalments. The first instalment shall be released immediately after the completion of legal formalities and the second instalment will be released after the completion of two years from the date of executing the agreement. The instalment of subsidy shall be released directly to the Financial Institutions/Banks if it is financed by them. In case of self financed unit the subsidy amount will be paid to the unit directly.

**LEGAL FORMALITIES** :- The industrial unit seeking the assistance shall have to submit all the required documents/information along with the application form prescribed from time to time by U.P.F.C.

**DISBURSEMENT OF SUBSIDY** :- An inspection by the Corporation's official is essential before disbursement of subsidy so as to satisfy that the generating set has been purchased and installed properly within the factory premises of the concerned unit.
RECOVER OF SUBSIDY:

1. If the unit to whom the subsidy has been paid, ceases to function within five years from the date of 1st payment. If the Corporation is satisfied that the reason given by the party for the closure of the unit are genuine and beyond the control of the party, the recovery of subsidy may not be done.

2. If the unit fails to take precautions for guarding the generating set against loss or damage by fire, accident, theft or fails to maintain the set in running condition for a minimum period of 5 years.

3. If the unit is found to have obtained the subsidy by false representation made to the Corporation, then all subsidy amount will be recovered along with interest.

4. If the party sells/transfer/hypothecates or in any way shares use of generating set with any other person or industrial unit or uses the generating set for the purpose other than industrial production in the specified premises within about stipulated period of five years.

5. If the party does not submit their declaration regarding the maintenance of generating set.
FOLLOW UP INSPECTION:— General Manager of the Distt. Industries Centre would be solely responsible for the regular inspection, observation, and compliance of terms and conditions of the subsidy in respect of self-financed cases. U.P.F.C. officials would also conduct periodical inspection in case the generating set has been financed by the financial institutions/banks.

UTTAR PRADESH STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Established in 1961, it is the premier infrastructure development of the state. Its head office was located at Kanpur and at present has five Regional Offices at Kanpur, Agra, Bareilly and Lucknow.

THE MAIN OBJECTIVES OF THE CORPORATION:—

(I) To acquire suitable land in various districts of U.P. and to offer the plots to desirous parties on lease, providing basic facilities like roads, drainage, power lines and other conveniences.

(II) To promote and establish joint sector projects.

(III) To aid, assist and finance with share capital under equity participation scheme.
(IV) To subscribe for underwriting of share.

(V) To provide special consultancy services for designing of projects.

The Corporation has so far acquired approx. 22,000 acres land in 35 districts of the state and has established approx. 97 industrial areas at 86 locations. It had plans to acquire approx. 10,000 acres of lands in the next two years.

The Corporation developed industrial areas in the No-Industry Districts of Kanpur Dehat, Sultanpur, Hamirpur, Fatehpur, Jalaun, Banda, Jaunpur and planned to develop at Tehri Garhwal, Pauri Garhwal, Uttar Kashi and Chamoli hill districts by acquiring about 4000 acres land. The development work had begun in six districts. In the NIDs of Kanpur Dehat, Sultanpur, Jaunpur, Fatehpur, Hamirpur, Banda, Jalaun, the Corporation would spend about 6 crores each for creation of infrastructure including telecommunication and other useful amenities.

PROJECTS IN JOINT SECTOR:

The Corporation played a significant role in identifying various projects in priority industries such as textile industry, agro-based industry, mineral-based industry, export-based
industries, consumer industries etc. UPSIDC had the privilege of promoting projects in high technology fields such as automotive sector, auto electricals, special machining sectors, consumer durables, special fabrication, castings forgings etc.

The Corporation so far commissioned 15 projects at an investment of Rs. 32.70 crores in joint/assisted sector out of which 12 were located in backward areas.

The Corporation further held 11 letters of intent for various products and they were under active implementation stage. The Corporation had identified over 10 projects of approx. Rs. 226 crores for which efforts were being made to get letters of intent.

FINANCIAL ASSISTANCE :-

Equity Participation :- The Corporation provided financial assistance upto 20 lakh to promoters of limited companies. The Corporation had so far disbursed Rs. 554.57 lakh under this scheme.

UNDERWRITING :-

The Corporation provided financial assistance by way of underwriting ordinarily upto 15% of
issued capital. The Corporation had given assistance to 52 units involving financial assistance of about Rs. 500 lakh in the year 1992-93.

OTHER SERVICES :-

Besides developing its own industrial areas UPSIDC helped other public and semi-public agencies by understanding their construction and development work. It also provided special consultancy service through its Architectural Cell for the preparation of designs of industrial buildings for the entrepreneurs.

