On Industrial Development of Uttarakhand: Policy Framework and Empirical Evidences

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Abstract

In this paper an attempt has been made for critical analysis of industrial development in the state of Uttarakhand. It has been done browsing documents and peering into the empirical evidences. It, therefore, identifies GDP-drivers of the economy and sheds light on various policy initiatives taken by the state, factors those helped in growth and development of the industrial sector, achievements & type of industries emerged in the state and statistical facts which help in examining the change scenario.

1. Introduction

1.1 Uttarakhand has been incepted on November 09, 2000 as the twenty-seventh state of India, carving out hill-region and hinter land of the then Uttar Pradesh. There has been persistent demand for a separate state for reasons attributing from politics to socio-economic development.

1.2 Development of the state basically gyrates around five 'core factors', besides tourism and manufacturing. State is rich in natural resources. But, it is important to take advantage of these in a sustainable manner. Rivers flowing in various parts of the region have an influence on lives of almost every village, except those situated at very high altitudes. However, these rivers provide opportunities for hydro-power projects. Power generation is one of the major thrust areas. Not only state's own requirement be met but commercial marketing of Power is possible. Second in this sequence are high altitude medicinal and aromatic plants. Usage of these plants is being enhanced so that their commercial ventures can be launched in the long run. In fact, these ventures can add considerably to the economy of the people living at high altitudes where options are limited. Third is the rich flora and fauna. As the region has variety of plants and animals, organization of Nature Camps at select locations across the State can add to the economy of people living in the midst of these natural resources. The fourth is the geographical advantage. Some of the patches of the region are bestowed with geographical advantages. Horticulture, floriculture and off-season vegetable production are natural options there. These patches are being developed raising required infrastructural facilities and developing the marketing network. Fifth is the abundance of minerals. The region is no doubt rich in minerals, but due to environmental concerns these have to be exploited carefully and scientifically.

1.3 Tourism has always been one of the prime options for any hill state to develop economy of its people. However, in case of Uttarakhand it has failed to add to the economy

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of the people in the proportion it is usually envisaged. There have been two main interrelated factors – the 'Network of Tour and Travel Agencies and the Hotel Tourism' and the 'Incompetence of the Local Tourism Structure'. The network of the Tour and Travel Agencies mostly from outside the region, especially those having offices in Delhi, and the Hotels belonging to non-resident of Uttarakhand or to the larger Hotel Groups, have intentionally or unintentionally snatched the tourism industry from the hands of locals. This has happened also because of the fact that the local tourism structure has failed in developing and extending the required facilities to the tourists for their quality stay at various places and for their comfortable movement within the region.

1.4 Manufacturing *per se* has been given thrust in each of the states due to various reasons; the most important being employment generation. So, it has happened in Uttarakhand. The then existing limited manufacturing strength at Ramnagar, Kashipur, Rudrapur, Haridwar, Kotdwar, Laltapper and Selaqui has extended today. Policies have been framed and augmented at various time points. Composition of manufacturing units has been analysed for their raw material, impact on environment and transportation cost of finished goods. Accordingly, industries have been identified for their promotion in hills and plain regions of the state. Various industrial associations and CII are actively participating in improving policies and strategies. Consequently, within the period of a decade industrial sector has grown significantly and created considerable employment.

2. Policy Framework

2.1 State has been successful in attracting and facilitating industrialists and potential investors. This has been done through interventions in the form investor's meet, organizing and participating in trade fairs and documenting policies. State Industrial Policy (2003) is the first policy document in this row. It emphasised providing a comprehensive framework to enable a facilitating, investor friendly environment for ensuring rapid and sustainable industrial development in the state. And, through this, it aimed at generating additional employment opportunities, and bringing significant change (increase) in the State Domestic Product and eventual widening of the resource base of the State.

2.2 Efforts of the state in developing industrial sector got tremendous support from centre in the form of Government of India's Special Industrial Promotional (Concessional) Package (2003-10). Industries established in the state were offered 100% Income Tax Exemption for first 5 years (This is 30% for companies and 25% for others for the next 5 years). They were given Capital Investment Subsidy @ 15% on Plant & Machinery; limiting to INR 30 Lakh. Central Excise Exemption was available to the units set up before 31-03-2010 (Existing units got this benefit for all their production).

