

ISSN: 0976-3031

***International Journal of Recent Scientific
Research***

Impact factor: 5.114

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PRADESH—A BLUEPRINT STRENGTHENING ‘MAKE IN
INDIA’**



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Volume: 6

Issue: 10

**THE PUBLICATION OF
INTERNATIONAL JOURNAL OF RECENT SCIENTIFIC RESEARCH**

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ISSN: 0976-3031

Available Online at <http://www.recentscientific.com>

International Journal of Recent Scientific Research
Vol. 6, Issue, 10, pp. 6656-6661, October, 2015

**International Journal
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RESEARCH ARTICLE

DEVELOPING INDUSTRIAL COULOIR IN HIMACHAL PRADESH—A BLUEPRINT STRENGTHENING 'MAKE IN INDIA'

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ARTICLE INFO

Article History:

Received 05th July, 2015
Received in revised form
08th August, 2015
Accepted 10th September, 2015
Published online 16st
October, 2015

Key words:

Make In India, manufacturing
Industry, FDI, E-biz.

ABSTRACT

The Prime Minister of India Mr. Narendra Modi has launched a new National program designed to make India a global hub for manufacturing. Through Make In India initiative, the government of India will focus on making business environment efficient, transparent, convenient and electronic. 14 government of India services have been integrated for this and 25 sectors have been identified. India ranks 134 out of 189 countries in the World Bank's ease of business index in 2014. The initiative will focus on building physical infrastructure to creating a digital network to make India a global manufacturing powerhouse. The present paper is an attempt to identify opportunities for Himachal Pradesh as Himachal has been put in the special state category where many taxes have been holidayed. A ground work draft also has been prepared identifying an industrial corridor, various sectors where the industries can be invited to Himachal and what initiatives and groundwork the Government of Himachal can do to participate in this ambitious and leap of a lion drive called make In India drive of the country.

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INTRODUCTION

Whosoever desires constant success, must change his conduct with the times

The world economy is recovering from its slowdown with all the key economic groups like USA, euro area and BRICS. The developed countries are now looking for some other Asian countries for their manufacturing due to rising cost and some of the developing countries like China and Russia are going to face loss of global manufacturing units and employment due to rising wages and rising cost of production which used to be their advantage previously. India in this competitive arena starts very poorly with its manufacturing sector amounting to 15% of its GDP and just too many of its drawbacks like poor infrastructure, tedious rules and regulations and public private cooperation. Still, if we think about the long term gains and strengths, India has a lot in its bag, like, trained human resource, skill, strong entrepreneurs and its robust and growing demand. The arena is laid and the ground is ripe for India to ponder upon its business environment making it convenient, helpful, transparent and inviting for the foreign investment and be a global leader. The Prime Minister, Mr. Narendra Modi is too visionary to launch a campaign named "Make in India" just in time going with his theme of development. From the ramparts of Red Fort Hon'ble Prime Minister Mr. Narendra Modi had announced,

"Let's resolve to steer the country to one destination. We have it in us to move in that direction. Come, make in India", "Come, manufacture in India". Sell in any country of the world but manufacture here. We have got skill, talent, discipline, and determination to do something. We want to give the world a favourable opportunity that come here, "Come, Make in India" and we will say to the world, from electrical to electronics, "Come, Make in India", from automobiles to agro value addition "Come, Make in India", paper or plastic, "Come, Make in India", satellite or submarine "Come, Make in India". Our country is powerful. Come, I am giving you an invitation." And Forty-one days later at Vigyan Bhawan, New Delhi, Modi announced the launch of India's most ambitious plan to boost manufacturing in the country.

