



Industrial Policy And Action Plan 1994

**Department of Commerce & Industry
Government of Madhya Pradesh
BHOPAL**

GOVERNMENT OF MADHYA PRADESH

INDUSTRIAL POLICY AND ACTION PLAN, 1994

There is tremendous potential for taking Madhya Pradesh into the ranks of the industrially advanced States of the Country. The Industrial Policy and Action Plan, 1994 aims at accelerating & strengthening industrial development, attracting more capital investment, ensuring balanced regional development and providing additional employment opportunities to help improve the standard of living of the people.

The Industrial Policy and Action Plan, 1994 takes into account the rapid economic changes taking place at the national and international levels. In the context of economic liberalisation, it is becoming increasingly necessary to reduce the regulatory role of administration. The facilitatory role of the administration will need to be strengthened. The document delineates, among others, measures to strengthen the physical and human infrastructure base, as well as, promotional measures, including facilities and concessions. It spells out the use of taxation as an instrument for increasing employment generation and developing synergistic linkages between different sectors.

It will be the endeavour of the Government to increase budgetary allocation for industry, at present around four percent, to seven percent over the next two years, with a view to accelerating the pace of infrastructure development and intensifying promotional activities.

The Policy and Action Plan, 1994 lays special emphasis on responsive administration. It outlines measures to make administration a more result oriented responsive instrument for industrial development.

The principal objectives of the Industrial Policy and Action Plan 1994 are to:-

- i) Place Madhya Pradesh among the ranks of the industrially developed States.
- ii) Ensure balanced regional development by giving additional facilities in "No Industry" Development Blocks.
- iii) Accelerate the pace of industrial development in the State through greater utilisation of the State's human and natural resources.
- iv) Create more direct and indirect employment opportunities.
- v) Encourage entrepreneurship among members of Scheduled Castes, Scheduled Tribes, Other Backward Classes and those below the poverty line.
- vi) Encourage Women entrepreneurship.
- vii) Create special opportunities for the accelerated development of rural industries.
- viii) Create new opportunities for the development of the small scale sector.

- ix) Create opportunities to attract new investments in the large and medium sector.
- x) Facilitate synergistic linkages between small scale units and large & medium enterprises
- xi) Encourage hi-technology based industries.
- xii) Creation of special facilities, 100% Export Oriented Units.
- xiii) Encourage investment by Non-Resident Indians.
- xiv) Encourage the establishment of industries in the "thrust sector", and formation of special schemes.
- xv) Encourage private sector participation in infrastructure development.
- xvi) Encourage Cooperative sector for industrial development
- xvii) Facilitate commercial activity, so that commerce can become a vibrant factor in promoting industrial growth.
- xviii) Ensure simplification of administrative procedures with a view to transparency and speedy disposal.
- xix) Create transparency in administrative procedures for continuing interaction with entrepreneurs.

Madhya Pradesh has tremendous potential for a faster pace of industrial growth given its rich natural resources, rapidly developing infrastructure and a sound human resource base. The dynamism of the State is indicated by the fact that it was the first State in the country to abolish octroi, the first to go into frontier technology like fibre optics and also the first to develop a toll road, opening up infrastructure development to the non-government sector. The Industrial Policy and Action Plan, 1994 aims at all-round development of the State's industrial potential.

1. EMPLOYMENT GENERATION

- 1.1 Industrialisation is an important tool for generating direct and indirect employment.
- 1.2 Along with giving priority to the development of high-technology industries, the document lays special emphasis on employment generation.
- 1.3 Entrepreneurship development programmes, as well as training programmes in polytechnics and Industrial Training Institutes will be strengthened in order to further develop the human resource base.
- 1.4 Special emphasis will be placed on development of entrepreneurship and employment opportunities for members of Scheduled Castes and Tribes, Other Backward classes, those below the poverty line and Women.

2. INFRASTRUCTURE

2.1 Growth Centres will continue to be the hubs of development. The facilities provided in them will be greatly strengthened. Infrastructure facilities like an Air Cargo Complex and Container Depots will be speedily developed. Private participation in developing infrastructure will be encouraged.

2.2 State Government will allot land /sheds to entrepreneurs on 99 years lease on the condition that the land use will remain for industrial purpose. During this period, the State Government will have the right to increase lease rent, as per rules. The entrepreneur will not have the right to sell the land which has been leased to him. Change of land use will not be permitted without the permission of the State Government. The lease is liable to be cancelled on violation of the conditions of the lease deed.

2.3 Procedures relating to transfer of land and sheds, as well as provisions concerning changes in the constitution of industry will be simplified.

2.4 The Commissioner of Industries will be empowered to grant exemptions to industrial units under the Urban Land Ceiling Act.

2.5 Duality of administrative functioning in the Industrial Growth Centres will be removed.

2.6 Services like fire brigade and police station will be available in every Growth Centre.

2.7 Government will encourage the setting up of common effluent treatment plants.

2.8 Industrial Associations will be encouraged to develop social and infrastructure facilities in Growth Centres. Land will be provided at concessional rates for construction of a school, medical centre and recreational facilities in every Growth Centre.

2.9 Entrepreneurs will be allotted land at concessional rate around Growth Centres for construction of airstrips. Private land acquired for the purpose will be made available at actual acquisition cost. The airstrips will be available for public use.

2.10 The matter of having international airports at Bhopal, Indore and Raipur will be pursued with the Government of India. Efforts will also be made to put more industrial centres in State on the air map and increase the present frequency of air services. Private sector participation in construction of airports will be welcome. Efforts will be made to establish an inter-city rail service between Indore and Bhopal. This will be taken up with the Government of India.

2.11 A Container Depot will soon become operational in Pithampur. Container Depots will also be established in other parts of the State.

2.12 In order to ensure a convenient facility for the rapid transport of the State's industrial products, an Air Cargo Complex at Indore will be made operational shortly.

2.13 A Trade Centre will be established at Bhopal. This will be followed by the setting up of Regional Trade Centres. Trade fairs will be organised on a regular basis. These

facilities will help make commerce a more dynamic contributory factor in industrial development.