2.3 While these two policies were bearing fruits, various ICT initiatives of the state were also on in the form of World Bank funded e-Governance Project and UNDP supported Pro-poor Initiatives. IT companies expressed their willingness to participate and collaborate in these initiatives. However, they were anxiously seeking for an ICT policy document. And, then there came the IT Policy (2006) through which the incentives as mentioned under the Industrial Policy were made applicable to the IT industry as well.

Apart from this, there were following non-fiscal incentives also:-

- Preferential allotment of land for IT industry in the state
- Continuous/ uninterrupted power supply to IT industries
- Lending in IT considered as priority sector by the state-level financial institutions
- Special efforts to develop high-quality social infrastructure such as schools, housing, healthcare, entertainment and leisure facilities near the IT unit locations
- Providing an enabling administration system for obtaining easy clearances and approvals from various government departments through single-window mechanism

2.4 Above said policy frameworks attracted investors and industrialists in significant number, but mainly for the hinter land. Industrial development in hills remained an unfulfilled dream. This paved way for enacting Integrated Industrial Development Policy (2008) with special focus given on Hills, with its applicability till 31 March 2018.

2.5 Hill region, under this Policy, has been divided into two categories – one composed of the boarder districts (Category-A: Pithoragarh, Uttarkashi, Chamoli, Champawat and Rudraprayag) and the other constituted of rest of the area (Category-B: Pauri Garhwal, Tehri, Almora, Bageshwar and Hilly Area of the District Dehradun). This policy has been framed keeping in mind the environmental concerns and hence eligible industries are mainly non-polluting manufacturing industries as classified by the Ministry of Environment and Forests, Government of India. Tourism, biotechnology industry, protected agriculture and cold storages, petrol and diesel pumping stations, and gas storages are included as eligible ones.

2.6 It is a typical policy in the sense that it offers incentives for development of land resources. The important incentives are: 100% stamp duty exemption on purchase/ lease of land, infrastructure development subsidy @50% of the total investment on infrastructure facilities of the industrial estate (Maximum INR 50 Lakh), minimum requirement of land for notification as industrial area is 2 acres, land-use change simplified.

2.7 Fiscal incentives under Integrated Industrial Development Policy (2008; Special focus given on Hills) mainly include special interest subsidy @ 6% and 5% respectively for category-A (Maximum - INR 5 lakh) & B (Maximum – INR 3 lakh) districts, reimbursement of VAT upto 90% and 70% respectively in category-A & B areas, special capital investment subsidy on work-shed building and plant & machinery upto 25% (Category-A; Maximum – INR 30 lakh) & 20% (Category-B; Maximum – INR 25 lakh). Subsidized power to notified eligible manufacturing and service sector enterprises, support upto INR 1 lakh for acquiring quality certificates, incentives for research and development & technology transfer and special transport incentive for local resource based industries are other important offers.

3. Facilitators

3.1 There are six essential components needed for industrial development of any area/ region/ state. Prime is an encouraging and conducive environment which has already been detailed in the previous topic i.e. policy framework. Other five, not in order of their

merit, are human resource, availability of raw material, power, institutional arrangements and infrastructural development.

3.2 Manpower Availability: There are 106-Degree/ PG Colleges, 16 Universities, 106 ITIs, and 37 Polytechnics in the state. Around 1.5 lakh students study in Degree/ PG Colleges/ Universities, and nearly 10,000 students are attending vocational and technical institutions each year. Various courses being run by the government and private institutions include engineering, MBA, MCA etc. Thus, it is clear that both skilled and unskilled human resource is available in the state.

3.3 Raw Material: Production of conventional crops like rice, wheat and sugarcane meets industrial requirement. State is rich in production of apple, pear, peach, plum, walnut, mango, guava, citrus fruits, litchi, jackfruit, *amla* and papaya. Apart from these, off-season vegetables, spices, mushrooms, flowers, herbs, silk and tea are also produced. MFPs and timber is available in abundance. And, as said earlier there are plenty of medicinal and aromatic plants which can be processed, packaged and marketed. State's proximity to New Delhi and its connectivity through rail, road and air with various parts of the country makes it a preferred destination for industry.

