

Sustainable Investment Possibilities

A Comparison of five eastern Indian States

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Chapter 1

Introduction

Global economic growth has slowed considerably in the current decade¹ and black swan events of recurring financial turmoil and geopolitical tension have only aggravated matters given that risks of weaker growth scenarios are becoming more tangible going forward. With upwards of 6.5 percent year-on-year real GDP growth, it is no wonder Chinese and Indian economies are getting the attention they are from the global community even as their trade growth has slowed down noticeably; growth in advanced economies is projected to remain modest at about 2 percent, and emerging markets in general remain stressed.

India has been the fastest-growing major economy in the world in the last two years. Even as uncertainties cloud the global economic picture, the International Monetary Fund has projected that India's GDP will grow by 7.4 percent for 2016–17; Goldman Sachs on the other hand believes that for the fiscal year 2016-17, India's real GDP will grow by 7.9 percent year-on-year, driven by better monsoon, civil service wage hike following 7th Pay Commission, key tax reforms and FDI inflows. India is the seventh-largest economy in the world measured by nominal GDP (projected to become the world's third largest after 2030) and the third-largest by purchasing power parity (PPP) since 2014. In terms of GDP-PPP, India's share of world GDP has almost doubled since 2000; measured in US dollars, the US economy in 2015 ranked as the world's largest economy accounting for 24.5 percent of world GDP, followed by China at 15 percent and India at 2.9 percent.

India also compares favourably with other emerging markets in growth potential². India emerged relatively unscathed from the impact of the global financial crisis of 2007-08 revealing to the world its inherent strong economic fundamentals and a strong diversified domestic economy, and is a world leader in various industries, notably information technology. The

¹ An IMF Survey in April 2016 had indicated that global economy is faltering with too slow growth for too long. Estimated at 3.1 percent in 2015, the post-Brexit IMF World Economic Outlook (WEO) July 2016 Update forecasts global growth at an uncertain 3.1 percent in 2016 and 3.4 percent in 2017, a downward revision of 0.3 percent and 0.2 percent, respectively, compared with the January 2016 Update.

² McKinsey Global Institute report: *India's ascent: Five opportunities for growth and transformation*, 2016.

country offers an attractive long-term future powered largely by a consuming class³ that's expected to more than triple to 89 million households by 2025; India is expected to play a crucial role in determining the world's journey towards achieving inclusive growth in the current decade.

Along with demonstrated prowess in services, (capital intensive) manufacturing⁴ has emerged as one of the high growth sectors in India and has in the latest quarter started showing signs of upturn. India's ranking among the world's 10 largest manufacturing countries improved by three places to sixth position in 2015. The Government of India has set an ambitious target of increasing the contribution of manufacturing output to 25 percent of GDP (and create up to 90 million domestic jobs) by 2025, from 16 percent currently. The recently launched 'Make in India' program aims to place India on the world map as a manufacturing hub and get global recognition for the Indian economy.

1.1 Motivation and Scope of the Report

This report entitled *Sustainable Investment Possibilities - A Comparison of five Indian States* looks into the granular investment and commercial promises and predicaments of business engagements in India. The fundamental reality of recent times is that the primary driver for economic growth worldwide is no longer seen in the servicing of export markets — as in the pure export-led growth model — but in that of building infrastructure and other domestic assets at home and servicing the domestic demand. To that end, India's large domestic market makes it a desirable destination of investors from around the world.

The central government focuses a great deal on providing impetus to growth and job creation, a key pillar of which is investment, and liberalising foreign investment norms have been an important policy initiative taken by successive central governments since 1991. States have performed variably in attracting investment because their conditions favourable to industrialisation vary. Another important policy pillar for the current government is its continued

³ About 58 percent of India's GDP, measured by the expenditure method, comprises consumption expenditure. Investments, which are essentially capital investments, account for 27 percent. These two components together constitute 85 percent of GDP, making them crucial drivers for the Indian economic growth.

⁴ These industries include manufacturing of heavy goods such as machine tools, automotive and specialty chemicals, as well as their suppliers. Their products are rapidly incorporating digital elements, opening up opportunities for electronics and software suppliers. Globally, these manufacturing industries make up two-thirds of value added and account for the majority of manufacturing employment.

focus on “competitive federalism” approach to business reform, which allows State governments to compete with each other to attract investors. Promotion of investment is thus one of the key goals of most states in India. To incentivise states towards reforms in order to attract investment, DIPP under the leadership of the PM partnered with the World Bank Group to identify a 98-point Action Plan on “Ease of Doing Business” – on several fronts viz. infrastructure, capital markets, trade facilitation and skills – and subsequently evaluated them to assess progress by June 2015. This was aimed at supporting India’s States’ efforts to enhance competitiveness and increase manufactured exports.

The DIPP-World Bank “Assessment of State Implementation of Business Reforms” reveals that States have wholeheartedly embraced the challenge placed upon them to focus on further streamlining the regulatory burden on business in India, even if they are at very different levels of implementation of the 98-point action plan. The results of the assessment indicate that States have undertaken various process streamlining and technology interventions in the areas of commercial taxes (time-bound VAT/ CST registrations, online mechanisms for payments and returns of various taxes etc.), labour (self-certification mechanisms for integrated returns and inspections, development of online labour management systems etc.) and environment (exemption of a number of green industries from approvals/ consents, implementation of consent management systems etc.).

The present report builds on this central government initiative to identify key policy and reform initiatives at State levels and the challenges that still remain in the implementation of business reforms in boosting competitiveness and export potential. In this project, we benchmark selected Indian States performances on different policy matrices against the best state performance and all-India averages to assess their attractiveness as sustainable investment destinations in key industrial sectors of the individual States.

For the purpose of this Report, we focus on five contiguous States in the eastern part of the country, namely Bihar, Chhattisgarh, Jharkhand, Odisha and West Bengal. The combined population of these five adjoining states is about 247.5 million, which is nearly 25 percent of the country’s population, making the zone very advantageous from a business perspective. The Central Government’s Eastern Dedicated Freight Corridor would connect these states and with

the rest of the country; it would also immensely help in the transport of finished products to ports in Bay of Bengal in lesser amount of time, thereby bringing down transportation cost.

As stated earlier, the project aims to assess the investment potential in selected States by analysing the competitiveness and export potential in key industrial sectors of the individual States. As seen from Fig 1.1 above, 3 of our five selected states (Chhattisgarh, Jharkhand, Odisha) are in the third quartile of “aspiring leaders” as per the DIPP-World Bank reforms implementation assessment together with Gujarat, India’s economic freedom leader, with West Bengal at “acceleration required” and Bihar at the “jump start needed” quartiles. To that end, we propose to identify the existing and potential bottlenecks in investment in both manufacturing and services sectors, including barriers to entry, preponderance of public sector involvement in certain sectors, restrictive regulations, trade practices which could inhibit growth potential etc. The project intends to compare and contrast states according to the potential for sustainable growth and development. The project will define competitiveness to include measures which are sensitive to the needs of sustainability and sustainable growth.

The report will identify key industrial sectors in each state that are well developed, and have potential for further growth. We further identify upcoming sectors in each state, especially key areas of investment potential, that are accorded special attention in State policies, and which are thus worthy of potential investor attention. The project by comparing and contrasting industrial policies and reform initiatives in the different states, identifies along with the strengths, the possible bottlenecks and obstacles that might affect investment and business activities.

1.2 Research Methodology and Report Structure

The scope of the project is practical in nature, but such assessment should always be based on rigorous analysis. The Report is therefore based on quantitative and qualitative analysis of secondary data, policies and extant laws and regulations, as also primary inputs collated from one-on-one interviews with the policymakers in the State governments, experts and academics, officials of Chambers of Commerce in the selected five States and members of leading industrial houses active in each state. The literature survey and analysis of secondary data and policies have been used to identify policy gaps and reform requirements, which are then matched with inputs from primary survey and views from stakeholders in project feedback roundtable meetings.

The project analyses all the secondary statistics, time trends and responses from the primary survey to arrive at a detailed understanding on the strengths, limitations, opportunities and threats to investment possibilities and potential in each State. The Report, a meta-analysis of policy and reform initiatives in India and its constituent states, is organised as follows: Section 2 briefly exposes the different policy initiatives and investment prospects arising out of the central government measures and focus areas. This is then followed by a detailed evaluation of state level policies and investment potential in Section 3. Section 4 synthesises the findings from above analysis to identify policy and reform gaps and recommendations.

Chapter 2

Industrial structure and Business conditions in India

2.1. The state of affairs

Emerging markets have shown remarkable resilience in the past eight years of global economic weakness, and India has emerged as the new growth pole among the large emerging economies, with most forecasters pegging India's medium term GDP growth rates at around 7.5 percent year-on-year. The optimism stems from favourable local factors, including renewed investor interest in the domestic economy. Although the large-sized India Inc firms are stressed from being over leveraged and in deep debt, investment is starting to pick up through thousands of small domestic enterprises leading growth, partly funded with aid of venture capital in select service sectors. Recently introduced reforms and important institutional changes have further improved India's long run prospects.

Fig. 2.1: Relationship between Output and Value Added, 2011-12 to 2014-15

Sector	Average Ratio of	
	Sectoral output to total output	Sectoral GVA to total GVA
Agriculture and allied	10.5	17.5
Industry, of which	53.9	31.8
Manufacturing	36.7	17.4
Services	35.6	50.7
Total	100.0	100.0

Source: Based on data from CSO.

2.2. Policy Initiatives under the NDA2 government⁵

The core policy thrust in India continues to focus on meeting the country's infrastructure deficit and generating manufacturing jobs. The central government has prioritised investment in physical, agricultural and social infrastructure as the key drivers of growth for this current phase of development of the Indian economy. A detailed breakdown of infrastructure investment by sectors reveals that electricity (including non-conventional energy) and construction of roads and bridges will continue to account for the largest share in total infrastructure investments during the current decade. As the recent RBI monetary policy statement on the economy shows, current changes in economic conditions and the government's ability to press ahead with its reforms agenda could poise India for a "leap in production".

India launched its ambitious "Make in India" campaign in 2014, which aims to boost India's historically low infrastructure and manufacturing base, and create jobs and boost skills across 25 sectors of the economy; the program includes major new initiatives designed to facilitate investment, foster innovation, protect intellectual property, and build best-in-class manufacturing infrastructure. Among the key drivers of the transformations taking place has been the continued opening up of the Indian economy to greater FDI, now including defence production; in the near term, physical infrastructure, defence, construction, retail distribution, agriculture and banking (including insurance) sectors are set to benefit from greater FDI flows. In aggregate, FDI flows have rose by around 24 percent year-on-year to US\$ 42.2 billion in 2015, and by 50 percent compared to 2013.

One of the key proposals is "Smart Cities" – a flagship program that aims to create 100 world-class cities over the next five years – with Special Purpose Vehicles for 19 cities already set up. The programme has backing from various governments, including the UK, China and Israel. The US\$ 90 billion "Delhi-Mumbai Industrial Corridor" – one of the world's largest infrastructure projects – will connect eight "Smart Cities" in a high-tech industrial zone spanning 1,500 km. 14 National Investment and Manufacturing Zones outside the DMIC region have also been given in-principle approval. These regions are in the states of Maharashtra, Andhra Pradesh,

⁵ This section borrows from the research inputs and analysis from Aberdeen Asset Management. *India: The Giant Awakens*, 3 August, 2016 (<http://thinkingaloud.aberdeen-asset.co.uk/en/thinkingaloud/the-bigger-picture/india-the-giant-awakens>) and GOI information portal <http://www.makeinindia.com/policy/new-initiatives>.

Telangana, Karnataka, Tamil Nadu, Uttar Pradesh and Odisha. Roads, power and transportation are all key target areas of “Make in India”. Between July 2014 and June 2015 over 1,400 new investment projects were proposed, with a total value of around ₹ 7.8 trillion, or US\$ 120 billion. The Cabinet Committee on Economic Affairs (CCEA) also revised the cost estimate of the National Highways Interconnectivity Improvement Project to ₹ 6,46.1 billion⁶; the decision will help develop 1,120 km of National Highways in Karnataka, Odisha, Bihar, Rajasthan and West Bengal. In the railway sector, deals that were stalled for 10 years are being fast tracked, and recently the CCEA approved ₹ 2.4 trillion in nine rail projects across nine states⁷.

The passing of Goods and Services Tax (GST) in this monsoon session has further brought in a positive market sentiment. The passage of the constitutional amendment bill paves the way for implementation of the GST⁸, a major reform, as well as State-led land reforms in the country is aiding a positive sentiment for the markets in general. The GST will subsume most of the central and state taxes such as Value Added Tax (VAT), excise duty, service tax, central sales tax, misc. local levies such as octroi, luxury & entertainment tax, additional customs duty and special additional duty of customs into a single uniform GST rate (yet to be finalised, but widely expected to be around 18 percent) and ensure one common market for seamless transfer of goods and services. A simplified tax regime is expected to improve compliance and revenue collections, as well as allowing the free flow of goods and services between states. The information technology backbone – the GST Network – is in the process of updating the information on traders and preparing the final version of the software. Under GST, the entire

⁶ Projects under this scheme are already being taken up for implementation, the civil works for which are expected to be completed by July 2019 and maintenance work by July 2024, according to an official statement. The revised estimated cost of ₹ 646.1 billion includes the cost of land acquisition, resettlement and rehabilitation, and other pre-construction activities.

⁷ The railway expansion projects will help upcoming industries in the region. Eastern States have also received sizeable investments. Projects in Jharkhand, Assam and connection between Odisha and Chhattisgarh and Assam will come up at a cost of ₹ 636.9 billion.

⁸ The government has notified the GST Council, which will decide on the tax rate, exempted goods and services, and the threshold under the new taxation regime by November 22; the government aims to roll out this major indirect tax reform on 1 April 2017. Implementation of the law is however expected to be challenging, which can start after the States individually pass/incorporate the central GST law into their domestic legislation. The states and the Centre are working with stakeholders to draft the Central GST, State GST and Integrated GST laws, which are to be passed in the Winter Session of Parliament. The CGST and IGST will be drafted on the basis of the model GST law. The states will draft their respective State GST (SGST) laws with minor variation incorporating state-based exemptions. The IGST law would deal with inter-state movement of goods and services. More details on GST in [http://www.ey.com/Publication/vwLUAssets/ey-recent-updates-on-goods-and-services-tax-gst/\\$FILE/ey-recent-updates-on-goods-and-services-tax-gst.pdf](http://www.ey.com/Publication/vwLUAssets/ey-recent-updates-on-goods-and-services-tax-gst/$FILE/ey-recent-updates-on-goods-and-services-tax-gst.pdf)

registration, tax payment, tax return filing and refund system will be online. GST will provide a boost to economic growth but the extent of that depends on the quality of bill passed. A poor quality bill with many exemptions could result in only a minor boost to GDP of 0.5 percent or less (alcohol is currently exempted, while a modest tax on petroleum products is being proposed). A good quality bill, however, could boost growth by more than 1.5 percent.

And while major structural reforms are still to manifest in real economic gains, smaller initiatives launched recently such as a new platform that allows mobile-to-mobile transfers between any two bank accounts in India and the e-trading platform — National Agriculture Market or *e-mandi* — which proposes to integrate 585 regulated wholesale market or agriculture produce market committees (APMCs) under one electronic platform by March 2018 are continuing in an attempt to ease business conditions on ground. Along with key reforms such as the new bankruptcy code and the GST law that are still works-in-progress⁹, the above technological developments are being implemented and making for a more, hopefully, reasonable life for the masses. These cost reducing reforms will have far reaching impact on small and agri-business sentiments in the medium term.

But the true success of “Make in India” may depend on two related reforms – the Land Acquisition Bill and labour reforms. The former aims to streamline the complex process of acquiring land from rural farmers and tribes for building much-needed infrastructure. Given the strong opposition for the passage of the central legislation, the government has wisely passed the issue to the states, and progress can now be made on a state-by-state basis without the need to wait for central government to pass legislation – a prime example of “competitive federalism” in action. Evidence suggests there is sufficient land available in land banks (government-owned serviced land that is available to investors) in different States, although there is a need to make information on this publicly available via online portals, detailing what is available in each state and what the land can be used for. In order to bring compliance in the system, catalyse job creation and ensure ease of doing business while safeguarding safety, health and social security

⁹ The Centre and the States still have to reach a consensus on a number of crucial issues before GST can be introduced, including the rates of tax, list of exemptions, control over small businesses and also finalise and pass the subsequent GST laws. Companies are understood to have pointed out that they would require some time for preparing the IT infrastructure and pricing policies after the GST rate and GST Network are announced. Meeting the April 1, 2017 deadline for the roll out of GST thus looks to be a tough proposition.

of all workers in both the organised and unorganised sectors, the Central government as well as the State governments have initiated some business-friendly reforms in the labour market.

In the realm of services, the most radical of recent reforms is “Digital India”, the government’s aim to transform the country into a digitally empowered knowledge economy and to boost standards of governance of citizens through better engagement with the government. The programme seeks to bring India into the 21st century with IT at the heart of many industries and delivery of a variety of consumer services including online access government services and to receive information, online retail, taxis, education, finance and health. It will also potentially create hundreds of thousands of jobs in IT, electronics and associated industries. Indeed, states are increasingly using the internet to communicate with the public, central government and each other. Some states, for example, are already starting to put information on land banks online. To promote “Digital India”, the Centre looking to mandate a four-fold increase in the minimum broadband speed — from 512 kbps (kilobits per second) to 2 mbps (megabits per second). Other key aspects involve broadening access to the internet. “Digital India”, like “Make in India”, has been successful in attracting significant FDI flows. Analysts estimate that about 30 percent of FDI flows are tied to the rapidly expanding e-commerce sector.

Finally, there have been a slew of financial sector reforms in the past two years, including the implementation of an inflation-targeting framework by the central bank and creation of the 6-member monetary policy committee (MPC) to decide on monetary policy and benchmark interest rates. In addition, cleaning up of the state-owned banks’ balance sheets, implementation of Bankruptcy Code, initiatives for financial inclusion among other things are key reforms that promise to boost the health of India’s financial system. Important reforms in payments, in banking, in the conduct of monetary policy and liquidity management, in financial markets, and in the resolution of distress, as well as within the RBI itself have been instituted in the past three years.

The newly enacted Insolvency and Bankruptcy Code 2016 represents a watershed moment for Indian business environment. The new code promises to streamline and accelerate the process through which creditors can recover their money when a company goes out of business, thus helping to clear up bank balance sheets to allow lending for more productive purposes. The new Bankruptcy Law will also be critical to revitalising the highly stretched

Indian banks, as it will provide lenders with even greater security and speed up the process for dealing with bad debt.¹⁰ In this, the government has been ably supported by the many initiatives of India's central bank, the RBI, with its focus on cleaning up the bank loan books. Additionally, the government's "Start-Up India, Stand-Up India" campaign is the first of its kind, bridging the gap between new start-ups and venture capital and angel investors. It promises to mobilise India's talented youth to set up new and innovative businesses. The plan offers tax exemptions to start-ups for three years and tax exemptions for investors on capital gains. Start-ups will also be able to be wound up more easily in case of bankruptcy. Other important opportunities will be in the logistics sector, particularly warehousing, which will benefit greatly from eventual implementation of the uniform GST, growth of e-commerce and manufacturing through the "Digital India" and "Make in India" initiatives.

2.3 Industrial policies and incentives in Selected states in Eastern India

As discussed earlier, India's model of "competitive federalism" has resulted in States competing with each other to attract investment, both domestic and foreign, in order to boost state domestic output. States in India would in the past compete largely on fiscal carrots: providing tax breaks and subsidies to attract investors. However, in the past decade the emphasis has shifted to implementing regulatory and institutional reforms and improving ease of doing business in the States, as the fiscal carrots proved to be useful, but neither necessary nor sufficient to attract and retain investor interest. Both the Centre and State governments thus continue to harness growth-enabling policies and increase their emphasis on development of physical and social infrastructure, the last including skill development initiatives. States are also actively, albeit divergently, working to mitigate the challenges that still remain in the implementation of business reforms in order to boost their competitiveness and export potential. Granular industrial policies and good governance are now the buzzwords, as the States compete with each other in both the traditional and sunrise sectors.

¹⁰ The origins of India's current banking problems lie in the corporate investment binge of 2003-2008, which resulted in overcapacity and overextended balance sheets. State banks, in particular, were instrumental, lending excessively to infrastructure and steel companies for unprofitable road projects, power stations and factories. These companies and their lenders have now been left with high levels of bad and doubtful loans (NPLs), with state-owned banks suffering from NPLs of 10 percent or more.