2.14 State Government will encourage Tooling and Testing centres established by Industries Associations. Training facilities, with Government assistance, will also be made available in such Centres. The complex being developed by the Indo-German Tool Room at Indore will begin functioning within the next few months.

2.15 While the A.K.V. Ns will continue to provide services in Growth Centres, private agencies will also be encouraged to operate such services on a commercial basis.

2.16 Industrial Associations will be encouraged to provide day-to-day maintenance services in Industrial Areas and Estates on a cost sharing basis.

2.17 The development of Industrial Model Townships by the private sector will be welcome. The State Government will provide land by way of its equity participation. Not only will these Townships provide for sheds and developed industrial plots, but also social infrastructure facilities like housing, schools, medical centres and recreational facilities.

2.18 The private sector will be encouraged to set up Growth Centres for the Small Scale and the Tiny sectors. The State Government will provide land by way of its equity participation for such Centres.

The cooperative sector will be given land at concessional rates for this purpose.

2.19 Government of India have accorded approval for establishing a Mini-Growth Centre in the State. Efforts will be made to set up more such Mini Growth Centres in different areas of the State. These Mini-Growth Centres will be earmarked for the Tiny and Small Scale sector and will enjoy facilities and concessions at par with the larger Growth Centres.

2.20 Specialised Industrial Complexes will be developed by the Directorate of Industries/A.K.V. Ns in consultation with Industrial Associations. The complexes will be product specific, covering products like electronics, garments, leather, food processing, etc, keeping in view locational advantages. Such specialised complexes will help in developing market linkages, and an easily accessible labour pool. They will also afford convenient access to raw materials and intermediate goods, permitting near-zero inventory levels. The private sector will be encouraged to set up such complexes and will be given land at concessional prices.

2.21 The State Government will prepare a scheme for developing a complex for chemical based industries.

2.22 A diamond park will be developed in the State for industries based on diamond cutting.

2.23 Given the electronic sector's potential for development an electronic park will be established to provide special facilities to industries in this sector.

2.24 An export park will be developed looking to the importance of expanding and developing export industries. Special facilities will be made available in this park to export oriented units. Efforts will also be made to make available, through the private sector, inter-modal transport linking the export park directly to ports.

2.25 A Technological park will be developed for industries based on genetic technology and bio-technology.

2.26 Some shops, from among those developed by local bodies such as, municipalities, development authorities and panchayats will be reserved for entrepreneurs in the rural industries sector.

2.27 District Collectors will be authorised to make available revenue land at concessional price for setting up khadi and village industries.

3 POWER POLICY FOR INDUSTRY

3.1 All possible steps will be taken to reduce the quantitative and qualitative shortfall in the supply of power, particularly for industries. The private sector will be encouraged to participate in efforts to increase the generation capacity.

3.2 An entrepreneur wishing to set up a captive diesel generating set, or a captive thermal generation unit with a capacity of 25 M.W. (which can also utilise waste heat) shall be accorded permission within fifteen days upon his submitting an application along with complete information to the Madhya Pradesh Electricity Board (MPEB) and the Chief Engineer, Electrical Safety/Chief Electrical Inspector in accordance with the provisions of the Electricity (Supply) Act, 1948 and the Indian Electricity Rules, 1956, subject to the following conditions:-

a) An entrepreneur wanting to set up a captive generating set for catering to all his own requirements will be accorded permission upon his submitting such an application.

b) An entrepreneur wanting to set up a captive generating set for partially catering to his own requirements will be accorded permission, upon his submitting such an application, but in this case power from the MPEB will be made available to him on certain conditions.

3.3 Establishing of a thermal generating set above 25 M.W. capacity requires permission of the Central Electricity Authority, Government of India. Applications and project reports in such cases will be forwarded by the Madhya Pradesh Electricity Board to the Central Electricity Authority within fifteen days of submission of these by entrepreneurs, and efforts will be made to secure the permission of the authority, as early as possible.

3.4 An entrepreneur desirous of setting up tiny or small hydro-power or non-conventional power generating units (such as wind energy, solar photo-voltaic, biogas etc.) for his own use be accorded permission within fifteen days of his application along with complete information to the MPEB and the Madhya Pradesh Urja Vikas Nigam.

3.5 If an entrepreneur establishes diesel/thermal/small and tiny hydro-power generating sets or equipment to generate non-conventional energy and intends to supply surplus power to other entrepreneurs in the vicinity, or sets up any type of power generating plant only with the intention of selling power to other entrepreneurs, he will be accorded permission under the provisions of the Electricity (Supply) Act, 1948 by the MPEB within fifteen days of application. However, such an entrepreneur will also be required to obtain permission from the State Government through the Chief Engineer, Electrical Safety/Chief Electrical Inspector under the provisions of the Indian Electricity Act, 1910. Such applications will be decided expeditiously.

3.6 If an entrepreneur, as spelt out above, establishes diesel/thermal/small-tiny hydro power generating set of more capacity than that required for his own use and wants to supply power to his own unit situated at a distance, or wants to supply surplus power to some other entrepreneur at a distance, or sets up any type of plant only with the intention of selling power to other entrepreneurs and intends to make use of the distribution network of the MPEB, permission will be accorded by the Board on the condition of payment of wheeling charges/payment for transmission losses as under:-

- a) 10% of the total power supplied for a distance upto 40 kms.
- b) 12% of the total power supplied for a distance upto 60 kms.
- c) 17% of the total power supplied for a distance upto 100 kms.
- d) 20% of the total power supplied if the distance is more than 100 kms.

3.7 If an entrepreneur desires to sell surplus power to the MPEB from his captive generating set/plant, or sets up any type of generating plant to sell power to the MPEB, such an entrepreneur will be accorded permission under the provisions of the Electricity (Supply) Act, 1948. The tariff for supply of such power shall be fixed for the following time slots, under the provisions of the Electricity (Supply) Act, 1948 and rules framed from time to time by the Central/State Government, as per mutual agreement between the entrepreneur and the MPEB:-

- a) from 10.00 pm to 6.00 am of the next morning.
- b) from 6.00 am to 10.00 pm.