Rationale for the Study

Why the need to Make In India: Narendra Modi stated the reason and motive to launch Make In India very clearly, "It is important for the purchasing power of the common man to increase, as this would further boost demand, and hence spur development, in addition to benefiting investors. The faster people are pulled out of poverty and brought into the middle class, the more opportunity will there be for global business. Therefore, investors from abroad need to create jobs. Cost effective manufacturing and a handsome buyer – one who has purchasing power – are both required. More employment means more purchasing power". This gives all the more reason

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to start thinking about Himachal. There is a vast platform for Himachal to grow as a model industrial hill state; generating employment and investment opportunities, developing skill development and promoting MSMEs as well as large industries in harmony with the state environment and ecology. This gives the rationale of the present work, to research how this objective can be met and what measures should be taken by the government of H.P. for making the environment conducive for the foreign and domestic investment.

Objectives of the Present Study

The objectives of the present study were:

- To understand the paradigm “Make in India” campaign
- To identify the opportunities for Himachal Pradesh
- To identify industrial corridor in Himachal Pradesh
- To prepare a groundwork blueprint for the initiation of the campaign in Himachal.

METHODOLOGY

Various books, journals, articles, research papers and other published material were studied for the purpose of the present research problem. The research focuses on preparing a groundwork draft for Himachal Pradesh promoting and incentivizing industrial growth in harmony with the state’s environment. Exploratory qualitative approach has been used.

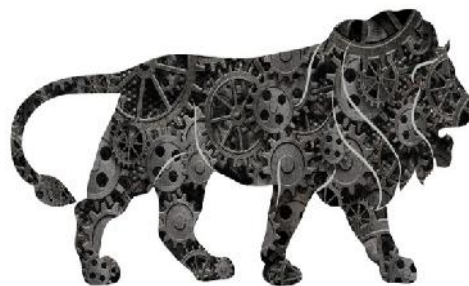
Make In India and Global Perspective

...and miles to go before I sleep...and miles to go before I sleep...

India’s share of global GDP has risen from 1.2% to 2.5% over the last 20 years, while its share of global Manufacturing has increased from 0.9% to 2.0% and India’s share of global Merchandise export has increased from 0.5% to 1.7%. China’s share in global manufacturing GDP is 24.1%, that of US 17.8%, Japan 7.3% and France, Germany, etc is 14.9%. The share of Japan, Germany, France, etc. has declined very sharply during the last 20 years due to sharp increase in cost of production in these countries. Same is going to happen in China, Russia, etc. where cost advantage is eroding and energy costs are rising. This low cost competitiveness is an edge and attractiveness for India. These countries are now looking for some other Asian countries where the environment is conducive and lucrative giving India an edge. There is a continuous increase of FDI in India since March 2014 from 1.5 to 4.8 USD billion in June 2014. Same is the case of manufacturing sector. Optimism is high but there is a long way to go as increase of FDI is only in a few key sectors and other sectors still need attention. The infrastructure is poor; labour laws need to be reformed and power supply is in short. Besides this, India’s rank for doing ease of business is 142, corruptions perception 94, world logistics performance 54 and overall business environment is 57 narrating a sorry tale. Overall risk score out of a 100 maximum risk in India is 51, legal and regulatory risk is 60, Tax policy risk is 81 (Source: EIU Risk tracker 2014).

Make In India, the Campaign

The Make in India is a new national program designed to make India a global manufacturing hub. It contains a raft of proposals urging foreign and domestic companies to invest in India. At present there are 217 approved industrial parks in the country, in 14 states.



The logo

The Make In India logo is derived from India’s national emblem. The wheel denotes the peaceful progress and dynamism – a sign from India’s enlightened past, pointing the way to a vibrant future. The prowling lion stands for strength, courage, tenacity and wisdom – values that are every bit as Indian today as they have ever been.

