



An Analytical Review of Industrialization in Uttarakhand: Impact on Employment and GSDP

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Abstract

The concept of industries is an inalienable part of economic development for any country or state. In this study, I analysed the "Mega Industrial and Investment Policy 2015" and the "Startup Policy 2018" of Uttarakhand. I have referred to data provided by the RBI and the government of Uttarakhand to study the relationship between the number of factories and their value addition to the GSDP. In my research, I discovered that both industrial and startup policies have had a positive impact on the state economy, as employment and GDP are on an upward trend. The MSMEs are playing a pivotal role in providing employment opportunities not only in plain districts but also in hilly areas of the state. Therefore, in this study, I concluded that a state that has a huge dependency on tourism to keep its economy afloat is slowly and steadily tilting towards industrialization.

I. Introduction

Uttarakhand was carved out of UP and made a separate state on November 9, 2000. a state that has a rich cultural heritage, mesmerising views of the Himalayas, revered shrines like Badrinath and Kedarnath, and many more picturesque locations. Its capital Dehradun being in close proximity to New Delhi offers it ample avenues to connect itself to emerging market hubs through the network of highways, railways and airways. To judge a state's economic growth, one must first acknowledge the industrialization of that state. In today's fast-changing environment, an economy's main engine of growth would be its industries. be it tourism, heavy industries, healthcare, defense, etc., but when we talk about Uttarakhand, it becomes a complex case as we have nine hill districts and only three plain districts. Districts like Dehradun, Haridwar, and US Nagar house the majority of the industrial production plants. This creates a regional disparity within Uttarakhand due to the centralization of industries in a few places. The government of Uttarakhand has been able to gauge it early as it

launched its first industrial policy in 2003, a Special Integrated Industrial Promotion Policy in 2008, the MSME Policy in 2011, the Mega Industrial and Investment Policy in 2015, and the Startup Policy in 2018. The government has amended its policies regularly as the need arises to boost industrial growth in the state. As a result of that, Uttarakhand has one of the fastest-growing state economies in the country. Its GSDP maintained a CAGR of 7.8% and reached \$35.78 billion in 2021–22. According to DPIIT, since 2000, Uttarakhand has received \$710 million as FDI. Total state exports in 2021-22 were valued at \$1.73 billion.

Keywords – Industrialization, investment, employment, SGDP, MSMEs

Objective of the study

The focus of this study is to examine the process of industrialization in Uttarakhand. The main objectives of the study are as follows:

1. To analyse the mega industrial policy enacted in 2015.
2. Increase in the employment level since the inception of industrial policy.
3. Factors acting as impediments to the growth of industrialization in the state.

II. Review of Literature

Rajinder Singh and B.K Agrawal (2021) 'A review of Uttarakhand industrial policy' studies the industrial policies announced by the government of Uttarakhand and their performance in increasing employment opportunities. They found that these industrial policies are favourable for keeping Uttarakhand's growth trajectory in an upward direction, as they have been able to provide employment opportunities to hundreds of thousands of people. They suggested that the government devise more ways to ease the industrial environment in the state.

Vipul Jain and Arvind Jain (2012) 'A study & scope of SMEs in Uttarakhand and problems



faced by them' explores the impediments and economic prospects faced by SMEs in the state. They held the state's topography and political turmoil responsible for the uneven growth of industries in the state. They advocated that the financial sector should be brought into the domain of SMEs and that the state government should form more organisations like SIIDCUL.

Arvind Kumar Saraswati and Prem Ram (2017) 'Hill Tourism & Sustainable Development Of The Destinations: A situational analysis of Kumaon region of Uttarakhand' aimed to unearth the hidden potential of Kumaon region to be developed as an eco-tourism hub as it has many unexplored peaks and trek routes which can act as a boon to augment local economy through effective management of Himalayan destinations across the region.

III. Research Methodology

This is a descriptive and analytical type of study, and it is mainly based on secondary data taken to prepare a set of data for the requirements of the study. The secondary data sources include the RBI's handbook on Indian states and statistics, reports of Uttarakhand's industrial directorate in Dehradun, and many research journals.