3.8 The entrepreneur shall erect facilities for interconnection or synchronisation, at his own expense, for supply of power to the distribution system of MPEB.

3.9 Entrepreneurs located in Growth Centres and Industrial Areas will be accorded permission to form consortia to establish power generating sets/plants as spelt out above.

3.10 In all the above situations, the entrepreneur will need to obtain necessary permissions, or no objection certificates from other agencies, like the Central Electricity Authority, Coal Linkage Committee, Civil Aviation Ministry, Madhya Pradesh Pollution Control Board, etc.

3.11 Diesel/thermal/tiny or small hydro-power generating plants or non-conventional power generating sources established by entrepreneurs as per paras 3.2 to 3.7 above, will be placed in the category of new industries and will be given all the facilities, as per rules, being made available to new industries.

3.12 New industries will be given power connection within fifteen days of all formalities being completed by the entrepreneurs, the completion of line expansion etc. work and the submission of the test report.

3.13 In order to strengthen the power supply arrangements in Growth Centres, Divisional Engineers will be posted, if not posted already, in selected Growth Centres so that power supply related problems of entrepreneurs are sorted out at the local level and better services are made available to them.

3.14 Inspection certificates will be issued within seven days of the entrepreneur presenting work completion/test certificates after completing the work as per approved layout for new electrical installations in industries.

3.15 The existing facility as per notification of 6-11-1992, of according exemption from electricity duty, without time limit, on captive generating sets/equipment for one's own use upto 125 KVA, and for the first five years for equipment above 125 KVA, will continue to remain in force.

3.16 As far as possible, 100% Export Oriented Units and continuous process units will be exempt from power cuts.

4. HUMAN RESOURCES

4.1 Industrial mandays lost in Madhya Pradesh are the lowest in the Country.

4.2 The quality of the human resource base will be upgraded continually keeping in view the requirements of industry.

4.3 The Madhya Pradesh Council of Science & Technology, Madhya Pradesh Entrepreneurship Development Institute and the Madhya Pradesh Consultancy Organisation will closely in consultation with Industrial Associations employ a coordinated approach to develop suitable orientation programmes for entrepreneurs. There will be special emphasis on promoting entrepreneurship among members of Scheduled Castes and Tribes, Other Backward Classes, and those below the poverty line. Entrepreneur Development Programmes will also be organised with special focus on women. A Committee of officials and non-officials will be constituted to co-ordinate these efforts.

4.4 Courses in Polytechnics and Industrial Training Institutes will be made more user specific in consultation with the end users.

4.5 Human resource requirements for the next ten years will be mapped out and developed, keeping in view the existing pattern and future potential of industrial development.

4.6 A scheme will be prepared for employment of local people in industries which are being established, so that industrialisation results in more employment, for them. Special incentives will be given to industrial units for training of employees/labour who are bonafide residents of the State. It will be ensured that opportunities for training under the provisions of the Apprenticeship Act are fully utilised, so that training can be imparted to the maximum number.

5. TAX CONCESSIONS AND OTHER FACILITIES

5.1 Continuous improvement in the quality of infrastructure and human resources is an essential element for accelerating the pace of industrialisation. Tax concessions and other facilities also have an important role to play in laying down the priorities for industrialisation.

5.2 The Industrial unit getting facilities and concessions under existing schemes will continue to get these facilities and concessions for the remaining period of eligibility according to the provisions of these schemes. After the abolition of sales tax, eligible units will continue to get the same concessions of commercial tax as per their eligibility for remaining period of the existing schemes. Facilities and concessions at present available to industrial units will remain in force unless expressly modified by the Industrial Policy and Action plan, 1994.

5.3 The scheme of State Capital Investment Subsidy, 1989 will continue to be available for small scale units. Industrial units in the cooperative sector with a minimum investment of Rs. one crore in plant and machinery and a membership of a minimum of one hundred persons, will also be eligible.

5.4 The facilities and concessions announced in the policy shall be available to industrial units which go into commercial production after the date of announcement of the Industrial Policy and Action Plan, 1994. Industrial units which have taken the prescribed effective steps prior to the announcement of this policy will have the option of availing various facilities under the provisions of earlier schemes in force, instead of the facilities available under the new Policy and Action Plan, provided that, such units go into commercial production before 1-4-95. Such large and medium scale industrial units, which have not gone into commercial production but have obtained advance subsidy under the then operational scheme of State Capital Investment Subsidy will be required to refund to the State Government, before 1-4-95, the amount of subsidy thus obtained if they desire to avail the facilities under the Industrial Policy and Action Plan, 1994.

5.5 "Effective Steps" mean fulfilling a minimum of two of the following conditions:-

- a) Possession of land has been taken.
- b) At least 50% of expenditure has been incurred of the estimated expenditure on building, as per the project report.

- c) Firm orders of atleast 50% of plant and machinery have been placed of the estimated plant and machinery as per the project report.

5.6 The following Sales Tax/Commercial Tax concessions will be available to industries:-

Category of the District	Exemption from payment of Sales/Commercial tax		OR	Deferment from payment of Sales/Commercial tax	
	Maximum* amount of benefit	Eligibility period		Maximum* amount of benefit	Eligibility period
Advanced	125%	3 years		175%	4 years
Backward "A"	150%	5 years		200%	7 years
"B"	200%	6 years		250%	8 years
"C"	250%	7 years		300%	9 years

* The maximum amount of benefit will be limited to the percentage of capital investment in fixed assets as shown in the above column.

a) At present units having capital investment in fixed assets Rs. ten lakhs get tax concessions limited to the extent of 90% of the fixed capital investment. In the new scheme the ceiling has been raised to 100% for exemption and 150% for the deferment facility.

b) These concessions will be available on finished products, by-products, waste products, raw materials, incidental goods and packing material.

c) Payment of tax will be deferred for a period of five years. In the sixth year the deferred amount will be due without any interest as per rules. If the deferred amount is not paid within the stipulated time limit, the unit's eligibility for the balance period is liable to be cancelled and interest will be charged on such amount, as per rules.

d) Units set up by Women Entrepreneurs, persons belonging to Scheduled Castes, Scheduled Tribes and Backward Classes, will be entitled to one year's additional concession.

e) After accounting for all special eligibilities, a unit will get a maximum benefit of upto an additional five years, over and above the concession normally available.

f) Given the capping on the quantum of commercial/sales tax concessions it has become necessary to define capital investment in fixed assets. Capital Investment in fixed capital assets is defined as follows:

- i) Investment made in land, building, plant and machinery, electric

installations and pollution control equipment.