3.4 Power: State is endowed with perennial sources of water. There are number of glaciers in the upper region of the state. Ganges, with its various tributaries like *Alaknanda, Bhilangana, Bhagirathi, Mandakini* etc, and Yamuna are main rivers in the Garhwal whereas Sharda, Kosi and Ramganga flow in Kumaon region. Therefore, there is tremendous scope for development of small-scale hydro-electric projects. The identified potential is estimated for 26000 MW; out of 3164 MW has been harnessed and 12145 MW is under development, and remaining potential, which is around 10691 MW, is yet to be harnessed. Therefore, both hydro-power companies and manufacturing units requiring power get fascinated.

3.5 Institutional Arrangements: Right from the inception of the state emphasis has been on raising professionally managed autonomous institutions supporting or augmenting conventional departments. Consequently, many companies/ boards have been created for the development of industrial sector. Some of them are: Uttarakhand Infrastructure Development Company (UIDC), Uttarakhand Infrastructure Project Company (UIPC), Public Private Partnership (PPP) Cell, Uttarakhand Tourism Development Board, State Adventure Tourism Committee, State Infrastructure and Industrial Development Corporation of Uttarakhand Ltd. (SIDCUL), Uttarakhand Tea Board and Herbal and Aromatic Plants Development Board. These are engaged in building and developing projects, seeking partnership, attracting investment and coordinating for various approvals.

3.6 Infrastructural Development: As the age-old industrial areas were not sufficient for meeting the future requirement and the infrastructure was in inappropriate shape, the State Infrastructure and Industrial Development Corporation of Uttarakhand Limited (SIDCUL) has been established to develop newer estates with state-of-art infrastructure. So far, it has established 3 Integrated Industrial Estates (IIE) (One each in Haridwar, Pantnagar and Sitarganj, Pharma City in Salequi, IT Park at Sahastradhara (Dehradun) and Growth Centre at Siggadi. Till May 2011 SIDCUL could attract an investment to the tune

of nearly INR 16,000 Crores. Efforts of the SIDCUL are amplified with 48 private industrial estates having total area of about 3262 acres.

4. Uttarakhand's Basket

4.1 The industrial development of the state is diversified as clear from the type of industries established in recent past. Sectors of key-industries set up in the state are: Automobiles, Agro-based Industry and Food Processing, Floriculture & Horticulture, Pharmaceuticals and Biotechnology, FMCG and Electronics, Hydro Power, Tourism and ICT. Sector-wise reasons/ efforts and major industrial houses/ companies in Uttarakhand are listed in Table-1.

4.2 Recognition: The ICT efforts of the state have been recognised at the 'Manthan-AIF Award 2006 Platform' where Uttarakhand received the award for "E-Emerging State of India (2006)". The India Today magazine through one of its studies observed Uttarakhand as the "Fastest Mover in Investment Environment" and conferred the "Best Emerging State for Investment (2010)" award in State of the States-2010 award ceremony.

5. Statistical Facts

5.1 The data on Principal Industrial Characteristics of Uttarakhand have been extracted from various publications of Annual Survey of Industries (ASI) by CSO, MOSPI, and is being presented in Table-2. A very rosy picture appears from this Table, except, perhaps, the reduction in No. of Factories in the year 2003-04.

5.2 All the indicators/ characteristics have improved year-by-year. The No. of Factories has almost tripled during the reference period. No. of workers has grown 7-times, Invested Capital by 8-times and Output by 15-times. Thus, it appears necessary to workout suitable ratios for making critical comments. These ratios are presented in Table-3.

5.3 As Fixed Capital per unit of Invested Capital and Productive Capital per unit of Invested Capital both are growing, one can assume that industrial development in the state is stable in nature. Further, growth in the ratios of Output to Input and NVA to Input reflect that value added production is being done. There is not any change in the Wages to Total Emoluments, which is nearly 50%. However, Wages per Worker is decreasing contrasting with increase in Emolument per Person; at the same time ratio of Workers is increasing. This is an alrming situation and needs further scrutiny.

5.4 As Micro, Small and Medium Enterprises (MSMEs) also contribute in industrial development of the state, the time-series data pertaining to them published by the DES in various Statistical Diaries is also examined. This data is being reproduced in Table-4. It is clear that Number, Investment and Employment in MSMEs have increased during the period from 2000-01 to 2010-11.

5.5 However, it is to be noted that Investment per MSME has grown by 20-times. But, there is not much change reported in Employment per MSME, and Employment per Cr. INR Invested has gone down considerably i.e. from all time high figure of 416 in the year 2001-

02 to mere 26 in 2010-11. So, among 3M (Machine, Material and Manpower), the investment (Money) is being done for machine and material. This is again alarming since MSMEs appears becoming machine-intensive. Thus, here also a closer examination is required. It is to be noted that employment generation has been mentioned in various Policy Documents as one of the prime objectives. Though employment generation in Factories and MSMEs is observed, improvement in the condition of workers appears requiring sincere intervention.

