Chapter -3

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West Bengal, once the industrial and economic hub of the country, is now poised for accelerated industrial growth after overcoming the number of historical and socio-political constraints. A conducive environment has been created for new industrial investment and for modernization and rehabilitation of existing industrial units in the State. Perception of opportunities in West Bengal by the investors has been improving rapidly and the State is considered by domestic as well as foreign investors to be one of the best destinations in the country. West Bengal today is a land alive with new opportunities. Its location is strategically important as it is the gateway to the eastern and north-eastern regions of India as well as South East Asia.¹

Availability of basic raw materials, skilled human resources and relatively developed infrastructure were traditionally the advantages for industrial activities in the State. Over several years in the past there has been serious discrimination at the national level against the State in the grant of industrial licenses. The deliberate policy of selective freight equalization has also deprived the State of its comparative locational advantages. The discriminatory use of controls over the Financial Institution and the apathetic attitude towards Central Public Sector Undertakings by the Union Governments in the past are some of the glaring examples of an inexplicable bias against the interest of the State.

Bereft of adequate powers to facilitate promotion of investment in the medium and large scale sector, the State Government made conscious efforts made for ensuring growth of the cottage and small-scale industrial sector. Recently with partial deregulation of industrial licensing regime, State could avail of the opportunity of somewhat independently planning for development of medium and large scale industries. Due to adoption of a number of measures, new industrial possibilities are emerging in the State.

In the recent years the efforts of the State Government were directed towards setting right the misconception of the investors related to the prospects of West Bengal. In this process State has been able to get spontaneous support of various Chambers of Commerce. With a view to increasing international trade and investment, the State Government and the Chambers of Commerce and industries regularly interacted with visiting foreign delegation to explore the possibilities for collaborations, joint ventures and technology transfer. The Indo-US Joint Business Council held on 10-11 December, 1997 in Kolkata. High level delegations from Bangladesh and Nepal also participated. The West Bengal Government wants new technology and investment in selected spheres where they help West Bengal economy and which have of mutual interest. State welcome private sector participation in industrial projects well as in industrial and social infrastructure. The State also desired foreign participation in the field of technology and in the areas of mutual benefit. During the last several years the State Government has succeeded in establishing close contacts with internationally reputed companies of Japan, USA, UK, Germany, France and Italy.

The State Government has formulated a number of promotional and administrative measures to further strengthen the State's comparative
advantage. The State Government has set up a Cabinet Committee on Industry to facilitate industrial investments and to cut down bureaucratic delays. It also recommended additional incentives for important projects. An export promotion cell is also operating. At district level, committee has been set up to assist industrial investors, specially in arranging suitable land for industries. Shilpabandhu, single window facilities under WBIDC, has been successfully catering to the needs of the investors at one place. In order to encourage private participation in key infrastructure projects, West Bengal Industrial Development Corporation (WBIDC) has formed a joint sector company with ICICI called I-WIN. I-WIN has identified many projects which are expected to be commercially viable. These projects includes transportation corridors, financial service center at Kolkata, augmentation of water supply and urban facilities at Haldia, theme and sector specific industrial estates.¹

The New Economic Policy followed by the changed industrial scenario in the country as also the West Bengal Government’s own proposal for an alternative economic policy call for a statement of policy by the Government of West Bengal on the vital issues of industrial development, rehabilitation of sick units and generation of employment opportunities and protection of the legitimate interest of the labour.

3.1. Perspective:

West Bengal has a well-developed communication network encompassing an extensive railway system, domestic and international airports, modern ports, national highway, etc. For industrial exploitation the raw materials available are coal, iron and steel, agro-horticultural produce, plantation crop, agro-waste, marine products, hides and skins etc. mineral like

dolomite, limestone, lead, zinc ores and granite are in abundance, while water is plenty. Indeed, the State’s natural wealth is amongst the best in the country.

Since industry is the Union list and financial institutions are under the Central Government. Industrialization in any State is crucially dependent on the policies at the national level. Over several years in the past, there has been serious discrimination at the national level against the State in the granting of industrial licenses. The deliberate policy of selective freight equalization has also robbed the State of its comparative location advantage in terms of important industrial raw materials, such as steel and coal. Similarly, the credit-deposit ratio of the nationalized commercial banks in West Bengal has been kept unreasonably depressed at 46.5%, below the national average of 60%. There has also been a palpable discrimination in the direct investment of the Central Government in the State. For instance, while in 1981, the share of West Bengal in total Central investment in the country had been 8.2% and that of the comparable State Maharashtra at 8.6%, in 1991-92 the share of Maharashtra increased to 16.3% but that of West Bengal came down to 7%. Even this discriminatory policy in the sphere of banking and central investment persists.