- ii) Expenditure on land development, limited to 10% of the investment made in land and building.
- iii) Investment made for laboratory, research and on administrative building.
- iv) Investment made in machinery and equipment for laboratory and research
- v) Capital investment made on the establishment of railway siding.
- vi) Expenditure on godown, storage tank, etc.
- vii) The value of leased machinery and equipment required for production. (In this regard detailed definition will be issued separately).

All items, except item (v) and (vii) will be taken into account for the small scale industries sector.

In calculating the maximum allowable tax concessions for large and medium scale units with an investment upto Rs. one hundred crore, the investment made by them within three years from their going into commercial production will also be taken into account. For industrial units with an investment of more than Rs. one hundred crore, the investment made by them within five years from their going into commercial production will also be taken into account.

5.7 With a view to balance regional development, small scale, medium and large scale units set up in "No Industry Blocks" of all the districts in the State will get the same commercial tax concessions of exemption or deferment, available in "C" category districts. In "No Industry Blocks" of Backward 'C' category districts, an additional one year's concession will be available. "No Industry Blocks" will be those which do not have any large or medium scale units on the date of announcement of the Industrial Policy and Action Plan, 1994. Such small scale industrial units (with an investment of over Rs. five lakhs on plant and machinery) and medium and large scale units which go into commercial production after the date of announcement of the Industrial Policy and Action Plan, 1994 will be eligible for the special facilities being made available in the "No Industry Blocks".

5.8 Industrial units which will be established in areas declared as rehabilitation areas for persons displaced by submergence on account of large dams and projects will get the same concession, as available to units in "C" category districts. Units to be set up in such areas in "C" category district will be allowed an additional two year's concession. Such units will be required to provide employment to a prescribed number of displaced persons.

5.9 Units to be established in Growth Centres developed by M. P. Audyogik Kendra Vikas Nigams with the approval of the State Government, where expenditure on development of infrastructure has been made, from time to time shall be eligible for commercial tax concession, either by way of exemption or deferment for an additional

period of two years. This concession will also be available in Growth Centres which are approved in the future.

5.10 Units which will be set up within five kms from the boundary of a Growth Centre due to non-availability of land within that Growth Centre will be eligible for an additional one year's tax concession over and above the period normally allowed in that area.

5.11 Industrial units commencing commercial production after the announcement of Industrial Policy and Action Plan, 1994 are defined as "New Units".

5.12 A new scheme will be launched with a view to providing more opportunities of employment to bonafide residents of the State for which additional facilities will be provided to industries. It will be incumbent upon the industrial unit for which land has been specifically acquired, to provide employment to one member of the family whose land has been acquired, provided that the family has ownership of that land for atleast twelve years. Rules for this will be framed separately.

5.13 In order to develop human resources, special financial concessions will be given to those units which train and employ bonafide residents of the State. Such units will be specially encouraged to provide employment to handicapped persons.

5.14 The scope of the "Thrust Sector" has been enlarged. The thrust sector will now include automobiles, agricultural implements, agro-based industry, agricultural inputs, mineral resource based industry, fish canning, automobile components, white goods, telecommunication and petro-chemicals down stream projects, readymade garments, sport goods and leather and silk industry. The list of industries covered under this thrust sector will be declared by the State Government from time to time. There shall be no capping on the quantum of tax concessions available to such industries, provided that an investment of at least Rs. one crore is made in plant and machinery.

5.15 New industrial units set up in the cooperative sector with an investment of atleast Rs. one crore in plant and machinery and a membership of atleast one hundred persons shall be eligible for three years additional commercial tax concession of exemption or deferment.

5.16 Additional investment of units undertaking expansion will be eligible for commercial tax concession, for the same period and with the same capping as applicable to new units. This facility will be available to units with an investment of more than Rs. ten lakhs. Small scale units will be required to invest atleast an additional 50% in plant and machinery, of the investment made in the existing plant and machinery. In order to obtain the concession for expansion, large and medium scale units with an investment upto Rs. ten crore will be required to invest atleast an additional Rs. one crore in plant and machinery. Units with an investment of more than Rs. ten crore will need to invest atleast an additional Rs. five crore. The above facilities will be available for production which is over and above 100% of the installed capacity.

5.17 During the period of eligibility, units undertaking modernisation/diversification and producing new items, will also be eligible for tax concession on the new items for the remainder of the eligibility period.

5.18 Incidental goods and capital goods will also be brought within the scope of entry tax concessions.

5.19 100% Export Oriented Units will be specially encouraged. These units will get commercial tax concessions for an additional period of two years and exemption from payment of entry tax for a period of eight years.

Industrial units being set up by Non-Resident Indians (NRIs) with a capital investment of atleast Rs two crore shall get similar concessions which are available to EOUs, provided that the NRI investment is atleast 50% of the equity invested by the promoters.

5.20 The Power Subsidy Scheme, 1989 stands withdrawn and the financial resources thus saved will be spent in developing infrastructure.