The Machinery

Major highlights of the “Make in India” plans are as follows:

1. **Invest India cell:** An investor facilitation cell set up by the government will act as the first reference point for guiding foreign investors on all aspects of regulatory and policy issues and to assist them in obtaining regulatory clearances from their arrival to departure.
2. **Consolidated services and faster security clearances:** 14 central government services are being integrated with an e-Biz single window online portal while states have been advised to introduce self-certification. The ministry of home affairs have been asked to give all security clearances to investment proposals within 3 months.
3. **Portal for business queries:** A cell has been created to answer queries from business entities through a newly created web portal (<http://www.makeinindia.com>) within 72 hours.
4. **Interactions with the users/visitors:** A pro-active approach will be deployed to track visitors for their geographical location, interest and real time user behaviour. Subsequent visits will be customised for the visitor based on this information. Visitors registered on the website will be followed up with relevant information and newsletter.
5. **Easing policies and laws:** A vast number of defence items have been de-licensed and the validity of industrial license has been extended to three years. An advisory has been sent to all departments/state governments to simplify and rationalise regulatory environment (which includes online filing of all returns in a unified form).

Sectors Covered

The focus of Make in India programme is on creating jobs and skill enhancement in 25 sectors. These include: automobiles, aviation, chemicals, IT & BPM, pharmaceuticals, construction, defence manufacturing, electrical machinery, food processing, textiles and garments, ports, leather, media and entertainment, wellness, mining, tourism and hospitality, railways, automobile components, renewable energy, mining, bio-technology, space, thermal power, roads and highways and electronics systems.

The Hot Spot Issues Needed To Be Adressed Under Make In India

There are two most important issues those still need a lot of attention, that is legal and administrative reforms like land acquisitions, labour laws, red tapism to make the environment for the foreign investment convenient, online and under single window. India ranks 134 out of 189 countries in the World Bank's ease of business index in 2014. The global investor has been unsparingly criticizing India about its rigid, complex and time consuming rules and bureaucratic hurdles that take atleast 45 days for the initial investment decisions.

The other important issue that has to be addressed is that of medium and small size enterprises, which have to be protected and encouraged. The small businesses comprise of almost 17% of India's GDP employing about 60 million people, which makes it India's second largest employer after agriculture sector. The MSME's constitutes 90% of the total industrial units of the country and account for nearly half of the industrial output and 40% of the exports. There seem to be no policy for the protection and nourishment of these MSME's in the package of Make in India.

Prospects for Himachal

The make in India seems to be a good initiative but it depends a lot on which state we are looking at. Some states like Gujarat, Madhya Pradesh and Utrakhand have made greater strides where as other states like Himachal still have to go far for the electronic industry. The growth of manufacturing sector in Himachal has to go a long way to achieve the target of contributing 25% of its State Gross Domestic Product as fixed by the National Manufacturing Policy. This policy aims at achieving average annual Industrial growth rate of 15%.

Current scenario

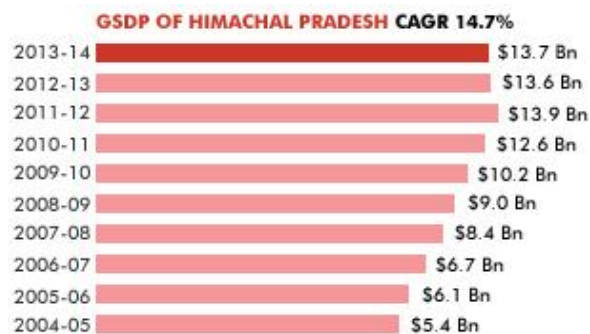
Till 2003-04, there were only about 30839 SSI units and about 211 large and medium units employing 164225 people only. As on 2013, there were 39018 SSI units employing 2.16 lakh people. In large and medium sector 494 units were there with an investment of Rs. 11009.53 crore employing 59143 people. There are 42 industrial areas and 17 industrial estates. Maximum SSIs are found in Kangra district followed by district Solan. Solan district has become the biggest industrial central mainly a pharma hub, followed by electronics, textile, food processing, soap and cosmetics. Engineering and steel units are mainly found in Sirmour. There are 7 Tribal Development blocks and 17 other blocks and backward

panchayats which are declared as tax free zones. Need based land is allotted on leasehold bases for 95 years on which premium is fixed on a year to year basis by the committee consisting of secretary to the Govt.(industries), Director and Managing Director, HISIDC Ltd.