The next chapter discusses the strengths, thrust areas and policy support schemes that selected individual states have adopted/proposed to attract investor interest, in addition to and beyond the central policies and initiatives discussed in the earlier section. The findings and analysis here compare and contrast industrial policies in the different states, and identify, along with the strengths, the possible bottlenecks and obstacles.

Chapter 3

Bihar

3.1. Introduction and Industrial Factsheet

Bihar enjoys a unique location specific advantage because of its proximity to the vast markets of eastern and northern India, access to ports such as Kolkata and Haldia and to raw material sources and mineral reserves from the neighbouring states. In 2014-15, Bihar's GSDP at current prices was US\$ 66.4 billion; the state's GSDP grew at a CAGR of 14.33 percent between 2004-05 and 2014-15. Bihar's per capita GSDP increased from US\$ 195.8 in 2004-05 to US\$ 596.4 in 2014-15, increasing at a CAGR of 12.72 percent. The economy of the state is projected to grow at around 13.4 percent during 2012-17. Nevertheless, the state has a long way to go before it catches up with some of the leading states in the country in terms of economic and social development. Consequently infrastructure development and employment generation are high on the government's agenda in the current decade.

At US\$ 37.8 billion, the services sector contributed 57.0 percent to the GSDP (at current prices) in 2014-15, followed by the primary sector, contributing US\$ 15.1 billion (22.8 percent), and the industry sector contributing US\$ 13.4 billion (20.2 percent). However, between 2004-05 and 2014-15, the industry sector was the fastest growing sector with a CAGR of 18.9 percent, followed by the services with a CAGR of 14.8 percent. The primary sector expanded at a CAGR of 10.7 percent in the same period. This growth in industry has been supported by the manufacturing; electricity, gas and water supply; construction and services industries. Bihar is one of the leading producers of fruits and vegetables in India. Major crops produced in the state include sugarcane, rice, wheat, maize and potato. Food processing, dairy, sugar, manufacturing and healthcare are some of the fast growing industries in the state. The state has planned initiatives for the development of other sectors such as education and tourism. The state also provides incentives for information technology, renewable energy, sugar, food processing and tourism.

Bihar has 4,572.49 km of national highways and 4,389.28 km of state highways. Besides, the state has 10,128 km of major district roads. In May 2015, the central government sanctioned

an investment of US\$ 8.3 billion for the construction of roads in Bihar. The construction activity for this project is expected to begin by the end of 2015. The state government has plans for connecting all the unconnected regions of the state with a population greater than 250 people, in the road communication sector. Hajipur in Bihar is the headquarter of the East-Central Railway. The state's main railway junctions are at Patna, Gaya, Muzaffarpur, Katihar and Samastipur. Bihar is speeding up on execution of the Patna metro rail project and has constituted an SPV for the same.

Bihar has one domestic airport in Patna and one international airport in Bodh Gaya. Several domestic airlines connect Patna to Delhi, Kolkata, Mumbai, Lucknow, Bengaluru, Hyderabad and Ranchi. The airport in Bodh Gaya is used for international connectivity with Bangkok (Thailand), Colombo (Sri Lanka), Yangon (Myanmar), Dhaka (Bangladesh), Paro (Bhutan) and Kuala Lumpur (Malaysia). In March 2015, the Airports Authority of India announced plans to develop the Indian Air Force airport of Bihar as an international airport for transport purposes. The 1,620 km stretch of the river Ganges that flows between Allahabad in Uttar Pradesh and Haldia in West Bengal has been declared 'National Waterway 1', and is being developed for (cargo) transportation by the Inland Waterways Authority of India, to be used to deliver coal to power plants located on the river-side.

As of November 2015, Bihar had a total installed power generation capacity of 2,759.79 MW, the bulk of which is accounted for by coal-based thermal power plants. In Budget 2015-16, the Government of Bihar announced plans to invest US\$ 1.39 billion for the development of power sector in the state. Under the recently announced projects for harnessing solar energy in the state of Bihar, the government is planning to install solar photovoltaic projects on the lands recognised for the expansion of inland fresh water aquaculture such as ponds. Under the JNNURM, eight projects costing US\$ 118.08 million have been approved for urban centres such as Patna and Bodh Gaya in 2014-15. The prime sectors for expansion are solid-waste management system, water supply and sewage. As of August 2015, 3 cities of Bihar namely, Bhagalpur, Bihar Sharif and Muzaffarpur were recommended to be developed as smart cities,

while 26 cities of Bihar were selected for infrastructure development under the central government's Atal Mission for Rejuvenation and Urban Transformation (AMRUT) scheme¹¹.

Bihar has a large base of cost-effective industrial labour, making it an ideal destination for a wide range of industries. The state has technical institutes of national importance such as National Institute of Technology and Indian Institute of Technology in Patna, which provide skilled manpower to industries. The Bihar Economic Survey 2016 has highlighted that present-day reliance on technology-intensive inputs in manufacturing and production demand highly specialised skill and knowledge, and the state therefore has programmes on training-the-trainers in both general and technical streams.

3.2 Industrial Policies, and Business legislation and facilitation

Bihar's natural resources and policy incentives support the agro-based sector. Consequently, Bihar's food processing and agro-based industry is expected to be a major growth driver for the local economy, engendering large-scale employment in rural areas and high returns for the farmers. The Agro-Export Zone aims to cover 11 districts with an investment of US\$ 2.6 million to promote exports. Development of Food Parks at Hajipur and Begusarai (sanctioned by the Ministry of Food Processing Industry, GoI)—which would include appropriate infrastructure such as cold storage, cold chain, refrigerated vehicle and effluent treatment plants—is likely to aid the agro-based industry's growth. The Export Promotion Industrial Park (EPIP) at Hajipur is being developed with an investment of US\$ 2.6 million as a multiproduct export-processing zone jointly by the central government and the state government. Further, the Air Cargo Complex, proposed to be adjacent to the Patna airport, aims to facilitate export of fruits, vegetables, horticulture products, silk and other exportable items. The complex is promoted by Bihar Industrial Area Development Authority and Airport Authority of India. All these initiatives has resulted in increased investments in the food processing sector in Bihar, and there are 41 projects in the food processing sector, at various stages of implementation.

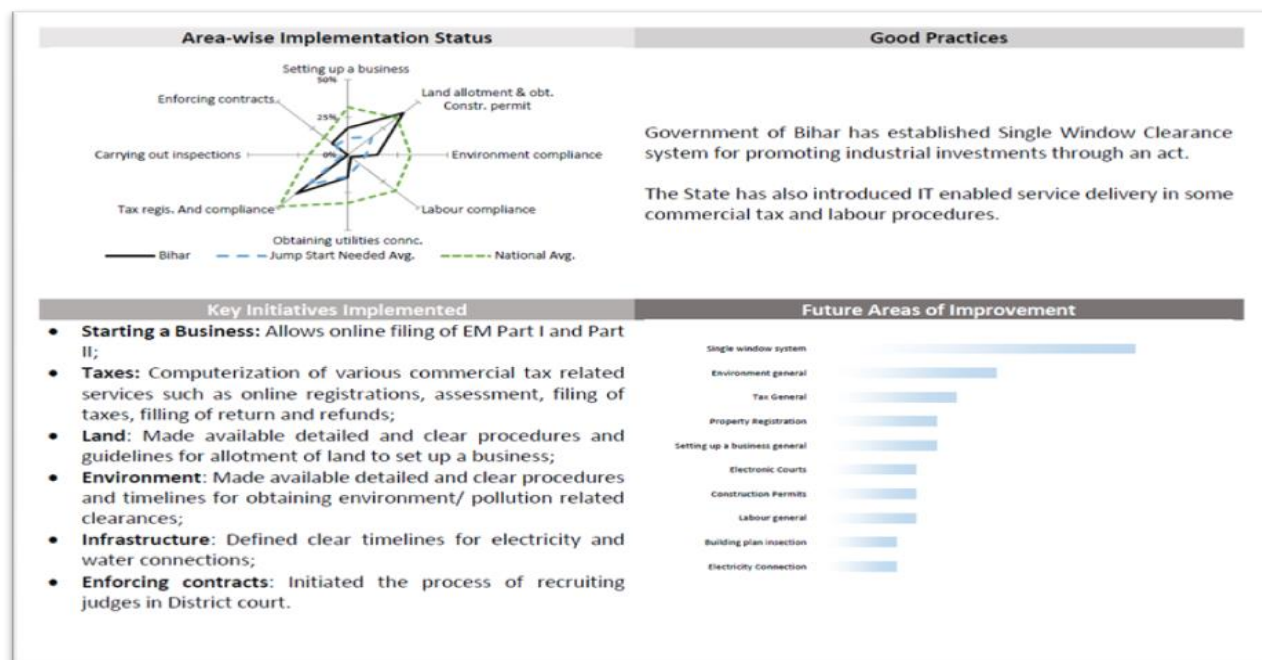
¹¹ The Mission focus is on the following Thrust Areas: i. water supply; ii. sewerage facilities and septage management; iii. storm water drains to reduce flooding; iv. pedestrian, non-motorized and public transport facilities, parking spaces; and v. enhancing amenity value of cities by creating and upgrading green spaces, parks and recreation centers, especially for children. 500 cities will be taken up under AMRUT. AMRUT June 2015 guidelines available at: <http://amrut.gov.in/writereaddata/AMRUT%20Guidelines%20.pdf>

Apart from a few engineering units, the existing prominent industries in Bihar are leather, textiles and handlooms. In 2014-15, the textile industry of Bihar accounted for 6.8 percent share in the total output of the state. The state has ample raw materials (hides and skin of livestock), technical skills (leather technology institutes) and manpower, which are the major drivers of the leather industry. Under the Mega Leather Cluster (MLC) scheme, Bihar's leather industry will be provided infrastructural support which will help the entrepreneurs in setting up of new units; Bihar has 85 leather units, of which 60 are manufacturing units and 25 units take up job work.

Bihar can boost industrialisation and its manufacturing potential through improving its reform implementation track record (overall implementation ratio at 16.41 percent, as per the DIPP-WB assessment of 2015¹²) (Fig. 3.1), although a 2014 Business Regulatory Environment evaluation indicates that the state regulatory performance is reasonably decent for certain clearances and compliance requirements in land, environment and taxation regimes (Fig. 3.2). Urgent reforms are needed in areas of environmental/pollution clearances, inspection and approvals of labour and related miscellaneous compliances, and in defined and clear timelines for utilities connections and other business services.

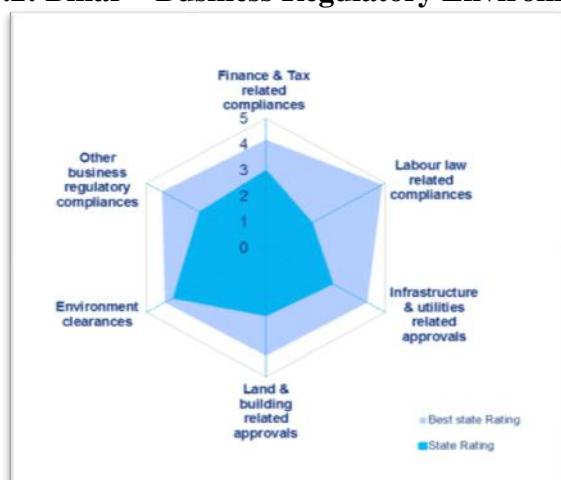
¹² India's best performing state Gujarat's overall business reform implementation ratio is at 71.14 percent.

Fig. 3.1: Bihar – Business Reform Implementation, 2015



Source: DIPP-World Bank Assessment of State Implementation of Business Reforms, September 2015

Fig. 3.2: Bihar – Business Regulatory Environment, 2014¹³



Source: Deloitte Touche Tohmatsu India Private Limited, 2014

¹³ The business regulatory environment for each state has been assessed between September 2013 and January 2014 based on an evaluation framework comprising six parameters: (i) finance & tax related compliances, (ii) labour law related compliances, (iii) infrastructure & utility related approvals, (iv) land & building related approvals, (v) environmental clearances and (vi) other business regulatory compliances. Each parameter comprised a set of sub-parameters based on the key regulatory compliance requirements in that category and rated on a 5-point scale.

Fig. 3.3: Bihar – Cost of Doing Business, 2015

Cost parameter	Cost estimate	Source
Industrial land (per acre)	US \$384.136 in Patuliputra US \$84.054 in Muzaffarpur	Bihar Industrial Area Development Authority
Labour (minimum wages per day)	US\$ 2.3 to US\$ 5.7	Ministry of Labour and Employment Government of India
Office space rent (Per sq ft per month)	US 50 cents to US\$ 1.2	Industry sources
Resident rent (2000 sq ft per month)	US\$ 175 to US\$ 350	Industry sources
Five-star hotel room (per month)	US\$ 100-200	Leading hotels in the states
Commercial and industrial electricity (per kwh)	Industrial US 10.3 cents to US 11.1 cents Commercial US 9.8 cents to US 11.2 cents	Bihar State Electricity Board

Source: IBEF Economic Snapshot, November 2015

The Government of Bihar has instituted a *Single Window Clearance Act, 2006* with provision for deemed approval and a District Level Committee – State Investment Promotion Board – functioning as the authority for proposal clearance¹⁴. There’s also a newly instituted IT-enabled service delivery for certain tax and labour compliance procedures. The registration for VAT requires around 9 days corresponding to the top 40 percentile of states, the registration process being partly online (www.biharcommercialtax.gov.in/bweb/) and partly manual. Post registering online, the required documents need to be submitted manually at the Department. Tax payment can be done online (www.biharcommercialtax.gov.in/bweb/) and requires on an average 1 day, corresponding to the top 20 percentile of the states.

¹⁴ The state has recently launched an online application and tracking mechanism for investment applications made for State Investment Promotion Board clearance (www.udyogmitrabihar.com)

The *Bihar Industrial Incentive Policy, 2011* promoted industrial growth by giving rapid clearances, issuing licenses and certificates, and providing an overall investor-friendly environment in the state. The Policy had provisions for granting incentives such as 100 percent exemption from Stamp Duty and Registration Fees during the pre-production phase, capital subsidies for industrial units, re-imburement of 80 percent of state VAT and subsidies on nonconventional sources of energy production. The industries department of the state and the DIC act as nodal agencies for investments. Proposals for investments greater than US\$ 21.7 million are routed through the Chief Minister and the cabinet for approval.

However, a new and modified State Industrial Incentive Policy has come into force from June 30, 2016 superseding the 2011 Industrial Incentive Policy. The *Bihar Industrial Investment Promotion Policy, 2016*¹⁵ aims at promoting industrial development in the State and prioritises Food Processing, Tourism, Small Machine Manufacturing, IT, ITeS, Electrical and Electronic Hardware Manufacturing, Textiles, Plastic and Rubber, Renewable Energy, Healthcare, Leather, Technical Education for concerted policy thrust in the medium term. Promotion of MSME Clusters and Establishment of Industrial Parks have been specifically prioritised through fiscal incentives and interest subvention schemes.

To that end, the Policy supports the series of measures have been taken up to improve the ease of doing business in the state and emphasises simplification and rationalisation of the existing rules/procedures for hassle free entry and operation of business units across the state. In addition to creating enabling infrastructure on priority basis, proposed reform measures under this policy aim to streamline procedures across departments so that the investors are able to obtain statutory clearances and approvals in a transparent and time-bound manner. The following steps are proposed to be taken to facilitate ease of doing business in Bihar:

- (i) **Single Window Clearance System:** A new and simplified system of single window clearances will be put in place with suitable changes in the legislative framework. The online system will also provide facility for online application, adjustment and reimbursement of incentives.
- (ii) **Provision of Common Application Form (CAF):** A Common Application Form (CAF) will be introduced which will ensure coordination among all agencies

¹⁵ <http://industries.bih.nic.in/Acts/AD-01-01-09-2016.pdf>

involved in providing clearance. CAF will be web-based and will gradually be aligned to the Government of India's e-biz portal (www.ebiz.gov.in) so that prospective investors can obtain all clearances from one source.

- (iii) Provision of Programme Management Agency (PMA): The DoI will empanel PMA(s) to provide technical assistance as well as secretarial services to the competent committee in finalising the investment proposals for the approval including monitoring and reporting the progress. The PMA(s) will be the single point of contact for the investors to coordinate with the government for their investment proposals.
- (iv) Amendment in the BIADA Act: The GoB will review the existing Bihar Industrial Area Development Authority Act, 1974 and amend it to further strengthen the legal framework for planned development of industrial areas.
- (v) Inclusion of industry related services under the Bihar Right to Public Services Act, 2011: In order to ensure accountability for timely processing of requests, additional investor-related services will be included under the Bihar RTPS Act.

The thrust on Renewable Energy in the new State Industrial Incentive Policy has Policy support from the *Bihar Policy for Promotion of New and Renewable Energy Sources, 2011* and *Bihar State Hydro Power Policy, 2012*. The former is a wide spectrum proposal that focuses on developing all forms of new and renewable energy sources, including biomass- and biogas-based projects, cogeneration projects, mini/micro/small hydro projects (up to 25 MW), wind power projects, solar projects, municipal solid waste-based projects, and other renewable resources-based projects through fiscal concessions and incentives and renewable power purchase mandates following the central model law on RPO obligations.

3.3 Service sector policies and incentives

Although coverage of financial services has witnessed gradual improvement during the past few years, Bihar ranks the lowest amongst the major Indian states both in terms of per capita deposit

and per capita credit. This largely underscores the huge potential for development of financial services within Bihar. Some other initiatives of the government that would aid growth are¹⁶:

- (i) Software technology parks (STPs) set up on the campus of the New Government Polytechnic complex in Patna, with US\$ 0.2 million grants-in-aid and provision of 3 acres of land for building requisite facilities.
- (ii) Inland Container Depot, Sitalpur is financed by the central government for which land acquisition is in progress. This would improve the railway network and warehousing facilities for import and export cargo and container space in the region.
- (iii) Under the knowledge city programme, the Bihar government proposes to establish two IT parks at Bihta (Patna) and Rajgir, and training academies to promote IT-based Services.

The Bihar government recognises that the importance of IT/ITeS sector is not only that of a standalone sector, but also as an integral part of other industries that can spur further growth in the fields of agriculture, education, healthcare, energy, telecommunication, rural development, tourism, textile, etc. Bihar government's 2016 Industrial Incentive Policy has put priority sub-sectors in the IT, ITeS, electrical and electronic hardware manufacturing. In support of the above, the complementary *Information and Communication Technology Policy, 2011* is being implemented with fiscal and other incentives by the State Government to provide IT-enabled governance, education and health together with encouraging development of the state by investment of the IT/ITES industries in Bihar.¹⁷

3.4 Other observations

The state government needed to work further on improving business facilitation and the experience of administering the various incentives, by (i) simplifying the documentation requirements for availing reimbursements along with a checklist of documents required to be appended with the application, (ii) developing a monitoring system for tracking application processing and disbursement of incentives / reimbursements for making the process less time consuming and more transparent, and (iii) instituting standard objective procedures in processing

¹⁶ A decade of more inclusive growth – State wise analysis, D&B forecasts; http://www.dnb.co.in/India2020economyoutlook/state_wise_analysis.asp

¹⁷ <http://gov.bih.nic.in/Documents/IT-Policy-2011-English.pdf>

of applications. This has been attempted in the *Bihar Industrial Investment Promotion Policy, 2016* Registration/ renewal of licenses under Factories Act is a manual process and requires 70 days on average placing the state in the bottom 20 percentile of states. Most respondents had expressed low satisfaction with the time taken for registration/ renewal of factories license. The state also did not have an IT-enabled system for application and processing of for obtaining of applications/NOC for water, power connections and fire license, with the existing application processing being largely manual.

Udyog Mitra, a society under the Industry Department was proposed to act as the nodal agency for the Single Window Mechanism (SWM). Feedback from respondents and industry associations indicated that, the SWM is not operating effectively and the investor had to approach the respective departments for clearances. Additionally, there was no Common Application Form, though a proposal for developing the same is in place. The state under the new Industrial Policy now aims to improve its Single Window Clearance mechanism further by implementing an IT based system facilitating (i) online submission of forms and tracking of application status by the entrepreneurs (ii) monitoring of applications by the nodal agency.

For improving labour law related compliances, the state may consider developing an online system for obtaining/ renewing licences under Factories Act including a tracking mechanism. Also, the state may consider documenting standard operating procedures (SOPs) for inspection processes under factories act to increase transparency and efficiency of the process; strengthen capacity of inspectors and officers through training programs for improving awareness on provisions of various applicable laws/ regulations and on applying standard operating procedures. For increasing the efficiency of land allotment within industrial estates, the state may consider adopting an IT/ GIS enabled land application and land allotment system which enables sharing of information in a transparent manner.