5.21 From the date of declaration of Industrial Policy and Action Plan, 1994, the maximum limit under the scheme of interest subsidy applicable to the small scale sector stands raised to Rs. twenty five thousand per year from the existing limit of Rs. ten thousand per year, for general category entrepreneurs. At present, interest subsidy is available at the rate of 4% to entrepreneurs belonging to the Scheduled Castes and Scheduled Tribes category. From the date of announcement of the Industrial Policy and Action Plan, 1994, the rate of interest subsidy for Scheduled Castes and Scheduled Tribes entrepreneurs shall be increased to 6% and as was the case earlier, this will be without any ceiling.

5.22 Large and medium scale units will be encouraged to promote ancillary units. An attractive scheme shall be announced towards this end.

5.23 In order to increase exports products manufactured in the State need to be made more competitive. Assured quality is the key to competitiveness. Obtaining an ISO 9000 is an important step in this direction. In this context the State Government will provide assistance by reimbursing upto 50% of the fee paid to a recognised certification institution.

5.24 The State Government is keenly aware of the need for environmental protection alongwith rapid industrial development. In order to encourage installation of environmental protection equipment, such equipment will be exempt from commercial taxes.

5.25 The existing list of units ineligible for various facilities and concession will be revised.

5.26 Special packages of concession will be prepared to attract mega investments.

5.27 A special incentive scheme will be prepared for all types of new units with an investment of Rs five hundred crore or more. Concessions, on the lines of the special incentive scheme for the establishment of integrated steel plants with capital investment of more than Rs. one thousand crore, excluding state capital investment subsidy, and with modified conditions of land allotment, etc. will be provided as incentives under this scheme.

5.28 A special package of concessions will be prepared for all types of new units set up with an investment of over Rs. ten crore and upto Rs. one hundred crore and another package for new units with an investment of over Rs. one hundred crore but less than Rs. five hundred crore.

5.29 A special scheme will be prepared for the establishment of plants processing agricultural and urban waste.

6. COTTAGE & RURAL INDUSTRIES

6.1 The Cottage and Rural Industries sector is the very bedrock of industrial development. It is this sector which contributes significantly to the industrialisation of far flung rural areas. The development of this sector is necessary for diversifying economic activity in rural areas, reducing pressure on land, and for effectively meeting the challenge of unemployment and underemployment.

6.2 Action Groups will be formed at the block, district and divisional levels. These Action Groups comprising officials and non-officials, will include eminent public persons, as well as, representatives of entrepreneurs and panchayats. These groups will be in touch with each other, pool their information, disseminate it among entrepreneurs and recommend measures for facilitating and strengthening rural industrialisation. The Working Group at the divisional level will also be in touch with the State Government and agencies of the Government of India, as well as voluntary organisations on matters like new technologies, linkages, export possibilities and opportunities for cottage and rural industrial units. The divisional level Action Groups will be in close and continuous touch with Action Groups at the district and block levels and will from time to time review the work being done by them.

6.3 Four thousand individuals will be trained every year for the next three years in the khadi & village industries sector, handlooms, handicrafts and leather crafts. They will be provided with necessary tools and instruments to help them gain employment.

6.4 It will be the government's endeavour to provide one lakh eighty thousand individuals with direct employment in village industries.

6.5 A project based approach will be encouraged with a view to systematise rural industrialisation. Towards this end efforts will be made to implement the district rural industries project of NABARD in a phased manner. Efforts will be made to implement the project in tribal districts.

- 6.6 Efforts will be made to provide a viable linkage of the Cottage & Rural industries sector with sources of raw materials, marketing outlets and financial institutions.
- 6.7 The Madhya Pradesh Laghu Udyog Nigam will explore the marketing possibilities for products of Cottage and Rural industries. The Store Purchase Rules will be amended and selected items will be reserved for the Cottage and Rural industries sector.
- 6.8 It will be ensured that Government purchase of all types of fabrics are made from the Madhya Pradesh Khadi & Gramodyog Board, the Madhya Pradesh Handloom Cooperative Society and the Madhya Pradesh State Textile Corporation.
- 6.9 Entrepreneurs in the Cottage and Rural industries sector will be encouraged to form marketing co-operatives.
- 6.10 Government will formulate special schemes for encouraging production and marketing activities by entrepreneurs belonging to Scheduled Castes, Scheduled Tribes and Other Backward Classes.
- 6.11 Special attention will be paid to develop the silk industry. In order to give a viable concrete shape to the approach of soil to silk, all possible facilities will be provided for every aspect like mulberry plantation, rearing of silk worms and reeling of cocoons. The area under the mulberry development programme will be increased. The employment potential of the silk industry will be tapped to provide more employment opportunities for the people. The silk centres established in the State will be utilised in the form of technical service centres, extension centres and seed production centres. Village panchayats will be actively involved in the development of silk industry. Production of cocoons in the private sector will be given priority. For this subsidies and loans will be given to cultivators. Till such time as proper arrangements are not in place for purchase of cocoons in the private sector, cocoons will be purchased from cultivators at a support price. An inter-departmental committee will be set up to determine the support price. This committee will include not only official members but also representatives of cocoons producers. The private sector will be encouraged to set up reeling units. Women in rural areas will be trained, under the Sericulture Directorate reeling scheme, for hand reeling, reeling through charkhas and cottage basins. An inter-departmental committee will be set up to determine the price of cocoons for reeling units. The results of research carried out by the Central Silk Board will be examined in the research centres at Indore and Bastar. International cooperation will be sought for the all round development of the silk industry.
- 6.12 Tusser seed centres will be strengthened. In order to increase the rearing of tusser worms, extensive plantation of Saja and Arjun plants will be undertaken with the help of the forest department. The Raily variety of natural tusser cocoon will be produced not only in Bastar but also in other districts under sal forests. Rural women will be trained in reeling of tusser on machines. Handloom weavers of the State will be encouraged to use the tusser thread for producing fabrics. An inter-departmental committee will be set up to determine the support price to be paid to tusser cocoon producers. Besides officials, the committee will also include the representatives of tusser cocoon producers. The committee will

determine the support price every year in June. An inter-departmental committee will also be constituted to determine the sale price of tusser cocoon to weavers. Representatives of weavers will be included in this committee.