Mega Industrial and investment policy 2015 (An outline)

The government of Uttarakhand launched its first industrial policy in 2003. Over the years, it amended the industrial policy and re-launched it in 2008, 2015, and 2018. Here we shall discuss the mega industrial and investment policy of 2015. Some of its chief features are as follows:

The land will be allotted to desired entrepreneurs in SIIDCUL industrial areas, which will be done on the basis of the land allotment policy of SIIDCUL at the rates prescribed by the organisation over the years.

(a) Under the industrial policy, those business organisations that have a capital investment of Rs. 50 crore or more will be considered with their expansion plan (if any).

(b) On the basis of capital investment, those projects that would require a capital investment of between Rs. 50 crore and Rs. 75 crore in land, buildings, plants, and machinery will be called **large projects**.

(c) Those projects where proposed investments will be more than Rs. 75 crore and up to Rs. 200 crore in land, buildings, plants, and machinery will be called **Mega Projects**.

(d) Those projects where capital investment is greater than Rs. 200 crore and up to Rs. 400 crore will be recognised as **ultra-mega projects**.

(e) The last category is for those projects where the investment level is more than Rs. 400 crore, which will be classified as "**super ultra mega projects**."

Table1. Categorization of industries on the basis of Mega Industrial and Investment policy 2015

Category	Investment level	Rebate on land Price
Large Project	Investment of Rs. 50 crore to Rs. 75 crore	15%
Mega Project	Investment of Rs. 75 crore to Rs. 200 crore	25%
Ultra-Mega Project	Investment between Rs. 200 crore to Rs. 400 crore	30%
Super Ultra-Mega Project	Investment above Rs. 400 crore	30%

➤ Financial assistance and concessions provided under this policy

➤ Interest Subsidy: Under this, large projects receive an interest subsidy of 7% or a maximum of Rs. 25 lakh; mega projects receive a subsidy of 7% or a maximum of Rs. 35 lakh; ultra-mega projects receive a subsidy of 7% or a maximum of Rs. 50 lakh; and super-mega projects receive a subsidy of 7% or a maximum of Rs. 75 lakh.

➤ SGST Reimbursement: 30% of tax liability when sold from B2C within the state, and 50% of tax liability when sold from B2C within the state.

➤ In addition, the electricity bill was reimbursed. Rs. 50 lakh p.a. for large projects, Rs. 75 lakh p.a. for mega projects, Rs. 1 crore p.a. for ultra-mega projects, and Rs. 1.5 crores for super-ultra-mega projects

➤ Entrepreneurs will receive a 50% refund on stamp duty when purchasing land.

➤ To protect the environment and to promote sustainable development, a capital investment of Rs. 50 lakh or 30% (whichever is higher) will be paid for setting up an effluent treatment plant.



Impact of Industrial policy

According to RBI data since 2004–05, the gross state value added by industry is on an upward trajectory in Uttarakhand. It has witnessed a

whopping 120-fold increase in gross state value added. It was just Rs. 6,99,584 in 2004–05, which increased to Rs. 97,89,983 in 2019–20.

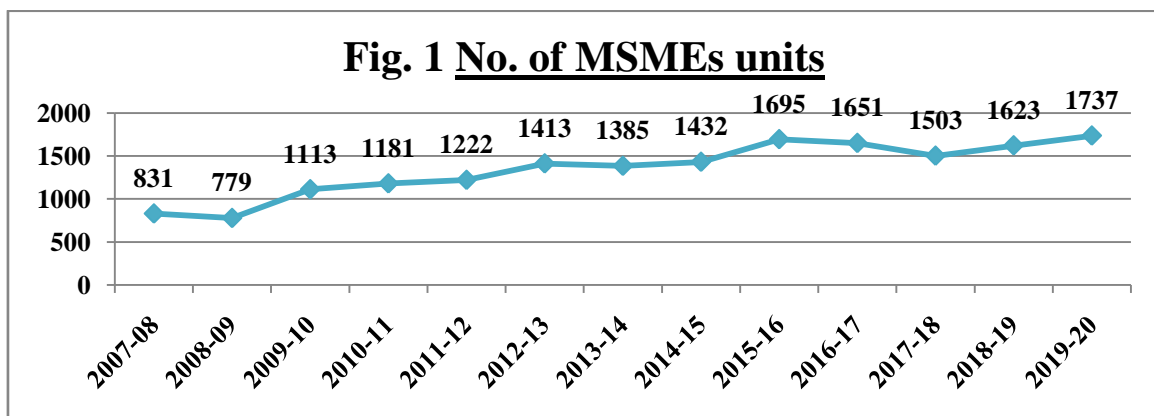
Table 2. Growth of MSMEs in Uttarakhand and their contribution towards employment