The Scheme of Development of Growth Centre of UPSIDC :-

UPSIDC acted as nodal agency for implementation of scheme of development of growth Centres in Zero-industry Districts. The concept of development of GROWTH CENTRES was evolved by Government of India with a view to reducing regional imbalances so that backward districts could also rightfully share the benefits of industrialisation.

In order to promote industrialisation in backward areas UPSIDC has been implementing the scheme of development of Growth Centres in seven zero-industry
districts (ZID) in plains and one in hill ZID of U.P. Where the economic & industrial growth was much below average.

Under the scheme jointly financed by Central Govt., State Govt. and IDBI, infrastructure development in around 500 acres of land, in each Growth Centre was planned with a capital cost of around Rs. six crores for each centre, of which 1/3rd contribution of Central Govt., 1/3rd by IDBI and remaining funds by State Govt. were envisaged in the scheme. An expenditure of more than Rs.26.0 crores was incurred, by UPSIDC so far on acquisition and development of land & on development of infrastructure.

These growth centres were established at Jaisnel, (Distt. Kanpur Dehat), Malwan (Distt. Fatehpur), Sumerpur (Distt. Hamirpur), Satharia (Jaunpur), Orai (Distt. Jalaun), Tikaria and Trisundi (Distt. Sultanpur), Bargarh (Distt. Banda) and Jashodharpur (Pauri Garhwal). More than 4,000 acres of land was acquired in these areas of which more than 2,000 acres of land after development was allotted to more than 500 large medium and small scale units.

These growth centres were equipped with basic and social infrastructure. Besides roads, drains and
culverts, power lines, street lights, telecommunication, portable water supply, industrial housing, banking, shopping centres etc. were provided in these areas by UPSIDC.

An attractive package of incentives was provided to the units coming up in these areas. The ZIDs were identified as 'A' category districts and a subsidy of 25% (Central Investment Subsidy) on fixed investment on loans, building plant and machinery etc. subject to a maximum of Rs. 25 lakh was admissible to units set up in category 'A' districts.

The State Govt. in its recent industrial policy announced 20% subsidy on fixed investment (upto Rs. 20 lakhs) to the industrial areas in 'A' category Districts while Central investment subsidy scheme was discontinued. Besides State Govt. subsidy, a number of concessions such as sales tax deferment/exemption etc. were provided to the units coming up to these areas.

A large number of large medium and multinationals companies showed keen interest in setting up their units in these Growth Centres. These industries ranged from chemicals to float glass, paints to food products. M/s Hindustan Lever Limited set up their in Sumerpur and Orai Glaxo-PICUP joint venture. Vegepro came up in Orai
M/s Hindustan Vegetable Oil in Sumerpur. M/s Mahadeo Fertilizers Ltd. and India Insulators in Malwan (Fatehpur). M/s Continental Float Glass in Bargari, Goodluck Nerolac, Nirma Detergents, etc. in Jaipur (Kanpur Dehat). PAC Engineering Ltd., Nida packaging, Nirmal organics in Satheria were some of the prime units coming in Growth Centres. A number of them had already started production and a of more were in different stages of implementation.

UPSIDC had been instrumental in changing the industrial scenario in these backward areas. The banjar wasteland of yeaster years was changing fast into maga industrial town ships, into a large employment centres.

UNDER U.P.S.I.D.C.

PROPOSED INDUSTRIAL AREAS:

UPSIDC designed an ambitious plan for the financial year 1986-87 to acquire and develop over 7,852.67 acres of land. Out of this about 2,966.9402 acres of land was proposed to be in Zero -industry districts of Kanpur Dehat, Fatehpur, Jaunpur, Sultanpur, Jalaun, Hamirpur, Banda, Tehri Garhwal, Pauri Garhwal,
Chamoli and Uttar Kashi. These proposed industrial areas in the state were located as:

<table>
<thead>
<tr>
<th>Region</th>
<th>Division/Distt.</th>
<th>Total in acres</th>
<th>Location proposed for Dev. during industrial area</th>
<th>Area in acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kanpur</td>
<td>ALLAHABAD DIVI.</td>
<td>1000</td>
<td>JAINPUR 435</td>
<td>Total Distt: 851</td>
</tr>
<tr>
<td></td>
<td>KANPUR DEHAT</td>
<td></td>
<td>RANIA 40</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>CHAUBEPUR 376</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FATEHPUR</td>
<td>2000</td>
<td>SAURA ADDL 560</td>
<td>Total Distt: 560</td>
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<td>Total Div: 1411</td>
</tr>
</tbody>
</table>

According to the Managing Director of PICUP, the State Government decided in 1991 to provide investment subsidy to new industrial units set up in Uttar Pradesh.