5.6 Data of GSDP published/ released by the DES in its respective publications for 1999-2000 and 2004-05 Series have been analysed for another view of the industrial development. It is being reproduced in Table-5, Figure-1 and 2. The statistical facts and figures reveal that GSDP of Industry has grown 7.5+ times in the span of ten years i.e. from 1999-2000 to 2010-11. Manufacturing, Construction, Electricity-Gas-Water Supply and Minning & Quarrying have respectively grown 9.5+ times, 5+ times, 9+ times and 6+ times.

5.7 Though figures of GSDP at Current Prices can be seen in Table-5 above, it must be noted that it is not a particular sub-sector that has grown, rather each of the constituent sub-sector of Industry has grown simultaneously. However, among them Manufacturing has reported the highest growth.

5.8 The industrial growth rate (Figure-1) of Uttarakhand appears confirming to the ground realities. After having early fluctuations, it smoothly increased during the period from 2003-04 to 2005-06, remained maintained till 2007-08 and then started decreasing. The effect of State Industrial Policy (2003) coupled with Government of India's Special Industrial Promotional (Concessional) Package (2003-10) and IT Policy (2006) is quite visible[2].

5.9 A closer look at the composition of GSDP (Figure-2) gives a very interesting picture. Contribution of agriculture sector has decreased from 28% to 15% during the period 1999-2000 to 2010-11. However, contribution of industry has increased from 22% to 33% during the same period. Service sector has contributed around 50-52%. Thus, shift in economy from 'Agriculture' to 'Industry' is fairly apparent.

6. Concluding Observations

6.1 The industrial sector in Uttarakhand has grown significantly and created considerable employment. This could be made possible through implementation and augmenting appropriate industrial policies at various time points. The regional approach in identifying industries for their promotion in hills and plain regions, and creation of an encouraging & conducive environment by the state has paid off. Availability of raw material & manpower and institutional & infrastructural support by the government has facilitated industrial sector to a great extent. Consequently, the industrial set-up of the state is a bunch of diversified industries, and state has emerged as one of the best investment destinations.

[2] It will be too early commenting on effects of Integrated Industrial Development Policy (2008; Special focus given on Hills) mainly because it is long-term and district-wise data are yet to come.

6.2 The Number of Factories has almost tripled during the period from 2001-02 to 2009-10. Number of Workers has grown 7-times, Invested Capital by 8-times and Output by 15-times. These figures are sufficient to express the industrial development in quantitative terms. However, some of the qualitative measures are very alarming; especially Wages per Worker is decreasing contrasting with increase in Emolument per Person whereas ratio of Workers is increasing. Similarly, Employment per Cr. INR Invested in MSMEs has gone down considerably, which expresses that MSMEs are becoming machine-intensive. Though employment generation in Factories and MSMEs is observed, improvement in the condition of workers appears requiring sincere intervention.

6.3 The GSDP figures show that Industry has grown 7.5+ times in the span of ten years i.e. from 1999-2000 to 2010-11. Growth is observed for each of the sub-sector of industry i.e. Manufacturing, Construction, Electricity-Gas-Water Supply and Minning & Quarrying. Impact of various policy interventions and the Government of India's Special Industrial Promotional (Concessional) Package (2003-10) is fairly visible and reflected in the data of GSDP. Moreover, structural change in the state's economy has been observed. It has actually shifted from 'Agriculture' to the 'Industry'. However, given the completion of the SIIP (2003-10), it may be challenging for the state to maintain its industrial growth at the same pace.