Thus, the natural advantage that the State had was lost leading to flight of capital from the State of areas which were benefited by freight equalization and the licensing policy and in the some measure due to location of headquarters of major financial institutions as Mumbai and elsewhere.

3.1.1. Approach of the Left Front Government:

After coming to power in 1977, the left Front Government identified certain thrust areas for the overall development of the State and protection as
well as promotion of employment. The conscious policy of land reforms along with the simultaneous support in terms of provision of non-land inputs, such as irrigation facilities, improved seeds, fertilizers etc. as also the process of democratic decentralization through the Panchayati Raj System brought about a major breakthrough in the sphere of agriculture and allied sectors. At the same time, due to the growth of agriculture and allied sectors a potential for industries catering to agricultural inputs as well as industries related to agro-processing, horticulture, etc. has been significantly increased. The growth curve for these industrial potentialities is sharply rising.

Considering the importance of the potential for generating employment and income all over the State by harnessing local resources and skill, a conscious policy for promotion of cottage and small-scale industries on an extensive scale was evolved. Simultaneously, policy initiatives were taken to promote the establishment of electronics industry in the State. Unfortunately, the efforts of the State Government in involving the Government of India in this process did not succeed. To facilitate promotion of modern industries besides ensuring downstream employment, the petro-chemical project at Haldia was conceived. West Bengal efforts in securing necessary assistance from the Government of India for this prestigious project, however, did not fructify for eleven years. Simultaneously, with the process of promoting new industries in the large, medium and small-scale sectors, concerted efforts were made for the rehabilitation of a large number of sick units abandoned by the private sector. It was thus possible to protect productive employment of very large number of workmen in jute, textile, engineering and pharmaceutical industries both through the Government of India as well as directly by the State Government.
The State Government, however, continued to highlight at the national level before the National Development Council (NDC), Planning Commission etc. the adverse impact of the licensing policy and freight equalization steel and coal that had resulted in regional imbalance.  

3.1.2. The Economy Policy and the Approach of the State Government:

The New Economy Policy of the Government of India brought about mixed reactions in the country. The State’s considered views in respect of this economic package of reforms are well known and an alternative proposal based on self reliance has been suggested by the State Government without isolating India from the global economy. While continuing to advocate a change in some important aspects of this New Economy Policy, West Bengal must take the fullest advantage of the withdrawal of the freight equalization policy on steel and the delicensing in respect of many industries.

As a result of the New Economic Policy, indigenous technology and Indian industries are exposed to the rigors of global competition. Development of indigenous technology may as a result be thwarted and local products rendered less competitive. The State Government’s policy, therefore, is oriented promotion of employment and productivity, rehabilitation of sick industries through a process of reconstruction, modernization and diversification and protection of legitimate interests of the workforce keeping in view the overall health and productivity of industry.

Apart from the presence of a large number of India Industrial House functioning in the State, a number of Multinational Corporations (MNCs) have long been successfully operating in the State and, to name a few, they are Philips, GEC, Hindustan Lever, ICI, Siemens, Bata, etc. A welcome development is that a good number of Non-Resident Indian (NRIs), MNCs

directly or through foreign Governments and Indian Industrial Houses have, in the recent past, shown special interest in coming to West Bengal either for setting up new industries or for expansion of existing industrial units.

3.2. Salient Features of the policy:

The following are the salient features of the State government’s policy on industrial promotion and economic development:

1. The State Government welcomes foreign technology and investment, as may be appropriate, or mutually advantageous.

2. While the State Government considers the Government and Public Sector as an important vehicle for ensuring social justice and balance growth, it recognizes the importance and key role of the Private Sector in providing accelerated growth. In major industries like power, the State Government considers the role of the Public Sector as critical for containing energy prices. However, in the context of the changes in the policies of the Government of India, the need for meeting the increasing demand for power and the constraints on budgetary resources, the State Government would also welcome private sector investment in power generation.

3. Along with the public and private sectors, the State Government looks upon the joint and assisted sectors as effective instruments for mobilizing necessary resources and expertise in important areas of economic activity.