6.13 The technology of khadi & village industries will be upgraded to increase their viability. The traditional technology of cottage industries will be modernised. The Madhya Pradesh Khadi & Village Industries Board will make available raw material to village industries and also make arrangements for the marketing of their produce. An effort will be made to establish one thousand eight hundred units every year through the Madhya Pradesh Khadi & Village Industries Board.

6.14 Government will pay close attention to the development of the Handloom Sector. Yarn will be made available to weavers at a fair price and the programme for modernising handlooms will be expanded. Weavers will be provided with Share Capital Subsidy through cooperative societies. General Insurance Scheme, Savings Schemes and Health Schemes for weavers will be expanded.

6.15 In accordance with the policy of the Government of India, five thousand handloom weavers engaged in the production of Janata garments will be provided training for skills upgradation by the end of the Eighth Five Year Plan, so that they are able to produce high quality handloom fabrics.

6.16 Those handloom weavers' cooperative societies which have exhausted their credit limits and are unable to provide employment opportunities to their members will be rehabilitated so that, they become viable once again and provide employment opportunities to their members.

6.17 Yarn depots will be set up in areas with a concentration of weavers so that, yarn is available at a fair price to handloom weavers throughout the year.

6.18 Dyeing and printing facilities will be developed in the State for handloom fabrics, so that more employment opportunities are generated for those engaged in these sectors.

6.19 Government, handloom training centres in the State will be developed in the form of development and research centres. The level of training will be upgraded.

6.20 The work of modernising old handlooms will continue. Efforts will be made to technologically upgrade traditional units.

6.21 The Madhya Pradesh Handicrafts Development Corporation will organise intensive training programmes for village artisans. The Corporation will assist artisans in buying modern tools and establishing modern workshops. The Corporation will ensure regular supply of raw material and expansion of marketing facilities for their produce.

6.22 The Madhya Pradesh Handicrafts Development Corporation will be the nodal agency for handicrafts development. Every craftsperson will be given a pass book in which will be entered details of grant, loan, training and tools which have been given.

6.23 With a view to developing the Carpet Industry, private entrepreneurs will be encouraged to set up wool and dyeing plants.

6.24 Craft persons will be encouraged to upgrade their skills, adopt new techniques and develop new designs so that, they can produce utility and art handicrafts in keeping with market demands.

6.25 There is tremendous potential in the State for the development of leather crafts in rural areas. The export potential of leather produce can open new vistas of development for rural areas. A training centre will be established to train rural leather workers in order to help them increase the marketability of their produce. The Madhya Pradesh Leather Development Corporation will strengthen collection centres and marketing arrangements and establish a network of modern tanneries.

6.26 The situation in the powerloom industry in Burhanpur, Jabalpur and other towns will be reviewed and a time bound action plan will be drawn up for the development of this sector.

6.27 Cultivators hitherto required permission of the Forest Department to cut bamboo planted in their fields or courtyards. This restriction has now been removed. Cultivators can now cut bamboo planted in their fields or courtyards without the permission of the Forest Department. In those 23 districts, where there is natural growth of bamboo, the permission for transportation of the produce will now be given by the gram panchayat. In the other 22 districts, the permission will be given by rangers. This will greatly encourage bamboo based crafts.

6.28 To facilitate the rehabilitation of displaced persons from inundated areas, displaced persons, if they so desire, will be trained, provided with assistance and encouraged to set up their own rural industrial units.

7. DEVELOPMENT OF SMALL, MEDIUM AND LARGE INDUSTRIES

7.1 The importance of the small scale sector in the country's export effort, its role in balanced regional development and in providing employment opportunities is well established. It will be the endeavour of the State Government to make this sector more dynamic. The problem of sickness will be dealt with on priority. Tax incentive schemes will help develop synergistic linkages between units in this sector and those in the medium and large sector and contribute towards developing ancillarisation based on close and sustained mutual interest. Such linkages will also contribute to employment generation.

7.2 The existing marketing arrangements provided by the Madhya Pradesh Laghu Udyog Nigam for the small scale sector will be strengthened. The Laghu Udyog Nigam will not purchase from outside the State, items manufactured within the State itself. It will be incumbent upon Government Departments and Corporations to strictly follow the Store Purchase Rules. Relaxation, if any, will be granted only by the Cabinet. The matter of introducing a rate contract system will be examined.

- 7.3 The role of the Laghu Udyog Nigam as a promotional and marketing agency for the small scale sector is being modified.
- 7.4 To facilitate purchases at the local level, powers will be delegated to district level officers of the Laghu Udyog Nigam. The process of decentralization will help streamline the mechanism for purchase and for making payments to small scale units.
- 7.5 The Laghu Udyog Nigam will develop new facilities with the help of the private sector for marketing the produce of small scale units.
- 7.6 Provisions regarding timely payments to small scale units will be strictly enforced. A committee of officials and representatives of associations will meet every quarter in the Directorate to review cases of delayed payments. If necessary, such cases will be brought to the notice of the Chief Secretary.
- 7.7 A system will be evolved for joint appraisal by Financial Institutions and Banks for fixed and working capital requirements of small scale units. With a view to ensuring effective financial arrangements for the small scale sector, the working of the Madhya Pradesh Financial Corporation will be reviewed periodically by a committee in which State-level small industries associations will also be represented.
- 7.8 There is a potential for synergistic linkages between the tiny, small, medium and large sectors. Medium and large industries can act as centres around which tiny and small scale units can develop. In turn, the tiny and small sector can strengthen the functioning of large and medium industries by catering to their needs of raw materials and intermediate goods. Large and medium industries can also benefit from the upgradation of skills in the tiny and small sector. Synergy from such linkages will contribute to industrial development in a measure far greater, than the sum of their individual efforts. The State Government will encourage the developing and strengthening of such linkages..
- 7.9 Government will pay special attention to the problem of industrial sickness. A special scheme will be prepared to deal with this problem.
- 7.10 The readymade garment industry is not only labour intensive, like the electronics industry, but also has the potential of placing Madhya Pradesh on the export map of the world. A time bound programme will be chalked out for the development of this industry.
- 7.11 Special attention will be paid to the technological upgradation of small scale enterprises. Efforts will be made by the State Government to make modern technology accessible to them.
- 7.12 Seminars and workshops will be organised on different subjects to provide technical information to small scale units with the help of various research centres for the small scale industry established by the Government of India, technology institutes and universities.
- 7.13 In the context of economic liberalisation, Government of India has commissioned a special study, on the conditions of small scale industry in Madhya Pradesh. All efforts will be made to draw full advantage from the results and findings of this study.