References

1. Various ASI publications by the CSO, MOSPI, Government of India and its website

2. Presentation titled 'Industrial Growth Scenario' by Mr. Pankaj Gupta, President, Uttarakhand Industrial Association, Dehradun

3. Various Statistical Diaries published by the DES, Uttarakhand

4. Various publications on GSDP by the DES, Uttarakhand

Table-1: Select Sectors and Major Industrial House/ Companies

Sl. No.	Sector	Reasons/ Efforts	Major Industrial Houses/ Companies
(1)	(2)	(3)	(4)
1	Agro & Food Processing	• Fruits such as apples, oranges, pear, grapes peach, plum, litchi, mangoes and guava and crops like sugarcane, rice and wheat are widely grown in the state and therefore have immense potential for development of food processing units. • Four Agri-Export Zones (AEZs) and a biotech park near Pant Nagar are coming up in the state.	Britannia, Nestle, Pepsi, Heinz
2	Engineering and Allied Industry	• Many automobile and auto component companies have set up their manufacturing units and R&D centres in the state. • Availability of basic infrastructure also attracted the auto companies to the State.	Tata Motors, Bajaj Auto, Mahindra & Mahindra, Hero Honda, Bharat Heavy Electricals Limited, Ashok Leyland
3	FMCG	• Proximity to key markets and supply centres of North India, further add to the attractiveness of the state as an investment destination. • Availability of raw materials and quality manpower	ITC Limited, Dabur India Ltd, Hindustan Unilever Ltd, Cavin Kare Pvt Ltd, Parle
4	Floriculture & Horticulture Industry	• Uttarakhand has several agro-climatic zones making it particularly conducive to commercial horticulture and floriculture. • The floriculture industry is being developed aggressively in order to meet the demand of domestic as well as foreign markets. The climate of the state makes it ideal for growing flowers all round the year. • Floriculture parks with common infrastructure facilities for sorting, pre-cooling, cold chain, processing, grading, packing and marketing facilities have been planned in order to provide adequate incentives and facilities to the industry.	Various private investors and progressive growers across the state
5	Forest Product Industry, Pharma-ceuticals, Bio-technology	• Easy availability of raw materials. • The state has ample scope to develop industries based on forest-and agro-wastes such as lantana, pine-needles, plant and vegetative fibres.	Greenply, NGOs, Himalaya, Hamdard

Table-1: Select Sectors and Major Industrial House/ Companies (Contd.)

Sl. No.	Sector	Reasons/ Efforts	Major Industrial Houses/ Companies
(1)	(2)	(3)	(4)
		• Uttarakhand is a storehouse for a rich variety of herbs, medicinal and aromatic plant species. This enables for the development of export-oriented units.	
6	Hydro-power	• Glaciers in the higher ridges of the state as perennial source of water • Network of rivers in Garhwal and Kumaon. Main rivers are Ganges, Yamuna, Sharda, Ramganga etc.	Jaypee, GVK, Alaknanda, THDC, NHPC
7	Handloom and Handicraft	• Artisans have been given exposure to markets through participation in craft bazaars, Delhi Haat, Suraj Kund fair and other exhibitions. • Organized several craft exhibitions· Established State Handicraft Emporium at Baba Kharag Singh Marg and Handloom Haveli at Bhikaji Kama Place in New Delhi • Established State Emporium in different part of the State and developed Shilp Complexes on Yatra routes.	Himadri: A Trusted Brand (Uttarakhand Handloom and Handicraft Development Council)
8	ICT Industry	• STPI, Dehradun offers high-speed connectivity. • Facilities by BSNL, Tata and Reliance are also available in the state. • IT Park developed in Dehradun. 50% of the IT Park has been reserved for building flatted factories. • Incubation Park	HCL Infosystems, WIPRO, Hewlett Packard, Simcom Solutions, Genpact

Note: Adopted and improved taking from 'Industrial Growth Scenario', a presentation by Mr. Pankaj Gupta of UIA.

Table-2: Principal Industrial Characteristics of Uttarakhand

Sl. No.	Characteristics	2001-02	2003-04	2005-06	2007-08	2009-10
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	No. of Factories (NF)	698	679	900	1474	2344
2	Fixed Capital (FC)	196584	218176	419984	1297142	3265713
3	Productive Capital (PC)	271532	307634	683832	1753058	4511837
4	Invested Capital (IC)	369411	416974	728706	1867732	4542012
5	Workers (WK)	27317	27592	53601	97687	188895
6	Total Persons Engaged (TP)	40880	41561	71097	129585	238795
7	Wages to Workers (WW)	22003	23868	34958	70785	148004
8	Total Emoluments (TE)	43496	46881	66962	135239	289416
9	Total Input (TI)	419658	551456	1177255	2388712	5961043
10	Total Output (TO)	521444	724881	1558012	3306679	7932238
11	Net Value Added (NVA)	82468	151438	345668	831520	1771875

Note: Figures for Sl. No. 2-4 & 7-11 are in Lakh INR.