4. Improvement and upgradation of industrial infrastructure is indispensable for accelerated growth of industries. In the field of power, the State is already self-sufficient with a generation capacity of over 3000 MW. It has also been planned to provide for an additional capacity of 5000 MW in the public, joint and private sectors over the next ten years. Others thrust areas are improvement in roads, communications and developments of Growth Centres. These programmes would, no doubt, require massive investments and it is
therefore, proposed to undertake projects for development of industrial infrastructure through the Government or through the private and joint sectors, wherever feasible.

5. Government has already taken the initiative in substantially improving the social infrastructure facilities like development of Satellite Township, housing, health, education, water-supply, hotels, etc. Apart from promoting schools and colleges of appropriate standards, a major thrust has been given to technical education and training through polytechnics and ITIs. In the sphere of health, apart from the various measures of improvement in the ongoing activities relating to medical care, health and family planning, establishment of specialized hospitals of high standards in the private joint sector will continue to be encouraged. Improvement and expansion of hospital facilities in and around Kolkata, and growth centres through private and joint sector efforts in being explored.

6. Based upon the available opportunities and potential of this region, the State Government has identified certain segments of industries, among others, as thrust areas for special attention. They are:

a) Petrochemicals and Downstream Industries

The efforts of the Government have led to the finalization of the project parameters of the Haldia petrochemicals complex. Planning for ‘downstream growth zones’ has been initiated. In this process, dispersal of activities to cover all possible areas of the States will be given priority. It is the desire of the government to encourage the development of downstream industries in the State along with HPL so that most of the units are ready by the time of commissioning of the mother unit.

b) Electronics and Information Technology
The Government is encouraging proposals for setting up large complexes in the information technology segments in the private sector, joint sector and public sector.

c) Iron and Steel, Metallurgical and Engineering
The efforts of the government are addressed to developing these sectors optimally so that the State is able to establish its primacy in this sphere. With easy availability of raw materials, stable power and skilled man-power, a significant growth is expected. Ship breaking activities are being promoted to make available scrap at reasonable rates to the downstream units. Due attention is being given to Ferro Alloys.

d) Textiles
The State occupied and improved its earlier position in the textile sector. It is proposed to formulate a new strategy for development especially in the areas of hosiery, knit-wear, ready made garments, etc. In the silk and silk weaving sector, the government is committed to encourage processing and value addition activities. Emphasis will be given an expansion of areas under sericulture.

e) Leather and Leather Products
This sector has a very high potential for growth due to easy availability of raw materials like hides and skins. Availability of skilled manpower for such activities has been the strength of this area. Export oriented units will be benefited through the setting up of the integrated Leather Complex near Kolkata. Both for the external and internal markets, the proposed integrated leather complex on 1000 acres of land will be of immense help.

f) Food Processing, Edible Oil, Vegetable Processing and Aquaculture
The government will continue to give priority to these segments on accounts of the fact that development of these segments will further strengthen the
agricultural base and increase employment opportunities in the unorganized sector. The State will help in establishing appropriate linkages between growers and processing units. Aquaculture, particularly brackish water shrimp culture in the estuarine areas will be given priority. Floriculture, tissue culture and horticulture will be encouraged.

g) Medical Plants, Rubber, Palm Oil and Tea
The government will provide necessary support for development these areas.

h) Manufacture of Basic Drugs, Chemicals and Pharmaceuticals
Considering the traditional strength of West Bengal in these segments, an action plan is begin formulated to attract higher investment in this area.

i) Optimal Utilization of Minerals and Development of Mine-based industries
Mining of dolomite, granite, china clay, limestone apatite is being encouraged. In the coal sector, high temperature coal carbonization will be encouraged.

j) Gems and jewellery
It is proposed avail of the sophisticated skills available in the State for promotion of jewellery making.

k) Promotion of Tourism and tourism related activities
In view of the high employment potential in his sector, the Government is formulating a separate policy for development of tourism. The objective is to realize the full potential of locations like the Sundarbans, hill of Darjeeling, forest of Dooars, places of importance from the heritage angle and the seaside resorts in coastal areas.