Chapter 4

Chhattisgarh

4.1 Introduction and Industrial Factsheet

Chhattisgarh is located in central India. The State is well connected through road, rail and air links to all major metro cities of the country. At current prices, the GSDP of Chhattisgarh was US\$ 34.7 billion in 2014-15; GSDP of the state grew at a CAGR of 12.48 percent between 2004-05 and 2014-15. In 2014-15, the state's per capita GSDP was US\$ 1,285, and it grew at a CAGR of 10.37 percent between 2004-05 and 2014-15.

Agriculture is one of the fastest growing sectors for the state. Rice is the major crop grown in the state which is the 'Rice Bowl of Central India', with maize, wheat, pulses and oilseeds being some of the other major crops. The Government of Chhattisgarh is focussing on adoption of modern agriculture techniques and is providing incentives to farmers engaged in growing cash crops or floriculture; the state government provided subsidies of US\$ 33.17 million to farmers in 2015. During 2015-16, the state government proposed an outlay of US\$ 13.27 million under Mission for Integrated Development of Horticulture (MIDH) and released US\$ 6.63 million till November 2015.

As in many other states in India, services sectors have emerged as high growth zones in Chhattisgarh. In 2014-15, the tertiary sector contributed the highest to Chhattisgarh's GSDP at current prices at 40.4 percent (US\$ 14.0 billion), growing at a CAGR of 14.3 percent from 2004-05 to 2014-15. It was followed by the primary sector contributing 30.3 percent (US\$ 10.5 billion) and the secondary sector contributing 29.4 percent (US\$ 10.2 billion) to the GSDP.

Chhattisgarh is ranked fifth in terms of value of major mineral production in India. The state is a leading producer of minerals such as coal, iron ore and dolomite, accounting for about 22.6 percent, 19.8 percent and 36.5 percent of India's production, respectively. Chhattisgarh accounts for about 17 percent of India's coal reserves; the coal production of the state has increased from 110.14 MT in 2013-14 to 115.19 MT in 2014-15. Iron ore from the Bailadila mines in the state is considered to be among the best in the world in terms of quality. Chhattisgarh is the iron and steel hub of the country; the Bhilai steel plant of Steel Authority of

India Ltd (SAIL) produces more than 3.153 million tonnes of saleable steel per annum. Chhattisgarh is the only state in India that produces tin concentrates. The state accounts for 35.4 percent of tin ore reserves of India. Moreover, considerable reserves of bauxite, limestone and quartzite are available in the state.

Chhattisgarh is known as being self-sufficient in the field of power supply and the zero power cut state in the Country. As of November 2015, Chhattisgarh had a total installed (largely thermal) power generation capacity of 14,151.3 MW, comprising 9,662.03 MW under private utilities, 2,911.05 MW under state utilities and 1,578.21 MW under central utilities. As of July 2015, the Government has instituted a long term plan for generation of 0.1 million MW of power which would add 25,000 MW of power in the next five years. The electricity rates, as compared to the other developed States, are lower in Chhattisgarh. Due to uninterrupted quality power supply and abundances of minerals, prices of cement, steel, aluminium are lower in the State than in other states.

Chhattisgarh has an excellent road network. All district headquarters, tehsils and development blocks are connected with good all-weather roads. The 17 national highways in Chhattisgarh together constitute 3,078.40 km of roads in the state. The state highways, major district roads and rural roads account for another 29,159 km. As per Budget 2015-16, an investment of US\$ 1.66 billion is estimated for upgradation of 2,000 km of existing roads under the PPP mode. Under Prime Minister's Rural Roads Scheme, US\$ 116.6 million has been allocated for the road connectivity in the rural areas. An overall outlay of US\$ 859.82 million was proposed by the state government for improving the road sector of the state during 2015-16.

Chhattisgarh's railways sector falls under the jurisdiction of the South East Central Railways. The state is well connected to the rest of the country via the railways. Raipur and Bilaspur are the two major railway stations. The state has the highest freight loading capacity in the country and one-sixth of Indian Railway's revenues come from Chhattisgarh. As of March 2015, the state had a rail network of 1,195.89 km. The state has two domestic airports, one at Raipur and the other at Bilaspur. Raipur, the state capital, is linked by regular flights with New Delhi, Mumbai, Kolkata, Bhubaneswar, Nagpur, Bhopal, Indore, Ahmedabad and Hyderabad. During 2015-16, the state government announced plans to develop the Raipur airport into an

international airport. Establishment of export facilitation cum convention centre in Naya Raipur and an air cargo along with custom clearance facility in Raipur are under implementation.

In view of the above advantages, Chhattisgarh has emerged as one of the most preferred investment destinations in India. The State, given its immense mineral resources, 44 percent forest area, peaceful labour environment, availability of necessary infrastructure and good governance has successfully established itself as the preferred destination in the country for the investors. The state has been acclaimed as “one of the best fiscally managed states” by the RBI. According to the DIPP, cumulative FDI inflows¹⁸ from April 2000 to September 2015 amounted to US\$ 1.26 billion. Till March 2015, around 17,615 small industries and around 162 large industries have been established in the state. As of October 2015, the state had two formally-approved SEZs and industrial areas in Bhilai (home to iron and steel ancillary units) and Korba (home to well known companies in the power and aluminium sectors).

Chhattisgarh’s total exports grew at a CAGR of 16.4 from 2006-07 to reach US\$ 1,199.41 million in 2014-15. Nearly 74 percent of the exports come from Bhilai and the remaining from Urla, Bhanpuri, Sirgitti, etc. Major exports products include iron and steel; articles of iron and steel; cereals; ores, slag and ash; wool, food and agri-products; minerals and engineering products. Chhattisgarh State Industrial Development Corporation Ltd (CSIDC) is the nodal agency for export promotion in the state, in addition to promoting industrial development.

4.2. Industrial Policies, Business regulations and facilitation status

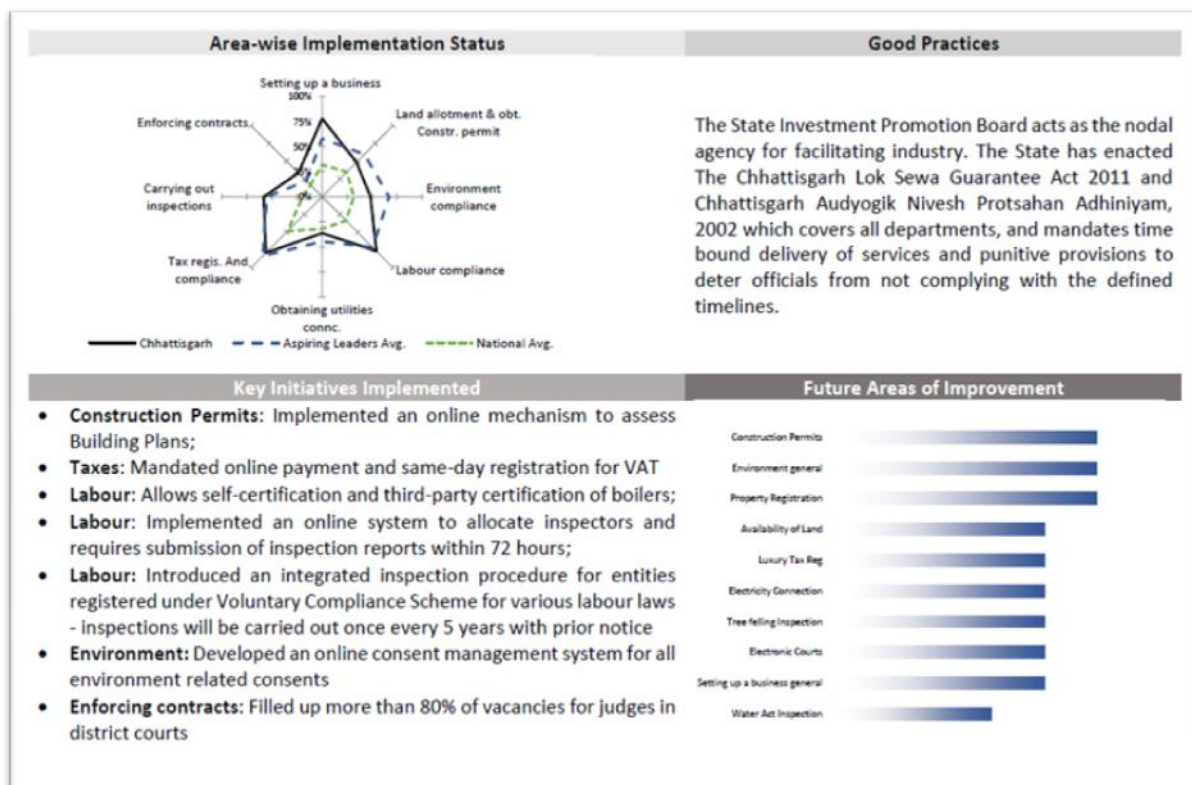
Chhattisgarh is making significant investments in industrial infrastructure. The focus industries in the state are: Mining, Iron and steel, Cement, Power, IT and ITeS, Biotechnology, Food processing, Gems and jewellery and Apparel. The CSIDC has set up industrial growth centres, five industrial parks (and proposed to set up six new industrial parks) and three integrated Infrastructure Development Centres (IIDC).

Chhattisgarh has a high reform implementation track record as per the DIPP-WB assessment of 2015 (Fig. 4.1) on multiple metrics, also seen in the 2014 Business Regulatory Environment evaluation which highlights the efficient approval mechanism in the state (Fig. 4.2). ‘Ease of Doing Business’ culture is being promoted in the State for transparent and public-

¹⁸ Including Madhya Pradesh

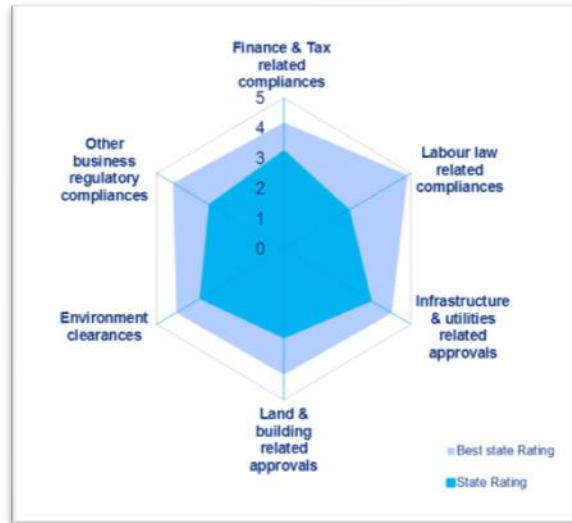
oriented administration. Online procedure for issuing all types of sanctions, approvals etc. is being implemented. Time limit has been fixed for procedures and the provision of ‘Deemed Approval’ has also been made/is being made. Provision of self-certification for verification has also been made. See fig. 4.4 for the list of approvals required, and estimated time taken for clearances following the new Industrial Policy 2014-19 at http://industries.cg.gov.in/SIPB/Comprehensive_Clearance.aspx

Fig 4.1: Chhattisgarh – Business Reform Implementation, 2015



Source: DIPP-World Bank Assessment of State Implementation of Business Reforms, September 2015

Fig. 4.2: Chhattisgarh – Business Regulatory Environment, 2014



Source: Deloitte Touche Tohmatsu India Private Limited, 2014

Fig. 4.3: Chhattisgarh – Cost of Doing Business, 2015

Cost Parameter	Cost estimate
Industrial land (per sq ft)	US\$ 6 to US\$ 16
Office space rent (per sq ft)	Us 70 cents to US\$ 2.6 per month
Fixed Power Cost (per kWh)	Domestic: US 2.98 cents to US 6.46 cents Commercial: US 2.76 cents to US 9.95 cents Industrial: Us 3.70 cents to US 9.95 cents
Labour Cost (minimum wage per day)	Unskilled: -US\$ 3.5 Semi skilled: -US\$ 3.6 Skilled: -US\$3.7

Source: IBEF Economic Snapshot, November 2015

Fig. 4.4: Setting up Business – List of Approvals required from the Chhattisgarh Govt



Source: IBEF Economic Snapshot, November 2015

Traditionally the core sector has been driving growth and investments in the State. Major industry players like Ambuja, Birla, Essar, Jindal, J K Lakshmi, Lafarge, L&T, NMDC, Vedanta, amongst others, have a substantive presence in the State. Key sectors, which have attracted investment in the State are Steel & Allied, Cement, Power, Aluminium, Mining, IT/ITeS, Defence, Food Processing, Electronics. Additionally, the State has identified a list of sunrise (non-core) sectors, which are receiving a special impetus, and are outlined below.

- Agribusiness and food processing
- Automotive
- Defence
- Electronics
- Engineering
- Handicraft
- Healthcare
- IT/ITeS
- Logistics and warehousing
- Minor forest produce
- New & Renewable Energy
- Pharmaceuticals

- Textiles & Apparels

Following the central government's *Make in India* concept, Chhattisgarh has designed its *New Industrial Policy 2014-19* aimed at inviting investors to manufacture the product in the mineral-rich state and promoted "Make in Chhattisgarh", while simultaneously focusing on the non-core sectors and tourism. For promotion of the non-core sector industries, *Agro and food processing industries policy 2012*, *Automotive Industries Policy 2012*, *IT and ITES Policy 2012-17* and *Solar Policy 2012-17* has been implemented in the State. The aim is to bring the State equivalent with the industrially developed States of the country by 2024 by taking the benefits of positive environment created for overall and rapid industrialisation in the State. In the industrial policy, the state government has created a land bank for mega industries, special packages for the deprived sections of the society, revival of the sick and closed industries and land acquisition for small-scale industries around the proposed Rail Corridor and Dallhi-Rajhara-Rowghat-Jagdulpur railway line.

Main focus of the *New Industrial Policy 2014-19* has been trained on Ease of Doing Business in Chhattisgarh. The broad contours of the 'Ease of Doing Business Strategy' are:

- (i) Single window clearance mechanism under the State Investment Promotion Board (SIPB) for investment promotion in industrial projects
- (ii) Common Application Form (CAF)
- (iii) Integrated and automated approval processes
- (iv) Reduction in the number of approvals required for setting up and operationalising business
- (v) Service standards with standard time frames with provisions of deemed approval
- (vi) Information dissemination with user guides to facilitate users
- (vii) Self certification/third party inspection in practice to replace verification

The other highlights of the policy are¹⁹:

¹⁹ <http://theindianiris.com/credible-chhattisgarh-its-new-industrial-policy-2014-2019/>;
https://industries.cg.gov.in/SIPB/pdf/Industrial_Policy2014-19_English.pdf

- (i) “State PMG” portal is developed to resolve problems faced during establishment of industrial and infrastructure projects
- (ii) Establishing New Land Allotment rule to allot land in industrial areas and outside of industrial areas (land Bank) as well as powers for land Allotment is to be decentralized both at the state and District level
- (iii) An effective marketing assistance is to be given to SMEs
- (iv) Chhattisgarh Consultancy Organization is to be formed to develop entrepreneurial skills among youth via entrepreneurship development programme
- (v) To simplify the procedures of Industrial Investment/Development, departmental officers are to be nominated as “Udyog Mitra’ who are going to provide full support and guidance in securing the benefits of the schemes of industrial investment from the initial stage of setting up the business till actual establishment and thereafter. ₹ 10 crore is being given under this scheme.
- (vi) Necessary initiatives are going to be taken to reform labour laws. Further, in accordance with the policies of the Government of India, labour laws will be exempted for the Special Economic Zones to be established in the State.
- (vii) SME-MSME Schemes: Chief Minister Micro and Medium Cluster Development Scheme is to be introduced to promote congregational development, in which 10 percent subsidy is given by the state govt. to the clusters sanctioned by the central for their development, maximum limit which is ₹ 50 lakhs per cluster.
- (viii) NRIs, Foreign direct investors (FDI), exporting industries and investors starting projects with foreign technology will be extended 5 percent additional subsidy and the maximum limit of subsidy will be increased by 5 percent and in cases relating to exemption, exemption shall be allowed for one more year, in addition to the subsidies for the general category entrepreneurs. Subsidies, exemptions and concession provided in the industrial policy will be given on investment in establishment of new logistics hub, warehousing, cold storage in the State, expansion in already established logistics hub, warehousing, cold storage.

- (ix) The policy provides for “Industrial Investment Incentives” for establishing new industries, expansion of established units under production, modernisation of rice mills and diversification of existing industrial units under production. Incentives for industrial investment will be given to those eligible industries, which provide, in the case of unskilled workers 90 percent, 50 percent in the case of skilled workers and on administrative/managerial positions at least 33 percent employment to the domiciles of the State.
- (x) All industries which get fresh land allotment in industrial areas/parks to be established and in established industrial areas/industrial areas being established/in industrial areas/parks will be eligible for 10 percent additional subsidy and the maximum limit of subsidy will be increased by 10 percent. In cases relating to exemption, the period of exemption will be for one year.

*Chhattisgarh Agro & Food Processing Industries Policy (2012-2017)*²⁰: The main agenda of this policy is to enhance farmers’ income and generating new opportunities of employment in agro and food processing sector. Encouraging the establishment of cold storage, cold chain and warehouse at district and tahsil level to help farmers access to the suitable market price of horticulture crops is one of the key strategies of the Policy. Eligibility criteria for industrial investment incentives under the policy are:

- (i) Any sort of incentive/subsidy/assistance is available to those enterprises who employ a minimum 90 percent unskilled workers and a minimum 50 percent of skilled workers and 1/3 of the people from management/administration have to be bonafide residents of the state.
- (ii) The minimum investment of ₹ 100 crore has to be made in head of plant and machinery.
- (iii) One has to strictly adhere to the State Rehabilitation Policy in case he/she wants to establish any project.
- (iv) Reimbursement concession in VAT and CST, 100 percent Exemption from Electrical Duty for a period of 10 years, 100 percent exemption on Entry Tax for a period of 7 years, 100 percent exemption from Mandi Tax is given under this policy. Also, establishing a Single License System is given priority.

²⁰ <http://theindianiris.com/chhattisgarh-agro-food-processing-industries-policy-2012-2017/> ;
<https://www.cgstate.gov.in/>

4.3 Service sector policies and incentives

Chhattisgarh acknowledges that Electronics, Information Technology (IT) and IT enabled services (ITeS) industry has had an unprecedented impact on the Indian economy and its contribution to the country's GDP. Leveraging its strengths in core sector, the state now wishes to expand to the information economy. In line with the national focus on promoting urban conglomerations for services industries and smart cities, the state government has proposed the setting up of Naya Raipur and other major cities as an IT hub and developing them as IT SEZ, I.T.I.R (Information Technology Investment Region), Electronic Manufacturing Cluster (EMC) along with IT Hub under the *Electronic, IT & ITeS Investment Policy of Chhattisgarh, 2014-19*²¹. In addition, the state government proposed construction of IT incubation centres and start-up villages in the city, thereby establishing IT and electronic manufacturing clusters. Policy based incentives for the sector range from subsidies in interest, fixed capital, land premium, patents, quality certifications to exemptions on electricity duty, CST and entry tax, stamp duty, etc. Entrepreneurs investing more than 100 Crores in the sectors under this policy may be considered for additional incentives over and above the incentives mentioned above by the Empowered Committee on case to case basis. As a complement, necessary human resources creation and availability of skilled manpower is being ensured vide establishment of new Institutions of National Repute (a new IIT has opened in 2015) and Technical Institutions & Universities, and other necessary Social Infrastructure.

Biotechnology Policy: Biodiversity, a dedicated biotechnology policy (still at a draft state)²², and abundance of medicinal plants of over 1,500 varieties are some of the factors making the state a natural destination for the herbal-medicinal industry. The State provides good governance and excellent infrastructure for industries in biotechnology. The following thrust areas have been identified to achieve the aim of contributing 5 percent of the biotechnology output of India: (i) Agri-biotechnology; (ii) Health care including diagnostics, therapeutics and pharmacogenomics; (iii) Bioinformatics; and (iv) Industrial & environmental biotechnology. The Chhattisgarh infotech and biotech Promotion Society (also known as CHiPS) ensures top-of-the-

²¹ http://203.110.84.87/deity/writereaddata/files/Government%20of%20Chhattisgarh_Electronics_policy.pdf .
Chhattisgarh - IT & ITeS Sector Profile – 2015: <https://www.cgstate.gov.in/documents/10179/8c148b5c-7b55-4f7e-adbc-9ea3dea04975>; Chhattisgarh - ESDM Sector Profile – 2015:

<https://www.cgstate.gov.in/documents/10179/e55b9243-d51c-4e74-a561-cd9e90fc5a75>
²² <http://www.chips.gov.in/sites/default/files/BTPolicy.pdf>

board institutionalised coordination and implementation of the State's plans for enabling bio-benefits. The Government proposed to set up a special Biotechnology Development Fund with an initial corpus of ₹ 30 Crores, set up Biotechnology Parks and establish the Chhattisgarh Centre of Excellence in Biotechnology for encouraging and facilitating Research and Development.