Years	No. of Manufacturing Units			Total	Employment			Total
	Micro	Small	Medium		Micro	Small	Medium	
2007-08	576	235	20	831	3903	8057	2171	14131
2008-09	468	288	23	779	2483	10462	3319	16264
2009-10	744	340	29	1113	5016	13513	2379	20908
2010-11	838	310	33	1181	4733	9632	2496	16861
2011-12	1015	191	16	1222	4523	5966	1524	12013
2012-13	1053	339	21	1413	4599	8608	1789	14996
2013-14	1245	124	16	1385	5341	2471	1285	9097
2014-15	1294	126	12	1432	5386	2232	409	8027
2015-16	1463	216	16	1695	6064	4638	665	11367
2016-17	1317	321	13	1651	6157	5523	549	12229
2017-18	1245	251	7	1503	5440	4782	477	10699
2018-19	1408	202	13	1623	6399	2958	580	9937
2019-20	1547	173	14	1737	6544	3940	1240	11724

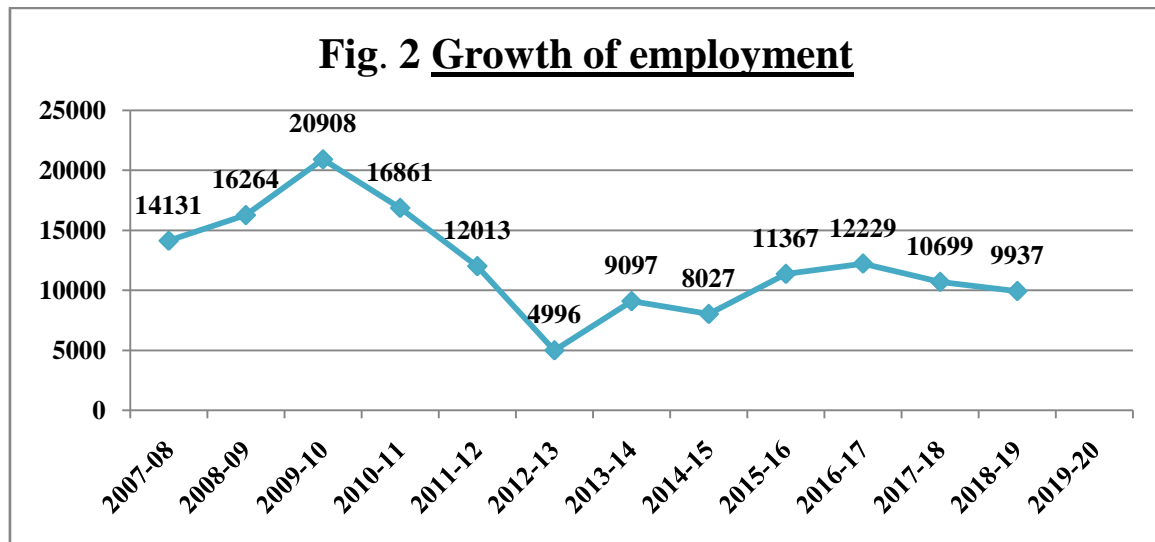
Source: - Directorate of Industries, Dehradun, Uttarakhand

