

CHAPTER 3 : INVESTMENT AND INITIATIVES **(H.P. ECONOMIC SURVEY 2019-20)**

(For better explanation, Chapter wise video lectures of this economic survey have been uploaded in the youtube channel of RANA ACADEMY SHIMLA)

WHAT IS THE NEED OF PRIVATE INVESTMENT :

- Private investment, is the “key driver” that drives demand, creates capacity, increases labour productivity, introduces new technology, allows creative destruction, and generate jobs.
- It creates new jobs, which increases local income, which leads to greater local demand for goods and services, which in turn leads to more private sector investment and thus continues the cycle of growth.

1st RISING HIMACHAL: GLOBAL INVESTOR’S MEET 2019

- It was held at Dharamshala, Himachal Pradesh from **Nov 7-8, 2019**.
- It was organised by the Himachal State govt.
- It was inaugurated by the **Prime Minister of India Shri Narendra Modi**.
- Prime Minister Shri Narendra Modi also released a **Coffee Table Book** that captured the various facets of Himachal such as history, natural beauty and heritage of the State along with highlights and investment opportunities in 8 focus sectors in Himachal Pradesh. Later, he inaugurated the **exhibition pavilion** in which **organisations** showcased innovative and novel ideas and works.
- The partner country for the event was **United Arab Emirates (UAE)**.
- The Himachal Pradesh Global Investors’ Meet has been inspired from the Hon’ble Prime Minister’s vision of organizing Global Investors Summit in Gujarat, (**Vibrant Gujarat**), a model of high growth, progress and prosperity that has become a benchmark for other States.
- The State Government has set an **Investment target of ` 85,000 crore** and distributed meticulously **across 8 focus sectors** based on the probable investment potential in each sector.

Brand Ambassador:

- The Brand Ambassador for Investors’ Meet was Bollywood actress **Yami Gautam**.

Key focus areas:

- In this event Himachal showcased the policy and regulatory environment, investment opportunities across **eight focus sectors** to boost manufacturing and employment generation in the State :
 1. Agri Business, Food Processing & Post Harvest Technology
 2. Manufacturing & Pharmaceuticals
 3. Tourism, Hospitality & Civil Aviation
 4. Hydro & Renewable Energy
 5. Wellness, Healthcare And Ayush
 6. Housing & Urban Development, Transport, Infrastructure, And Logistics
 7. Information Technology, ITES & Electronics
 8. Education & Skill Development

Event aim:

- The aim of the event was to showcase investment opportunities and to boost manufacturing and employment generation.

Following objectives are there :

1. To **attract investment** and boost economic growth and **GDP** of the State.
2. To provide a **platform** to bring together Heads of the State, leaders from corporate world, senior policy makers, development agencies, heads from institutions of

international repute and academia from across the world to further the cause of socio-economic development in the State.

3. To generate employment opportunities and encourage entrepreneurship.
4. To inculcate an ecosystem that supports its stakeholders to excel in a variety of economic activities.
5. To promote '**Make in Himachal**' and thereby encourage '**Make in India**'.
6. To boost the share of the state in the **exports**
7. To strengthen and empower the **MSME sector** of Himachal Pradesh.

HIGHLIGHTS OF INVESTORS' MEET

1. List of Participants - 2,802 business delegates from across the world participated

2. International Delegates

International Delegates Participated: 200 from 36 countries

International Prominent Business Houses: BRS ventures, Ayana Holdings, Lulu International, Horizon Group, Giant Group

Major International Delegations: UAE delegation, ASSOCHAM Netherlands, PIOCCI, UAE – India Business Council, Vietnam delegation, Russia delegation, Business Leaders Forum

Major International Delegations and Business Leaders from: UAE, Vietnam, Netherlands, Russia, Malaysia, USA, Canada, UK and Germany

3. Number of Ambassadors participated

Ambassadors: 9 and 1 Representative from Togo Embassy

4. Big Industrialists : 32

5. Number of Companies participated in Exhibition : 47

7. MoUs : During the journey of Rising Himachal Global Investors' Meet, the State Government has signed **703 MoUs** of worth **96,721 crore** with potential employment of **1,96,000 persons**.

Total 8 sectoral sessions that were organized. In these sessions prominent amongst the panel speakers were **Union Ministers Shri. Piyush Goyal, Shri Anurag Thakur, Secretaries from Government of India - Mr. Ajay Sawhney and Dr. Guruprasad Mohapatra, Prof Ramesh Chand and Dr Rajiv Kumar from NitiAyog** and prominent domain experts from industry. In the **Valedictory (last) Session, Shri Piyush Goyal, Union Minister for Railways, Industry and Commerce Government of India** chaired the session.

Steps Taken for Global Investors Meet 2019

1. The State developed official website "<https://risinghimachal.in/>", Mobile based app "**Rising Himachal**" and also inspired by the **PRAGATI Model** of Prime Minister Shri Narendra Modi.
 - The State also developed "**HIMPRAGATI**" portal for facilitating Investors through online monitoring of MoUs
2. All knowledge collateral such as Sector Profiles, Investible projects, state presentations and state video have been created and uploaded on the site.