*Chhattisgarh State Solar Energy Policy, 2012-17*²³: The Govt. of Chhattisgarh has released the solar energy policy on 20th November 2012. This policy will be operative till 31st March 2017. The state govt. aims to achieve a target solar power generation capacity between 500MW to 1,000MW by March 2017. The policy promotes sale of power to DISCOMS (feed into the grid) to fulfil Renewable Purchase Obligations, and solar power developers to set up plants for captive use or sale to third parties/other states in India. The state announced incentives including interest subsidy, fixed capital, investment subsidy, exemption from electricity and stamp duty, exemption/concession in land premium, project report subsidy and technical patent subsidy, etc under its Industrial Policy 2009-2014.

4.4 Other observations

Despite Chattisgarh's commendable performance in implementing business friendly reforms, industrialists and experts highlight the following areas where further improvement is desired.

Application for State VAT registration can be done online (<https://cg.nic.in/eServices/Register>); complete process takes approximately 25 days, which can be improved. Based on discussions with industries, it was also understood that hard copies of applications need to be submitted manually at the Department for registration.

The State Industrial Policy provides a list of subsidies, exemption and concessions which can be availed by industries in the state. However, it takes around 3-6 months to avail the incentives. Many respondents were not satisfied with their experience in availing incentives. Some of them, mainly belonging to small & medium sector, indicated that availing capital subsidy takes significant time on account of procedural delays. Also, irregular meeting schedule of the sanctioning committee led to delays in disbursing incentives.

²³ <http://www.ireeed.gov.in/policydetails?id=45#>

The industry associations identified land acquisition and land end-use conversion as key constraints for industries. Conversion of end-use of land takes around 180 days corresponding to the bottom 40 percentile of states. Majority of respondents expressed low satisfaction regarding experience with conversion of end use of land on account of standard objective procedures not being followed. With regards to conversion of land use from agriculture to non-agriculture, the state may consider (i) developing a comprehensive information sharing mechanism with investors/ investor associations on requirements for obtaining clearances and (ii) document standard operating procedures. For increasing the efficiency of land allotment within industrial estates, the state may consider adopting an IT/ GIS enabled land application and land allotment system which enables sharing of information in a transparent manner.

It takes around 110 days to obtain Consent to Establish in Chhattisgarh. Majority of respondents expressed low satisfaction regarding their experience with obtaining the same mainly on account of (i) inadequate information availability on the process for applying and (ii) multiple visits required for obtaining clearances. It was recommended that the state may consider developing a comprehensive information sharing mechanism with investors/investor associations on requirements for obtaining various clearances including the ones related to issue of license under Factories Act. The state may also consider (i) documenting standard operating procedures (SOPs) for inspection processes under factories act to increase transparency and efficiency of the process and (ii) strengthen capacity of inspectors and officers through training programs for improving awareness on provisions of various applicable laws/ regulations and on applying standard operating procedures.

While the state already has a Single Window Mechanism (SWM) (the nodal agencies being State Investment Promotion Board or District Industries Centres depending on the proposed investment) with a common application form, it is primarily a coordinating mechanism with processing of approvals taking place at the respective line departments. Feedback from both state government officials and industry associations indicated that the single window mechanism is not performing optimally and needs to be strengthened by institutionalising a mechanism for monitoring of applications and providing time-bound approvals to prevent unjustified delays.

Chapter 5

Jharkhand

5.1 Introduction and Industrial Factsheet

Jharkhand is the 28th state of the Indian Union which was brought into existence by the Bihar Reorganization Act on November 15, 2000.²⁴ At current prices, the GSDP of Jharkhand for 2014-15 stood at US\$ 36.21 billion; between 2004-05 and 2014-15, the GSDP of the state grew at a CAGR of 10.5 percent. Jharkhand's per capita GSDP grew to US\$ 1,111.2 in 2014-5 compared with US\$ 463.8 in 2004-05; Jharkhand's per capita GSDP increased at a CAGR of 9.1 percent between 2004-05 and 2014-15.

Jharkhand is one of the richest mineral zones in the world. Jharkhand is famous for its rich mineral resources such as Uranium, mica, bauxite, granite, gold, silver, graphite, magnetite, dolomite, fireclay, quartz, feldspar, coal (35 percent of Indian reserves), iron, copper (20 percent of Indian reserves) etc; Jharkhand is the only state in India to produce coking coal, uranium and pyrite. Jharkhand presently produces about 25 percent of the country's steel. With the proposed expansion in the number of integrated steel plants, the state will be producing over 25 MT of steel and thus, will turn into a future steel-hub. Similarly the production of alumina in the state has increased from about 80,000 Metric Ton to over 200,000 Metric Ton. Natural resources, policy incentives and location-specific advantages of Jharkhand support investments in sectors such as mining and metal extraction, engineering, iron and steel, and chemicals. As Jharkhand has around 40 percent of the country's mineral wealth, its extensive mineral resources make mining, metals and related sectors especially lucrative for investments.

Almost 75 percent of the population in Jharkhand depends on agriculture or agriculture related occupations. The state produces a variety of cereals, crops and vegetables. Highly bio-diversified forests and woodlands occupy nearly 30 percent of the State which is amongst the highest in India, giving opportunity for development of minor forest produce based industries and herbal based industries. Also, its agro-climatic condition is suitable for development of agri-

²⁴ Source of information and data: <http://momentumjharkhand.com/jharkhand-at-a-glance/>; www.ibef.org and others

based and allied sector industries. Jharkhand is the largest producer of tussar (a non-mulberry silk) in India, with 76.4 percent share in the total output.

However, services sectors have emerged as high growth zones in Jharkhand. During 2014-15, the tertiary (services) sector contributed 42 percent to Jharkhand's GSDP at current prices. It was followed by industry, the secondary sector (at 32.2 percent) and the primary sector or agriculture (at 25.8 percent). With a CAGR of 13.3 percent, the services sector has grown the fastest among the three between 2004-05 and 2014-15. The growth has been driven by trade, hotels, real estate, finance, insurance, transport, communications and other services. In the same period, agriculture and industry sectors expanded at a CAGR of 10.5 percent and 7.9 percent, respectively.

Jharkhand is very well connected with the rest of India. The state's industrial activity is primarily concentrated in an area south of NH-2, which connects Kolkata with Delhi via Jharkhand. Under Phase 6 of the National Highway Development Project (NHDP), a 277-km long expressway section between Kolkata and Dhanbad on NH 2 was approved for upgradation as of August 2015. However, there are 15 National Highways (NH) running through Jharkhand, measuring 2,374 km. The total length of state highways is around 6,880 km. In January 2015, under the Centre's Road Requirement Plans (RRP), Jharkhand was to receive additional road and bridge infrastructure worth ₹ 64 billion, including 11 roads. The Union Road Ministry of India has announced plans to expand highways in Jharkhand under the PPP model with an estimated investment of US\$ 890 million. As of April 2015, there were 29 ongoing national highway projects under various schemes of the government. In early 2014, the Union Rural Development Ministry approved 483 new road projects covering 1,562.85 km length under the Pradhan Mantri Gram Sadak Yojna. Additionally in 2014-15, the Government of Jharkhand announced plans to construct 890 km of roads and 30 bridges. As of March 2015, 700 km of road and 15 bridges has been completed. Under the ADB agreement, the state government has undertaken a two-lane road project, stretching 311 km between Govindpur (near Dhanbad) and Sahebganj. As of May 2015, around 80 percent of the physical work was completed.

The total length of railway lines in Jharkhand is 2,181.93 km. The state has extensive goods-handling facilities available at Ranchi, Bokaro, Dhanbad and Jamshedpur stations as well as ore-loading facilities at Kiriburu, Lohardaga and all Central Coalfields Ltd (CCL) coal mines.

The dedicated freight corridor (Eastern Corridor Extension to Kolkata under the Dedicated Freight Corridor Corporation of India) will pass through the state and is expected to benefit the industry significantly. The Eastern Freight Corridor is expected to be completed by 2018. As of December 2015, the government undertook 21 major railway projects including construction of 10 new railway lines, 10 projects for doubling of railway line and one gauge conversion project in the state of Jharkhand in order to improve the railway network in the state.

Jharkhand is also well connected by air. A domestic airport is located in the state capital, Ranchi. Direct links are available from Ranchi to prominent cities such as Delhi, Patna, Kolkata and Mumbai. Jamshedpur, Dumka, Dhanbad, Bokaro, Giridih, Deoghar, Hazaribagh, Daltonganj and Noamundi also have airstrips. Chartered flights are available between the steel city of Jamshedpur and Kolkata. Site clearance has been granted by the Government of India to M/s. Tata Steel Ltd in order to set up a new airport in Jamshedpur. Additionally, the Government of Jharkhand signed a Memorandum of Understanding with the Airports Authority of India to develop the airport located in Deoghar.

As of November 2015, Jharkhand had a total installed power generation capacity of 2,625.88 MW. Backed by large coal reserves in the state, of the total installed power generation capacity in the state, 2,404.93 MW of capacity was contributed by coal-based thermal power plants. Besides, the state has total 200.9 MW of installed hydropower generation capacity and 20.05 MW from renewable sources. As of March 2015, the state's average per capita power consumption stood at around 650 kWh. During April to September 2015, the government electrified 109 villages in the state of Jharkhand. Under the Deendayal Upadhyaya Gram Jyoti Yojana, 24 new projects worth US\$ 613.18 million were sanctioned to work upon rural electrification in the state of Jharkhand.

Department of Urban Development of the State government has schemes for development of urban transport, water supply, sewerage, solid waste management and other civic amenities. The state has proposed an outlay of US\$ 1.2 billion for urban development in its 12th Five Year Plan (2012–17). Out of this investment about US\$ 0.8 billion was released till March 2015. Under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), five projects costing US\$ 173.2 million have been sanctioned for urban centres such as Ranchi, Dhanbad and

Jamshedpur. The key areas of development are solid waste management systems and water supply.

Jamshedpur is the original industrial town in the State where the Tata Group set up their first steel plant, more than a century ago. It is a privately run township and currently has several types of industrial units including automotive, metals, chemicals, electrical and electronic goods. Several other industrial areas have been developed in the state based on the location of mineral reserves and related downstream industries. An SEZ has been notified at Adityapur (adjoining Jamshedpur) for the automotive industry. A private sector consortium has been selected for developing the SEZ. Appreciating the requirement of advanced tool room for manufacturing industries, an Indo-Danish tool room and training centre has been set up in Jamshedpur. The state government plans to set up and promote three-tier growth centres at the mega, mini and micro levels. As of December 2015, there were two functional export oriented units in the state of Jharkhand. The state government has identified 56 industrial clusters for development, and the state has three industrial area development authorities with headquarters at Adityapur, Bokaro and Ranchi. Another such development authority is being formed at Santhal Pargana. These authorities are responsible for acquisition of land and development of infrastructure facilities such as roads, drainage, parks, water supply and public utilities within their jurisdiction.

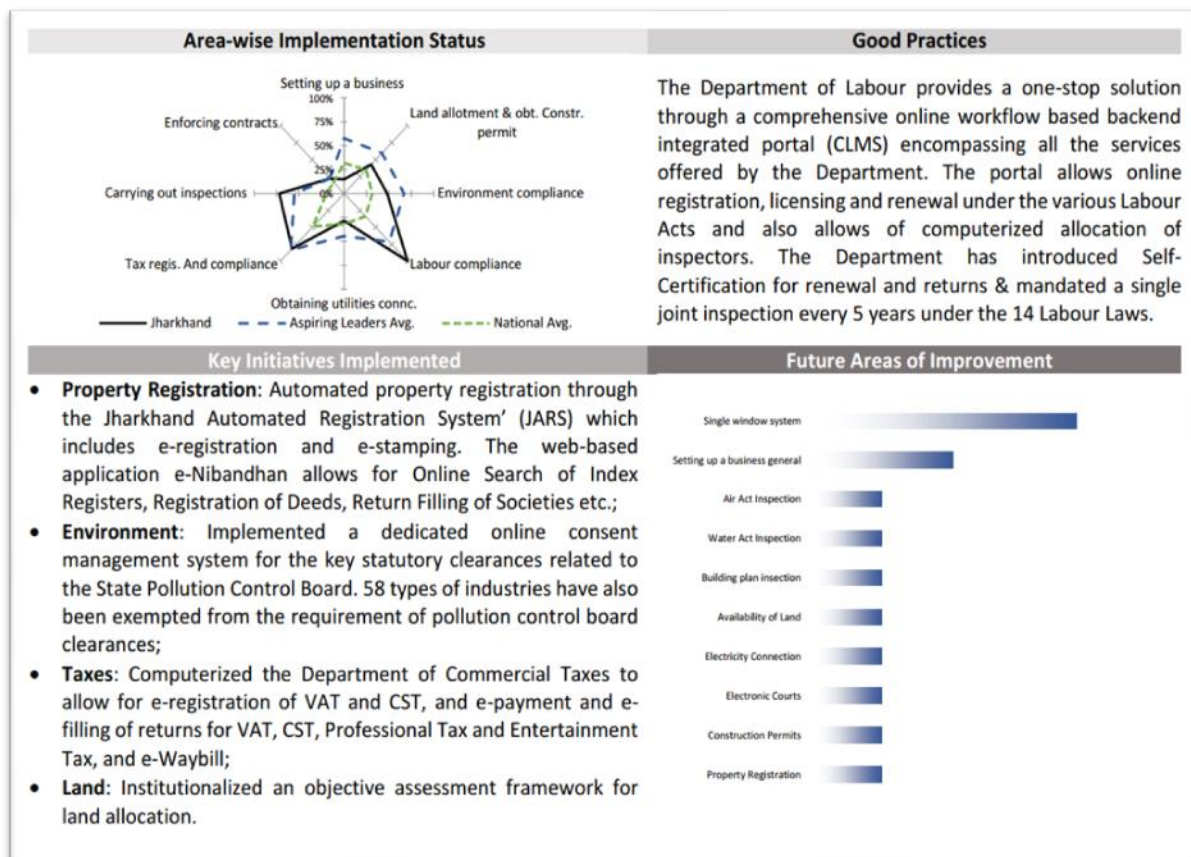
Availability of skilled manpower is easy as Jharkhand has some of the country's premier engineering colleges, including Birla Institute of Technology (Ranchi), National Institute of Technology (Jamshedpur) and Indian School of Mines (Dhanbad), and business colleges such as Xavier Labor Relations Institute (Jamshedpur) and Indian Institute of Management (Ranchi). As of August 2015, there were 215 industrial training institutes (ITIs) in Jharkhand, of which 194 ITIs are privately controlled.

5.2 Industrial Policies, Business regulations and facilitation status

Jharkhand ranks high among Indian states in terms of industrialisation, manufacturing potential and also as a state with high reform implementation track record (with overall implementation share of 63.09 percent) as per the DIPP-WB assessment of 2015 (Fig 5.1), although a 2014 Business Regulatory Environment evaluation indicates that there's a lot of room for improvement (Chart 6b). Nonetheless, there has been large scale change in industrial

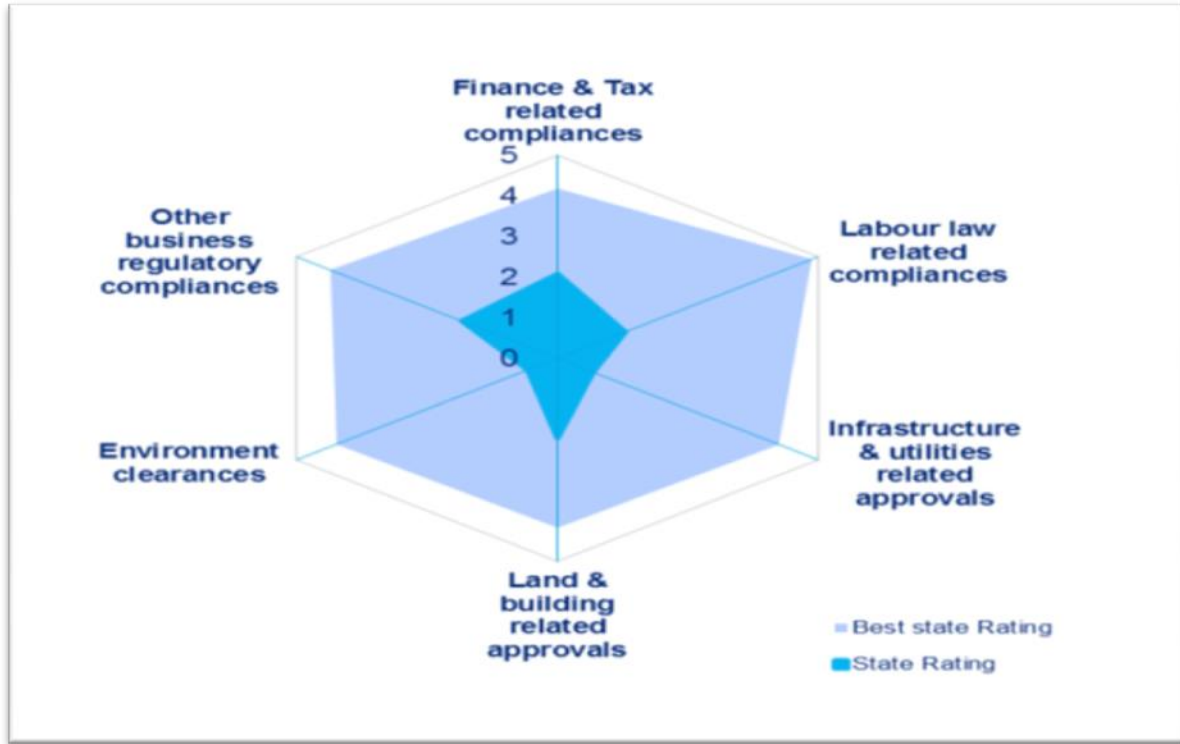
environment due to economic liberalisation, privatisation and globalisation. Strong emphasis is being placed on Micro, Small and Medium Enterprises (MSME). Clusterisation is being promoted, pollution norms have become more stringent, concept of ‘go’ and ‘no go’ zoning has been developed for mining clearances etc. Value Added Tax (VAT) regime has been implemented which is to be further replaced by GST; the state has already ratified the GST constitutional legislation of the central government and once the central GST and IGST model law is finalised it will need to transpose it in the state legislation vide a SGST law. The state has instituted a business-friendly labour regime, and Jharkhand Department of Labour has mandated a single joint inspection every five years under the 14 labour laws applicable.

Fig. 5.1: Jharkhand – Business Reform Implementation, 2015



Source: DIPP-World Bank Assessment of State Implementation of Business Reforms, September 2015

Fig. 5.2: Jharkhand – Business Regulatory Environment, 2014



Source: Deloitte Touche Tohmatsu India Private Limited, 2014

Fig 5.3: Jharkhand – Cost of Doing Business, 2015

Cost parameter	Cost estimate	Source
Land (per sq ft)	US\$ 15 to US\$ 30	Industry sources
Labour cost (Minimum wages per day)	US\$ 3.48 to US\$ 4.81	Ministry of Labour and Employment Governm,ent of India
Hotel cost (per room per night)	US\$ 75 to US\$ 150	Leading hotels in the state
Residential rent (2000 sq ft per month)	US\$ 175 to US\$ 400	Industry sources
Power cost (per kwh)	Commercial US 8.2 cents Industrial US 7.3-9.1 cents	Jharkhand State Electricity Regulatory Commission
Water (per 1000 gallons)	US 19 cents	Industry sources

Source: IBEF Economic Snapshot, November 2015

Jharkhand is progressing fast on adopting best practices for making an investor friendly environment in the state to facilitate investments, employment generation and welfare of the people. Measures like Jharkhand Investment Promotion Board, single window clearance²⁵, online payments, online verification, third party certifications, self- certification, time bound approvals, availability of information online, standard operating procedures for approvals, deemed approvals, etc. are being adopted by various departments and government agencies. Compliance requirements for regulatory inspection and tax regimes have also been simplified and digitised to promote internet-based verifications and renewals. Not surprisingly, costs of doing business in the state compare favourably relative to its neighbouring states (Chart 6c gives some details for comparison).