Table-3: Important Ratios of Principal Industrial Characteristics of Uttarakhand

Sl. No.	Characteristics	2001-02	2003-04	2005-06	2007-08	2009-10
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Fixed Capital to Invested Capital	0.53	0.52	0.58	0.69	0.72
2	Productive Capital to Invested Capital	0.74	0.74	0.94	0.94	0.99
3	Wages per Worker (in Lakh INR)	0.81	0.87	0.65	0.72	0.78
4	Emoluments per Person (in Lakh INR)	1.06	1.13	0.94	1.04	1.21
5	Workers to Total Person Engaged	0.67	0.66	0.75	0.75	0.79
6	Wages to Total Emoluments	0.51	0.51	0.52	0.52	0.51
7	Total Output to Total Input	1.24	1.31	1.32	1.38	1.33
8	Net Value Added to Total Input	0.20	0.27	0.29	0.35	0.30

Table-4: Principal Characteristics of MSMEs in Uttarakhand

Year	No. of Registered Units	Investment (in Cr. INR)	Employment Created	Employment per Unit	Investment per Unit (in Cr. INR)	Employment per Cr. INR Invested
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2000-01	17534	149	59659	3	84812	401
2001-02	34333	288	119947	3	83920	416
2002-03	36516	310	124811	3	84972	402
2003-04	38976	342	129782	3	87751	379
2004-05	25294	861	63599	3	340252	74
2005-06	28249	952	72621	3	336935	76
2006-07	32116	1226	87279	3	381846	71
2007-08	32853	1942	106843	3	591133	55
2008-09	34084	3299	118915	3	967844	36
2009-10	35955	4856	142780	4	1350488	29
2010-11	37928	6280	162453	4	1655895	26

Table-5: GSDP (At Current Prices in Cr. INR) of Industrial Sector of Uttarakhand

Sl. No.	Item	Years		
		1999-2000	2000-01	2010-11(Q)
(1)	(2)	(3)	(4)	(5)
1	GSDP of Industry	2515	3207	25187
2	GSDP of Manufacturing	1174	1682	16074
3	GSDP of Construction	937	1182	6274
4	GSDP of Electricity, Gas & Water Supply	260	226	2134
5	GSDP of Mining & Quarrying	144	118	705

Note: Figures for 1999-2000 & 2000-01 correspond to 1999-2000 Series & that of 2010-11 corresponds to 2004-05 Series.

Figure-1: Growth Rate of Industrial Sector of Uttarakhand

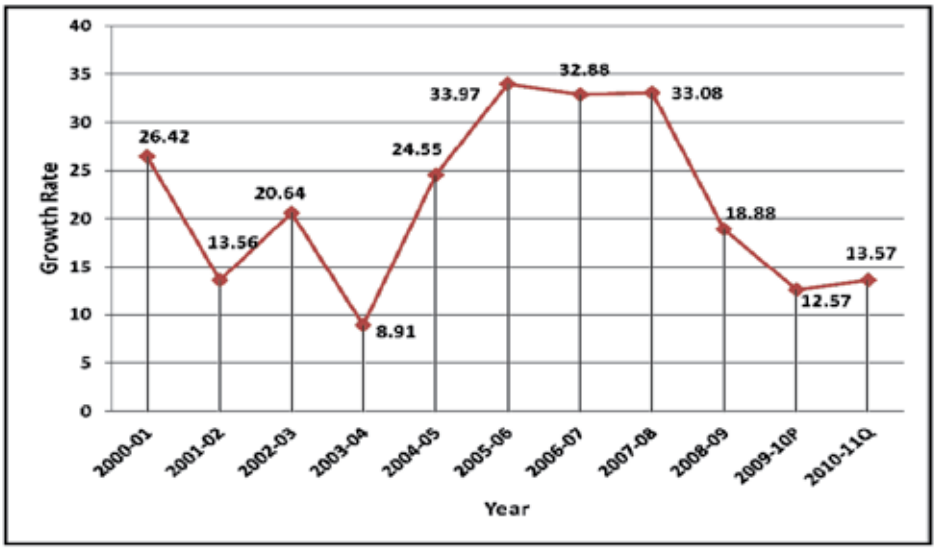

Figure-2: Sectoral Composition (Contribution in Percentage) of the GSDP