The table above clearly shows that, with the exception of one, all micro- and small-scale industries are growing. The number of microindustries increased from 576 to 1547, while the number of small industries increased from 235 to 339, but small industry growth in the state has been erratic since then. The growth of medium-sized industries has been highly volatile, as they increased from 20 in 2007-08 to 33 in 2011-12. However, it was cut in half the following year, to just 16. Ever since 2013–14, there hasn’t been much growth in the total number of medium-sized industries. If we see the total number of people employed in MSMEs, then the best growth was seen in microindustries, where except for the four years where employment

dipped, all other years have seen a stupendous rise in employment opportunities. In the thirteen-year period, employment increased by almost 68 percent since 2007–08, but this wasn’t the case for small and medium-sized enterprises. Although both types of industries experienced growth in the initial years, they declined steadily later on. The number of people employed in small industries declined from 8,057 to only 3,940, registering a 51 percent dip. In medium-sized industries also, the level of employment dropped from 2,171 to 1,240, registering a dip of 42.88 percent. Overall, we can say that although the total number of MSMEs increased from 831 to 1,737, the level of employment declined from 14,131 to 11,724.



Source: - Directorate of industries, Dehradun, Uttarakhand



Source: - Directorate of Industries, Dehradun, Uttarakhand

Uttarakhand Startup Policy 2018

The govt. of Uttarakhand issued a draught notification for its first startup policy in 2017 but it issued its new and updated policy in 2018. The objective of this policy is to sow the seed of entrepreneurship among students who have recently passed out from technical institutions in the state and make Uttarakhand a startup-friendly state.

Benefits and incentives to regional startups

1. If the startup is owned by a general category person, a monthly allowance of Rs. 10,000 will be paid for a maximum of one year; if the startup is owned by a SC/ST/woman/PWD or belongs to category A regions of the MSME policy 2015, the allowance will be Rs. 15,000.

2. All the fees paid by the startup to get a patent (an intellectual property right) for their product will be reimbursed by the government of Uttarakhand. reimbursements of up to Rs. 1 lakh and Rs. 5 lakh for Indian and international patents, respectively.

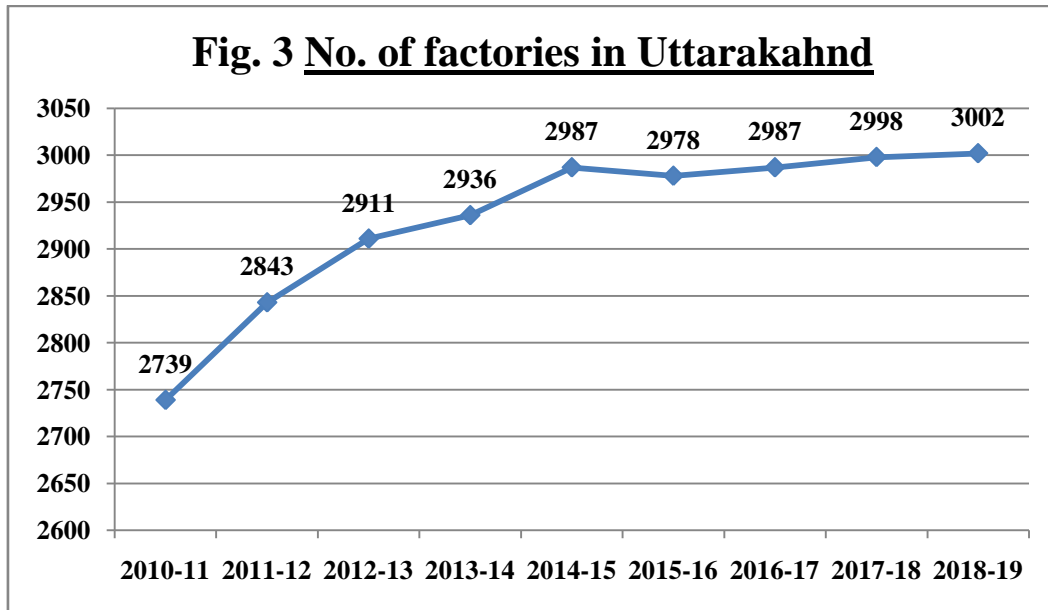
3. A one-time grant for marketing assistance will be provided to recognised startups to help them publicise and market their innovative products. A startup owned by a general category person will receive Rs. 5 lakh, while any SC/ST/woman or PWD person will receive Rs. 7.5 lakh.