7.14 A high power committee under the Chairmanship of the Chief Minister will be constituted to accelerate the pace of development of small scale industries.

7.15 The target for establishing one lakh new small scale enterprises has been set for the next five years.

7.16 In order to attract medium and large scale enterprises, the State Government will strengthen the facilitatory mechanism, in addition to providing excellent infrastructure facilities and concessions.

7.17 Subject to quality and price competitiveness, those items not reserved for the tiny and small scale sectors, will be purchased by the departments of the State Government from medium and large scale units located within the State.

7.18 The problem of sick textile mills will receive the Government's close attention. The Cabinet Sub-Committee on sick textile mills will submit its Report shortly. Government will also examine the points made in this Report for their applicability to other sectors.

7.19 The Madhya Pradesh Audyogik Vikas Nigam, will work as the nodal agency for the development of large and medium industries in the State. This Corporation will be responsible for reviewing the performance of the Audyogik Kendra Vikas Nigams and for the development of infrastructure in the Growth Centres and its expansion and up-keep. The Madhya Pradesh Audyogik Vikas Nigam will play the role of a coordinator for encouraging the development of industrial infrastructure in Growth Centres in partnership with the private sector and industries associations. The Madhya Pradesh Audyogik Vikas Nigam will consider proposals for equity participation in large and medium industries within the framework of the assisted and joint sectors.

7.20 A target for establishing four hundred new large and medium enterprises has been set for the next five years.

8. SPECIAL FACILITIES FOR SELECTED IMPORTANT INDUSTRIES.

8.1 Thrust sector industries will be given special facilities.

8.2 The State Government will make special efforts for developing hi-technology and frontier areas in electronics industries.

8.3 The Electronics Testing and Development Centre at Indore will become fully operational in a few months time.

8.4 A Technology Park for units engaged in hi-tech and frontier areas of electronics will be developed.

8.5 Looking to the extremely dynamic and fast changing nature of the electronics industry, a Working Group of officials and specialists in the field of electronics will be constituted. This Group will meet every quarter, share information and recommend measures for the future growth of the electronics sector in the State.

8.6 Looking to the increasing use of electronic items, training facilities will be made

available for their maintenance and repair, so that employment opportunities are created for the unemployed. They will be given training under the Prime Minister's Rozgar Yojna for Educated Unemployed Youth, Nehru Rozgar Yojna and Trysem with a view to maximising employment opportunities.

8.7 The Cooperative Sector will be encouraged with a view to increase the involvement of larger numbers in agro-based industries. Not only will this increase employment opportunities, it will also ensure better economic returns to cultivators. A Cabinet Sub-Committee will be constituted to make a detailed study and give its recommendations on the subject, and suggest, if necessary, changes in rules and regulations. Special schemes will be prepared for industries based on minor forest produce and horticulture.

8.8 Food processing and agro-industries will receive the government's close attention. A scheme will be launched whereby an industrial unit will be permitted to adopt an entire tehsil and secure for itself an uninterrupted raw material linkage. Subject to detailed terms and conditions, the supply of raw materials to such units will be ensured from that one area. The details of this arrangement will be spelt out in a Memorandum of Understanding to be signed between the industrial unit, the district administration and the industries department. Among other matters, the Memorandum will provide for the manner in which the price of raw materials will be determined year to year, as well as the social infrastructure facilities for common use to be developed by the unit.

8.9 The Soya Processing Industry continues to have tremendous potential. Soya processing units will be given facilities provided to industries under the thrust sector. To encourage value addition, units producing proteins and oil from de-oiled cakes will be given special facilities. The inventory holding restriction will be removed. A High Level Committee will be set up to look into the question of multiplicity of licenses required by Soya Processing units and suggest rationalisation. The question of raw material gradation will also be examined by this Committee.

8.10 With a view to accelerate the development of agro-based food processing industry, private sector participation in wasteland cultivation will be encouraged. The question of making necessary provisions for such units under the land ceiling act will be examined.

8.11 Private sector will be encouraged to take up Commercial Forestry. It will also be encouraged to go into dedicated forestry for industrial use.

8.12 Being in the thrust sector, mineral based industries will enjoy special concessions. Private sector participation in mining will be encouraged. A "Diamond Park" will be set up. This will help focus on the future possibilities of the diamond polishing and processing industry in the State. Every effort will be made to fully realise the employment and revenue generating potential of mineral based industries.

8.13 Garment, leather and silk industry have been placed in the thrust sector to fully exploit their export and employment potential. The development of the ready-made

garment complex at Indore will be speeded up. Given the fast changing consumer tastes and the need for these sectors to keep pace with changes, a Working Group, comprising officials and representatives of these sectors will be constituted. The Working Group will meet every three months, formulate strategies for the further development of these sectors and make its recommendations to the Government.

8.14 A plan for down stream projects will be prepared based on the Oil Refinery being set up at Bina in Sagar district by Bharat Petroleum.

8.15 Units which will be set up to convert agricultural waste and urban waste into fertilizer will be encouraged. These units, besides helping reduce health and environmental hazards, are also of direct benefit to cultivators.

9. DEVELOPMENT OF COMMERCE

9.1 Expansion of commercial activity is an important factor in accelerating and strengthening industrial development.

9.2 Government will take measures to provide facilities for the development of commerce. The tax structure will be simplified and the administration of tax laws will be streamlined and made more transparent.