The present government policies are aimed at creating industry-friendly environment for maximising investment especially in mineral and natural resource based industries, MSMEs, infrastructure development and rehabilitation of viable sick units. The objective here is to maximise the value addition to state's natural resources by setting up industries across the state, generating revenue and creating employment. As per the Jharkhand Industrial Policy, 2012, the state provides comprehensive project investment subsidy to units making investment in plant and machinery, pollution control equipment, environment friendly alternative power generation equipment and employee welfare; other incentives/subsidies include stamp duty exemptions, VAT exemptions and incentives for quality certifications, patent registrations, industrial parks, cluster development, IT/ITES, captive power plant, tourism etc. The industry sectors identified by the Jharkhand government for policy thrust are²⁶:

- (xi) Automobile and Auto Components sector
- (xii) Energy Infrastructure
- (xiii) Electronic Systems Design and Manufacturing (ESDM)
- (xiv) Agri, Food and Feed processing sector
- (xv) Forests and Environment
- (xvi) Healthcare and Medical Education

²⁵ <http://advantage.jharkhand.gov.in/SingleWindow/>; <http://momentumjharkhand.com/invest-in-jharkhand/>

²⁶ <http://momentumjharkhand.com/focus-sectors/>

- (xvii) Industrial Infrastructure
- (xviii) Mines and Minerals
- (xix) Education and Skills Development
- (xx) Textiles
- (xxi) Tourism Sector

Government of Jharkhand (GoJ) proposed to provide the best incentives, exemption and concessions for industrial units to be established in the state. The procedure for the release for these shall be streamlined and made online to have easy and transparent access. The incentives proposed are as follows:

- (i) Comprehensive Project Investment Subsidy (CPIS) – MSME units shall be entitled to get CPIS for investments made in fixed capital investment. Subsidy under CPIS for MSME shall be admissible at the rate of 20 percent of investments made in fixed capital investment with upper cap of ₹2 crore and non MSME units shall have an upper cap of ₹20 crores. Only one time subsidy under CPIS category will be provided to the industries.
- (ii) Industrial units will enjoy 100 percent exemption/reimbursement of stamp duty and registration fee for land directly purchased from the raiyats/acquired through consent award (lessee of IADA/industrial parks will not be eligible for this benefits). This facility will be granted only for the first transaction for a particular plot of land.
- (iii) High priority is being accorded by the State government for improvement of quality of the industrial units and will be provided with assistance for obtaining quality certification from B.I.S. and other internationally recognised institutions @ 50 percent of the expenditure incurred up to maximum of ₹10 lakh. Incentives for quality certification (ISO-9000, ISO-14000 etc.) are also being given by Government of India. State Government will promote and facilitate the Unit getting such benefits on priority basis.

The main industrial promotional policies adopted by the state government are as follows:

- (i) *Jharkhand Industrial and Investment Promotion Policy, 2016*²⁷: Jharkhand Industrial and Investment Promotion Policy aims to establish state-of-the-art infrastructure, promote manufacturing, enhance inclusivity, foster innovation and create employment opportunities across sectors. Various policy instruments have been detailed in this document to catalyze the same. The state intends to be the most preferred destination for investors by providing favourable business climate, excellent infrastructure, good law and order and peaceful industrial relations. The new industrial and investment promotion policy focuses on creating a conducive eco-system which makes industries based in Jharkhand innovative and globally competitive. GoJ lays utmost emphasis on sustainable industrial development anchored by capacity building at the grassroots level. Normally the policy will remain operational for 5 years (01.04.2016 to 31.03.2021). Industry consultation, timely clearances, responsive administration and transparent government have been identified as the corner-stone for improving business environment and boosting investor's confidence. To that end, the state shall provide both, pre- and post-investment services and facilitation for rapid industrialisation. An important feature of the policy is timebound approval of projects, usually within 60 days, beyond which time projects are to be deemed approved.
- (ii) *Single-Window Clearance*: The Government of Jharkhand has implemented a Single-Window Clearance System (SWS) for faster and one-point clearance of industrial projects, single-point dissemination of industrial project-related information and streamlining of inspection of industries by different agencies/authorities. At the state level, a committee has been formed under the chairmanship of the Chief Secretary, with secretaries from all departments concerned and representatives from banks and financial institutions as members, to facilitate speedy clearances for mega projects (investment above US\$ 8.29 million). A similar committee has been constituted at the district level under the chairmanship of the Director of Industries to review the progress of all investment proposals received. Officers from various departments (industries, land and revenue, commercial tax, labour and employment, forest and environment, Jharkhand

²⁷ <http://momentumjharkhand.com/wp-content/uploads/2016/08/Jharkhand-Industrial-and-Investment-Promotion-Policy-2016.pdf>

State Electricity Board, Jharkhand State Pollution Control Board and Damodar Valley Corporation) have been deputed to the SWS office to facilitate its smooth functioning.

(iii) *Jharkhand State Solar Power Policy, 2015*: The State receives around 300 days of clear sun annually and offers good sites having potential of more than 4.5 to 5.5 kWh/m²/day, which the State intends to harness to support the energy requirements of the State. Jharkhand aims to encourage participation of Private Sector to set up Solar Power based projects in the State and increase solar power generation to 2650 MW by the year 2020 in a phased manner, build a favourable atmosphere for setting up Solar Power projects, ensure energy security of the State by stable and non-polluting means and promote local manufacturing facilities which will generate employment in the State. The State shall identify land and promote development of solar park on non-productive Government land or any other land falling within the area of solar park. It shall also extend all facilities and fiscal incentives provided by central Govt. / National Solar Mission to the Manufacturers and Power Project Developers in Solar Park. Promotion of development of Solar Power Plants on the Canal Top and on the banks of canal is also being focused upon. Department of Energy has listed a host of incentives to solar power plants under the Jharkhand State Solar Power Policy 2015.

(iv) *Jharkhand Food Processing Industry Policy, 2015*: To facilitate growth in the Agro-Food Processing Based Industries sector, the state is developing Food Parks and modern processing facility for fisheries which will enhance value addition. Following activities will be incentivised: Hi-Tech Agriculture; Organic farming; Pre-farm gate value addition projects; Agro processing and Agri-infrastructure projects; Research for varietal development; Post-harvest management; Quality Certifications in entire value chain; Setting up of Food testing Laboratories; Export of fresh fruits, vegetables, flowers, live plants by air and sea route; Participation in International Trade Fairs; Setting up of Cold Chain; Setting up of Irradiation, Logistics Park and Warehouses; etc. The objective of this policy is to creating favourable atmosphere for setting-up of food processing units in the state through creation of infrastructure facilities, encouragement of capital investment and technology up-gradation, development of marketing network, development promotion, grants and concessions. This policy also covers processing of minor forest produce and herbals.

GoJ has also launched *Jharkhand Feed Processing Industry Policy, 2015* and the objective of this policy is to create a favourable atmosphere for setting-up of animal feed processing units in the state through creation of infrastructure facilities, encouragement of capital investment, technology up-gradation, development of marketing network, development promotion, grants and concessions.

(v) *Jharkhand Industrial Park Policy, 2015*: The Government of Jharkhand is committed for employment generation for local population which is possible only through rapid industrialization of Jharkhand. With the aim of accelerating Industrial development of the State, the State Government has sanctioned setting up of Private, Joint Venture and PPP mode Industrial Park consisting of minimum 50 acres with minimum of 15 industrial units. In case of Sector Specific Industrial Parks, the minimum area shall be 10 acres with minimum of 5 industrial units, through Special Purpose Vehicle (SPV) registered under the prevalent Companies Act to make industrial parks with necessary basic industrial infrastructure. Sector Specific Industrial Parks have been envisaged for sectors such as:

1. Apparel Fibre and Textile Park
2. IT Park / Software Technology Park
3. Gems and Jewelry Park
4. Bio-tech and Herbs Park
5. Chemical and Pharmaceutical Park
6. Food Park
7. Automobile Vendor - Ancillary Industries Park
8. Any other specific sectors e.g. Ceramic Park, Plastic Park, Knowledge Park, Film City

(vi) *Jharkhand Export Policy, 2015*: Being an important traditional hub for ferrous and non-ferrous metals products output and exports thereof, Jharkhand has been an important exporting state of India. In 2014-15, the total exports from the state of Jharkhand stood at US\$ 557.14 million. The Central Government's upcoming Eastern Dedicated Freight Corridor passes through the state and will connect Jharkhand with West Bengal, Bihar, Uttar Pradesh, Delhi, Haryana, Punjab and Rajasthan. The mission of Jharkhand Export Promotion Policy is to facilitate the rapid and sustained growth of exports from

Jharkhand and to increase its share in all India exports to 2 percent by 2019. This is envisaged to be achieved by:

1. Providing an effective, proactive and supportive institutional mechanism
2. Evolving and implementing export promotional strategies
3. Building supportive infrastructural facilities like high speed internet access, high speed consignment movement by rail or road without hurdles.
4. Marketing development assistance, R&D on global market research and testing laboratories support, creating world trade centre facility at Ranchi.

To achieve the above mission, the following objectives have been set by the GoJ:

1. Provide a simple, proactive, responsive and supportive institutional mechanism for the rapid growth of exports.
2. Strengthening the export infrastructure such as warehouses, Inland Container Depots (ICDs), Cold Storages, rail-road connectivity from Industrial Clusters etc. Reputed quality service providers in these services to be utilized for distant western/southern India ports having importance of specific better connectivity with some countries.
3. To bring about technology and skill upgradation in the traditional export sectors like Mineral based products, Handicrafts, Handlooms, Agriculture and Processed Food products to enhance value addition and quality competitiveness.
4. Jharkhand weather has potential for fresh floriculture/vegetables/fruits exports. Hence, in due course of time, Air Cargo export facility shall be pursued with proper thrust.
5. To focus on existing exporting industries and to provide them with necessary support to give further boost to exports from these industries especially the MSME sector having very high potential.
6. To focus on industries with export potential and to encourage and motivate such industries for increasing the volume of exports and also to focus on export items manufactured from 100 percent indigenous inputs normally done by MSME sector.

7. Encourage implementation of Quality Management Systems and Environment Management System at par with international standards which will help exporters to get an edge in international business.
8. Organise Export Awareness Programmes at frequent intervals in major industrial clusters jointly with FIEO and other Commerce & Industries Associations to update the knowledge of the existing exporters and to encourage others to take up exports.
9. Establish linkages on regular basis with FIEO/ EPCs and other associations to build a comprehensive international trade related network.
10. Providing financial incentives to exporters to boost exports from the state of Jharkhand.

The exportable products have been categorised in the following main groups:

1. Sericulture, Handloom and Handicraft Products.
2. Engineering, Chemical and Allied Products including automobiles.
3. Iron, Steel, Cement and Aluminum
4. Refractories, graphite, mica products and other mineral products including granite and ornamental cut stone tiles.
5. Agriculture and Minor forest Products including shellac products, cashew nuts, processed honey, fruits, vegetables and floriculture.
6. Services Export (Computer Software, Engineering Consultancy, etc.)

The GoJ is also working towards improving exports, skill development, mineral based products, handicrafts, handlooms, agriculture and processed food products to ensure increased industrial development across the state. Jharkhand is also wooing export-oriented investors in mineral exploration, plastics and rubber, chemicals, electrical, cement, metallurgy and automobile components, and equipments for heavy engineering companies. There is a proposal for setting up Product Promotion Groups comprising of exporters, manufacturers and various related agencies for proper interaction between manufacturer and exporter and also for evolving a stronger support system. The state government acts as a facilitator and a catalyst by providing support infrastructure facilities such as inland container depots, air cargo facilities, knowledge

parks, Special Economic Zones, and internet connectivity, etc. The government also gives a high priority to rail and road network expansion.

5.3 Service sector policies and incentives

Information Technology and Electronics has been identified as one of the focus areas for development. Jharkhand recognises the strategic importance of Information, Communication & Technology (ICT) as key components of its agenda for development and in building a digital economy. Department of Information Technology & e-Governance, GoJ, has appointed Ernst & Young (EY) as the advisor for assisting the department in IT/ITeS/ESDM sector policy formulation, developing guidelines for setting up of IT Parks, investment promotion in the IT sector in the state, feasibility assessment and bid process management for development of IT Parks in the state. It is proposed that in addition to the incentives available under National Electronics Policy, 2012, fiscal and non-fiscal benefits will be made available by GoJ to promote the sector.

Based on its existing high-quality educational infrastructure, GoJ is proposing to set up knowledge-hub incubators in association with IIM-Ranchi, XLRI-Jamshedpur, BIT-Mesra and NIT-Jamshedpur to support the start-ups and growth of high Technology Ventures for unifying a range of business development and professional services and providing access to a global knowledge network. The State Government will actively promote start-ups and once the idea is commercialised, the start-up incubators shall be provided with necessary assistance as per the Start-up action plan of DIPP, Government of India. The Jharkhand *Communication Towers and Related Structures Policy, 2015* is designed to encourage provisioning of adequate and quality infrastructure for connectivity and telecommunication services across the State, especially the rural and remote areas.

To upgrade the existing technology, GoJ has proposed to facilitate the setting up of R&D institutions by defraying part of the project cost, facilitate the setting up new/upgradation of existing laboratories by providing assistance on machinery and equipment and through partial reimbursement of cost for filing of domestic patents and international patents. National Level R&D centres and premier institutes of Science and Technology in the State are being encouraged to set up Incubation Centres to encourage innovation by the youth and for development of

knowledge based and high technology end products. GoJ is proposed to provide financial grants up to ₹10 Crore or 90 percent of the project cost, whichever is lower for incubation centre in these identified higher education institutions through Single Window Clearance mechanism.

5.4 Some other observations

The state government needs to work further on improving environmental clearances processes, setting up a business processes, including obtaining utilities and other regulatory clearances for business. To improve the land related approvals, the state may create dedicated land banks for manufacturing activities in all the districts and publicize the same for enabling easy and transparent access to entrepreneurs. For increasing the efficiency of land allotment within industrial estates, the state may consider adopting an IT/ GIS enabled land application and land allotment system which enables sharing of information in a transparent manner.

To improve the process of availing subsidies, the documentation requirements may be simplified by issuing a checklist of standard documents required to be appended with the application and sharing the same with the industries through industry associations/ department website. The state may also consider implementing an IT based monitoring system to track status of processing of applications at the concerned departments for ensuring that disbursements/ refunds are made within a specified time limit. To strengthen the processing of applications for obtaining water, power connections and fire license/ NOC, the state may consider developing online systems for receiving applications and tracking.

Chapter 6

Odisha

6.1. Introduction and Industrial Factsheet

Odisha, located in the eastern region of India, has emerged as a key state with regards to the mineral and metal based industries. The state's economy witnessed high growth rates between 2004-05 and 2014-15. At current prices, Odisha's total GSDP stood at US\$ 51.3 billion; between 2004-05 and 2014-15, the GSDP of the state grew at a CAGR of 11.5 percent. Odisha's per capita GSDP in 2014-15 stood at US\$ 1,167 in comparison with US\$ 450.3 in 2004-05, increasing at a CAGR of 10 percent between 2004-05 and 2014-15.

In 2014-15, the tertiary sector contributed the most (47.5 percent or US\$ 24.4 billion) to GSDP, followed by secondary (23.3 percent or US\$ 12 billion) and the primary (29.2 percent or US\$ 15 billion) sectors. However, during 2004-05 to 2014-15, the primary sector recorded the highest CAGR (14.3 percent), followed by the secondary (11.4 percent) and tertiary (10.1 percent) sectors.

Odisha has a lion share of the country's mineral reserves. Key minerals found in the state are iron, coal, bauxite, manganese, nickel, chromite, limestone, dolomite, graphite, decorative stones, beach sand, China clay, tin ore, etc. As of 2014-15, Odisha accounted for over 55 percent of India's bauxite reserves, making it an ideal location for setting up aluminium and aluminium-based companies. Odisha is one of the largest producers of iron and steel in the country and accounted for 10 percent share in the country's steel production in 2015. The state also holds about 25 percent of the overall iron reserves of India. Being one of the largest producers of iron and steel in India, the state of Odisha is one of the most favoured investment destinations for domestic and international iron and steel players.

As per the state government investment plans, the contribution of manufacturing sector in the overall GSDP of the state is projected to increase from 23 percent in 2014-15 and reach 27 percent by 2020. According to the DIPP, cumulative FDI inflows in the state during April 2000 to September 2015 were valued at US\$ 402 million. The huge mineral resources of the state, 480 km long coastal stretch, the liberalised economic policy of Govt. of India, Industrial Policy 2007

and availability of infrastructural support makes the state an investor's paradise. The state is home to a large number of MSME units. As of June 2015, the state government announced plans to facilitate growth in the manufacturing sector with a yearly increase of 15 percent till 2020.

Odisha is well connected to its neighbouring states and other parts of India through 15 National Highways and has around 253,050.8 km of roads, including 4,644.52 km of national highways and 5,086.1 km of state highways. As of 2014-15, Odisha railway track length was 2,540 km. Odisha serves as a link between eastern and western India through the railway network of the South Eastern Railways and the East Coast Railways. With the authorisation of the Talcher-Sambalpur track, an imperative link has been cemented between coastal and western Odisha. In the Railway Budget of 2015-16, US\$ 0.24 billion has been allocated towards the development of the railways in Odisha. In November 2013, the Bhubaneswar airport was declared an international airport by the Ministry of Civil Aviation. In 2014-15, Airports Authority of India announced plans to undertake the construction of Jharsuguda airstrip. Direct links are available from Bhubaneswar to destinations such as New Delhi, Kolkata, Chennai, Nagpur, Mumbai and Hyderabad. In addition, there are 17 airstrips and 16 helipads at several places in the state.

Odisha is served by Paradeep, a deep-water seaport, which is connected with the broad-gauge rail link of the East-Coast Railway and is also served by National Highway-5A. Paradeep is largest in the country in terms of cargo handling capacity, and is networked with other ports at Dhamra and Gopalpur. According to the Ministry of Commerce and Industry, total exports from Odisha in 2014-15 were valued at US\$ 3.4 billion. Value exports from the state increased at a CAGR of 2.5 percent between 2006-07 and 2014-15. The state has been a major exporter of both mineral and metallurgical products, which account for around 18.89 percent and 40.88 percent of the state's total exports, respectively. Seafood industry is one the fastest growing segments in the total exports of the state with about 9 percent share. During 2014-15, the total exports of seafood products from the state reached US\$ 381 million. The Government of Odisha has recognised various sectors for the promotion and facilitation of the exports from the state. The sectors that have relatively higher preference of the state government are agriculture and processed food products, readymade garments, electronics, IT, engineering goods, arts and crafts, and minerals and mineral based products.

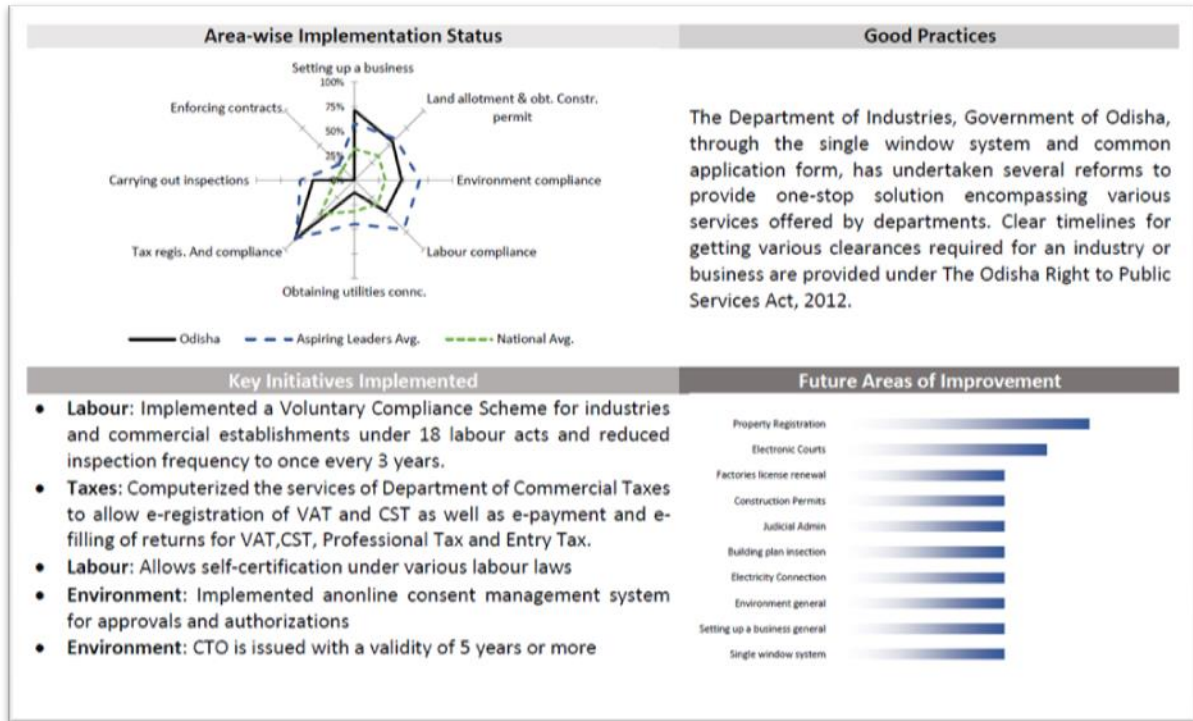
Odisha is the first state in the country to bring in power sector reforms. As of November 2015, Odisha had a total installed power generation capacity of 9,061.52 MW, comprising 2,488.22 MW under state utilities, 4,785.25 MW under the private sector, and 1,788.05 MW under central utilities. Of the total installed power generation capacity, 6,753.04 MW was contributed by thermal power, 2,166.93 MW by hydropower, and 141.55 MW by renewable power. In September 2015, six cities of Odisha were announced to be developed as smart cities. Nine cities in the state were identified under Atal Mission for Rejuvenation and Urban Transformation (AMRUT) as of October 2015.

