

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:3886
ANSWERED ON:13.12.2002
INEQUALITY BETWEEN BACKWARD AND DEVELOPED AREAS
MADAN PRASAD JAISWAL; RATNA SINGH

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether the Government are aware that inequality between the backward areas and the developing areas has increased manifold;
- (b) whether the backward areas of several states still remain backward due to lack of infrastructure facilities despite the incentives being provided by the Government to set up industries in the backward areas;
- (c) if so, whether any new incentive package is under consideration of the Government in order to formulate effective and practical strategies for the backward areas to bridge the gap in industrialisation and inter state development of the backward areas; and
- (d) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (DR. RAMAN SINGH)

(a) & (b): After the announcement of the new industrial policy, investment decisions are even more than earlier, based on the commercial perception of the entrepreneurs. Promotion of industrial development in backward areas is primarily dependent on the initiative of the State Government. The Union Government supports the State's efforts through various Schemes/incentives the details of which are given below:-

(1) Ministry of Finance, Department of Revenue had Notified 123 industrially backward districts in the country for grant of concession under the Income Tax Act, 1961.

(2) Under Section 80-IB of the Income Tax Act, industrial undertakings are entitled to a 100% tax holiday for a period of five years in Category A industrially backward districts and three years tax holiday in Category B districts. Such Industrial Undertakings in both categories of districts are entitled to a further deduction of 25% (30% in the case of companies) from their profits and gains for a period of another five years.

(3) Growth Centre Scheme:

Under this scheme 71 growth centres are proposed to be developed throughout the country which would be provided with basic infrastructure facilities like power, water, telecommunication, sewage, effluent disposal etc. enabling them to attract industries. The growth centres approved by the Government of India are to be developed by the State Governments with Central assistance of Rs. 10 crores per centre (Rs. 15 crores in the case of North Eastern region).

(4) Transport Subsidy Scheme:

This Scheme was introduced in July, 1971 to promote industries in hilly, remote and inaccessible areas. The scheme is applicable to the States of Himachal Pradesh, Jammu & Kashmir, the North Eastern States, Sikkim, Union Territories of Andaman & Nicobar Islands and Lakshadweep, Darjeeling district of West Bengal and eight hill districts of Uttaranchal comprising Almora, Chamoli, Dehradun, Nainital, Pauri Garhwal, Pithoragarh, Tehri- Garhwal and Uttarakashi. Under the scheme, subsidy ranging from 50% - 90% is admissible on transport costs incurred on movement of raw materials and finished goods from designated rail heads/ ports up to the location of the industrial units and vice-versa for a period of five years from the date of commencement of commercial production. The scheme has been extended up to 31.3.2007.

The following three schemes have also been introduced in the Ninth Plan for accelerating industrialization in the North-Eastern region. The package has also been extended to Jammu & Kashmir :-

(1) Capital Investment Subsidy Scheme:

Under this scheme a subsidy @ 15% of the investment in plant and machinery subject to maximum of Rs. 30 lakh would be admissible to industries located in the growth centres and to new industrial units and/or their substantial expansion in other identified areas in the North East region. The Scheme was notified on 1.6.1998.

(2) Central Interest Subsidy Scheme:

As per details of the scheme notified on 19.2.99 Interest subsidy @ 3 % on the working capital loan would be made available to new industrial units in the North Eastern region for a period of ten years after the unit goes into production.

(3) Comprehensive Insurance Scheme:

This scheme notified on 14.7.99 envisages insurance benefits of 100% premium to all industrial units set up in the North Eastern regions after 24th December, 1997. The insured party shall pay initial premium which shall be reimbursed by the nodal insurance company out of a revolving fund maintained by the company. Funds for this revolving fund shall be contributed by the Department of Industrial Policy & Promotion. The Scheme will remain effective for a period of 10 years i.e. up to 13.7.2009.

The office of the Development Commissioner (Small Scale Industries), Ministry of Small Scale Industries is also implementing the following two schemes for development of backward areas:

(1) Integrated Infrastructure Development Scheme (IID):

The scheme introduced in 1994, envisages to develop infrastructure facilities for small industries to facilitate location of industries in rural/backward areas. Under the scheme 53 IID centres have been sanctioned in various States.

(2) National Programme of Rural Industrialization (NPRI):

With effect from 1999-2000, a National Programme of Rural industrialization has been launched to set up 100 rural clusters every year under the supervision of Small Industries Development Organisation (SIDO).

(c) & (d) The package for North East is being extended to the States of Himachal Pradesh and Uttaranchal.