9.3 If necessary, the existing procedures of inspections and licensing will be reviewed and modified.

9.4 Trade fairs will be a regular feature. A Trade Centre will be set up in Bhopal. This will be followed by setting up Regional Trade Centres.

9.5 The matter of establishing international airports at Bhopal, Indore and Raipur will be pursued with the Government of India. Efforts will be made to provide air links for other urban centres in the State.

9.6 Container Depots and an Air Cargo Complex will be established to strengthen infrastructure support for international trade.

10. RESPONSIVE ADMINISTRATION

10.1 The effectiveness and dispatch with which a policy is implemented depends to a very large extent, upon administrative structure and procedures. The State Government will make administration more responsive to the needs of industrialisation.

10.2 Structural changes are being carried out in the administrative apparatus to reorient it from a regulatory to a facilitatory one.

10.3 Far reaching improvements have been made in the system of Commercial Tax (Sales Tax) with a view to encourage and provide relief to industries. Earlier, new industrial units were required to give cash security for obtaining registration. The need for

providing this security has been dispensed with. Sales tax check posts on the boundaries of the State have been abolished from 1st April, 1994. This has facilitated the inflow and outflow of goods across the borders and industrial units are now free from the need of having to present declaration forms at check posts. Similarly, flying squads in the Sales tax department have been disbanded from 1st April, 1994. The powers of Sales tax inspectors and other Sales tax officers to inspect industrial and commercial establishments have been withdrawn. No such inspections can now be carried out without the permission of the State Government. Madhya Pradesh is the first State where "Inspector Raj" has been brought to an end in this important sector. Producers (industrial units) with an annual income upto Rs. ten lakhs. have been allowed the facility of self assessment. The level of minimum sales proceeds which is taxable has been raised for industrial units from Rs 20,000 to Rs. 50,000 a year.

10.4 i) Industrial peace is necessary for industrial development. This is possible only if cordial relations exist between management and labour. Efforts will be made to find acceptable solutions to prevent industrial disputes assuming ugly forms. Where necessary, the industrial relations machinery will be further geared up.

ii) Determined efforts will be made to put a stop to tendencies like pressurisation, unrest and violence in the industrial sector. While efforts will be made to protect the recognised rights of labour unnecessary and illegal strikes will be discouraged and if necessary firmly prevented.

iii) Management will be expected and encouraged to accept the legitimate demands of workers, so that, situations like strikes and agitations do not arise.

iv) Powers of renewing factory licenses under the Factories Act will be decentralised.

v) Efforts will be made to ensure adequate arrangements in industrial areas for the health and safety of workers.

10.5 The Single Window System in the District Industries Centres will be strengthened and geared for speedy disposal. Applications presented by entrepreneurs will be examined at the time of receipt itself, and in the event of their being incomplete, assistance will be provided to complete the applications.

10.6 The information cell of the District Industries Centres will be strengthened and made more effective. Towards this end it will be provided with a computer and efforts will be made to link it with the National Informatics Centres.

10.7 Managers of the District Industries Centres will be designated as nodal officers for small scale units. These nodal officers will function as "Udyog Mitras" (friends of industry). Every "Udyog Mitra" will maintain a unitwise activity chart. The "Udyog Mitra" will be responsible for ensuring that government facilities and concessions become available to small scale units and that their problems are solved in a time bound manner.

10.8 Managing Directors of the Audyogik Kendra Vikas Nigams will be the nodal officers for medium and large scale units being set up in Growth Centres. Zonal Industries Officers will be the nodal officers for such units outside the Growth Centres. The nodal officers will inform entrepreneurs of the formalities to be completed and make available to them the forms which they require to fill up. They will forward these forms to the concerned departments and also follow up with them in a timely manner. Nodal officers will follow up cases not only at the local level but also at the level of the State Government. In case, the State Government's intervention is necessary, the nodal officer will present the case in the Inter-Departmental Assistance Group chaired by the Secretary, Commerce & Industry. If the matter is not resolved in this Committee, it will be immediately placed in the Committee chaired by the Chief Secretary. The entire process will be a time bound one.

10.9 The procedures relating to environmental clearances will be made simpler, quicker and more transparent. Applications will be decided within a time limit. If necessary, applications presented to different agencies will be examined jointly with a view to speedier disposal.

10.10 Arrangements will be made for special assessment of the impact before the establishment, of very large industrial units proposed in tribal dominated districts, in the context of the special problems of tribals, their culture and proposed rehabilitation.

10.11 Action is being taken to redefine the periodicity of renewals of environmental clearances and for the simplification of application forms for environmental clearance.

10.12 An Inter-Departmental Committee has been set up under the Chairmanship of the Chief Secretary for the disposal of environmental clearance cases pending over three months.

10.13 The Pollution Control Board, Environmental Planning & Coordination Organisation, and the Town & Country Planning Department will jointly publish detailed guidelines spelling out the requirements for obtaining environmental clearances. Copies of the guidelines will be made available to industries associations and entrepreneurs.

10.14 Administrative procedures will be reviewed on a continuous basis with a view to streamlining and simplifying them and ensuring transparency. An Inter-Departmental Committee has been constituted for this purpose with the Chief Secretary as its Chairman. The committee also includes representatives of industries associations.

10.15 The district and divisional level handloom officers, under the Directorate of Handlooms, will be strengthened.

10.16 To strengthen the development of Cottage and Village Industries and to give it adequate administrative support at the district level, it has been decided to designate a functionary of the District Industries Centre as Additional General Manager (Village Industries) and to entrust him with the responsibility of developing Cottage & Village Industries at the district level.

The Industrial Policy & Action Plan, 1994 will give new impetus to industrial development in the State in the context of national & international developments. It will encourage regional balanced growth. It will help forge new and strong linkages between cottage & village industries, the small scale sector and large & medium industries and also help in creating fresh employment opportunities. This policy document will contribute towards establishing a work culture marked by continuing interaction with industries associations and entrepreneurs.

The Industrial Policy and Action Plan, 1994 is a long term pronouncement of the Government of Madhya Pradesh on the industrialisation of the State. It will remain in force for five years.—