6.2 Industrial Policies, Business regulations and facilitation status

Odisha underutilises its huge natural resources and needs to catch up vis-à-vis the rest of its neighbours in terms of industrialisation. Also, its reform implementation track record is weak (with overall implementation share of 52.12 percent) as per the DIPP-WB assessment of 2015 (Fig 6.1), especially in contract enforcement and getting utilities connection, although a 2014 Business Regulatory Environment evaluation indicates that the state performs respectably on getting business approvals, regulatory compliances and environmental clearances (Fig. 6.2); the *Orissa Industries (Facilitation) Act 2004* is one of the first legislations for single window clearance system in the country²⁸ and the state boasts of most competitive power tariffs in the region. The Naveen Patnaik government has been pushing anew to promote Odisha as a desirable investment destination.

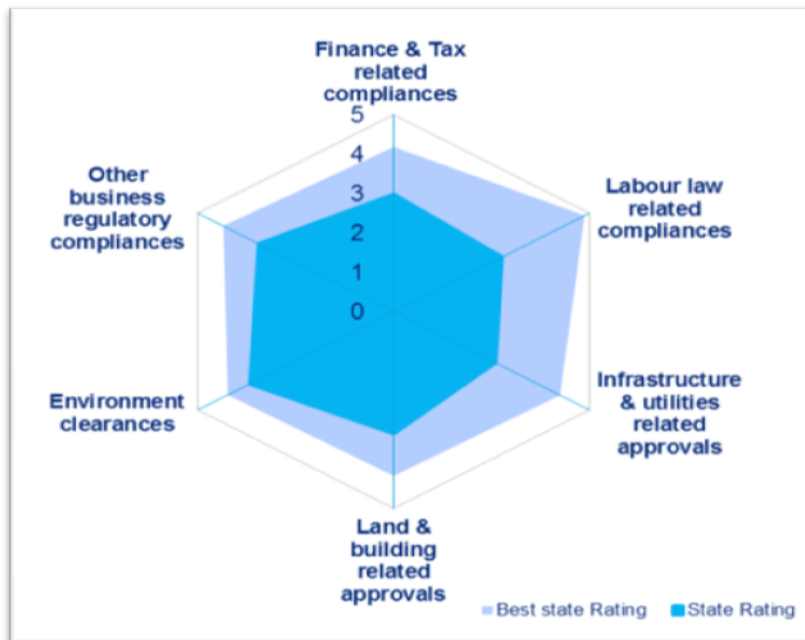
²⁸ Also: <http://investodisha.org/>

Fig. 6.1: Odisha – Business Reform Implementation, 2015



Source: DIPP-World Bank Assessment of State Implementation of Business Reforms, September 2015

Fig. 6.2: Odisha – Business Regulatory Environment, 2014



Source: Deloitte Touche Tohmatsu India Private Limited, 2014

Fig. 6.3: Odisha – Cost of Doing Business, 2015

Cost parameter	Cost estimate
Industrial land (per sq ft)	US\$ 2 to US\$ 15
Office space rent (per sq ft)	US\$ 0.2 to US\$ 2
Residential rent (for a 2,000 sq ft house, per month)	US\$ 200 to US\$ 400
Five-star hotel room (per night)	US\$ 200 to US\$ 450
Power cost (per kWh)	Industries: US 7.5 cents to US 10.4 cents)
Labour cost (minimum wage per month)	US\$ 2.5 to US\$ 3.41

Source: IBEF Economic Snapshot, November 2015

Odisha's industries are based mainly on the natural resources available in the state. It carries more than 35 per cent of country's natural resources. The *Industrial Policy Resolution 2015*²⁹ has been formulated to create a conducive business environment through an enabling policy and regulatory framework to drive sustainable industrial growth in Odisha. The state is committed to simplify the processes and procedures and expedite project approvals and clearances. The Policy focuses on providing quality industrial infrastructure, creation of a large land bank, financial assistance to the private sector for development of industrial infrastructure and sustainable environmental protection. The emphasis of the Policy is to make Odisha "a destination of choice" for industrial enterprises. Chart 8c gives some details of the cost of doing business in Odisha. The state government has also circulated an *Investment Guide* which explains the single window clearance system, process of starting an industry in Odisha, clearances/approvals required pre-commencement of an industry, process for renewal of licences, inspection processes and grievance redressal mechanism.

The Industrial Policy includes provision for quality infrastructure support, development of industrial estates, Special Economic Zones (SEZs), National Investment and Manufacturing Zone (NIMZ), Ports and PCPIR. The Policy provides impetus for development of industrial infrastructure through Public Private Partnership mode and development of social infrastructure to support the industrial growth. The focus sectors of the State for next five years are as follows:

²⁹ <http://investodisha.org/industrial-policy>; http://www.odisha.gov.in/portal/Download/Odisha-Investors-Guide_1.pdf

1. Auto and Auto Components
2. Downstream and Ancillary Industries
3. Agro and Food Processing
4. IT and Electronic System Design & Manufacturing
5. Tourism
6. Manufacturing in Aviation and Maintenance, Repair & Overhaul (MRO) facilities
7. Pharmaceuticals
8. Handicrafts and Textiles
9. Petroleum, Chemicals and Petrochemicals
10. Plastics and Polymers

These sectors are being promoted with generous incentives and subsidies (viz. capital grant for quality infrastructure creation, 10 percent capital subsidy, preferential land allotment for ancillary units, interest subsidy, tax duty exemption, reimbursement of VAT, patent registration, quality certification), with MSMEs and employment-incentive units getting higher support.

In addition, the State has exclusive sector specific policies as below:

- a) Information & Communications Technology (ICT) Policy, 2014
- b) Odisha Tourism Policy, 2013
- c) Odisha MSME Development Policy, 2009
- d) Odisha Food Processing Policy, 2013

The state is amongst the top ten states accounting for the highest number of MSME enterprises, boosted by the *Odisha MSME Development Policy, 2009*. The emphasis of this policy is to make Odisha “a destination of choice” for MSME enterprises. The objective of the Policy is to enhance competitiveness of MSME sector in the State and provide a conducive ecosystem to encourage MSMEs and attract new investments into the sector. Reservation of 20 percent area in industrial estate, industrial parks, industrial corridors and land banks for MSMEs and Development of 10 percent of the land limiting to 200 Acres by Large and Mega Industries for setting up of Ancillary and Downstream MSMEs in cluster mode is a key initiative of the policy. It also strives to broad base the growth of MSME in all potential sectors of economy and

provide opportunities to local entrepreneurial talent and encourage entrepreneurship. Special financial incentives for MSMEs include capital incentives, and subsidies for technology upgradation and clean development mechanism. Also, the Odisha MSME Venture Capital Scheme provides financial assistance in the form of equity and quasi-equity.

Odisha Food Processing Policy, 2013 aims to increase the flow of investments in the sector across the supply chain from farm to market and reduce wastage of farm produce. The Policy provides financial incentives, infrastructure development, skill development, cluster approach for development of the sector. The Policy also aims creation of infrastructure, such as warehouses, cold storage, etc. along with an enabling ecosystem and setting up of information centers, to maintain databases on food processing enterprises, infrastructure providers, export markets, etc.; ‘Krishi Sahayak Kendras’ have been set up to act as information centers. The MSME Department has been designated as the nodal agency for implementing and monitoring the Policy.

*Policy for Special Economic Zones, 2015*³⁰: Odisha had fifteen SEZs as of July 2015, of which, two are operational, four are notified, eight are formally approved and one has in-principle been approved. The state has one operational IT/ITeS SEZ in Bhubaneswar, as of 2014-15. Odisha also has one operational SEZ for the production and export of aluminium which is located at Jharsuguda district. IDCO is the main developer for forty per cent of the formally approved SEZs. The state has 86 industrial estates. As of September 2015, employment was generated for 2,043 people through SEZs in Odisha. SEZs are allowed 100 percent exemption for stamp duty, VAT, electricity duty and entry taxes, and identified thrust sectors are: IT/ITES, Bio Technology, Electronic System Design and Manufacturing, Automobile and Auto-component manufacturing, Heavy and Light Engineering goods, Leather, Handlooms and Handicrafts including coir, Textiles including garments and apparels, Agro and Food Processing Industries including Marine Products, Ship building and repairing, Gems and Jewellery, Downstream and Ancillary Industries based on primary metal, Petroleum, Chemical and Petrochemical and their downstream Industries, Pharmaceuticals and Tourism. Furthermore, the State has recently promulgated a *State Agriculture Policy 2013*, *Odisha Fisheries Policy 2015*, *Entrepreneurship Development Policy 2015* and a *Special Incentive Package Scheme for ESDM sector*.

³⁰ http://investodisha.org/download/Special_Economic_Zones_2015.pdf

6.3 Service sector policies and incentives

The *Odisha Information & Communication Technology Policy, 2014*³¹ envisions development of IT/ITES/ESDM industries in Odisha and leverage IT & ITES in governance to transform the state into a knowledge economy. The IT sector in Odisha is dominated by over 300 SMEs. The sector employs around 12,000 software professionals. In order to attract ICT investments, the centre is considering a mega project in Bhubaneswar, Odisha. In July 2015, the state government announced plans to frame a rural BPO scheme under which subsidies are planned to be offered for establishing BPO units. In places where STPI (Software Technology Parks of India) stations are situated, employment opportunities are expected to be generated in the state. STPIs in the state are located in Bhubaneswar, Balasore, Rourkela and Berhampur. In Odisha, the IT firms registered with the STPI provide employment to about 10,000 people. The state has an ample talent pool to cater to the needs of this industry. It produces 40,000 technical and management professionals and 50,000 general graduates every year.

The ICT Policy has been formed, aimed at creating employment opportunities for over 60,000 IT professionals in the state, through 2020. Also, the scheme focuses at bringing over 10 leading IT and 5 ESDM companies to the state. In September 2015, the Government of Odisha announced plans to spend US\$ 663.57 million over the course of next five years for the development of IT/ITeS/ESDM sector of Odisha. The government aims at creating more than 100,000 job opportunities through this investment. Increased demand from IT giants such as Tata Consultancy Services, Infosys and Wipro is expected to generate 30,000 jobs over the next two years. Sectors/areas identified for active promotion with special financial benefits under this Policy are: Startups and MSME units, Products and R&D/Innovation Firms, Incubation Centers in Educational Institutions & Private Sector, Entertainment IT (Visual Effects, Animation, Gaming), Level II Cities, IT Parks/IT SEZs/ IT Clusters, Mage IT Parks and IT Education and Electronic System Design and Manufacturing (ESDM).

*Odisha Biotechnology Policy, 2016*³²: The state government proposes to bring in a new ‘Orissa Biotechnology Policy – 2016’ to tap the potential of state’s bio-technology sector. The policy, which is being put together by the science and technology department in consultation

³¹ http://www.odisha.gov.in/portal/ICT_Policy-2014.pdf

³² <http://odisha.gov.in/govtpress/pdf/2016/2202.pdf>

with industries department and experts, seeks to help Orissa emerge as one of the top five 'bio-tech hubs' in the country for biotechnology investments by creating an enabling environment through strategic partnership initiatives, industrial infrastructure development, investment assistance and policy intervention. Under the policy, the state government will set up a biotechnology fund with an initial corpus of ₹ 25 crore. The fund will be utilised for investments and promotional activities in bio-technology sector in the state. Besides, the state government has also decided to utilise ₹ 100 crore Industrial Infrastructure Development Fund (IIDF) for developing infrastructures in this sector. For firms keen to invest in the sector, the state government will give land on priority and will reimburse power cost at ₹ 1 per unit for five years from the date of operation or manufacturing or production. The state government will provide up to 33 percent subsidy on plant machinery subject to maximum ₹ 5 crore. Besides, one time grant up to ₹ 2.5 crore will be provided to universities and institutions for setting up or upgrading 'Biotech Centre of Excellence.'

Besides, other support including establishment of a dedicated cell within the directorate of EPM will be provided to render export marketing services to bio-technology products and services. "The new policy will offer scope for use of bio technology in many sectors including in food processing, commercial production of antibiotics, research in cellular, biology, genomics, RNA interference, establishment of cell lines in medical biotechnology, sperm banking facilities for maintenance and propagation of superior quality live stock in animal biotechnology sector," officials of the science and technology department said.

*Draft Odisha Solar Policy- 2013*³³: This draft released by the Government of Odisha is in line with the National Solar Mission. Odisha by virtue of its position has almost all renewable energy resources, some rough assessments indicate Odisha's gross renewable energy potential as 53,820 MW. The policy has introduced several enabling mechanism to meet this potential. The principal objective of the policy is to promote the use of solar energy in Odisha state to support development and address the problem of energy security. There are other objectives like productive use of wastelands, providing incentive to solar manufacturing, creating an R&D hub for solar power technologies and creation of performance testing facilities for solar systems to name a few. The solar capacity addition requirement calculated on the basis of the Solar

³³ <http://mnre.gov.in/file-manager/UserFiles/state-power-policies/Odisha-Solar-Power-Policy.pdf>;
<http://oredaodisha.com/>

Purchase Obligation (SPO) of GRIDCO and other Obligated Entities in the state as identified under the OERC- RCPO Regulation -2010 works to be cumulative capacity addition of 135 MW by the year 2015-16 in the state. Besides the above obligated capacity, the policy allows developers to set up solar power plants of any capacity under the REC mechanism, for captive consumption, for sale outside the state through open access and for sale to GRIDCO and DISCOMs on PPA basis.

The Policy mandates tariff based competitive bidding for setting up of solar PV power projects for generation and supply of power to the State grid. The policy also promotes solar power projects of unlimited capacity under the REC mechanism by IPPs and the Power generated from these power projects shall be purchased by GRIDCO/DISCOMs at Average Pooled Power Cost (APPC) as determined by the OERC from time to time. Also projects set up for supply/sale of power outside the state using open access are allowed under the policy. Independent Power Producers interested to set up solar power projects for supplying the entire power from their respective projects to an obligated entity within the state so as to enable the entity to fulfil its own solar purchase obligation are encouraged under the policy guidelines. For Off –grid application of solar PV technology, the policy has set a target of 20 MW by 2017-18 with rooftop solar PV. The policy has provisions for ‘Single Window Clearance’ of projects with OREDA acting as the Nodal agency, setting up of State level screening committee (STC) for giving in principal clearance to projects, creation of ‘Renewable Energy Infrastructure Development Fund’ for accelerated development of solar/renewable energy in the state. But the policy doesn’t cover scheduling procedure for solar generators under Intra-state ABT.

6.4 Other observations

Industrialists and stakeholders in Odisha highlight the following areas where improvement is called for. Foremost concern is on *Finance & Tax Related Compliances*, which need intervention and urgent reforms. In Odisha, application for State VAT registration can be filed online and the complete process approximately takes about 30 days. Feedback from industry associations have indicated that the key reason for delays was that post application multiple visits that were required to the concerned department for follow up. Many respondents highlighted anomalies in the Odisha VAT Act which restricts the input tax credit and refund thereof to the extent of CST payable under the CST Act in the case of inter-state trade. This results in additional tax burden

on the local industries operating within the state. Entrepreneurs suggested that the State VAT act should be suitably amended.

Also, the application process for availing industrial policy incentives is manual. It takes around 6-12 months to avail incentives. Majority of respondents were not satisfied with the experience of availing incentives primarily on account of (i) complex documentation and (ii) standard objective procedures not being followed. Here, respondents felt there is a need to improve the effectiveness of the incentive disbursement process. The Government may consider streamlining the subsidy/ reimbursement claims process by defining a time frame for such payments, and strengthening the monitoring mechanism for ensuring adherence to committed timelines.

As regards the *Infrastructure & Utilities Related Approvals*, obtaining a new power connection related approvals requires around 120 days. Many respondents were not satisfied with the time taken for obtaining power connection related approvals. Feedback from industry associations and industries indicates that multiple visits are required to be made to the concerned department. Even for Environment Clearances where Odisha fares well in reform implementation, that the environmental clearances may be filed online added to the satisfaction of majority of the respondents. However, many respondents were not satisfied with the time taken to obtain Consent to Operate which takes around 88 days. There is scope for deployment of IT-enabled (including GIS-enabled applications) processes with strong monitoring mechanisms for both power and water connections, thereby reducing the time for processing new applications and increasing process effectiveness and transparency levels.

The Government of Odisha has enacted *Orissa Industries (Facilitation) Act, 2004* and *Orissa Industries (Facilitation) Rules, 2005* which lay down the 3 tier hierarchy for single window clearance based on proposed investment level. While the state has a Single Window Mechanism (SWM) with a common application form, it is primarily a coordinating mechanism with processing of approvals taking place at the respective line departments. Only land approval is secured through Odisha Industrial Infrastructure Development Corporation (IDCO) based on application submitted to the single window clearance body (Industrial Investment Promotion Corporation of Orissa Limited / District Industries Centres), for the other approvals the investor is required to interact with the respective departments. Majority of respondents were not satisfied

with the performance of SWM in the state. For improving the overall business environment of the state, it can aim to improve its Single Window Mechanism further by:

- (i) Revising and standardising the list of required documents which are required for applying through the Single Window (making it comprehensive) and thereby avoiding the possibility of delays on account of demand for further documents from the line departments.
- (ii) Revision of time limits for individual clearances under Single Window Mechanism may be considered with a view to making them reasonable while strengthening the monitoring mechanism for ensuring adherence.

For improving the process of labour law related compliances, standard procedures for inspection required for obtaining licenses under the Factories Act may be developed and transparently shared with both staff as well as applicants to improve process effectiveness. Further, the state may consider implementing an online system for filing and tracking Factories Act related licences.

Chapter 7

West Bengal

7.1. Introduction and Industrial Factsheet

West Bengal (*WB*) is an Indian state, located in east of the Indian peninsula. It is India's fourth-most populous state, with over 91 million inhabitants. It has a total area of 88,750 square km, making it similar in size to *Serbia*. WB has a literacy rate of 77.1 percent³⁴ and a net enrolment rate (primary level) of 92.1 percent both greater than the national average. A part of the ethnolinguistic Bengal region, sharing its eastern and western boundaries with Bihar, Jharkhand, Odisha and Assam respectively. It also shares international borders with Nepal and Bhutan in the north and Bangladesh in the east. The state has a diverse geographical mix with the Himalayas in the north and the Sundarbans delta in the south. *It is being seen as a rapidly developing state with its rich base of human capital and natural resources galvanizing the growth process.* The state's capital Kolkata is the third-largest city in India and considered widely as the *cultural capital* of the country.

West Bengal is India's sixth largest economy *and is ranked 5th in terms of Social Sector Expenditure in India.* The state recorded a gross state domestic product (GSDP) of US\$ 140.56³⁵ billion in 2015-16, which expanded at a compound annual growth rate (CAGR) of 10.57 percent from 2004-05 to 2015-16. Agriculture is the chief occupation in the state and contributed 18.8 percent to the GSDP in 2014-15. As of June 2016, West Bengal had a total installed power generation capacity of 9,988.4 MW. FDI proposals amounting to US\$ 980.53³⁶ million have been approved in the state as of 2011-12.