The quantum of the subsidy would, however, vary from 10 to 20% depending on the category of the district where the industrial unit was being set up. The Corporation expected to rank first among all industrial
development corporations in country for the fifth consecutive year achieving unparalleled success in all areas of its operations including sanctions, disbursements, recovery and joint sector projects.

The performance of PICUP was claimed to be particularly impressive in view of the withdrawal of Central investment subsidy and expiry of the sales tax scheme. During the year 1989-90, PICUP sanctioned term loans to the June of Rs. 138.27 crore to 229 units against sanctions of Rs. 129.33 crore to 191 units the previous year. This financial assistance was expected to generate an investment of over Rs.170 crore in the State and employment potential for about 12,950 persons directly. The disbursements had gone up from Rs.73.39 crore to 92.38 crore showing an increase of 25.88%.

The concerted effort's helped improve the performance of the Corporation on the recovery front also thus registering a recovery of Rs.59.94 crore in 1989-90 as against Rs.44.63 crore the previous year.

As regards the policies of the Corporation the thrust would be to promote tourism industry and health services by inviting industrialists keen on setting up hotels and nursing homes.
Under investment subsidy scheme, PICUP had already financed 14 nursing homes and 16 hotels on the outskirts on major towns.

The Corporation had acted as promoter of projects involving high technology and long gestation period requiring heavy capital outlay.

There were 55 units under joint/assisted sector which were presently being launched by PICUP. Out of these, nine projects came into production last year, the highest ever achieved by PICUP in this sector.

These projects produced a variety of products including metallised film, automotive components, maize, products, electrical equipment, edible oil, telecommunication cables, fertilisers and life saving drugs.

All the term lending institutions, viz. Industrial Development Bank of India, Industrial Financial Corporation and Investment Corporation of India extended financial assistance on concessional terms to all new and existing industrial projects having expansion schemes in respect of the projects located in 300 districts selected by the government. The concessions given by these financial institutions were
in the form of lower interest rate, lower underwriting commission for shares and debentures respectively etc.

UDYOG BANDHU

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Udyog Bandhu is non-profit body set up by the Government of Uttar Pradesh for large and medium sector industries.

It functions from Lucknow, and comprises of a team of officers drawn from various Industrial Corporations, and is headed by an Additional Director of Industries.

Udyog Bandhu acts as a catalyst, accelerating industrial growth.

- Opportunity to entrepreneurs for taking up their cases before the High Power Committee.
- Escort service to Industrialists.
- Useful information on availability of incentives and various facilities such as land and finances.
- Liaison with various government departments.
- To act as a NODAL Agency for Non-Resident Indian's Projects.

EXEMPTION FROM ELECTRICITY DUTY

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Industrial unit located
in backward districts having a capital investment not exceeding Rs. 25 lakh were exempted from paying the electricity duty for a period of five years from 2.1.73. This exemption in case of non-backward districts was for a period of three years.

SALES TAX CONCESSIONS

No tax was payable on the sales or, as the case may be, purchases by the new unit in respect of raw materials required by it for use in the manufacture of durable goods like oil engines, tyres and tubes, scooters, electrical equipments and sewing machines in backward areas for a period of five years from the date of starting production. However, the date of starting production in any case should not fall later than the first date of 1.1.71.

CONVERSION OF SALES TAX INTO INTEREST FREE LOAN

Loans under the 'Sales Tax Loan Scheme' were available to the industrial units in backward districts for a period of five years. The recovery from such units in these districts was to start after 12 years. The loans were sanctioned by PICUP Lucknow free of interest from the date of starting
production to the new industrial units to the extent of sales tax realised and deposits on the sale of finished goods within the state for a period of five years in backward districts.  

EXEMPTION FROM OCTROI DUTY

All the new units were granted exemption from octroi on machinery and building materials for the period of five years from the date of grant of letter of intent or license or sales tax registered.

GENERATING SET SUBSIDY

This was admissible at the rate of Rs.500 to large and medium units and Rs. 1,000 to small scale units per KVA to the extent of 120% of the connected load.

STATE CAPITAL FOR EXPORT

Some selected industries which were 100% export oriented were given a 10% capital subsidy to the Govt.
CONCESSIONS RELATED TO POWER

(a) All new units were exempted from power cuts for a period of five years.

(b) No maximum consumption guarantee was charged from new units taking connections after 1.8.1980 for a period of one year.