Investors Outreach

- The State Government initiated multiple investor outreach programs in the form of roadshows and mini conclaves under the leadership of Chief Minister.
- **3 international road shows** in Germany, Netherlands and UAE, **6 domestic road shows** in Bangalore, Hyderabad, Mumbai, Delhi, Chandigarh and Ahmedabad and **2 mini conclaves in Shimla & Manali** were conducted, reaching out to industry captains, market leaders and investors from various sectors. The Government also held **Ambassadors Meet at New Delhi** wherein Ambassadors/ High Commissioners of more than 60 countries participated.

Policy and Reforms :

New Policies Notified in 2019 : The government has notified a number of policies to attract more investors to the State :

1. HP INDUSTRIAL INVESTMENT POLICY 2019

- The main objective of the policy is to achieve uniform growth of industry over the entire State
- It aims **to create a congenial investment climate** for existing industries to grow as well as to attract further investment in the State **for creating employment opportunities** for local youth and to ensure development of Industrial & Service Sector throughout the State.
- It ensures the **simplification of procedures**, key physical and social infrastructure, human resource development, access to credit and market.
- It promotes the **Ease of Doing Business by digitization of all processes** and to promote self-certification.
- It aims **to promote start-ups** and entrepreneurship to create and generate local entrepreneurial base.

2. THE HP TOURISM POLICY 2019

- The policy has been developed with a vision to, *"positioning Himachal Pradesh as a leading **global sustainable tourism destination** for inclusive economic growth"*.
- It aims **to create an enabling environment** for investments for sustainable tourism.
- It **encourages Private Sector Participation** in tourism related investments & infrastructure.
- All objectives related to tourism are to be achieved **by 2029**.

3. IT, ITeS and ESDM Policy 2019

- The policy **enables a competitive environment for setting IT, ITeS** (Information Technology Enabled Services) and **ESDM** (Electronics System Design and Manufacturing) organizations to generate more employment through entrepreneurship in the State.
- **The main objective of the policy is to:**
 - i) Transform the State of Himachal Pradesh as a front runner destination for IT, ITeS and ESDM companies.
 - ii) Set up all the infrastructure facilities required to build the IT, ITeS and ESDM companies in the State
 - iii) Encourage and support Micro, Small and Medium Entrepreneurs in the state to participate in the field of IT, ITeS and ESDM sector.

4. AYUSH POLICY 2019

- The mission of the Ayush Policy 2019 is **"to establish a strong and well-designed network of AYUSH services in the state** providing easily accessible, affordable and equitable healthcare delivery system to the general population, and to set up a benchmark of the best AYUSH practices in the nation by promoting highest standards of AYUSH intervention and endeavouring to ensure significant contribution of the sector to the State's Economy **by 2025"**.

5. HIMACHAL PRADESH FILM POLICY-2019

- It will **develop Himachal Pradesh as an important destination for film production** and **promote the culture, history, heritage** and glorious traditions and captivating tourist places of the State through films to attract tourists. It will also provide opportunity of growth to the talents of the State in all departments of film making.

Key Reforms Undertaken (Ease of Doing Business)

1. HP MSME (Facilitation of Establishment and Operation) Act-2020:-

More than **98 percent of industries in the Pradesh belong to the MSME Sector**. To promote investment, employment and ease of doing business in this critical sector, **HP MSME (Facilitation of Establishment and Operation) Act-2020** has been notified that allows implementation of project for MSME's without waiting for approvals / NOCs / permissions for three years.

2. Single Window System provides approvals and renewals for investment in all the sectors (The process for issuance of essentiality certificate has been simplified and invertible projects **above INR 5 crore will get the single window clearance** and thereafter in principle approval for purchase of land will be accorded by the revenue department directly).

- **In Himachal, single-window clearance, land allotment transparency is helping the business to come in the state**

3. Online Portal for permissions to purchase land under Section 118. State government has also simplified the procedures under section 118.

WHAT IS 'SECTION 118 OF THE H.P. TENANCY & LAND REFORMS ACT, 1972' ?

- This act imposes restriction on transfer of land in favour of a person **who is not an agriculturist of the State**.
- The basic intention behind its enactment of protecting the interests of local inhabitants (mainly farmers) while ensuring that the development of the State is not hampered.
- In Himachal, **outsiders are not allowed to purchase land**. They have to seek special permissions from state authorities to do so. In most of the cases, cabinet used to give such approvals. **Even the person who is a resident of Himachal and has no agricultural land has to take such permissions despite having bonafide certificates.**

Drawback

Section 118 also at times caused hurdles in expediting the pace of development due to **cumbersome procedure and delay in approvals.**

Recent Development

- Himachal Pradesh Chief Minister Jai Ram Thakur on 22nd Sep 2019 rolled out an online portal for granting permissions under Section 118 of the HP Tenancy and Land Reforms Act, 1972.
- This portal would ensure transparency in the process of granting approvals.
- The portal, started on a pilot basis for Mandi district, will cover the entire state.
- All clearances of Section 118 have now been made online so that the people do not have to wait longer.