The tertiary sector contributed 60.83 percent to the state's GSDP at factor cost, followed by the primary sector (23.46 percent) and the secondary sector (15.71 percent) in 2015-16 at a CAGR

³⁴ Source of information and data : <https://data.gov.in/resources/major-socio-economic-indicators-west-bengal-and-all-india-2011-01082014/download>

³⁵ Source of information and data : <http://www.ibef.org/download/West-Bengal-December-20161.pdf>

³⁶

<http://www.westbengalstat.com/table/industries/18/staterbiregionwiseforeigndirectinvestment19912012/449558/637100/data.aspx>

of 15.55 percent, the tertiary sector has been the fastest growing sector among the three sectors from 2004-05 to 2015-16. The growth has been driven by development of trade, hotels, real estate, finance, insurance, transport, communications and other services. The primary and secondary sectors grew at a CAGR of 14.17 percent and 11.09 percent between 2004-05 and 2015-16, respectively. It was driven by manufacturing, construction and electricity, gas & water supply.

Agriculture is the chief occupation of the people of West Bengal. It contributed 18.8 percent to the state's GSDP in 2014-15. Rice, potato, jute, sugarcane and wheat are the top five crops of the state. Rice is the principal food crop of WB. The state stands first in the country in terms of jute, rice and fish production. In 2015-16, the state produced around 2.38 million tons of sugarcane and 3.1 million tons of fruits. Tea and jute are the major commercial crops which are produced in the state. Tea gardens are located in Darjeeling and Jalpaiguri. The Agriculture Department, Government of West Bengal (GoWB) is working in a holistic manner to fulfill their aim of doubling farmers' income by 2020 by ensuring farmers' access to skills, technologies, markets and financial inclusion.

West Bengal has a total road length of around 299,209 km. The national highways running through the state cover approximately 2,909.8 km. As per state budget 2016-17, in West Bengal more than 10,663 km of highways and 10,000 km of rural roads have been constructed and renovated over past 5 years. In the state budget 2016-17, the GOWB proposed to increase the funds allocated to Public Works Department, from US\$ 246.28 million in 2015-16 to US\$ 399.95 million in 2016-17. The total funds allocated and released for the state, under Pradhan Mantri Gram Sadak Yojana (PMGSY)³⁷ scheme, during 2015-16 (up to October 2015), were recorded to be US\$ 163.92 million and US\$ 109.38 million, respectively. Under the PMGSY a total of 21,986 Kms of road have been constructed since the policy inception, with almost 40 percent of the construction been completed in the last five years.

West Bengal is well connected with the whole country through railways. The length of railways was around 4,069.97 km as of 2014. The state has total seven junctions, namely, Asansol, Bandel, Bardhaman, Howrah, Kharagpur, New Jalpaiguri, and Sealdah. Kolkata was the first city in India

³⁷ <http://www.ibef.org/download/West-Bengal-December-20161.pdf>

to have an underground metro rail service and the fifth one to be established in the entire Asian continent. The work on extension of metro railway from Dum Dum to Noapara, which is 2.57 km long, is being completed by Kolkata's Metro Railway, whereas the work on extension work from Noapara to Baranagar is being implemented by RVNL. As of November 2015, the construction work on metro stretch of 4.38 km from Noapara and Dakshineswar has commenced from the end of Dakshineswar and is expected to be commissioned by the end of 2017. The city is also the only one to have an operational tram service in India and also the oldest electricity driven tram service in the whole of Asia, established in 1873. Currently the Calcutta Tram Company operates 125 trams and serves on 25 routes (as of 2012).

West Bengal has three domestic and an international airport. Netaji Subhash Chandra Bose (NSCB) International Airport is located in Dum Dum, 17 Kms from the heart of the city. The domestic airports are at Bagdogra (Siliguri), Cooch Behar and Andal, Bardhaman. The Kazi Nazrul Islam airport at Andal, Bardhaman, has become the first greenfield airport in India. For the year 2015-16, total passenger traffic at the NSCB airport was 12.42 million making it the 5th busiest airport in India. The airports at Bagdogra and Cooch Behar serve as a conduit in linking the north eastern half of the peninsula to the rest of the country. NSCB Airport won the titles of Best Improved Airport in the Asia-Pacific region by the Airport Council International. West Bengal became the first state to provide 100 percent waiver on sales tax on aviation turbine fuel at Kazi Nazrul Islam Airport, Bagdogra and Cooch Behar for a three-year period. In addition to these commercial helicopter services have also been introduced in state, which fly to Digha, Ganga Sagar, Bolpur, etc, for resuscitating the tourism industry.

The state of West Bengal has two modern ports – Kolkata and Haldia which together handled 43.25 million tons of cargo in 2011-12. During 2008-09, Kolkata Port ranked 3rd amongst all Indian major ports in terms of cargo handling. Currently both ports are being modernized and upgraded to cope with the growth in cargo. Government of India has declared the entire stretch of the Ganges between Haldia and Allahabad as National Waterway-1 (NW-1). NW-1 spans across a distance of 1,620 km. The 560-km Haldia-Farakka stretch of NW-1 has been developed as part of the multi-modal system for cargo from Nepal, Bhutan, north Bengal and the northeastern states. As of August 2016, the first trial of cargo transport on NW-1 was launched

from Varanasi to Kolkata. The state Government has initiated plans to reclaim the 43 km north-canal system that stretches from river Hoogly to river Raimangal on the Bangladesh border.

As of June 2016, West Bengal had a total installed power generation capacity of 9,988.4 MW³⁸; of which 6,888.95 MW was under state utilities; 1,825.7 MW was under the private sector and 1,273.75 MW was under central utilities. Of the total installed power capacity, 8,523.83 MW was contributed by thermal power, 1,328.30 MW by hydropower and 136.27 MW by renewable power. West Bengal Renewable Energy Development Agency, formed in the year 1993, has implemented a large number of programs related to solar energy, wind energy, mini & micro hydel, bio-energy, etc. The West Bengal Power Development Corporation Limited Board is planning to establish an additional 500 MW unit under the existing capacity of Sagardighi Thermal Power Plant in coming years. The state is laying emphasis on the development of hydel power generation capacity. West Bengal State Electricity Development Corporation (WBSEDCL) has identified potential to develop 6,300 MW of hydropower, which includes pumped storage potential of 4,800 MW and 1,500 MW of canal falls.

Micro, Small and Medium Enterprises (MSMEs) are considered to be the driving force behind the state's industrial growth and they have been highly incentivized by the GOWB, in order to manifold the flow of such forms of private investments. Development of MSMEs has been promoted with special emphasis in Food Processing and Agro, Textiles & Apparel, Leather and Handicrafts and Tourism sectors. Simplified tax regime, Single window clearance system and provision of Fiscal incentives are some of the leading policy measures taken to stimulate growth.

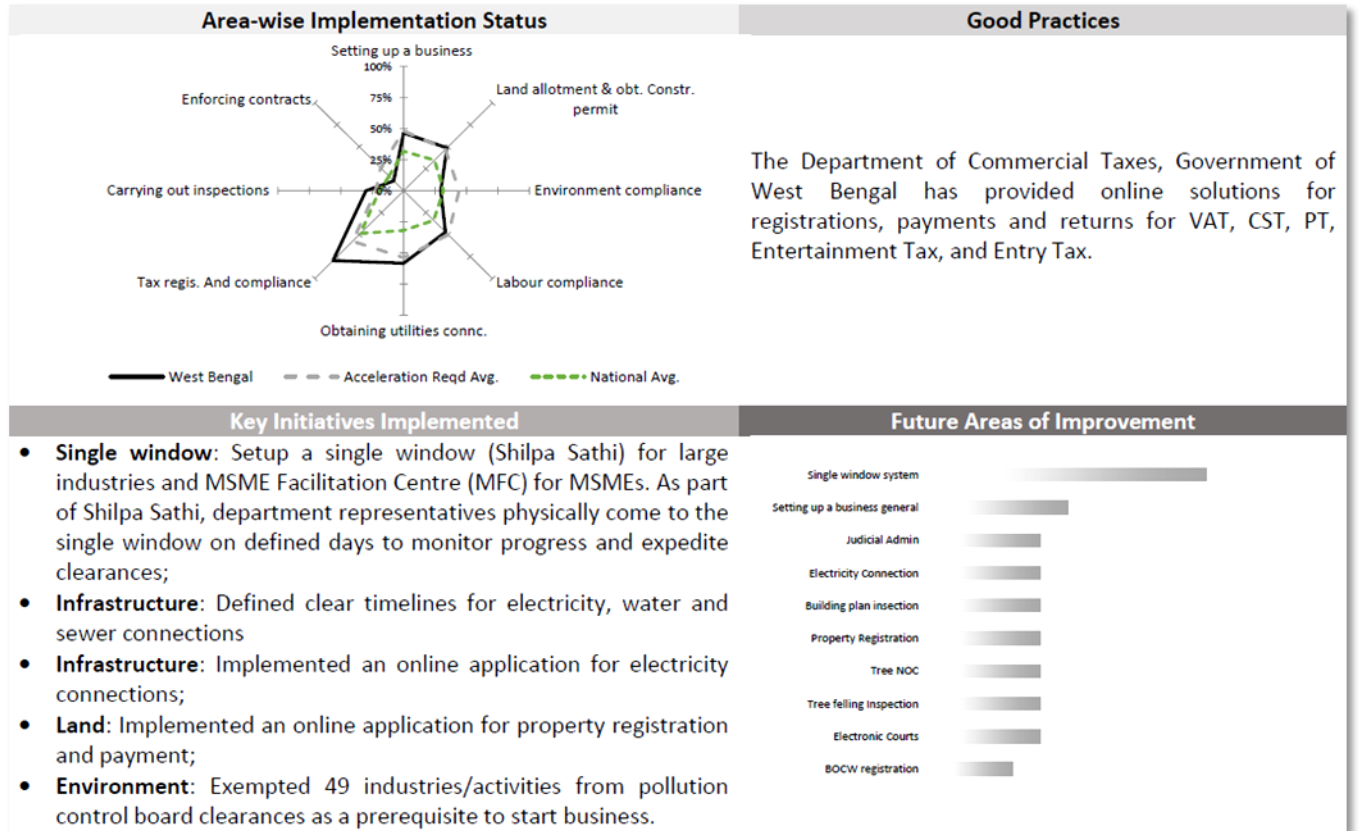
7.2. Industrial Policies, Business regulations and facilitation status

West Bengal is India's 6th largest state economy and is ranked highly in terms of availability of natural resources and food crop production. It has an overall implementation share of 46.90 percent as per the DIPP-WB assessment of 2015 (Chart 6a). In the post communist era, the state has seen a plethora of industrial reforms and has witnessed the announcements of an array of industrial incentive schemes. The GoWB have already created 21³⁹ industrial parks in all over the state having a combined acreage of 22,809.85 acres, addressing sectors such as Food processing, Gems & Jewellery, Iron & Steel, Aviation, Garments, Engineering and

³⁸ <http://www.ibef.org/download/West-Bengal-December-20161.pdf>

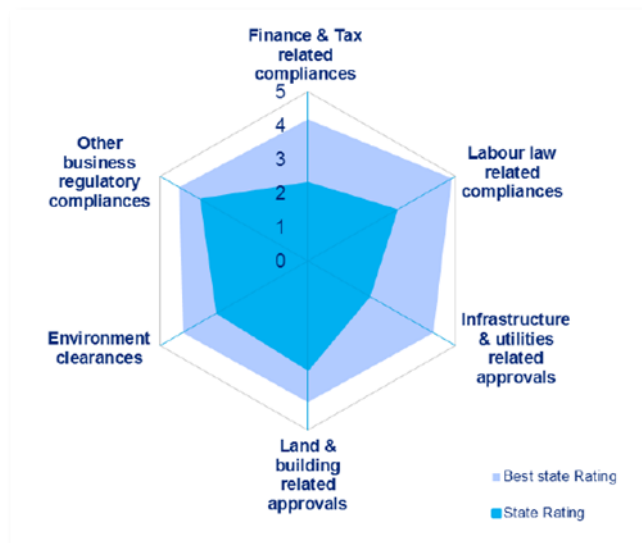
³⁹ http://www.wbidc.com/about_wb/industrial_infrastructure.htm

Fig. 7.1: West Bengal – Business Reform Implementation, 2015



Source: DIPP- World Bank Assessment of State Implementation of Business Reforms, September 2015

Fig 7.2: West Bengal – Business Regulatory Environment, 2014



Source: Deloitte Touche Tohmatsu India Private Limited, 2014

Fig. 7.3: West Bengal – Cost of Doing Business, 2015

Cost parameter	Cost estimate	Sources
Cost of land (per sq ft)	US\$4 to US\$ 100	Industry sources
Hotel room cost (per night)	US\$ 60 to US\$ 152	Indian hotel survey
Office space (rent per sq ft per month)	US\$ 1.0 to 9 US\$ 3.0	Industry sources
Residential space (rent per ft per month)	US\$ 0.3 to US\$ 1.2	Industry source
Labour cost (minimum wages per day)	US\$ 2.5 to US\$ 4.4	Ministry Labor and Employment Government of India

Source: IBEF Economic Snapshot, November 2015

Durgapur-Asansol region, Haldia and Kharagpur with the focus of the policies been primarily aimed towards MSMEs, IT/ITeS sector and other labor intensive industries. Based upon the availability of the nature of economic and natural resources the GoWB have demarcated the following sectors as thrust areas⁴⁰:

- (a) Petrochemicals and downstream industries.
- (b) Electronics & Information Technology.
- (c) Iron & Steel, Metallurgical and Engineering.
- (d) Textiles.
- (e) Leather and allied products.
- (f) Food processing and edible oil
- (g) Processing and aquaculture.
- (h) Development of medicinal plants, rubber, palm oil and tea.
- (i) Manufacture of basic drugs, chemicals and development of mine based industries.
- (j) Gems and jewelry.
- (k) Promotion of tourism and related activities.

⁴⁰ http://www.wbdc.com/about_wb/policies_approvals.htm

The main industrial promotional policies adopted by the state government are as follows:

(i) Industrial Licensing Policy⁴¹: The requirement of obtaining an industrial license for the manufacturing activity is now limited only to the following

- Five industries of strategic, social and environmental concern as cited below:
 - (a) Distillation and brewing industries of alcoholic drinks.
 - (b) Cigars and cigarettes of tobacco and manufactured tobacco substitutes.
 - (c) Electronic aerospace and defense equipments of all type.
 - (d) Industrial explosives.
 - (e) Hazardous chemicals.
- Industries reserved for public sector (i.e. atomic energy, railway transport, etc).
- Manufacturing of items reserved for the small-scale sector by non small-scale industrial units or units in which foreign equity is more than 24 percent.
- Units located within 25Kms of Standard Urban Area Limits of cities having a population of 1 million unless it relates to Electronics, Printing, Computer Software or any other notified non-polluting industry.

(ii) Single Window Clearance System (SWCS⁴²): The West Bengal Industrial Development Corporation (WBIDC) provides the single window clearance facility under which entrepreneurs can obtain nine statutory clearances from the departments of Labor, Fire and Emergency Service, Power, Irrigation and Waterways, Pollution Control Board and Kolkata Municipal Corporation with minimum hassle and transaction costs, under an integrated umbrella. Presently the investor can submit the Common Application Form on-line in the Shilpa Sathi and get all licenses and registrations on-line. An on-line tracking system of status of the on-line application will also be available in the G2B portal developed for the purpose with IT infrastructure in the State Data Centre. The SWCS is

⁴¹ Keeping in view the new economic policy the GoWB framed its own industrial policy resolution in 1994 under which it announced its industrial licensing policy.

⁴² The GoWB launched the single window clearance system under the shilpa sathi scheme for facilitation of business which provides an umbrella platform for all kinds of clearances. The Single Window Cell (SWC) has started functioning at the Ground Floor, "Protiti", West Bengal Industrial Development Corporation Ltd (WBIDC), 23. Abanindranath Thakur Sarani (Camac Street), Kolkata -700017.

for the use of large-scale manufacturing enterprises with investment in plant & machinery above INR 10 crores and also for medium-scale manufacturing enterprise intending to expand present production capacity with investment in plant & machinery above INR 5 crores, making the total more than INR 10 crores.

(iii) West Bengal Startup Policy, 2016-2021⁴³: The policy is set to be enacted from 1st January 2016 to 31st December, 2021, with its intent being the development of the state as a leading startup destination in the country by forming key industry academic partnerships and instilling an entrepreneurial appetite in the youth of the state. In order to create an enabling ecosystem for startups the GOWB is set to create Entrepreneurship Development Centre Networks (EDCNs) in alliance with key academic institutions such as IIT-KGP, IIM-C, CSIR Labs, IEST and other Universities in all the districts of the state. The purpose of these EDCNs will be to incentivize students who are engaging themselves in entrepreneurial activities, doing internships in startups and taking up related project works, by giving them academic credits for such activities and also restructuring the current academic curricula to make it more industry specific such that it augments the interest of students in such activities. With progress of time more premier academic institutions will be brought under the umbrella of EDCNs and facilitating the development of linkages with key technical business incubators to augment the growth process. The government will further its assistance by providing access of its R&D labs to the startups through the MSME technology facilitation centre and also 20 percent of space in upcoming industrial parks and SME clusters will be earmarked for startups. A network of Kick Starter Funds will also be created to be accessed by the startups for facilitation of their initial stage of funding and an Innovation Enabler Mechanism will be formulated for hassle free facilitation of any legal hurdles in their path. The GoWB will also facilitate provision of online project evaluation, access to a network of registered angel and venture capital funds and access to a base of mentor and professional experts. The investors will also be able to navigate through the list of projects and can select the ones which they will be willing to fund.

⁴³ <http://bengalglobalsummit.com/pdf/policies/Start-up-Policy-2016-2021.pdf>

(iv) West Bengal MSME Policy, 2013-18⁴⁴: The policy was adopted by the GoWB with the aim of boosting the growth micro, small and medium enterprises. Such that the size of their product market grows by 25 percent and in this process of induced investment, the government expects the sector to generate at least 10 million job opportunities. In facilitating such a mammoth task an array of incentive schemes were devised to be rolled out and implemented over the five year period. The GoWB has categorized the state, regionally into four zones (A, B, C and D)⁴⁵ in terms of economic and social development with the greatest amount of fiscal incentives to be provided for investment pouring into the backward regions of the state. The salient features of the scheme are as follows.

- Capital investment subsidies to the tune of 40 percent and 30 percent will be granted to micro and small enterprises investing in Zone-D and as for Zone-C it is 25 percent and 15 percent respectively. The investors will also be receiving subsidies of 15 percent and 10 percent for setting up micro and small enterprises in Zone-A and Zone-B respectively.
- Interest subsidies for term loans of 7.5 percent and 6 percent to be provided to micro and small enterprises setting up facilities in Zone-D and Zone-C respectively.
- The entirety of electricity duties to be waved off for medium enterprises which are set up in Zones- B, C and D for the first 5 years. As for micro and small enterprises 50 percent of waiver for enterprises in Zone- A & B and 75 percent for units in Zone- C & D.
- Power subsidies to the tune of Rs 1/KWh and Rs 1.50/KWh to be granted to micro and small enterprises located in Zones- A, B and Zones- C, D respectively.
- Water and energy conservation policies prescribe reimbursement of 50 percent of expenses incurred for the implementation of the recommendations of an energy audit

⁴⁴ http://www.indiaenvironmentportal.org.in/files/file/wb_msme_policy_2013-18.pdf

⁴⁵ Zone –A : Kolkata Municipal Corporation area, all Municipal areas of North 24 Parganas, all municipal areas of South 24 Parganas, all municipal areas of Howrah.

Zone – B: District of Hooghly, North 24 Parganas (excluding municipal areas and Sunderban areas, South 24 Parganas (excluding municipal areas and Sunderban areas), Howrah (excluding municipal areas), Siliguri Municipal Corporation, Municipal corporation/municipal areas of Paschim Medinipur, Purba Medinipur, Burdwan & Nadia.

Zone –C: District of Burdwan (excluding Municipal Corporation/municipal areas), Purba Medinipur (excluding Municipal corporation/municipal areas), Nadia (excluding Municipal Corporation/municipal areas), Murshidabad, Malda, Jalpaiguri and Darjeeling (excluding Siliguri Municipal Corporation).

Zone –D: District of Birbhum, Purulia, Bankura, Paschim Medinipur (excluding Municipal corporation/municipal areas), Uttar Dinajpur, Dakshin Dinajpur, Cooch Behar and Sunderban areas of South and North 24 Parganas districts.

done by a certified auditor and also financial assistance worth of Rs 2 lakhs (maximum) to be provided for undertaking water conservation or pollution reducing measures.