(c) A development rebate of 33.33% on the amount on bill was given for loads upto 75 KW and also for heavy loads in the case of only hill distts to all new connections after 1.8.1980.

(d) All new large and small medium scale industries were allowed to pay only 50% of the security deposit at the time of agreement while the balance was to be paid in four annual instalments.

(e) A power subsidy was available to 22 categories of 881 units upto 20 HP load at the rate of 9 paise per unit.

EXEMPTION FROM THE SALES TAX

This was admissible without any ceiling to all units setup between 1.10.1982 and 31.3.1985 for periods ranging between 5 to 7 years depending on the category of distts. Thus 11 districts
enjoyed this facility for 7 years while 30 districts for six years. Units in the remaining districts got exemption for a five years period. 17

**DEFERMENT OF PAYMENT OF SALES TAX**

The medium and large industries set up in the state going into production after 29.1.1985 could avail of deferment of payment of sales tax collected by them to the Government on sale of their products in lieu of exemption from levy of sales tax. The sales tax so collected would be paid to the state Govt. after seven years i.e. the sales tax collected in the 1st year of production would be payable.

**SPECIAL CONCESSIONS OF SPECIAL STATE CAPITAL SUBSIDY TO PIONEER PRESTIGE AND 100% EXPORT ORIENTED UNITS**

With a view to remove the backwardness and regional imbalance of the state and to bring about rapid industrialisation, the Government of Uttar Pradesh had introduced a Scheme of Special State Capital Subsidy to what were known as "Pioneer" & "Prestige" units being

established in the state. The scheme was operated by the Directorate of Industries.

ELIGIBILITY :- A Pioneer industry was one which was the first industrial unit established in the zero industry tehsil in any district during the period 01.10.82 to 31.08.90 which investment in land, building, plant and machinery or Rs.1.00 Crore or more.

A Prestige unit was an industrial unit established anywhere in the state during the period 01.10.82 to 31.08.90 with investment in land, building, plant and machinery of Rs.25.00 Crores or more.

PROCEDURE FOR AVAILING SUBSIDY

ELIGIBILITY :- A Pioneer or Prestige unit desirous of special State Capital Subsidy should be registered with DGTD/Textile Commissioner/Director Sugar and Vanaspati/Holder of Government of India letter Intent/Industrial licence.

PROCEDURES :- The application should be submitted in the prescribed form obtained from the Director of Industries/State Financial Institutions along with the following documents:

a) Approved proposed project report.
b) Details of project giving information about the fixed assets.

c) A true copy of sanctioned loan, if aided by a Financial Institution.

d) True copies of documents showing purchase/lease of land, building etc.

e) Certified documents from a chartered Civil Engineer on the amount invested in building.

f) Certified from a Chartered Accountant regarding distribution of fixed assets.

h) Probable date of starting production.

ACTION ON APPLICATION:— On receipt of application for special capital subsidy the Director of Industries would process the application.

SPECIAL STATE CAPITAL SUBSIDY FOR 100% EXPORT ORIENTED UNITS

The Government of Uttar Pradesh offered 10% capital subsidy for 100% export oriented units located anywhere in state. This was admissible for the following industries approved by the Government of India:

1. Electronic products including electronic software.
2. Finished leather including footwear and paint brushes.
4. Processed foods, fruits, vegetables and alcoholic and soft beverages.
6. Mango kernel extraction and Mango kernel.
7. Carpets.
8. Readymade Garments.
10. Natural silk fabrics and garments.
11. Hosiery.
13. Handicrafts.

It should be very clear that the schemes of subsidies and incentives were not confined to the State of U.P. alone. In fact all the states were running their own schemes of incentives in order to lure entrepreneurs and to attract industrial activities. We, therefore, find the interest free sales tax loan under implementation in Punjab, Haryana, Himachal Pradesh, J&K, Rajasthan, Tamilnadu and West Bengal, besides Uttar Pradesh. Similarly octroi exemption was also available in Maharashtra and Gujarat. Some was the case with respect to exemption from sales tax, generating set
subsidy and the concessions related to power tariff. In a situation where most of the State Govt. were making various schemes of subsidies and incentives available it really became doubtful in any one particular state could truly be effective in attracting entrepreneurs from the other States. Decisions regarding location of manufacturing activity were no longer governed by the traditional factors such as availability of raw material or the weight-loss or weight-gain criteria. The emergence of a whole set of foot-loose industries, the availability of marketing arrangements and networks, the proximity to the market and the entire chain of forward and backward linkages added a completely new dimension in industrial location.