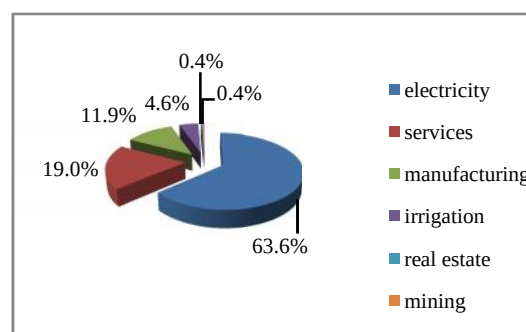
Draft for the Industrial Corridor Of Himachal

Himachal Pradesh in this campaign is starting far from a position that can be termed as advantageous. The manufacturing sector in Himachal accounts for only 11.9% of its total State GDP as compared to the National figure of National manufacturing sector which is 15.2% of National GDP. At current prices Himachal Pradesh's Gross State Domestic Product (GSDP) was estimated as US \$13.7 Billion in 2013-14. The break of outstanding Investment over a total of US \$18.7 Billion was electricity 63.6%, manufacturing 11.9%, services 19%, irrigation 4.6%, real estate 0.4% and mining 0.4%. The manufacturing sector with almost 12% has a long way to go to achieve its National target of 25% which gives it space to grow with an annual growth rate of 15%.

Economic Snapshot: GSDP of Himachal Pradesh



At current prices, Himachal Pradesh's gross state domestic product (GSDP) was estimated at US\$ 13.7 billion over 2013-14.



Over 2013-14, outstanding investments in Himachal Pradesh totalled US \$ 18.7 billion.

Parwano, Barotiwala, Baddi, Paonta Sahib, Mehatpur, Shamshi, Nagrotu Bagwan, Bilaspur, Reckong Peo and Sansar Pur Tera are some of the industrial areas of the state at present. As the dust free climate of Himachal is extremely suitable for the setting up of electronic industries, many electronic complexes have been established at Solan, Mandi, Hamirpur, Shogi, Raga-Ka-Bagh, Chamba, Ambi, Taliwala and Keylong. Himachal has a great potential

for its further growth as it has all the essentialities to develop industrial areas, corridors and environment.

Initiatives that should be taken by the govt. of himachal

Himachal has a lot to its advantage to be a manufacturing leader. Certain sectors are likely to play a key role in our growth going forward like electronics, textiles, automobiles, chemicals, IT, pharmaceuticals, biotechnology, food processing, electrical machinery, renewable energy, thermal power, tourism and hospitality and wellness. To achieve a manufacturing led transformation Himachal needs to undertake a well structured and planned approach. We have to fix some problems for ease of doing business to good infrastructure. This has to be done in three basic steps, i.e. improving infrastructure, reforming laws for the ease of doing business and gain competitiveness.

The Groundwork Draft

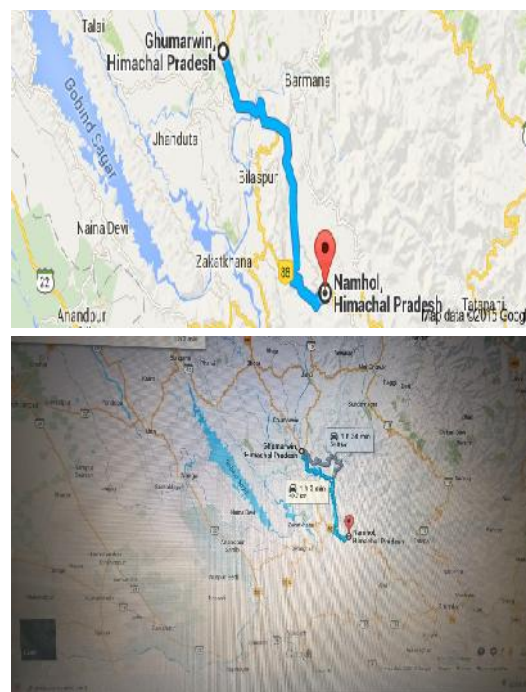
At present there are manufacturing hubs in the districts of Solan, Sirmaur and Kangra. Now is the time to identify new industrial corridors. One such area of about 25-30 kms is Ghumarwin-Namhol area which has a great potential to be developed as an industrial corridor.