- Generous concessions to be provided on a gamut of taxes such as VAT, Entry Tax, Stamp Duty and Registration Fee and Central Sales Tax.

(v) West Bengal Policy on Information and Communication Technology, 2012 ⁴⁶ :

In order to create an investor friendly climate in the State and rightly incentivize the investors in the sector, the GOWB has launched the West Bengal Policy on Information and Communication Technology, 2012 and the West Bengal ICT Incentive Scheme, 2012. The state has always been regarded as one of India's leading pioneers in this field, with high intellectual Capital and all major IT/ITeS companies of the country operating in the state. some of the highlights of the policy are as presented below:

- ICT Incentive Scheme, 2012: The following subsidies will be provided under the said scheme.
 - (a) State Capital Investment Subsidy.
 - (b) Interest Subsidy / Training Subsidy.
 - (c) Waiver of Electricity Duty.
 - (d) Employment Generation Subsidy.
 - (e) Refund of Stamp Duty & Registration Fees.
- Chip Design Facility: The State Government is creating a VLSI incubation centre/facility at BESU, Sibpur for the budding entrepreneurs in the field of semiconductor chip designing. The centre has already produced a VLSI company in the State named Sankalp Semiconductor and is running with four budding student entrepreneurs.
- Animation and Gaming Industry (AGI): it is the other vertical where the State wants to focus its attention. As per NASSCOM study in recent years (2008-2012), the animation industry in India is expected to grow at a CAGR of 22 percent and the gaming industry at 49 percent. The State wishes to promote the AGI in a systematic manner, so that in the next five years the CAGR of the State in the animation industry is at least 35 percent and that in the gaming industry is 75 percent.

⁴⁶ The GoWB under its Industrial Incentive Policy, 2013 declared the West Bengal Policy on Information and Communication Technology to encourage investments in IT/ITeS industries. Source: http://www.wbidc.com/images/pdf/Investment_Industrial_Policy_West_Bengal_2013.pdf

- IT Parks - The state is building 26 IT Parks with a total investment estimated at Rs. 520crores (98.48 million \$) which will produce 26,000 direct employment and 156,000 indirect employment.
 - Hardware Park- In addition to the above initiatives 11 acre of land has been procured at Sonarpur, 24 Parganas (South) to create an integrated hardware park, whose development is currently underway.
- (vi) Simplified Tax Regime⁴⁷: The GoWB intends to keep the tax system simple, fair and transparent to encourage the development of the private sector and the formalization of the economy. In its efforts to do so the following steps have been taken (these are a selected few from a whole bunch of reforms):
- VAT Administration:
 - (a) West Bengal is the only State in the country to have made **E-registration mandatory** along with introduction of dematerialized Registration Certificate.
 - (b) It has also facilitated the process of Online Return filing compulsory for all dealers for all the Acts.
 - (c) Taxpayers with annual turnover between Rs. 1.5 crore to Rs. 3 crore would have to submit only a “Self-Audited Statement” instead of Final Accounts audited by a Chartered Accountant or a Cost Accountant.
 - (d) Online VAT refund and payment of refund through Electronic Clearing System. Provision of e-Anti-evasion Complaint Service, e-Sales Tax Deduction at Source (TDS) Service and e-Application for Industrial Promotion Assistance Scheme.
 - Stamp Duty and Registration:
 - (a) Introduction of Computerized Registration in all 239 Registration offices in the State, rationalization of Stamp Duty and introduction of e-stamping system and Other Facility for property registration.

⁴⁷ http://www.wbidc.com/images/pdf/Investment_Industrial_Policy_West_Bengal_2013.pdf

- Excise Department:
 - (a) Introduction of system for receiving duties and fees through e-gateway of bank and Import Pass for Bulk Spirit (IPBS).

- (vii) Public, Private Partnership Policy (PPP), 2012: West Bengal is the only state in India to have introduced a state policy on PPP for facilitation of private investment in social and physical infrastructure. To assist various departments and other organizations of the State Government to have access to appropriate advisory support for the implementation of PPP transactions, the State Government has formed a panel of eight Transaction Advisors⁴⁸.

7.3. Service sector policies and incentives

The GoWB has highly incentivized the IT/ITeS sector and in its commitment to make the state a global IT and startup hub it has also launched the ICT Incentive Scheme, 2012 and the West Bengal Startup Policy, 2016-2021 which are aimed at reducing transaction costs, providing a stimulating business environment and attracting corporate ivy leagues. The tertiary sector is the main driving force behind the state's growth story and contributed a whopping 54.42 percent and 57.8 percent to the GSDP in 2004-05 and 2009-10 respectively leaving behind the primary and secondary sectors. The government has also furthered its support in favor of the services sector by the development of EDCNs which are designed to support startups and instilling an entrepreneurial spirit in the youth of the state. The tourism sector has been the jewel crown of the present government with the Chief Minister herself being an enthusiast has invested immensely to develop the sector and especially eco tourism has received huge impetus, with the state's varied landscape acting as a catalyst. The West Bengal Incentive Scheme, 2015 was implemented from the 7th day of January, 2015 which was an umbrella project aiding and facilitating the development of Hotels, Motels, Heritage Hotels, Yatriniwas, Yatrika, Tourist Resorts, Camps For Adventure Tourism, Aerial Ropeway, Tea Tourism, House Boats,

⁴⁸ Transaction advisors selected by the GoWB include major international and national firms such as Price Waterhouse Coopers (PWC), Ernst & Young (EY), Kpmg, Deloitte, Il&Fs, Crisil Advisory, Accenture, Feedback Infra, Jones Lang Lasalle and RITeS.

Convention Centers and Amusement Parks. Incentive schemes such as capital investment subsidies, waiver on electricity duties, reimbursement of stamp duties and registration fees, etc are being provided to the eligible tourism projects. The GOWB is also keen in developing the labour intensive MSMEs, with special focus on handicrafts, food processing, gems and jewellery, leather, etc and has launched the MSME Policy, 2013-18.

7.4. Other Observations:

West Bengal had witnessed a turbulent past in its industrial landscape, with the commencement of the Naxalite movement in the 1960's against the bourgeois class, followed up by a state emergency and finally the establishment of a communist government. The government's first act of governance in terms of industrial development was the distribution of agricultural pattas to small holders of land. Prevalence of hostile trade unions and frequent occurrence of violent strikes made the state a not so conducive place for industrial development. Such was reflected with the closing of several mills across the Hooghly river belt which once made the state the largest producer of jute globally. With passing of time as the means of revolt subdued and there was a build up of a strong opposition the state government in its attempt to secure large scale investments, declared signing of key deals with the TATAs for setting up the manufacturing unit of their NANO car⁴⁹ in Singur and the setting up of an SEZ in Nandigram for the Salim group of Indonesia. These two became the turning points in the State's history once again as the state government tried to forceful encroachment of land which resulted in the deaths of villagers and subsequent revolts broke out in the State, resulting the toppling the then present establishment. This gave a major setback to the State's reputation as a destination for investment.

With the change of power the onus was on the incumbent government to improve the scenario and under the leadership of a younger and exuberant Chief Minister, the state announced a plethora of industrial reforms. Currently the GoWB's has a stated no forced land acquisition policy and according to the state finance minister⁵⁰ the government has already set up a dedicated land bank of 4,000 acres and is in the process of clearing up another 4,000 acres of industrial land. The government has made significant development in terms of single window

⁴⁹ Nano was the brainchild of then TATAs sons chairman Ratan TATAs, which was to set to be the world's cheapest family car.

⁵⁰ The state finance minister, Amit Mitra, in an interview to the Hindu newspaper on 15th September, 2015 makes this claim. (<http://www.thehindubusinessline.com/economy/we-have-a-land-bank-of-1-lakh-acres-for-industrial-use-amit-mitra/article7656005.ece>)

clearance systems, simplification and rationalisation of taxes and duties and development of physical infrastructures⁵¹. The GoWB have made honest gestures the fairly recent past to attract industries by the initiation of its Bengal Global Business Summit (BGBS)⁵². The inaugural year itself saw business announcements of more than INR 2.4 lakh crore and the next year the amount of announcements made was INR 2,50,253.74 crore with the number of participating countries increasing from 20 to 26⁵³.

West Bengal, despite of these gamut of reforms is seriously lacking behind the major industrially developed states in India and only has a meagre 46.90% overall share of project implementation and hence the reality is that, the number of projects implemented and initiated far supersedes the number proposals made at such business summits. Also the government has been widely accused of being unable to stop rent seeking activities and prevalence political syndicates believed to be in cahoots with the land mafias. Thus the current government needs to implement policies apolitically and uphold the rule of law in the state, thereby providing a sense of stability and security to the entrepreneurs.

⁵¹ Key physical infrastructures indicate building of airports, improvement of canals, roads and bridges. Some of these key developments have been included in the chapter introduction.

⁵² BGBS 2015 resulted in the participation of international industrialists of 20 countries including UK, Japan, USA, Singapore, Australia, China, Malaysia, Israel, Spain, Belarus, Czech Republic, Korea, Luxembourg and neighbouring countries Bangladesh, Nepal & Bhutan.
(http://www.bengalglobalsummit.com/highlights_bgbs2015.php)

⁵³ http://www.bengalglobalsummit.com/highlights_bgbs2016.php

Chapter 8

Concluding Remarks

The objective of this report was to look at the potential investment avenues of the five eastern states of India. As such, of the five eastern states considered in this report, namely, Chhattisgarh, Jharkhand, Odisha, Bihar and West Bengal, two (i.e., Chhattisgarh and Jharkhand) are of recent origin. There is always a newly born enthusiasm in these two to attract investment, and to be considered among the more developed states of the country. One important thing that needs to be mentioned here is that the eastern states have traditionally never featured among the top developed states of the country. Though West Bengal was a leader in various domains like industrial development and education during the first quarter of the post-independence era, its dominance waned over time due to policies and governance that were not suited to the time. Yet, historical factors, namely the prominence of the city of Kolkata as a trading and industrial centre, as also being the capital of British India till 1911, created space for the state being an important hub of job creation at low levels of wages and in informal services sectors.

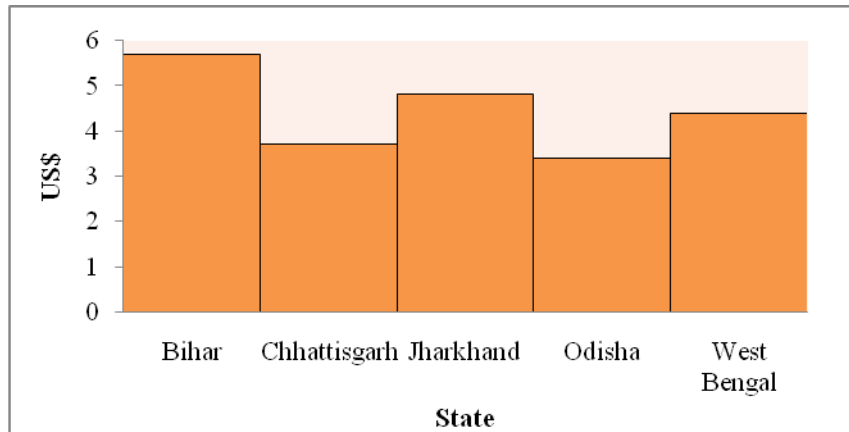
India's "Make in India" campaign was launched in 2014 to improve investment in secondary sector and to create new jobs. However, the success of "Make in India" will depend on two related reforms – the Land Acquisition Bill and Labour market reforms. Archaic labour laws have often been cited as an inhibiting factor for total factor productivity in manufacturing. Another important reform is "Digital India", aimed to make India a digitally empowered economy. Therefore, to correct the apparent "anomaly", a new thrust on reforms will be needed.

Though the apparent objective of this report is not really to put across a comparative picture of investment potential of the various states, the readers might well be interested in the relative social and economic costs of setting up businesses in these states. As has already been stated, three of our five selected states (Chhattisgarh, Jharkhand, and Odisha) are in the third quartile of "aspiring leaders" as per the DIPP-World Bank reforms implementation assessment.

On a similar note, we also present relative figures for minimum wages, cost of land, residential rent, and rent for office premises. Fig. 8.1 presents the comparison of minimum wages per day among the five states. It is seen that maximum wage is offered by Bihar that is \$5.7 in a day

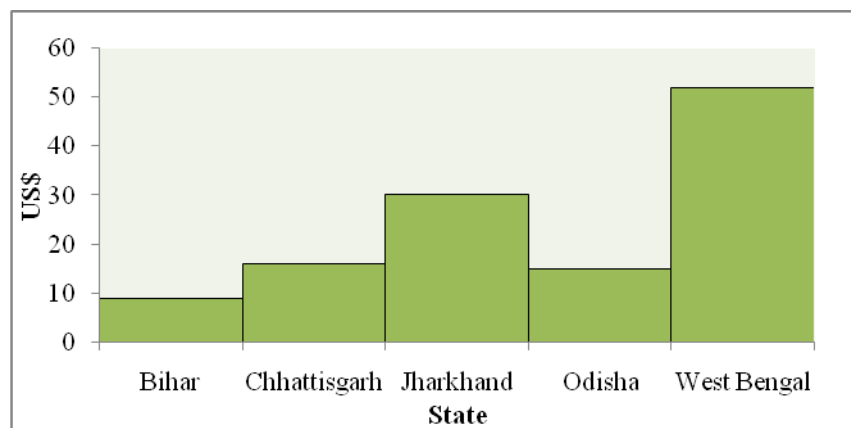
followed by Jharkhand and West Bengal that is \$4.81 and \$4.4 respectively. Minimum wages to the workers are given by Odisha (Rs. 3.41).

Fig. 8.1 Comparison of minimum wages (per day) among the five states (in \$)



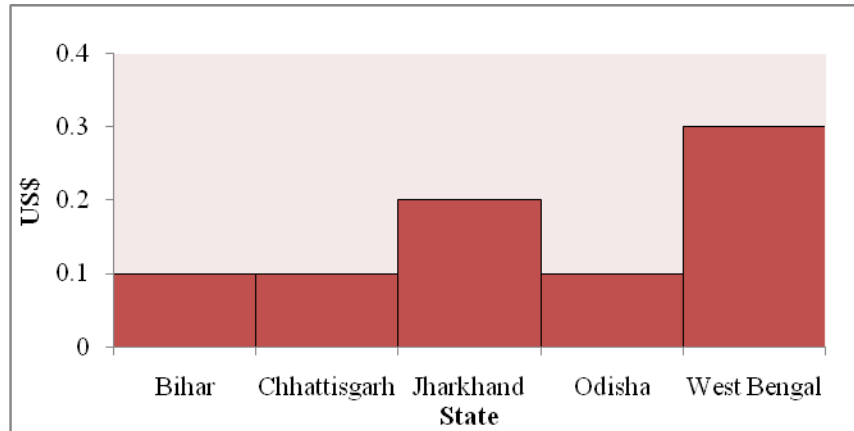
Variation in cost of land among the five states is shown in Fig. 8.2 It is seen that Cost of land is minimum in Bihar (\$9.0) and maximum in West Bengal (\$52) followed by Jharkhand (\$30).

Fig. 8.2 Comparison of average cost of land (per sq. ft) among the five states (in \$)



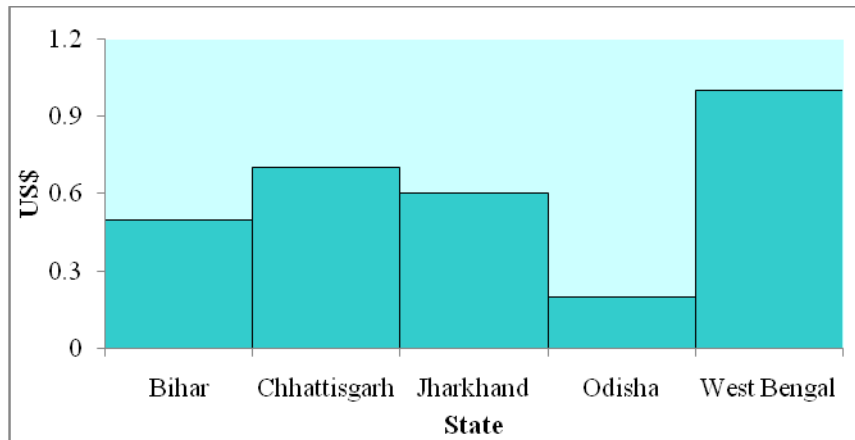
Residential rent per sq. ft among the five different states is shown in Fig. 8.3 Residential rent ranges from \$ 0.1 (Bihar & Chhattisgarh) to \$ 0.3 (west Bengal).

Fig. 8.3 Comparison of average residential rent (per sq. ft) among the five states (in



Similarly, Fig 8.4 shows the comparison of office rent per sq. ft among five states. Office rent is maximum is \$1.0 in West Bengal followed by \$ 0.7 in Chhattisgarh and minimum is \$0.2 in Odisha.

Fig. 8.4 Comparison of average office rent (per sq. ft) among the five states (in \$)



However, there are much more than these numbers that these states possess. Each state is endowed with its own strength. All the five states are well connected with rest of the country via road and air. Single window clearance system has introduced by all the states for the ease of doing business. To summarise some of the other important findings of the report, leather, textiles and handlooms are the existing prominent industries in Bihar. Chhattisgarh is ranked fifth in terms of value of major mineral production in India. The major industries in the state are: Mining,

Iron and steel, Cement, Power, IT and ITeS, Biotechnology, Food processing, Gems and jewellery and Apparel. Chhattisgarh has introduced its New Industrial Policy 2014-19 to invite investors to manufacture the products and promoted “Make in Chhattisgarh”, after the central government’s “Make in India” concept. The state also focuses on the non-core and tourism sector. Coking coal, uranium and pyrite are being produced only in Jharkhand in the country. Government of Jharkhand (GoJ) proposed to provide the best incentives, exemption and concessions for industrial units to be established in the state. GoJ also propose to set knowledge hub incubators. Orissa is another natural resource full state. Almost 35percent of country’s natural resources it carries. Orissa is the first state in the country to bring in power sector reforms. Jharkhand, Orissa and West Bengal account huge number of MSME enterprises. West Bengal is the foremost in the country in terms of jute, rice and food production. Among the five states power generation is the highest for West Bengal (9,988.4 MW). Different industrial policies have been taken by the states for the improvement of investments in industrial sector.

At the same time, it needs to be noted here that all the states have advantage in the form of tourism potential. Unfortunately, the development of this potential is less than required, and there are needs to beef up private investment in this domain. As such, the untapped human capital can be utilised and employed in this sector. West Bengal, in this case, is uniquely endowed with natural beauty, with the Himalayan foothills, the Bay of Bengal, and the unique mangrove ecosystem of Sundarbans co-existing. Further, Nalanda in Bihar has been a seat of ancient education. Odisha is also endowed with forces of religious tourism, sea beaches, and unique lagoon. There is definitely a “first-mover-advantage” that any investor can have with investments in the tourism sector in the eastern states of India. **A separate study should be conducted on understanding the tourism potential of the eastern states of India, while putting money in this sector.** Essentially, this sector can develop as a growth engine for the states, given the burgeoning service sector and increasing per capita income of the region. Provided the right facilities, many of these sites (e.g. Sundarbans) can become destinations for international tourism. Presently, the proportion of domestic tourists is way higher than international tourists. This clearly reveals an opportunity for investment, where returns are going to be higher.

Further, one also needs to look at the labour market. The eastern states of India are considered to be having cheap sources of labour as compared to the western and southern states.

This is a common characteristic across the five states. This important human capital often moves towards the western or southern states due to lack of employment. With better investment coming in these eastern states, the cost of production will be lower here from the perspective of labour cost as well. Hence, there are immense possibilities for investors to set up production units in these states, and operate in other centres for trading and marketing, so as to optimally exploit the global value-chain.

The big advantage with investment in the eastern states is the presence of the city of Kolkata. Kolkata enjoys one of the best connectivity across the country, as it was a very important city in terms of industry, trade, and commerce till the early 1970s. For east Asia and south-east Asian nations as also other states of India, Kolkata also provides the corridor for movement of goods, human resources, and services to the north-east of India. Some of the major economic corridors that have been thought of in the context of regional trade considered Kolkata as an important centre. Therefore, even for investors from east and south-east Asia, Kolkata provides the unique corridor to move towards the other eastern states.

Finally, investment in the eastern states need not be thought of from the perspective of industry or production units only. One needs to note that the service sector is burgeoning in these eastern states of India. The immense opportunities will remain untapped if the right type of investment does not occur here. Foreign investment in services will be a win-win situation for the states, its growing population, and the investors who can reap high rates of return in this sector.

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