7. The case of the Sick Central Public Sector Undertakings which employ a large number of people and also support a number of ancillary SSI units, while the State Government is helping the management and Unions to evolve viable rehabilitation packages for consideration of BIFR, it is essential that
the Government of India commits adequate funds for acceptance of the rehabilitation package by BIFR and the subsequent implementation. The response of the Government of India has at best been lukewarm so far. The State government will continue its efforts with the Government of India to see that appropriate strategies are evolved to ensure healthy revival of those units. Similarly, in the case of the sick State public sector undertakings under the State Government, efforts will be made to rehabilitate them appropriately.

8. In the case of sick/closed units in the Private Sector, the policy of the State Government is to see that such units are reopened and rehabilitated appropriately at the earliest either through the existing management or through induction of new promoters and wherever necessary with appropriate sacrifices on the part of all concerned including the State Government, financial institutions and labour. The main objective is to ensure that the rehabilitation package is implemented to ensure viable functioning of the units.

9. In the field of the industrial relations, the State Government has over the years evolved a system of tripartite negotiation and understanding both at the unit and industry level and such long-term agreements have been successfully implemented in the industries like engineering, jute, tea, textiles, etc. It is the considered view of the State Government that the workers/units have to be informed of the problems and prospects of the concerned industrial units and there should be a constant dialogue between the management and the labour to ensure harmonious industrial relations. In the face fierce competition, industry is required to maintain efficiency, standards and quality. It is also necessary for the existing units to modernize to make its products competitive. The thrust of our efforts through the tripartite machinery has been to see that industry adopts appropriate transparent management policies.
to ensure competitive production. It is necessary for the management to ensure that the statutory obligations are complied with and all the legitimate interests of the workmen looked after. It is necessary for the workers to study the industry in which they are engaged and take interest in production and productivity while protecting their rights and privileges.

3.3. Policy Instruments:

The incentive Scheme of 1993 provides an attractive package of assistance for the establishment of new units, expansion of existing units and rehabilitation of sick units. A High Powered Committee was constituted under the scheme to consider special problems under the incentive scheme in respect of individual units appropriately. Many tax concessions had been announced in the State Budget of 1993-94. The sales tax laws and procedures have been streamlined and simplified.

The State Government proposes to strengthen the escort services with a view to providing support and eliminating delays. Accordingly, the Shilpabandhu, the single window set up under West Bengal Industrial Development Corporation (WBIDC), is proposed to be upgraded. Similar upgradation of escort services by Small Industrial Development Agency (SIDA) is proposed to provide quick assistance. An empowered committee has been constituted under the Chairmanship of the Chief Secretary with all the concerned Departmental Secretaries to arrange for time bound decisions in respect of investment proposals and the clearance required.

After announcing the package of incentives for setting up of new industries in West Bengal recently, the Left Front Government in the State has decided to offer loans at moderate rate of interest to promoters for revival of sick and closed industrial units.
The first line of credit amounting to Rs. 5 crore will be available to the Kolkata unit of Metal Box Company lying closed for about eleven years. The interest will be lower than the one charged by the banks. The loan will be disbursed through the West Bengal Infrastructure Development Finance Corporation. According to the terms of the agreement, the loan amount will be available to the company from three to six months after resumption of operations by the company.

With the industrial climate turning positive in West Bengal more and more promoters are coming forward to reopen sick and closed industries. Meanwhile, with land reforms based agricultural development in West Bengal, the demand for industrial goods has been created within the State and the demand is increasing by about 10% per year.

A cold rolling mill has been constructed in bangihatti, District Hooghly, West Bengal. The mill was built by Bhushan Industries Ltd, which already has plants in Punjab, Chandigarh and Delhi. The company was setting up a modern unit for value addition to steel with cold rolling facilities of 150,000 tons per annum and galvanizing facilities of 120,000 tons per annum. West Bengal is the home to India’s largest concentration of mining, iron and steel, metal working and engineering industries; besides being the leaders in the two of the world’s agro-based industries tea and jute. It is now poised for a resurgence in the industrial sector with modern industries such as petrochemical, PTA, electronic and information technology taking shape.

McKinsey predicts big IT investment- and more jobs – in West Bengal. International consulting firm McKinsey has predicted Rs. 2 billion in investment in West Bengal’s it sector over the next few years. The firm’s
second stint with the State begin in the beginning of 2000 when it asked to create a new brand image for West Bengal so investors came to the State and realized its industrial potential. McKinsey, which has stressed the State’s potential in IT-related businesses and agro-based industry, was asked to suggest ways of improving the operation of the government’s single window clearance facility for investors. Some multinational companies have already expressed their interest in setting up call centers in West Bengal. 