Land is not fertile there, so can be used as industrial purposes and the basic needs of electricity, connectivity and water are available. Land is by and large infertile here. Plenty of water is available and 4-lane road connectivity is good. Railway line can also be provided to the area which is only 40 kms from Bhanupalli which would require no big funds to lay down further. The area would cover 7 districts, Kangra, Hamirpur, Una, Bilaspur, Mandi, Solan and Shimla.

People which will be displaced can be rehabilitated by providing employment. More than 1-1.5 lakh employment can be generated in this area if the land is provided and laws are reformed to smoothen the administrative friction and for the ease of business. Capitalist friendly environment can be made so that the FDIs can be invited.

The capitalists are willing to invest for the development of the area, provided the laws are convenient, transparent, easy and preferably online. The land should be divided and developed into small to large plots according to small, medium and large industry needs; the trees those are laid should be replanted to make the environment eco-friendly and plans should be made and conveyed for the people those are to be rehabilitated. Separate areas should be identified for the residential areas too and housing for more than 20-30,000 labourers and other officials should be provided.

Plans for the waste management of the residential as well as industrial waste should also be made. EDC taxes can be put for the investors. The investors are willing to invest money if they the business environment they perceive is honest, transparent and corruption free; and if they are provided with quality facilities.



A more inclusive and comprehensive approach can be followed by keeping a futuristic vision. The area can be developed very well as a leading industrial corridor if political will is there. Following strategy can be adopted to achieve the target:

Development of infrastructure and related facilities

1. **Land planning and development:** industrial areas are developed by department of industries and other agencies like HIMUDA. Land around Ghumarwin to Namhol can be acquired by the government and be developed as an industrial corridor. It caters to the three basic facilities required by the industrial area i.e. land, water and connectivity. Railway line is only 40 kms from Bhanupaly and requires no big funds to further laying. Airport is also nearby. Land can be divided into plots of various sizes to cater the needs of small, medium and large industrial units. Residential plots can also be identified for the labor and other officials. Reforestation and greenery should be given priority. Land development would involve the stakeholders and Industrial Area Development Agencies.
2. **Power for the industry:** With a hydro power potential of 23,000 megawatt (MW) (of which just 8,368 MW has been harnessed), Himachal Pradesh accounts for 25 per cent of the country's total hydro power potential. Of these 8500 MW is already commissioned and 10,000 MW is under implementation. The state also boasts of a high level of village electrification; about 17,480 of 17,495 villages had been electrified by the end of March 2013. The industries can be easily provided with the uninterrupted and assured supply of required energy and the prices here are really competitive and uninterrupted.
3. **Water supply:** plenty of water is available in that area. River Satluj flow through it and a big reservoir is also there. Sprawling Gobind Sagar Lake can cater to the needs of the industry there. Water is not scarce.

4. **Industrial waste:** Separate infrastructure for the ETPs, hazardous waste management facilities, CETPs, solid waste management facilities, SVPs, can be set up for the disposal of industrial and social waste.
5. **Social infrastructures: health institutions and housing:** The state has an ideal climate for setting up of specialized health institutions like Ayurveda, Tibetan School of Medicine and homeopathy to promote the industry under wellness sector.
6. Adequate housing facilities will be created and separate land will be demarcated for the housing facilities to various categories including industrial labour nearby. Supply of water facilities, waste management, electricity and tie up with the local panchayats will be given priority.
7. **Encouraging manufacturing competitiveness:** research and development, modernization, greening, training and testing and calibration facilities should be encouraged by the state Govt.