QUES : HOW HEALTHY COMPETITION AMONG STATES WOULD ENHANCE THE COMPETITIVENESS OF OUR INDUSTRIES ON THE GLOBAL PLATFORM ?

- Now the states are competing among themselves to create a better investment atmosphere in the country instead of the previous trend of providing incentives to industrialists.
- "Positive competition can be seen among the states. The governments are taking initiatives and are removing unimportant mechanisms. The rise in this competition will help our industry grow better at the global level.
- Unnecessary interference of government is an obstacle in the growth of any state.
- India is now among the top 10 performers in 'Ease of Doing Business' and improved its rank by 79 points from 142nd in 2014 and **63rd in 2019.**

WHAT ARE MICRO, SMALL & MEDIUM ENTERPRISES. HOW PROPOSED / NEW CLASSIFICATION IS DIFFERENT FROM THE CURRENT ONE. WHAT IS THE SIGNIFICANCE AND POSSIBLE DRAWBACKS OF NEW CLASSIFICATION ?

Until the 2006 law was enacted, there was only one category of manufacturing that was classified as small scale enterprise eligible for several benefits, including on payment of excise.

Definitions of Micro, Small & Medium Enterprises In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) **Act, 2006** the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

1. **Manufacturing Enterprises**-he enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise are **defined in terms of investment in Plant & Machinery.**

2. **Service Enterprises**:-The enterprises engaged in providing or rendering of services and are **defined in terms of investment in equipment.**

CURRENT CLASSIFICATION : At present, MSMEs are classified on the basis of investment in plant and machinery for manufacturing units, and investment in equipment for services enterprises.

Enterprises	MANUFACTURING (GOODS) Investment in plant & machinery	SERVICES Investment in equipments
Micro Enterprises	upto 25 lakh rupees	Upto 10 lakh rupees:
Small Enterprises	From 25 lakh rupees to 5 crore rupees	Over 10 lakh rupees to 2 crore rupees
Medium Enterprises	over 5 crore rupees to 10 crore rupees	over 2 crore rupees to 5 crore rupees

PROPOSED / NEW CLASSIFICATION : On the basis of turnover

Enterprises	TURNOVER (SAME LIMIT IS APPLICABLE FOR BOTH GOODS AND SERVICES
Micro Enterprises	Upto 5 Cr Rs
Small Enterprises	Over 5 Cr Rs to 75 Cr Rs
Medium Enterprises	Over 75 Cr Rs to 250 Cr Rs

Why change the MSME classification?

- Currently, classifying an MSME involves the physical verification of company's assets (Machinery, equipments etc) , that costs the government time, money and manpower.
- Businesses try to limit their investments and retain their MSME tag to avail various benefits under the MSME category.
- The government can now just look up business details on the Goods and Services Network (GSTN) database to validate the category it falls under and it's financial data to determine the size of the business.
- Changing the way MSMEs are classified will also encourage transparency and an objective way of looking at business metrics.

POSSIBLE DRAWBACKS OF NEW CLASSIFICATION

Some organization and groups which are opposing the proposed / new classification says that, - "With the proposed definition on turnover basis and not on investments in plant and machinery, there will no difference between a manufacturer and traders. The benefits for the MSME sector will go to both manufacturing and traders. In such a scenario, manufacturers would not want to take the pain to do business. People who want to set up their units will be discouraged.

The proposed move would encourage traders to import more and the consequent fall in manufacturing would adversely impact the country's GDP growth.

"Employment will take a hit. With the increase in imports, the adverse balance of trade will worsen and local industries will be discouraged.

IMPORTANCE OF MSME SECTOR

The Micro, Small and Medium Enterprises (MSMEs) sector has emerged as a highly vibrant and dynamic sector in the Indian economy over the last five decades. MSME sector had saved India's economy from great recession in 2008 and still contributing like the backbone of the economy.

Contribution of the Micro, Small and Medium Enterprises in the Indian economy is as follows

- 1.** At present, approximately **36.1 million units of Micro, Small and Medium Enterprises** are engaged in production in India.
- 2.** MSMEs provide **employment to around 120 million people** in India.
- 3.** MSMEs are responsible for 45% share of India's total export.
- 4.** MSMEs contribute around 6.11% of the manufacturing GDP and 24.63% of the GDP from service activities.
- 5.** The MSME sector has consistently **growing at the average rate of 10% annually.**
- 6.** The contribution of this sector to the **country's Gross Domestic Product is about 8%.**
- 7.** A study done by the Confederation of Indian Industries (CII) on the Indian MSMEs reveals that the MSME's contribution **will be around 50% in the India's GDP by 2024.**
- 8.** Many units of MSMEs are located in rural areas, which are **checking the migration** from rural areas to urban areas.