4. All the startups have been exempted from paying stamp duty while buying any property, like land, in Uttarakhand.

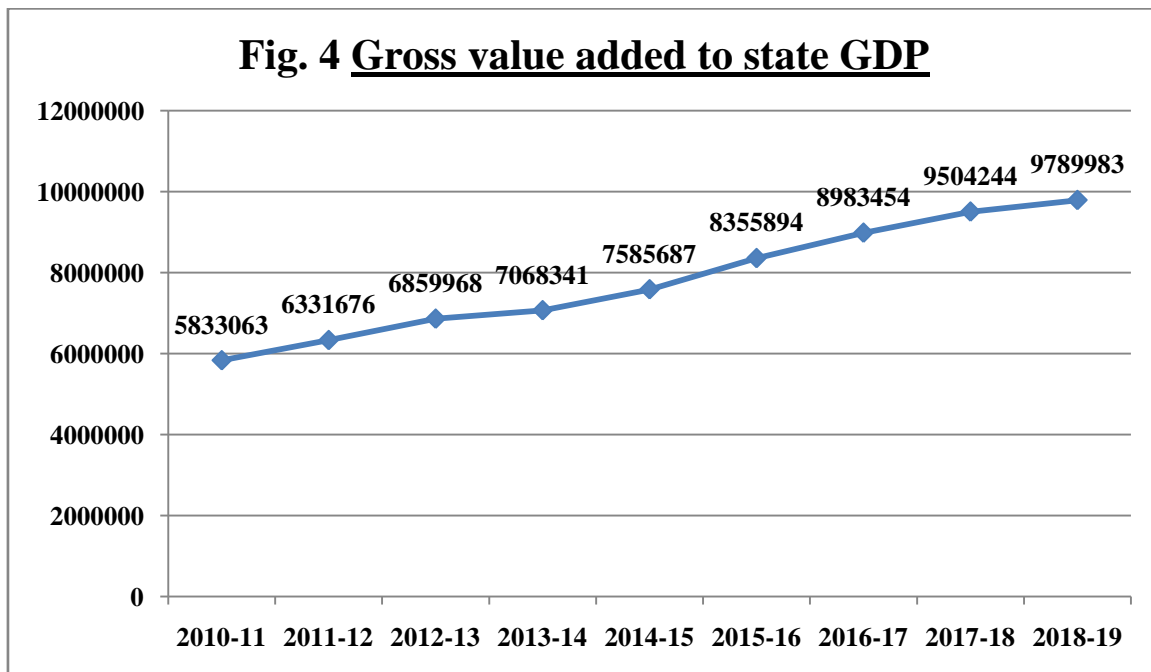
5. All the recognised startups that are paying SGST after the adjustment of ITC and selling material to consumers (B2C) will be fully reimbursed.

6. A one-time capital grant of 50% of the capital, or a maximum of Rs. 1 crore, will be paid to recognised startups as assistance to set up a new incubator or expand an existing incubator.

7. The recognised startups will be paid Rs. 2 lakh per year (for a maximum period of three years) as assistance for managing operating and management expenses.



Source: - RBI handbook on Indian states, table 35, page 35 and 36



Source: - RBI handbook on Indian states, table 100, page 246

The above figure shows that as the number of factories increased from 2,739 in 2010–11 to 3,002 in 2018–19, the gross value added to state GDP also increased from Rs. 58,33,063 to a whopping Rs. 97,89,983. It shows that factories are a boon for Uttarakhand. As the number of factories increases, the level of employment and their contribution to state GDP are also increasing steadily.

IV. Conclusion

In today's fast-changing world, the development of any economy is totally dependent on its industries. The concepts of development and industrialization have now become indispensable. The Uttarakhand government has been making serious efforts in this regard, from upgrading its industrial policy to launching its first-ever startup



policy. The government is trying to project Uttarakhand as one of the best states for startups and industries, if not the best. In this study, I have found that government policies have had a great impact on generating industrialization and employment in the state. The employment rate in MSMEs is rapidly growing, and the gross value added by industries is on the rise as well.

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