Facilitation and improving ease of doing business

1. **Consolidation of services, Simplification of rules and single window clearances:** To transform the business environment by providing a transparent, efficient, convenient and integrated electronic services; various services will have to be integrated and made online as to the footsteps of Central Government and many other state governments like Delhi, Gujarat, Karnataka, Punjab, Maharashtra, Puducherry and Chhattisgarh initiatives. Simplification of rules and procedures should be initiated on time bound manner by the government. Online portals for the various permissions like for PF, consent for pollution control, environment clearances, single ID for VAT and professional tax registrations, insurance, residential and industrial building permits, NOCs and other industrial clearances. An online portal is very important integrating various services, which is not a big deal to be made. Single window agencies are already working at Nalagarh, Baddi, Paonta sahib, Parwanoo, Galthai and Sansarpur terrace areas for the speedy clearances.
2. **Investor assistance service:** An investors' facilitation cell has to be set up by the government which will act as first reference point for guiding foreign investors on all aspects of regulatory and policy issues and to assist them in obtaining regulatory clearances from their arrival to departure.
3. **Transportation:** The state has a very good Truck service right now but the railways can also be provided with not much investment as it is only about 40 kms from Bhanupali.

What does future look like

To the expression "Look East, Link West", the Prime Minister believes in the infrastructure of the future – including i-ways besides highways – and mentioned port led development and optical fibre networks. Digital India mission should ensure that Government processes remained in tune with corporate processes. It is to link public private collaborations.

Make in India...this is the step of a Lion

Nobody can question the talent of our people, especially after the Mangalyaan"

Make In India's success relies a lot on the fate of the newer companies and start-ups. A mission which can go either way at this stage, was envisioned by Narendra Modi as follows, *If each one of our millions of youngsters resolves to manufacture at least one such item, India can become a net exporter of goods. I, therefore, urge upon the youth, in particular our small entrepreneurs that they would never compromise, at least on two counts. First, zero defect and, second again zero effect. We should manufacture goods in such a way that they carry zero defect, that our exported goods are never returned to us. We should manufacture goods with zero effect that they should not have a negative impact on the environment.*

CONCLUSION

The state has already attracted investments in sectors like pharmaceuticals, IT, leather, cement, handicrafts, chemicals, energy, textiles, biotech, electronics, tourism, food processing and engineering industries. Himachal Pradesh has a competitive edge in many things like climate, water, electricity, space, etc. There is so much scope to accelerate manufacturing and production and scope to invite foreign investment. Ground is ripe but the government's will is needed. More industrial corridors should be identified and developed, online help lines and portals should be made, systematic and well planned strategies should be made and an inclusive growth should be stirred up. Nothing is impossible, only commitment and will is needed. There is critical need of focusing on the state's infrastructure, easy accessibility, simplification and ease of rules, online portals, single window and easy clearances, transparency, connectivity, etc. An inclusive plan should be made.

Recommendations/Suggestions

- Make way for state of an art infrastructure to support manufacturing by identifying industrial corridors preferably of infertile land
- Bring in required reforms in various laws, separate appellate bodies can be opened,
- Changing manufacturing policies around incentives and support
- Political will
- Reduce redtapism, which can well be reduced by online industrial ground and single window clearances and separate appellate authorities.
- Linkage and coordination between various service departments
- Incentivize research and development
- Skill and capacity development may be enhanced by setting technical education universities, and a dual education system should be introduced; vocational education system in line with the traditional system (as is in German model).
- Focus on certain industrially backward areas of Himachal.

- Concern over MSMEs
- Promoting self employment and entrepreneurship for the Himachal residents.
- Additional incentives, concessions and facilities should be provided to the thrust industries like handloom, handicraft, sericulture, MSME, Khadi, etc to protect and promote them.

A good start has been made by the Central government, now it is our duty to join our National campaign. Global economy is picking up, India is ready to make a stride. Our core advantages are strong, therefore there is no looking back for Himachal.

Believe you can and you are halfway there

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How to cite this article:

Veshalee Jagota.2015, Developing Industrial Couloir In Himachal Pradesh—A Blueprint Strengthening ‘Make In India’. *Int J Recent Sci Res.* 6(10), pp. 6656-6661.

International Journal of Recent Scientific Research

ISSN 0976-3031



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